

The background of the slide is a blurred image of a financial newspaper page. It features various stock market data, including a list of companies like 'ImgnTech', 'Fenner', and 'Barrick', along with their share prices and daily changes. There are also line graphs showing stock price trends over time. A semi-transparent red rectangle is overlaid on the center of the page, containing the title and authors.

# Consumer Staples Macro Strategy

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# Strategy Thesis

Companies in the consumer staples industry with:

- **High US revenue exposure**
- **Below average valuation**
- **Sufficient interest expense coverage**

will outperform the SPX in periods of heightened economic instability.



# Strategy Thesis

**Historical Performance:** 531.73% return in past 10 years, 59.21% return in past 1 year, high performance during times of economic downturn (2008,2022)

**Recommendation:** \$100,000 in the Milner Fund

**What To Sell:** \$100,000 in cash

**Effect on Portfolio:** increased expected return and standard deviation, lower beta



# Consumer Staples Sector

Consumer staples are **an industry sector encompassing products most people need to live**, regardless of the state of the economy or their financial situation.

Ex. Beverages, food products, household products



# Macro Strategy Rationale

<b>What macro trend(s) are we recognizing?</b>	Heightened US economic instability: fears of inflation, impact of tariffs, increased volatility, SPX pullback
<b>What indicators reflect these trends?</b>	Recent CPI data, consumer sentiment, risky-asset under-performance
<b>What sectors/companies will be affected by these trends?</b>	Speculative / risky sectors, companies with high international exposure
<b>What geopolitical factors are relevant?</b>	Tariffs on Mexico, Canada, and China, immigration policy in US
<b>What level of international exposure are we accepting?</b>	Less than 20% of revenue from international markets



# Relevant Research

- **Inflation**

- CPI rose 0.5% in Jan 2025, core CPI has risen 3.8% annualized over the past three months, expecting both headline and core CPI to rise 2.8 and 2.9% on a Q4/Q4 basis in 2025

- **Volatility**

- High economic uncertainty caused by tariffs, inflation speculations, increased volatility

- **Tariffs**

- Current trade policy presents higher-than-usual risks to forecasts, could lead to a stronger dollar and reduce of net impact of overseas revenues

- **Increasing Population**

- Current U.S. Population is 340.1 million, expected to grow to 355.1 by 2030

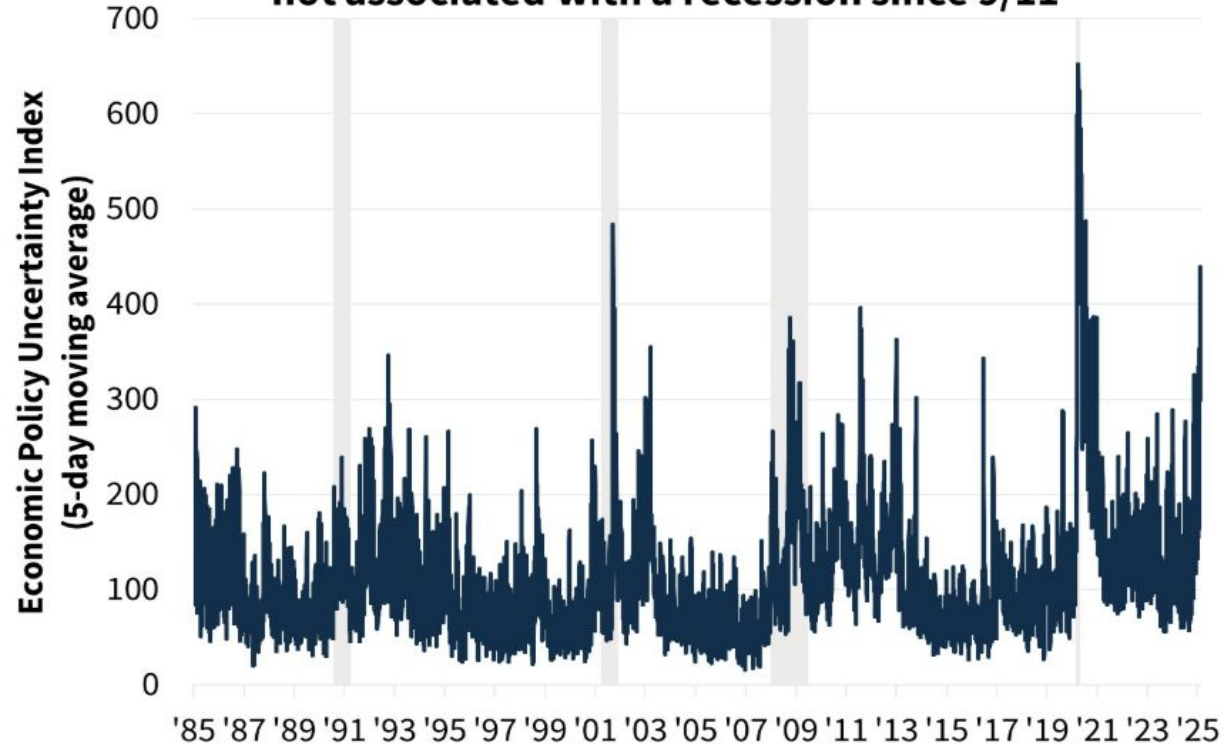
- **SPX Pullback**

- Fears of a negative S&P500 pullback, normal part of market cycle, deeper SPX pullback estimated

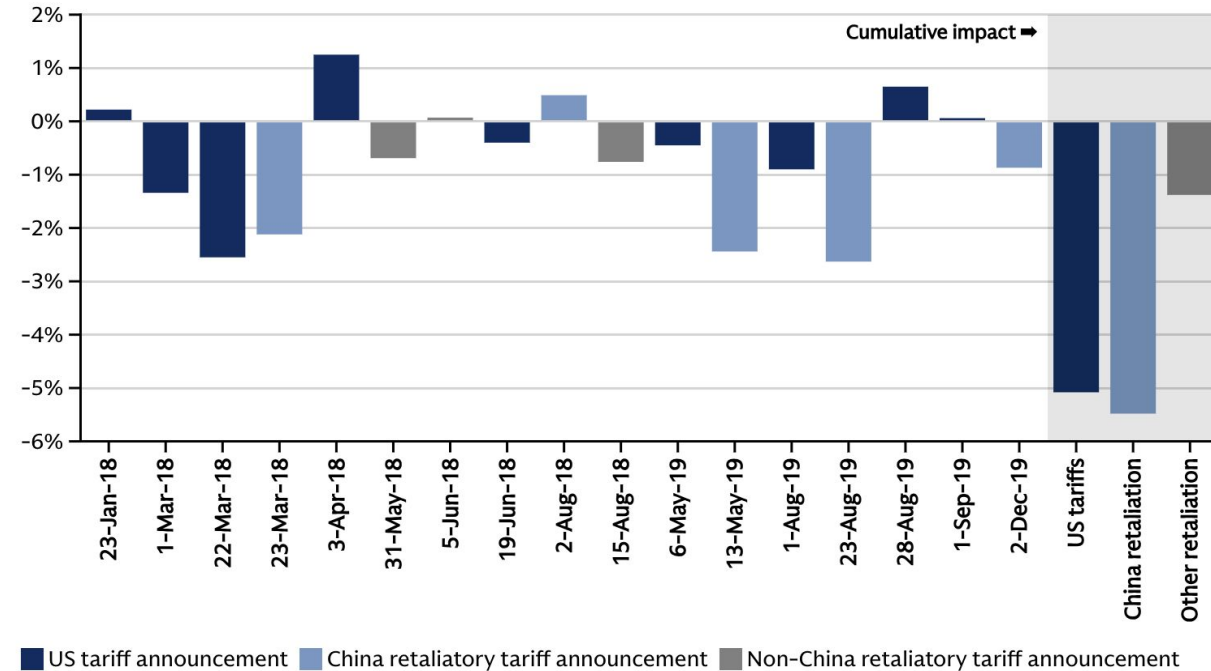


# Relevant Graphs

**Economic Policy Uncertainty is at the highest level not associated with a recession since 9/11**



**Historical S&P 500 reaction following tariff announcements**



Source: Haver Analytics, Goldman Sachs Research

A few tariff announcements that appear to have had little impact on US stock prices on or around the day they were announced (or occurred on days when a different event dominated) have been excluded.

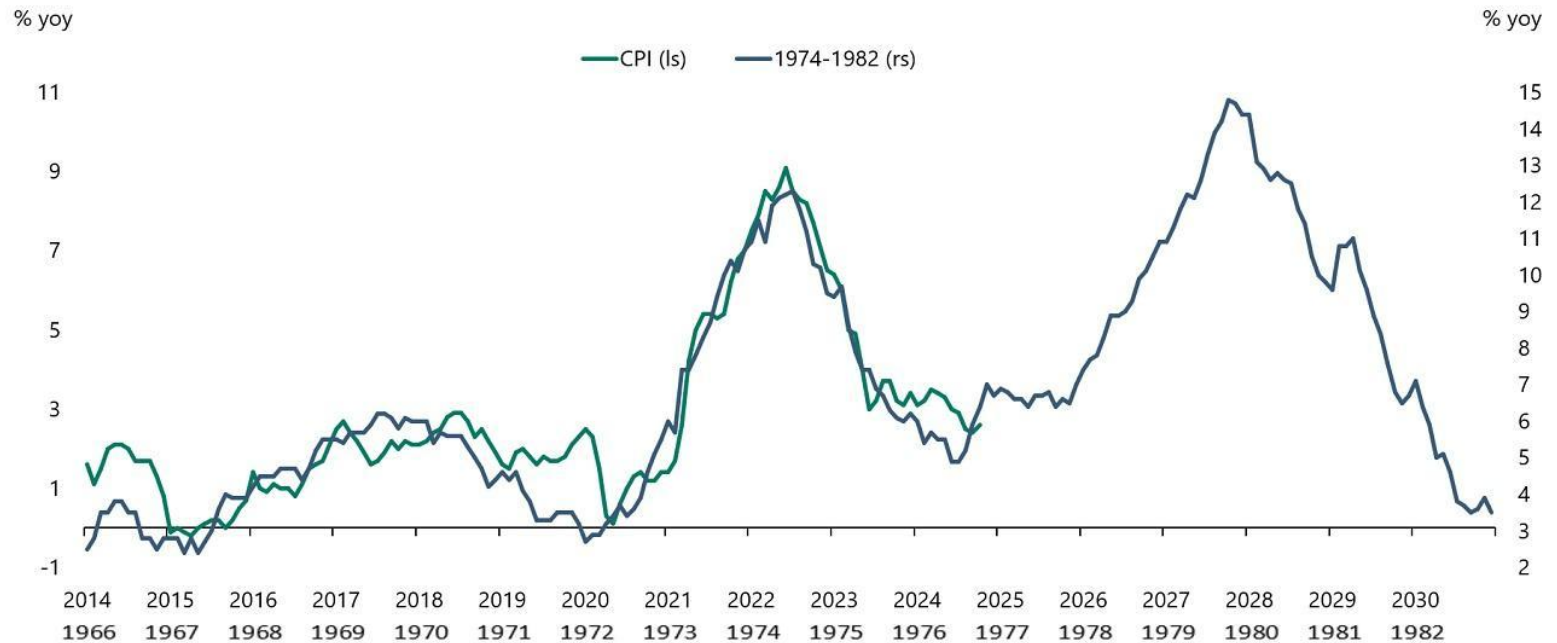
**Goldman Sachs**



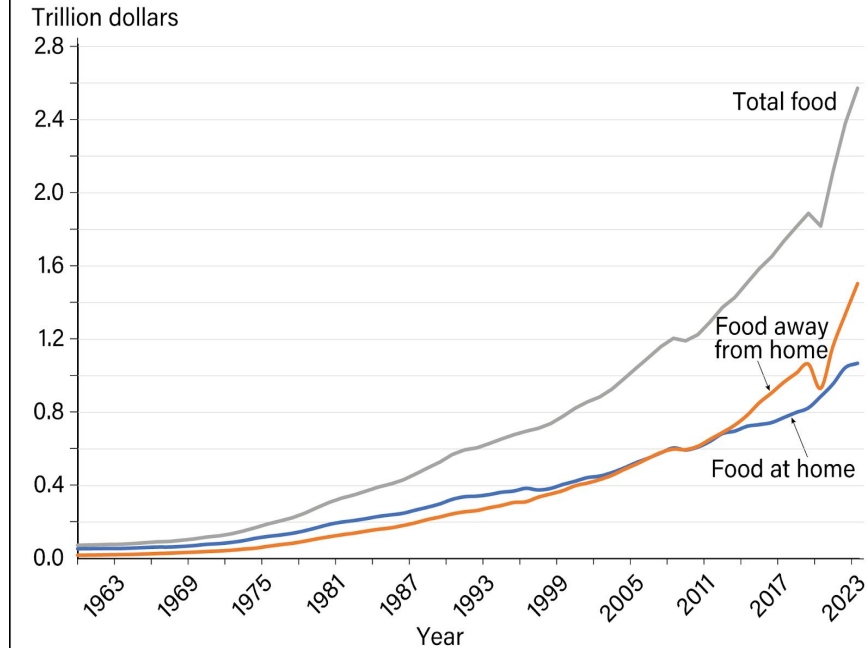


# Relevant Graphs

Is inflation coming back?



