Consumer Staples Macro Strategy

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Investment decision: Invested $100,000 in the Milner

Introduction:

This strategy focuses on the Consumer Staples sector due to its historical resilience in periods of economic instability. Amid heightened concerns about inflation, rising interest rates, and geopolitical uncertainty (including tariffs and shifts in trade policy) we identified a strategic opportunity in companies providing essential goods. These companies tend to maintain consistent demand regardless of market cycles, offering potential for stable returns and downside protection. Additionally, the existing portfolio was underweight in this defensive sector, which created room for diversification.

Trading Strategy Details:

We developed a macro-informed systematic strategy targeting U.S.listed consumer staples companies that meet three key criteria: high U.S. revenue exposure (≥ 80%) to reduce international risk,below-average valuation (P/E ratio ≤ 20x), and strong interest coverage (top 50th percentile EBIT-to-interest expense ratio).

We filtered the universe of the U.S. listed consumer staples companies using these criteria and selected 8 stocks for equal-weight inclusion. The strategy rebalances annually and includes the following stocks: Flowers Foods (FLO), John B. Sanfilippo & Son (JBSS), Keurig Dr Pepper (KDP), Kroger Co. (KR), Nathan's Famous (NATH), Target Corp. (TGT), Village Super Market (VLGEA), G. Willi-Food International (WILC)

We allocated $12,500 to each name, for a total investment of $100,000. Though the inclusion of some small- and mid-cap names raises liquidity concerns, each security met a minimum share price of $5 and was vetted for sufficient trading volume. The holding period is one year, and the strategy is designed for long-term performance consistency in volatile environments.

Backtesting Performance:

The strategy significantly outperformed SPY over multiple timeframes. Over the last 10 years, our portfolio returned 531.73% compared to 246.62% for SPY, with a Sharpe ratio of 1.06 and a beta of 0.56, indicating strong risk-adjusted performance and lower market correlation. Over the past year, the portfolio returned 59.21%, more than double SPY's 24.60% return, with a Sharpe ratio of 2.95 and max drawdown of only -4.05%, compared to -21.43% for SPY.

The strategy slightly increased the portfolio's standard deviation (13.37% → 13.70%), the strategy increased expected return (16.42% → 16.72%) and decreased beta (0.92 → 0.90), enhancing portfolio efficiency. Our backtesting also confirmed excess returns during high CPI environments and periods of volatility (e.g., 2008, 2022), reaffirming the strategy's robustness in turbulent macroeconomic conditions.