U.S. food expenditures, 1960-2023

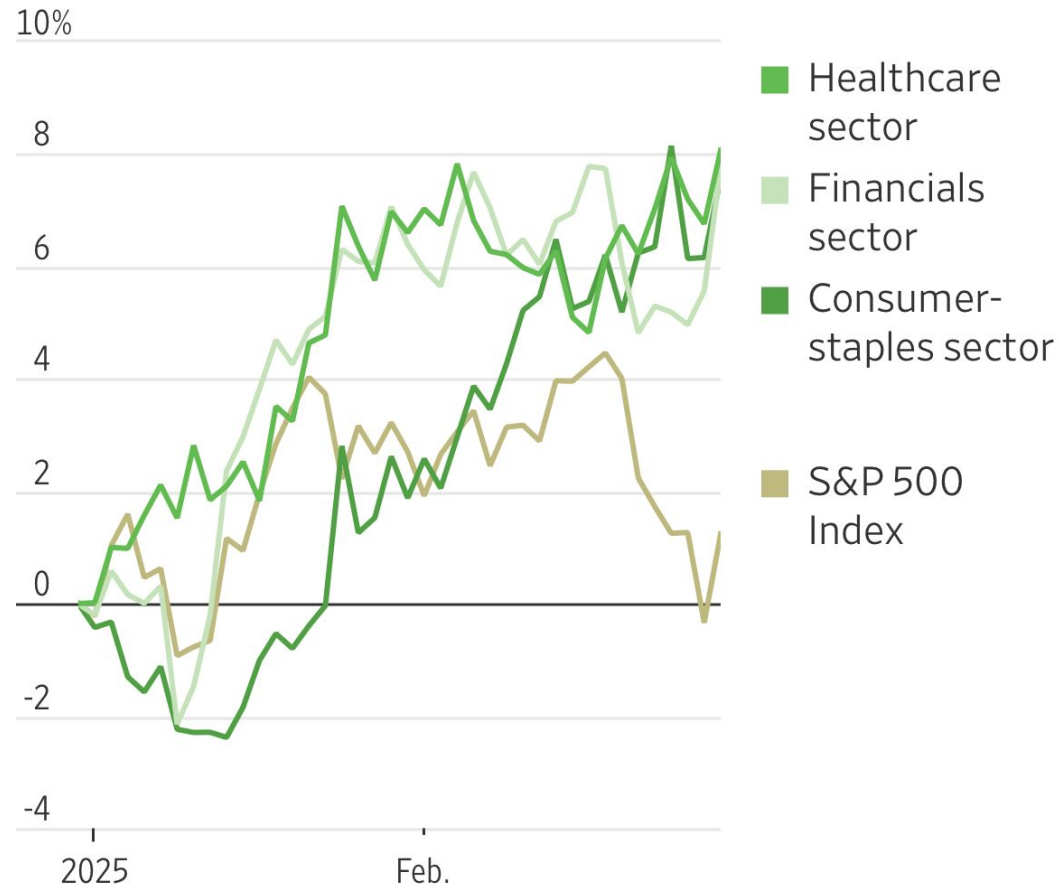


Note: Values are in nominal dollars, not adjusted for inflation.  
Source: USDA, Economic Research Service, Food Expenditure Series.



# Index and Sector Performance 2025

Index and sector performance, this year



As of Feb. 28, 5:05 p.m. ET

Source: FactSet



# Backtesting Criteria

# OF STOCKS	8
MIN SHARE PRICE	\$5 / SHARE
EXCHANGE LISTING	UNITED STATES
WEIGHTING SCHEME	EQUAL
REBALANCING FREQUENCY	ANNUAL
TIME FRAME	MULTIPLE
CURRENCY	USD



# Screening Criteria

<b>EXCHANGES</b>	United States
<b>SECTORS</b>	CONSUMER STAPLES
<b>US REVENUE EXPOSURE</b>	$\geq 80\%$
<b>PRICE TO EARNINGS RATIO</b>	$\leq 20x$
<b>EBIT to INTEREST EXPENSE</b>	TOP 50 <sup>th</sup> PERCENTILE



# Screening Criteria

Selected Screening Criteria		Matches
Security Universe		1659300
51)	:: Trading Status: Active	552744
52)	:: Security Attributes: Show Primary Security of company only	81794
53)	:: Exchanges: United States	14194
54)	:: Sectors (BICS): Consumer Staples	543
55)	:: Latest Quarterly Geographic Segment Revenue Percent from United St...	164
56)	:: Price 1 Day ago > 5	63
57)	:: Current Price Earnings Ratio (P/E) <= 20	25
58)	:: Top 50 Sequential Percentile Rank - Higher is Better(Latest Quarterly ...	8



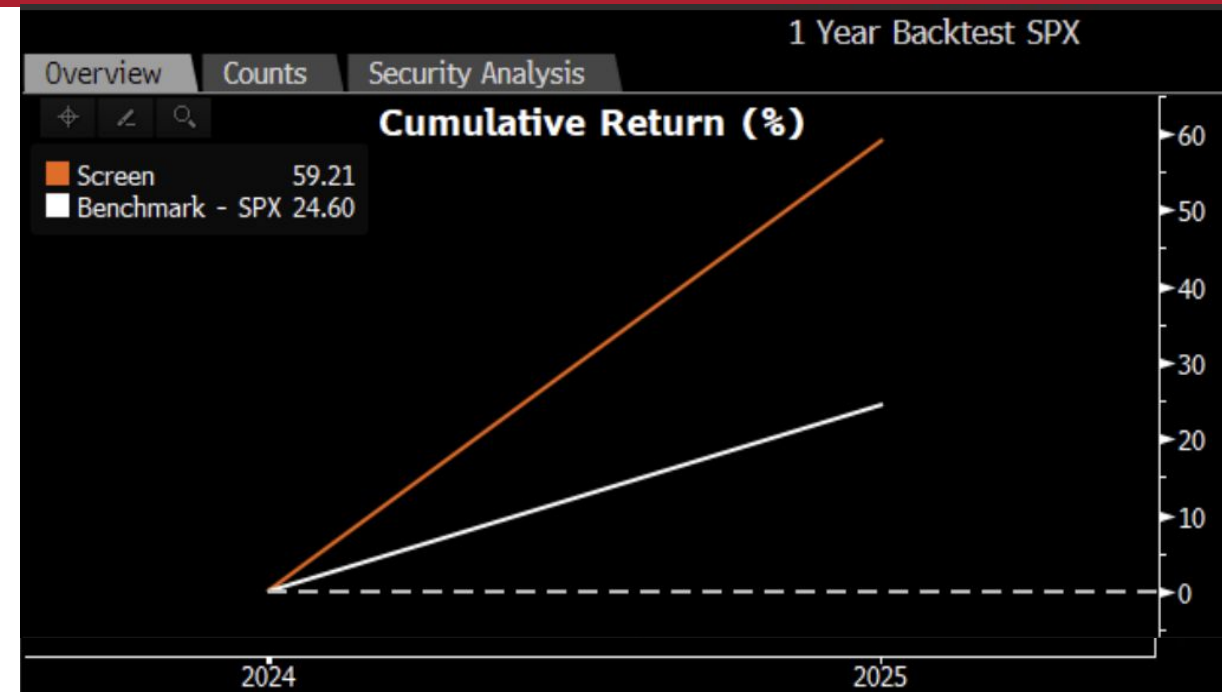
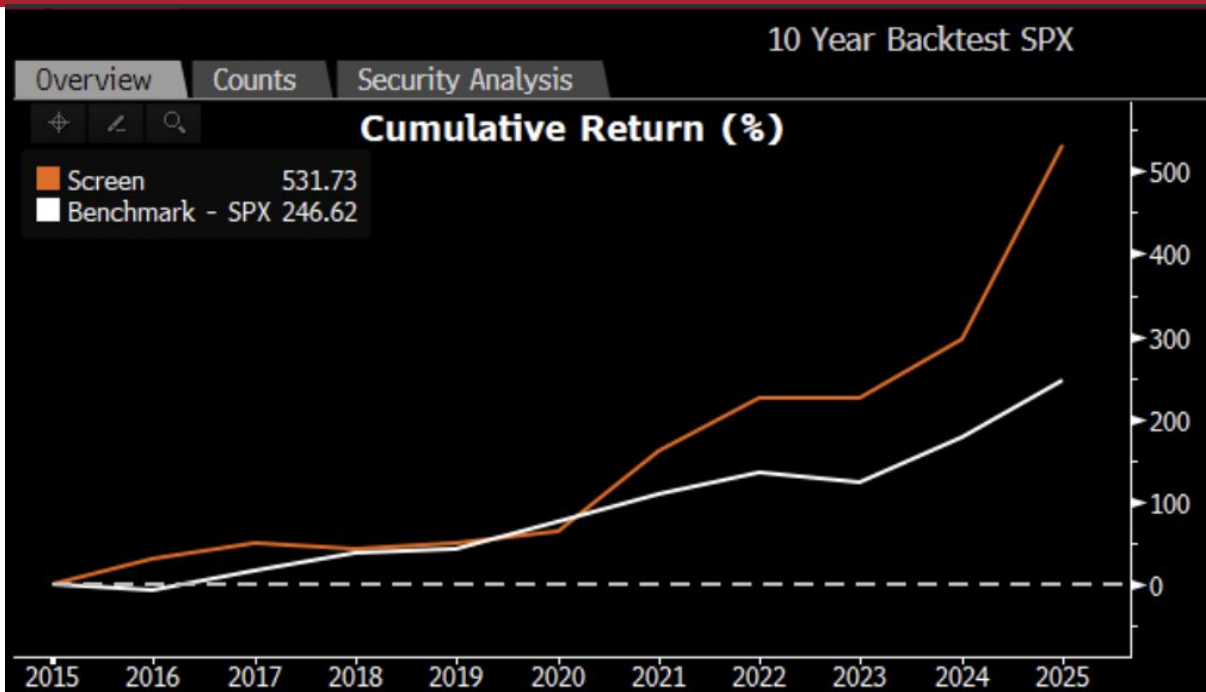


# Backtesting 10 Year Analysis

<u>10-Year Analysis</u>	Mean	Min	25%	Median	75%	Max
Market Cap (\$Millions)	9,944.68	28.35	337.72	1,419.04	6,345.88	105,613.29
P/E Ratio	15.59	4.46	12.41	14.98	17.68	113.35
Monthly Trading Volume* (\$Millions)	42.46	0.21	0.89	27.62	104.32	273.6
Share Price*	68.63	5.83	23.98	45.70	80.43	573.00



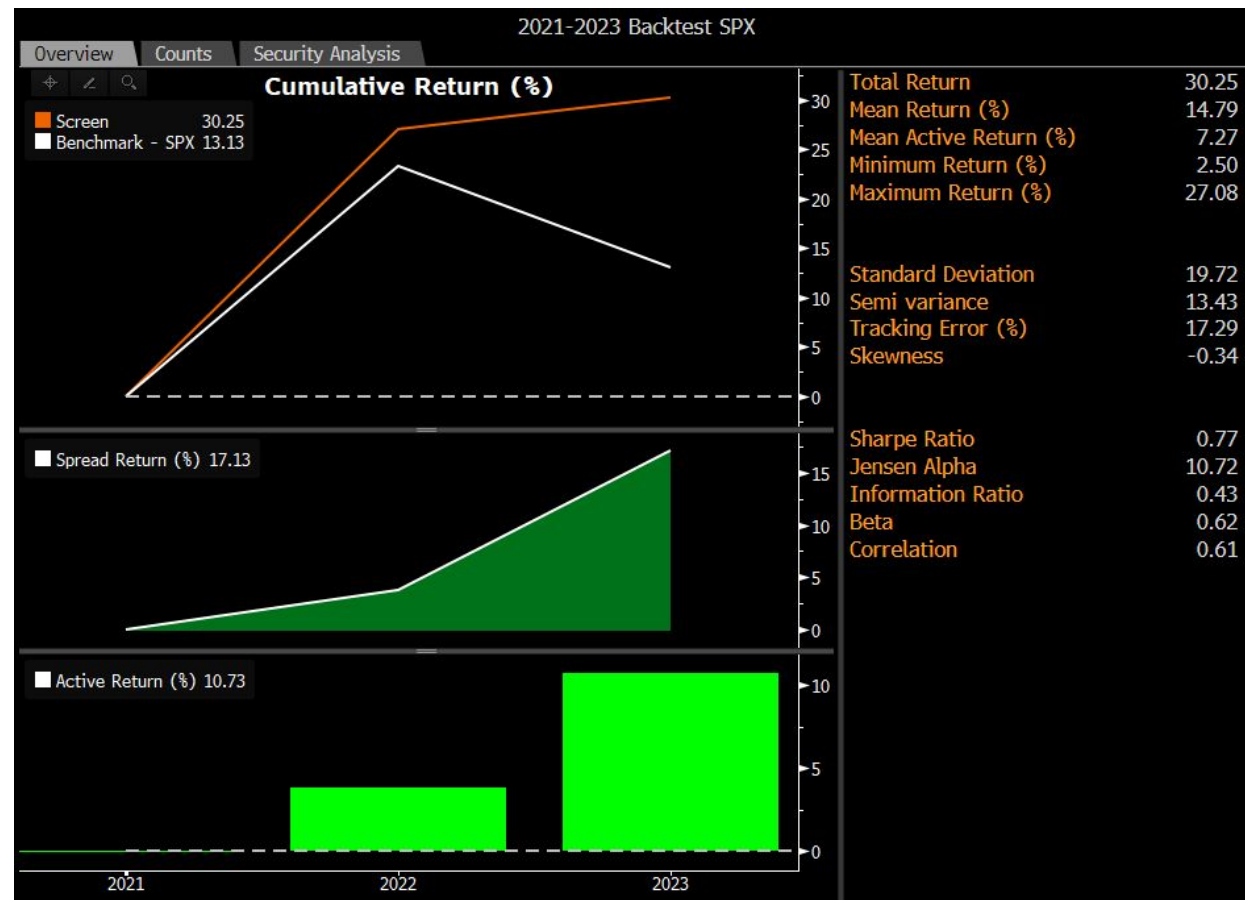
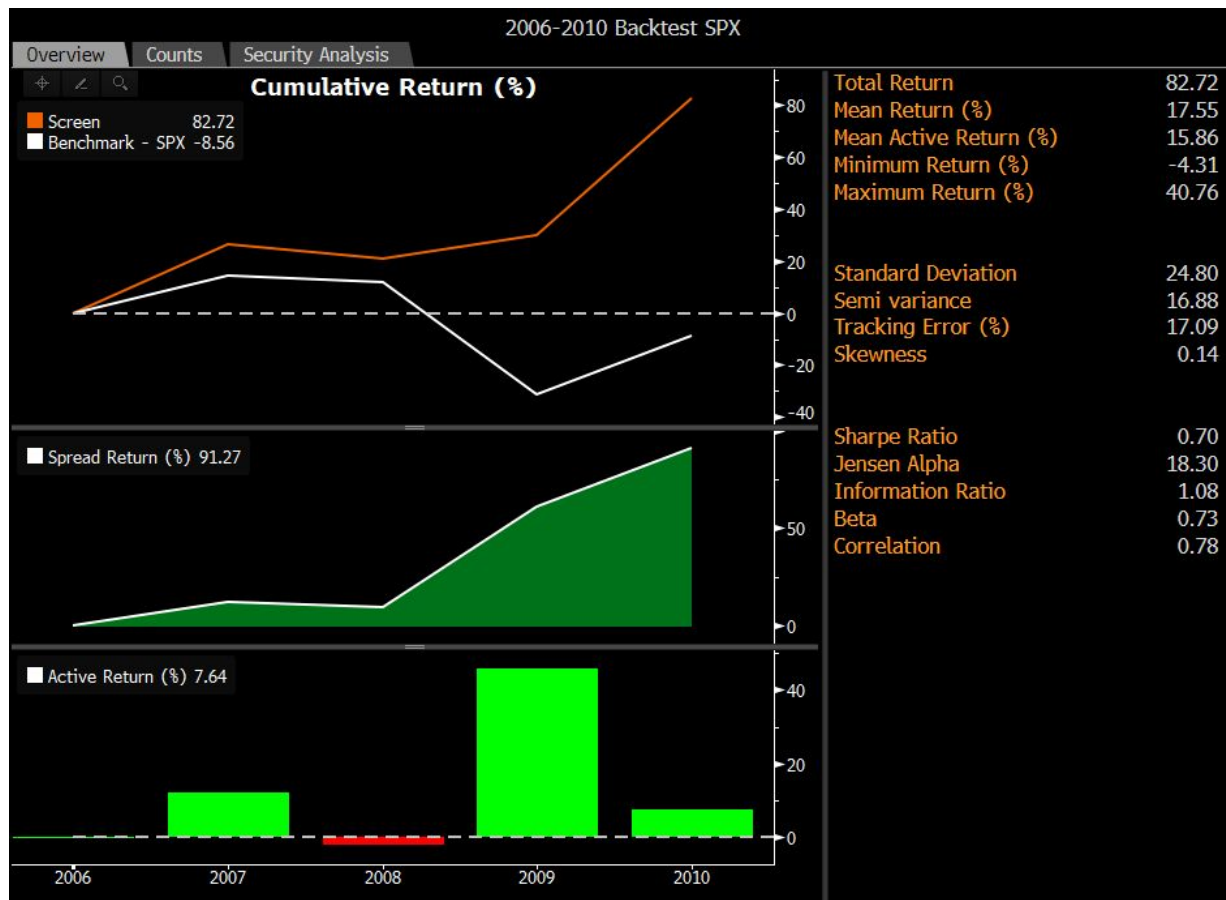
# Backtesting 10 Year and 1 Year



Annualized	Return (%)	$\alpha^*$	$\beta^*$	$\sigma$	Sharpe	Treynor	Max DD	Info Ratio*	Idio. Risk
10 Year	531.73	13.33	0.56	19.71	1.06	0.31	-4.05%	0.98	5.42%
1 Year	59.21	44.01	0.65	19.50	2.95	0.84	N/A	1.66	6.33%
10 Year SPY	246.62	-0.06	1.00	15.27	0.8	0.084	-52.44%	0.00	0.00
1 Year SPY	24.60	-0.08	1.00	17.03	1.70	0.2	-21.43%	0.00	0.00



# Important Periods: 2008, 2022



# Regression Data

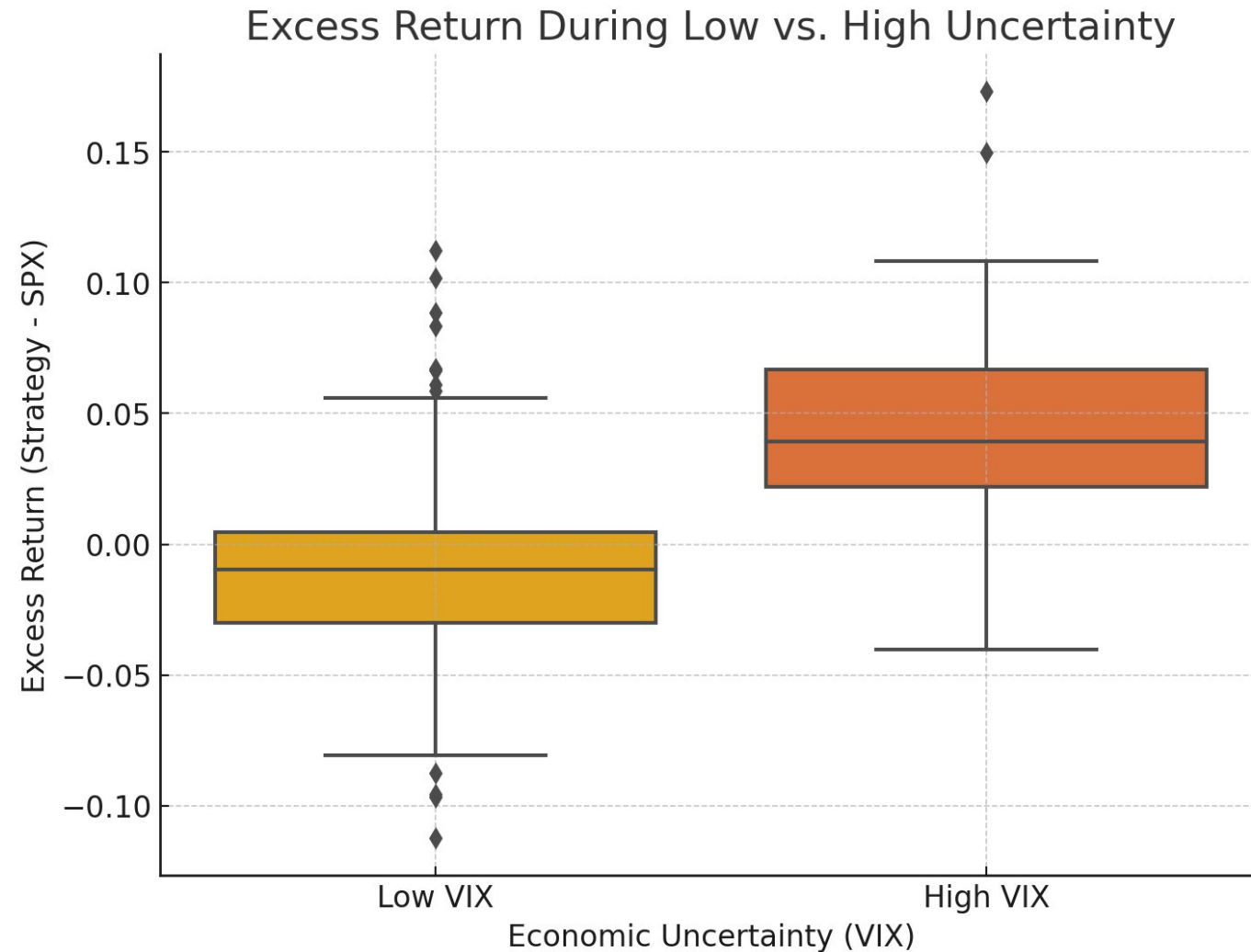


# Excess Return vs. Volatility Index

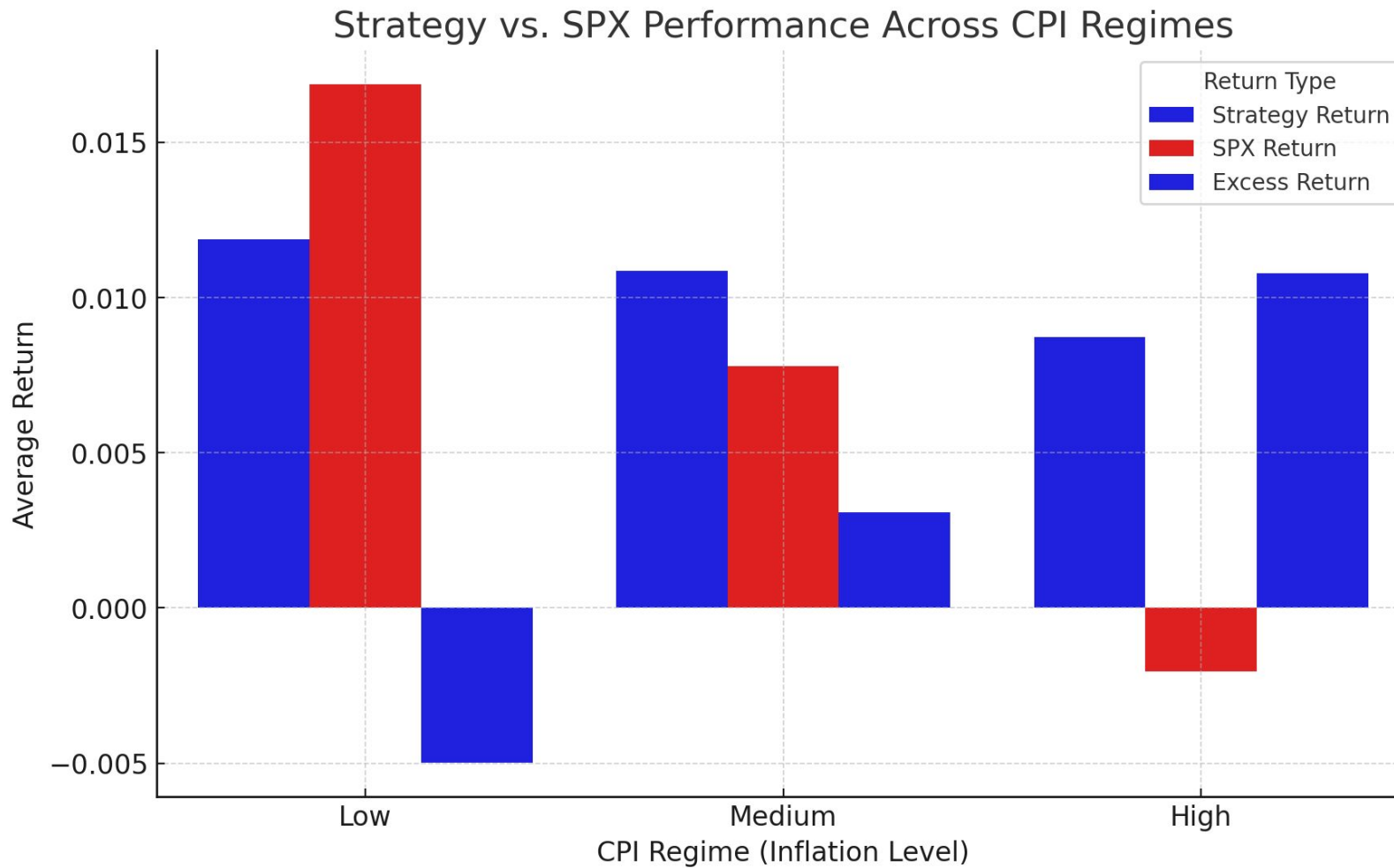




# Excess Returns In High Uncertainty



# CPI Effect on Strategy and SPX



# Proposed Purchases

Name	Ticker	P/E Ratio	Monthly Trading Volume (\$M)	Market Cap (\$M)	Share Price	# of Shares	Total Value (\$)
Flowers Foods, Inc	FLO	15.21	63.90	4,090.39	19.40	667	12,500
John B Sanfilippo & Son, Inc.	JBSS	18.08	2.747	850.51	73.18	177	12,500
Keurig Dr Pepper Inc.	KDP	18.52	273.60	46,173.68	34.04	373	12,500
Kroger Co.	KR	14.11	151.20	47,077.81	65.06	193	12,500
Nathan's Famous, Inc	NATH	17.06	0.368	409.48	100.10	123	12,500
Target Corp.	TGT	12.84	157.20	56,941.99	124.27	101	12,500
Village Super Market, Inc	VLGEA	9.67	0.785	469.39	31.79	397	12,500
G. Willi-Food International	WILC	19.55	0.255	239.76	17.44	729	12,500



# Sell Proposal

\$100,000 in Cash



# Effect on the Portfolio

	Existing Portfolio	New Portfolio
Beta	0.92	0.90
Standard Deviation	13.37%	13.70%
Expected Return	16.42%	16.72%
Consumer Staples Sector %	4.8%	10.51%





# Recap

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**Thesis:** Consumer Staples with majority U.S. Revenue

**Relevant Research:** Heightened US economic instability - fears of inflation, impact of tariffs, increased volatility, SPX pullback

**What to Buy:** \$100,000 in the Milner Fund of 8 proposed companies

**What to Sell:** \$100,000 in Cash

**Effects on Portfolio:** Increased expected return and standard deviation, lower beta



# VOTING

\$100,000 cash to purchase the 8 companies in the Consumer Staples Strategy

YES



NO





# Exhibits



# Macro Factors

- Trends and Indicators
  - CPI
  - Consumer staples up in 2025
  - Recent consumer outlook @ 15-month low: *priced in a potential rate cut on 2/25*
    - *Treasury futures pricing in 56 bps of cuts*
    - *Treasury yields fell by 10 bps*
- Geopolitical Factors
  - Tariffs scheduled to take place on Tuesday
  - Trump's contention with foreign partners and trade
- SPX Outlook
  - P/E ratio of SPX
  - Over X% of S&P 500 in M7 companies
    - M7 in correction territory



# Geopolitical factors

- Tariffs scheduled to take place on Tuesday
- Trump's contention with foreign partners and trade
- Deportations



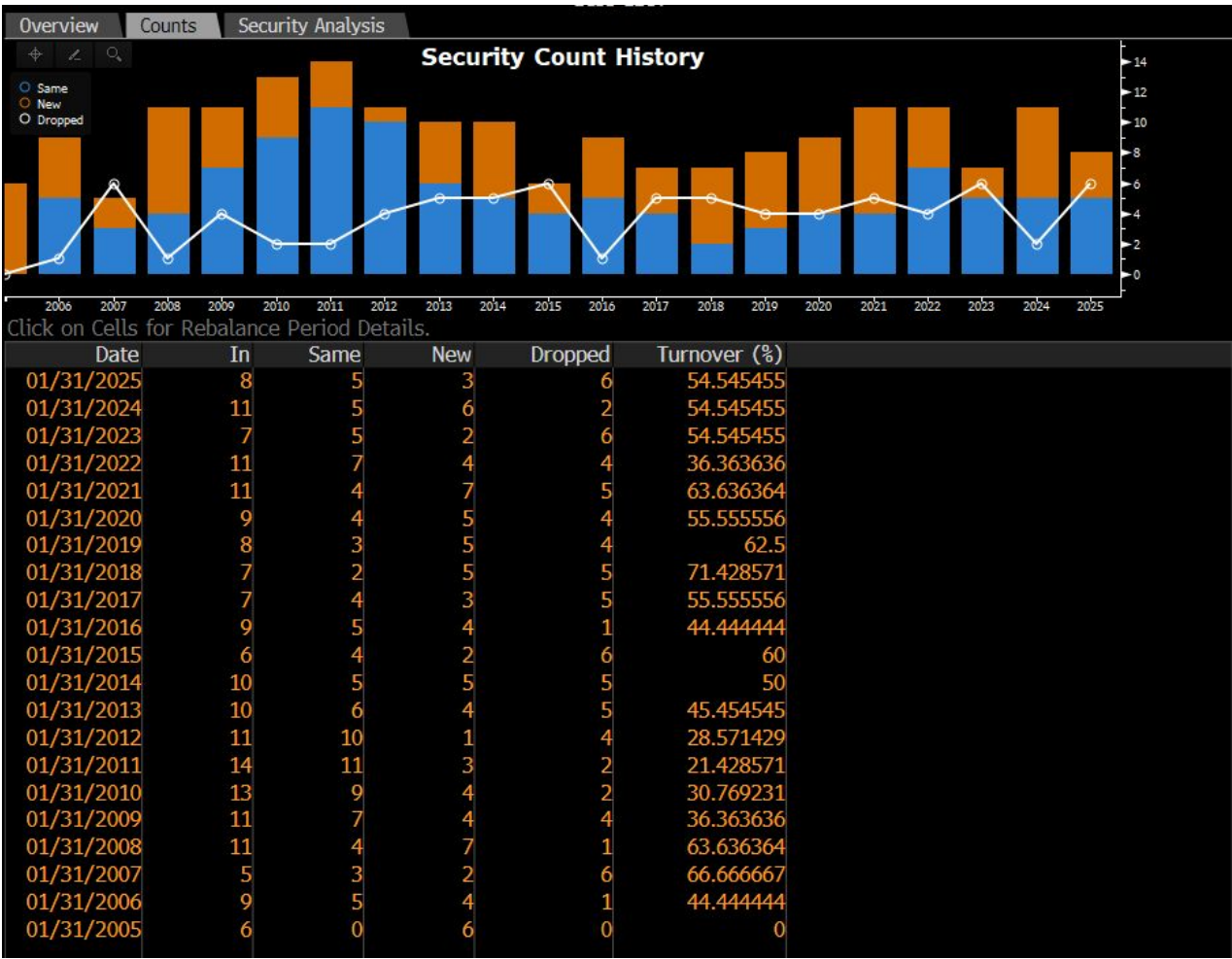


# Criteria

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# Turnover



# Regression Data - SPX



# Regression Data – SPX 2021-2023



# Regression Data – SPX 2008



# Regression Data – Strat. 2021-2023

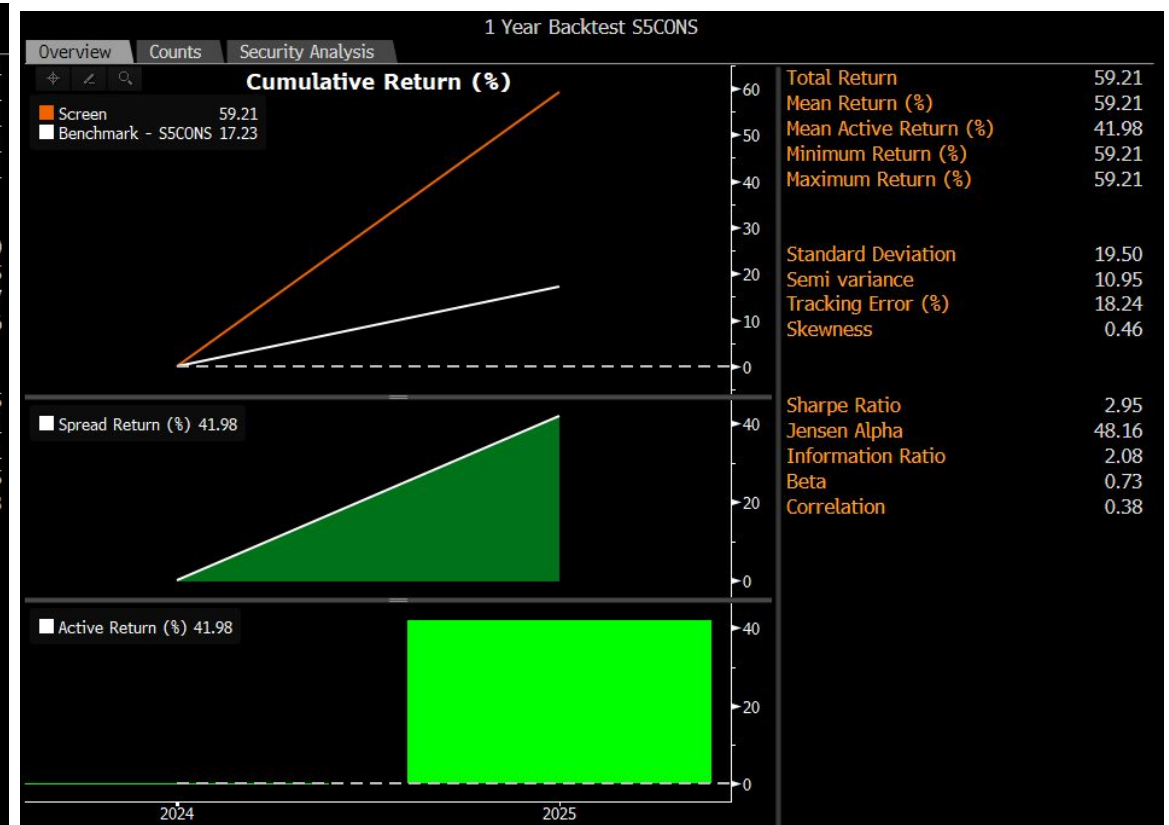
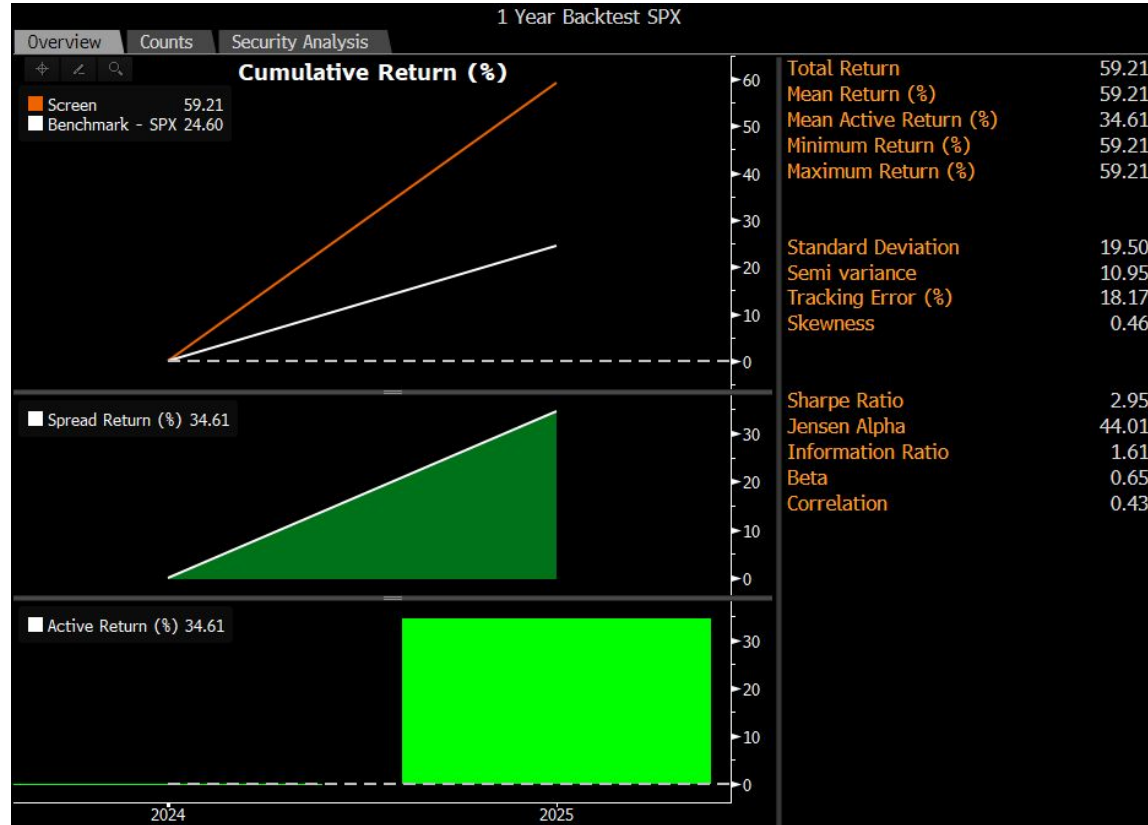


# Regression Data – Strat 2008

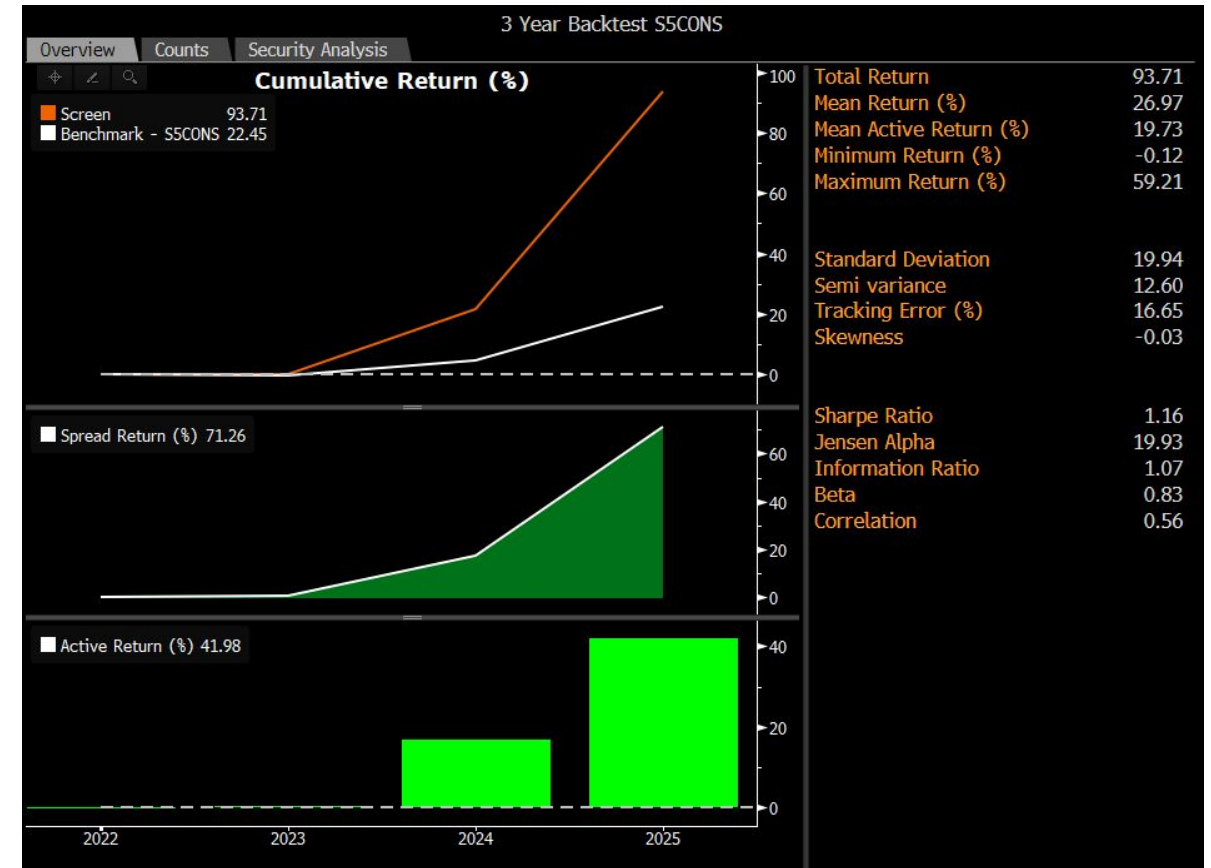
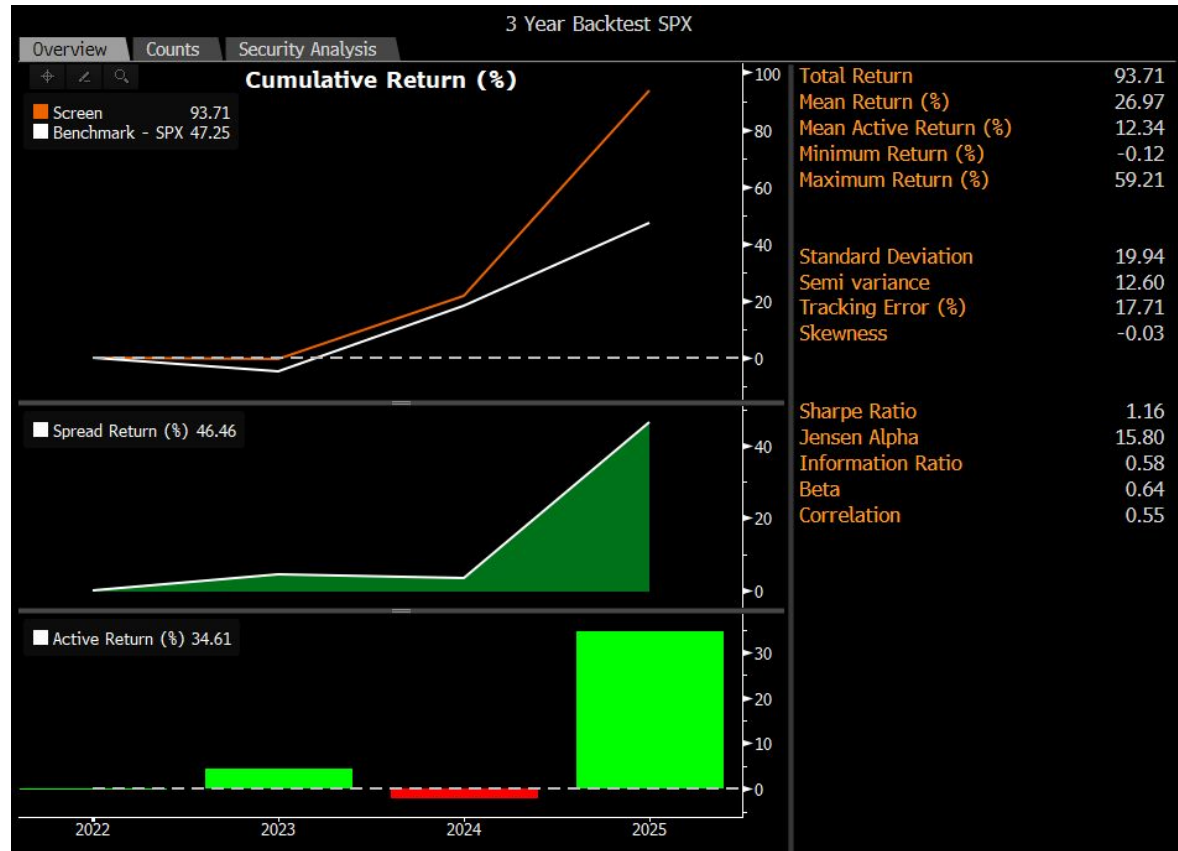




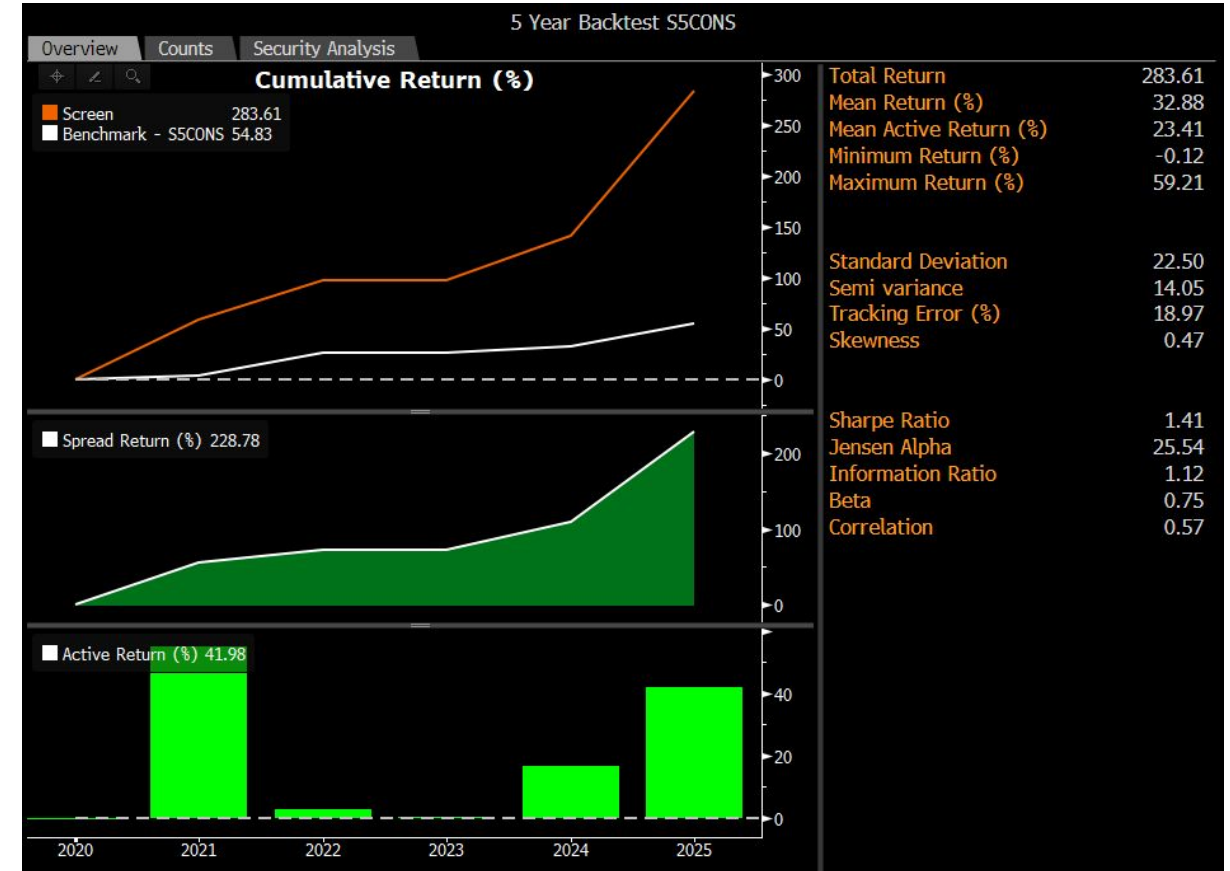
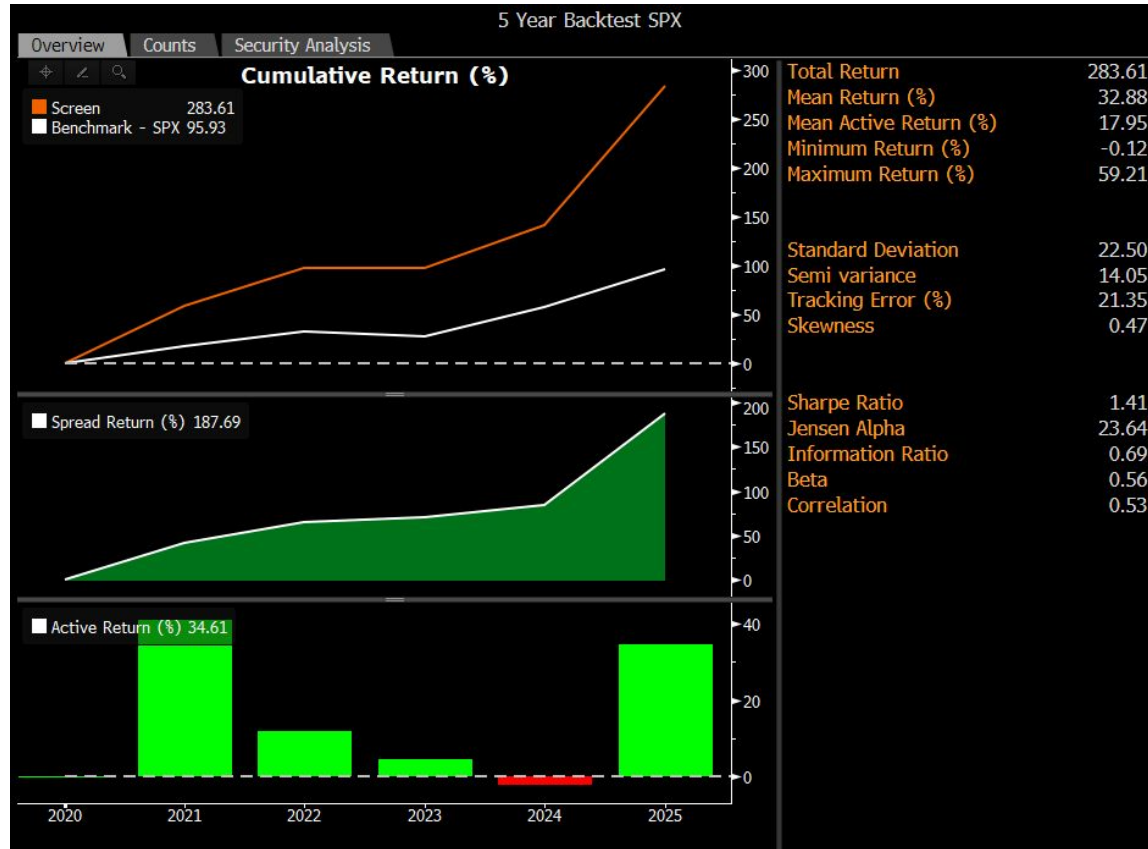
# 1 Year Backtest



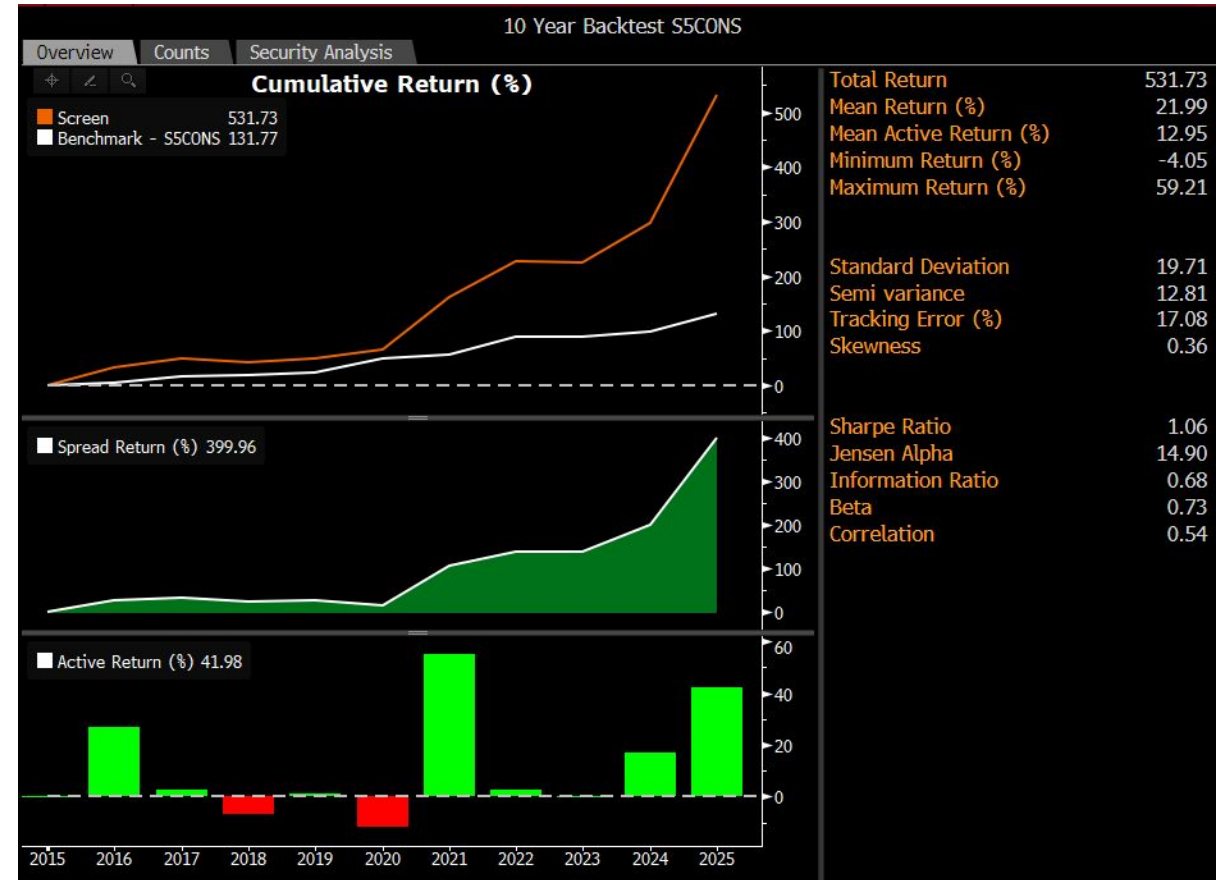
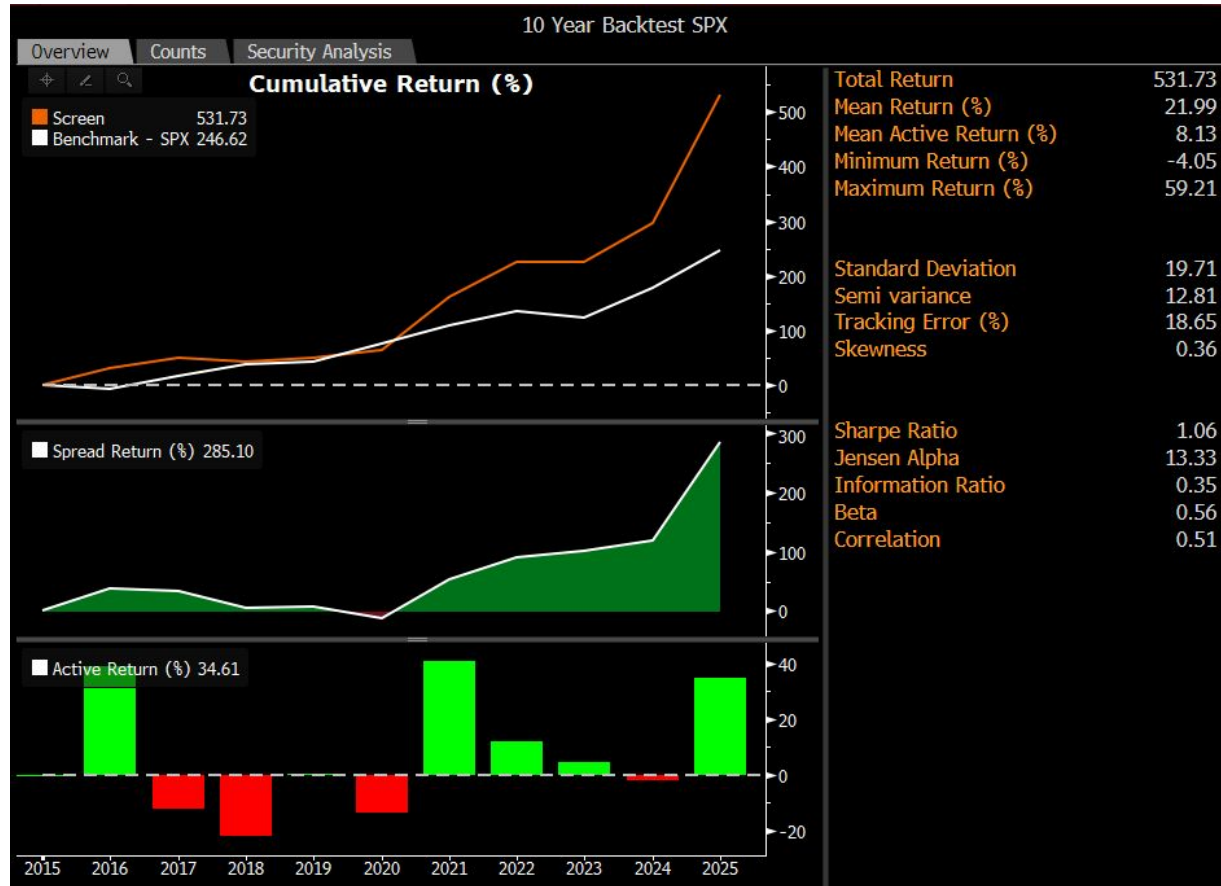
# 3 Year Backtest



# 5 Year Backtest

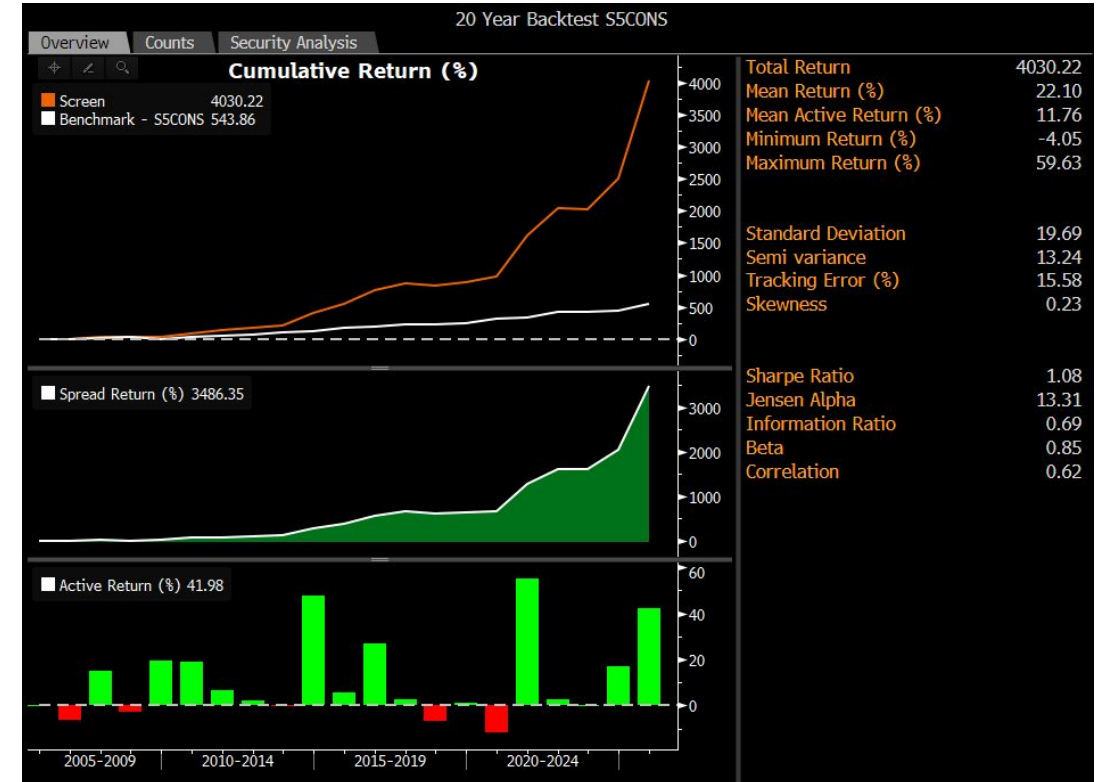
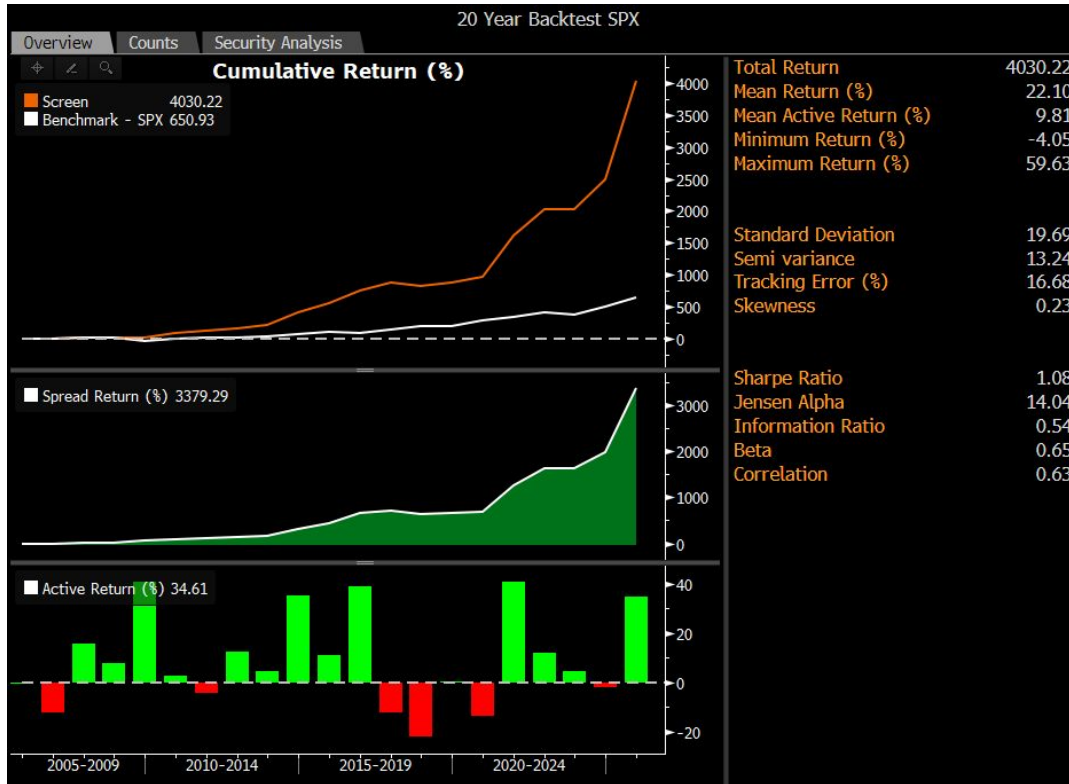


# 10 Year Backtest

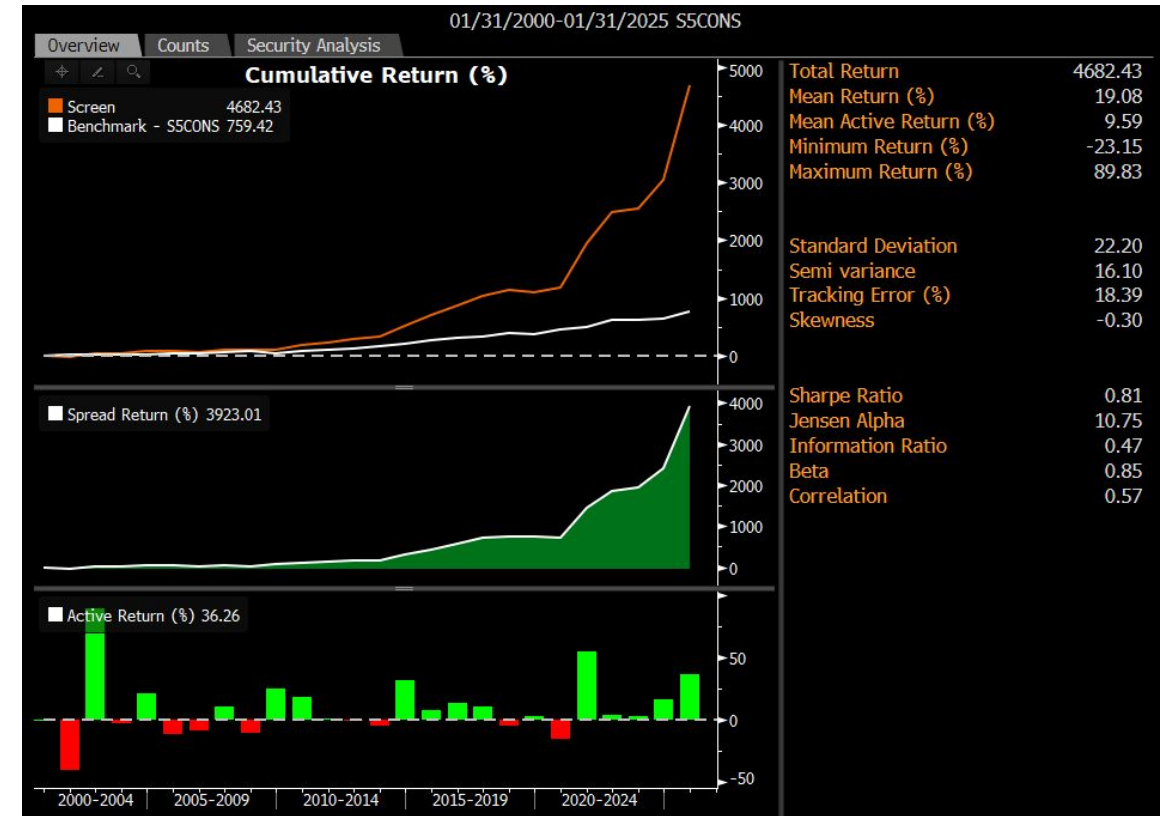




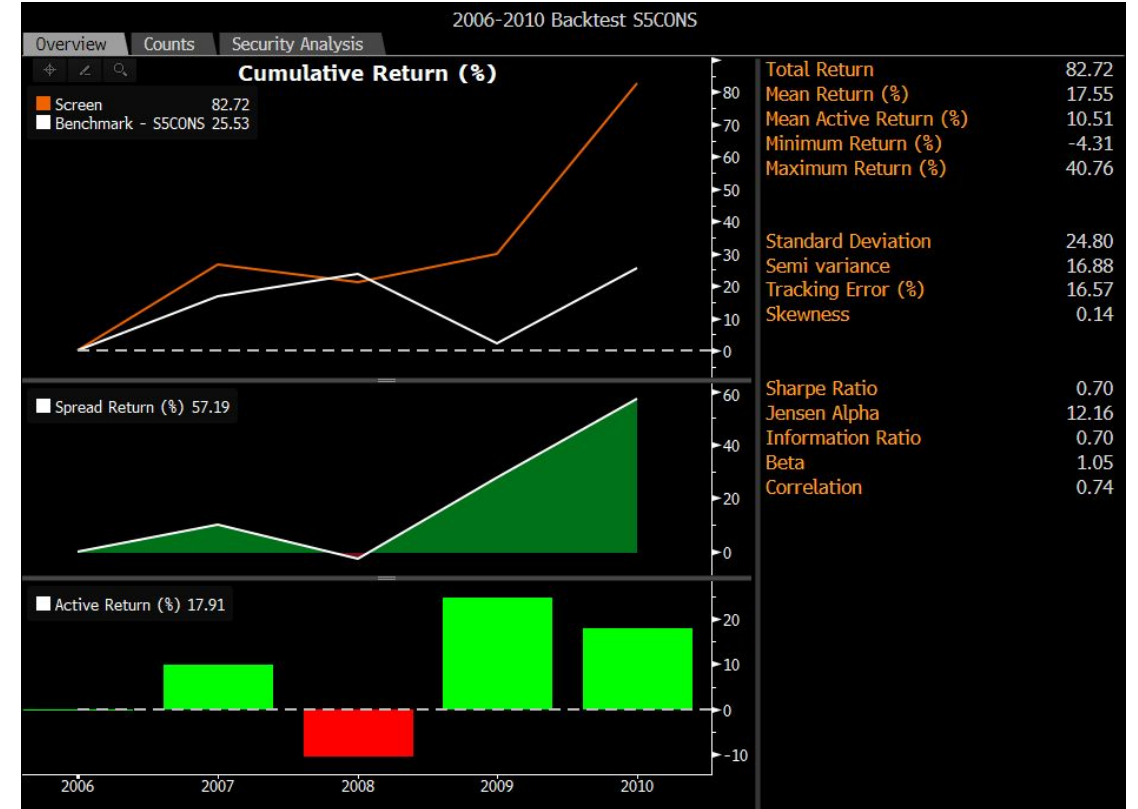
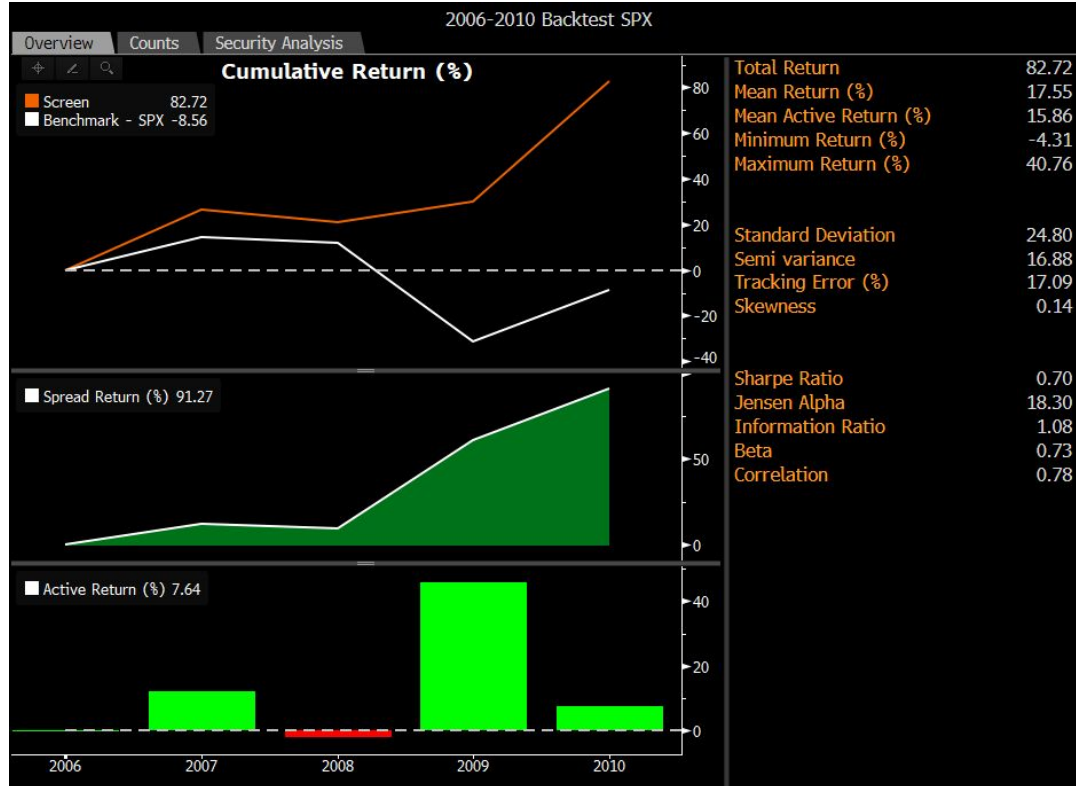
# 20 Year Backtest



# 25 Year Backtest

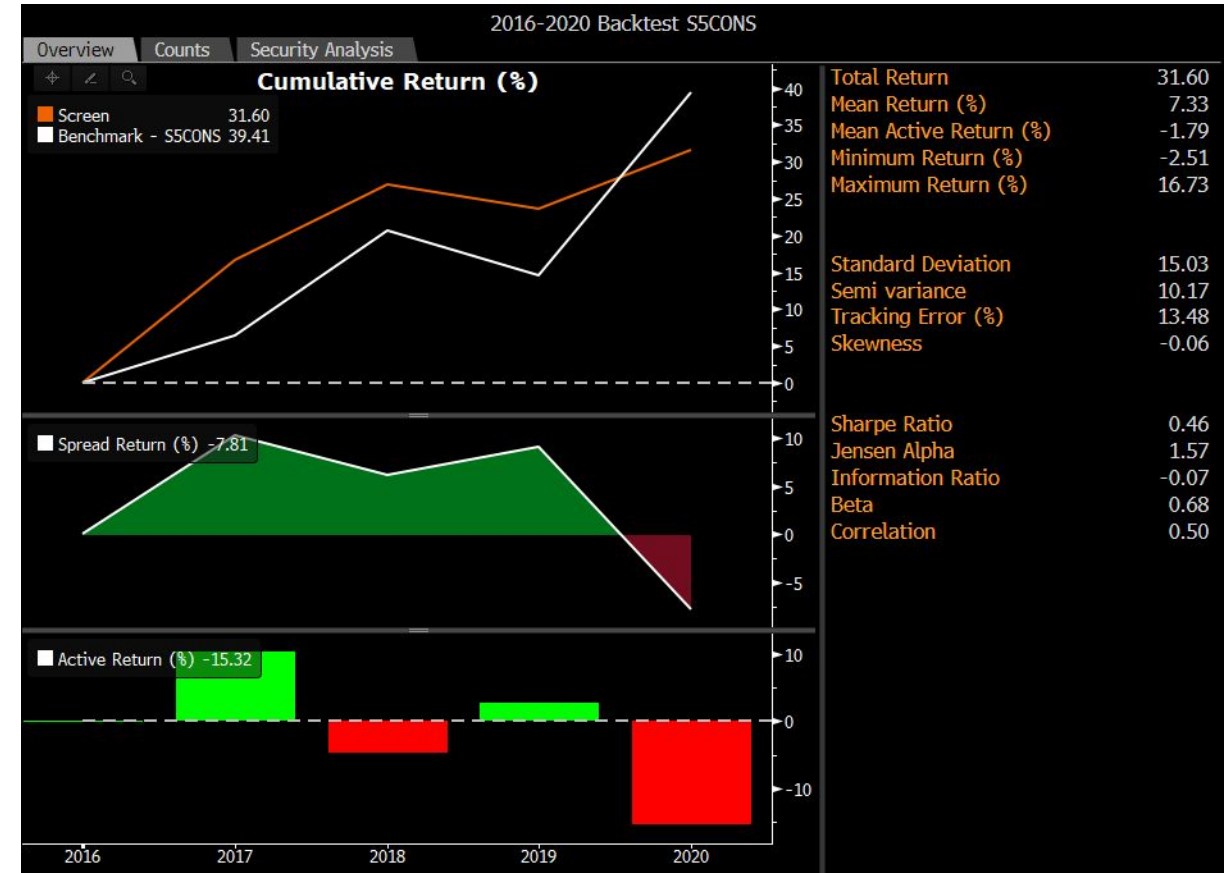
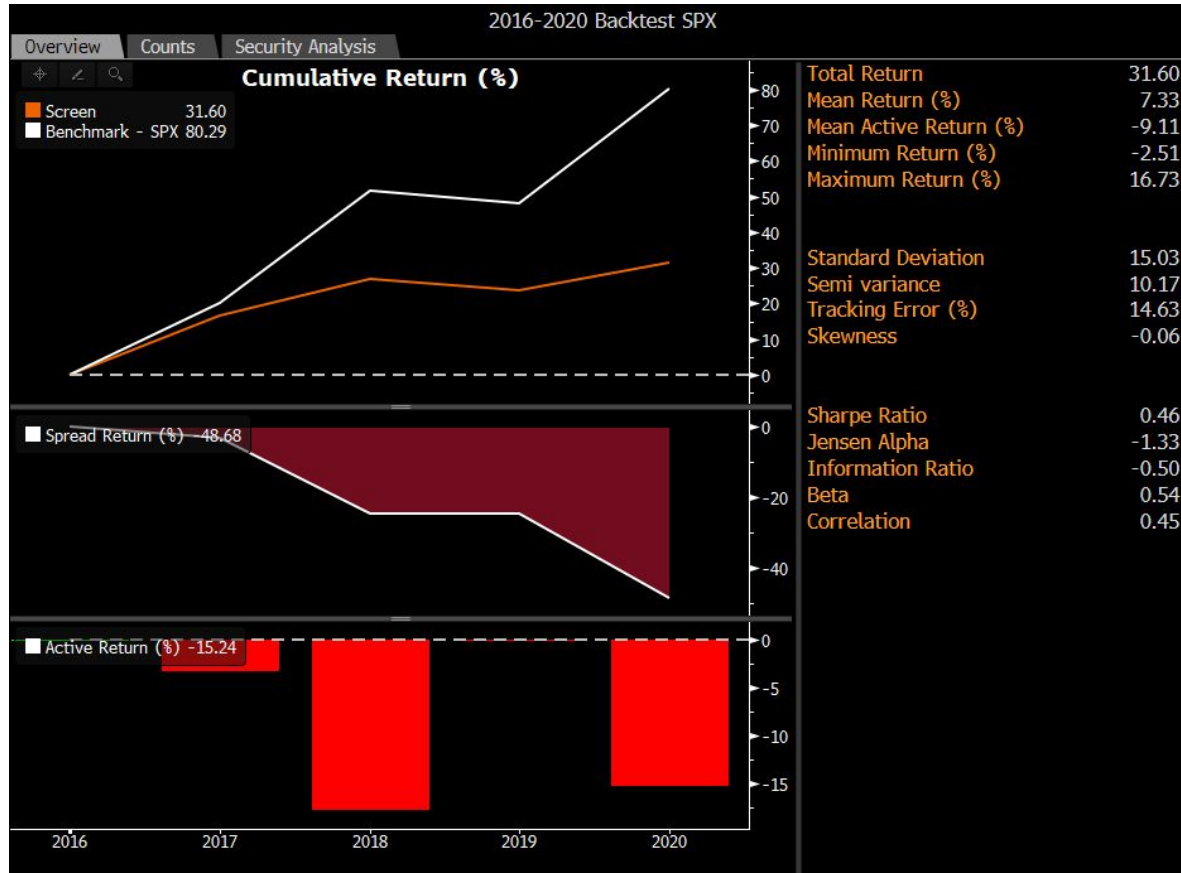


# 2006-2010 Backtest

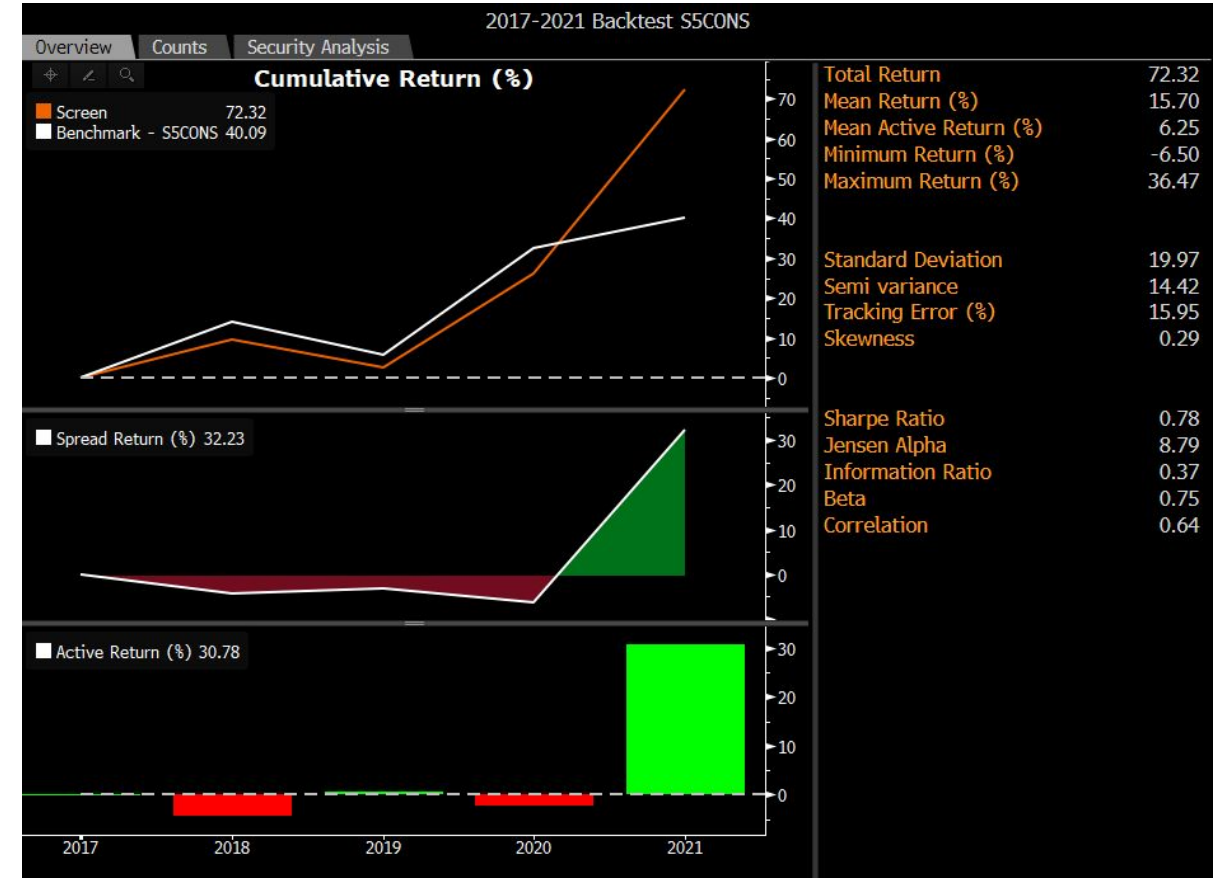
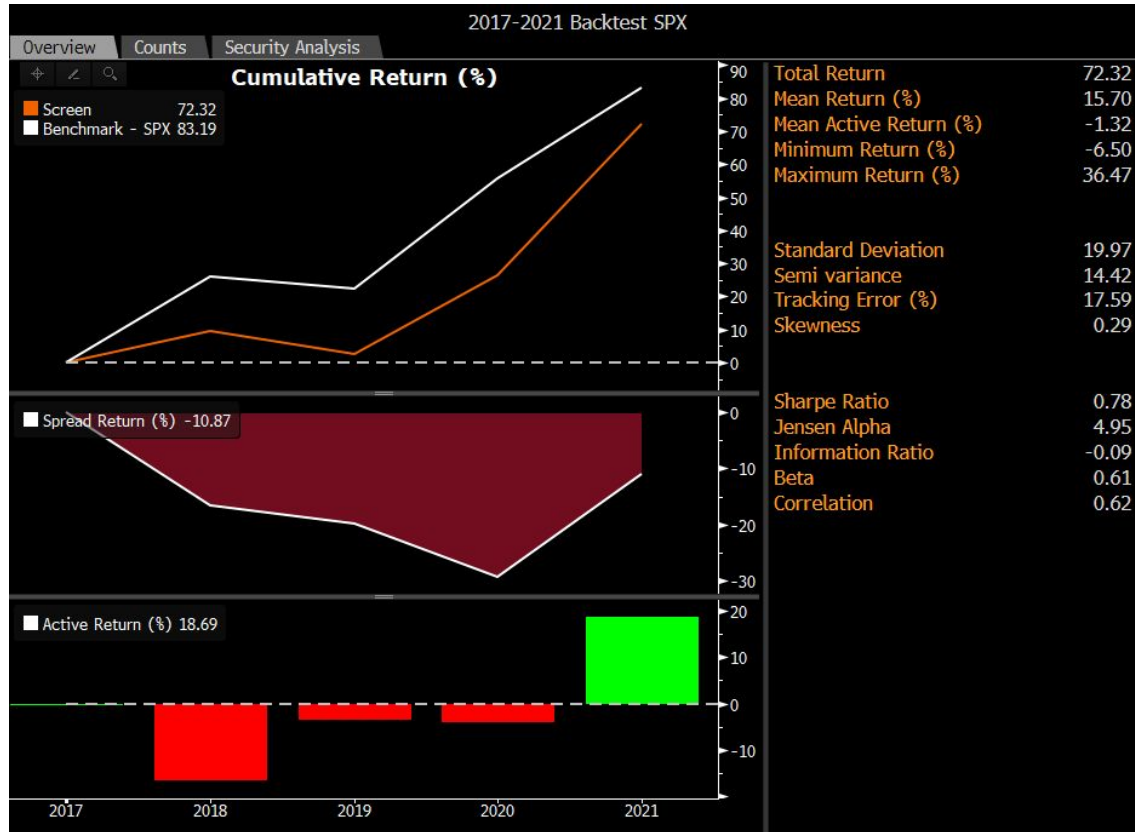




# 2016-2020 Backtest



# 2017-2021 Backtest



# 2021-2023 Backtest

