**JPMorgan Chase & Co. (JPM)**

Sector: Financial Services **|** Industry: Banks – Diversified

|  |  |  |  |
| --- | --- | --- | --- |
| **JPM Trailing Returns (Quarterly)**  **Total Return %[[1]](#footnote-1)** | | | |
| **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| -6.26 | 8.43 | 16.27 | 13.22 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Diluted earnings per common share (2019 10K)** | | | |
|  | **2019** | **2018** | **2017** |
| JPM | $10.72 | $9.00 | X |

JPMorgan Chase is among the best bank stocks performers. In terms of profitability, JPM has a profit margin of 28.54% compared to Bank of America Corporation (BAC) of 24.11% and Citizens Financial Group, Inc. (CFG) of 20.08% (yahoo finance) which work in the same sector and similar industries. In addition, JPM’s Net income per share from last year’s 10K was $10.75 compared BAC’s diluted earnings per common share of $2.75 and CFG’s net income per average common share – diluted of $3.81. We also considered JPMorgan’s strategy of creating a digital innovation team to identify technology-driven companies. The team tests fintech offerings, builds products, invests in these firms, and delivers better services for their clients. Thus, JPMorgan is rapidly adapting to the fintech environment.

Amount Invested | Annualized Expected Return: $120,000 | 16.82%

**The Goldman Sachs Group, Inc. (GS)**

Sector: Financial Services **|** Industry: Capital Markets

|  |  |  |  |
| --- | --- | --- | --- |
| **GS Trailing Returns (Quarterly)**  **Total Return %[[2]](#footnote-2)** | | | |
| **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| 16.87 | 2.71 | 9.33 | 5.66 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Diluted earnings per common share (2019 10K)** | | | |
|  | **2019** | **2018** | **2017** |
| GS | $21.03 | $25.27 | $9.01 |

Based on recent news Wall Street expects Goldman Sachs earnings to jump and the stock has had a bullish trend hitting a record high of $307.87 on Jan 14, 2021. This leading global investment banking has shown overtime a great performance for its shareholders and overseeing the trends of this stock will help us to predict future trends in the capital market industry. GS currently has a profit margin of 22.81% and a return on equity of 10.06% compared to its closest competitor Morgan Stanley (MS) of 21.69% and 11.62% respectively.[[3]](#footnote-3) On May 16, 2019, GS acquired United Capital Financial Partners, a move that shows the efforts of adapting and innovating financial services.

Amount Invested | Annualized Expected Return: $160,000 | 9.64%

**Visa Inc. (V)**

Sector: Financial Services **|** Industry: Credit Services

|  |  |  |  |
| --- | --- | --- | --- |
| **V Trailing Returns (Quarterly)**  **Total Return %[[4]](#footnote-4)** | | | |
| **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| 17.06 | 24.85 | 23.54 | 29.02 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Diluted earnings per share (Morning Star)** | | | |
|  | **2020** | **2019** | **2018** |
| V | $4.89 | $5.32 | $4.42 |

Visa’s stock has had an exponential growth over the years. Even though in most recent years the trends of the stock have been steady, Visa’s PE ratio is quite competitive at 42.15 compared to others in the industry such as American Express Company (AXP) at 31.74 reported on Yahoo Finance. Despite the lows it hit due to the pandemic, Visa is playing big in investing in new fintech strategies. On Nov. 20, 2020, for example, Visa completed the acquisition of YellowPepper, a fintech pioneer, to integrate new and innovative platforms and expand digital products and services.

Amount Invested | Annualized Expected Return: $120,000 | 23.90%

**Apple Inc. (AAPL)**

Sector: Technology **|** Industry: Consumer Electronics

|  |  |  |  |
| --- | --- | --- | --- |
| **AAPL Trailing Returns (Quarterly)**  **Total Return %[[5]](#footnote-5)** | | | |
| **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| 66.83 | 195.93 | 401.73 | 1046.09 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Diluted earnings per share (Morning Star)** | | | |
|  | **2020** | **2019** | **2018** |
| AAPL | $3.28 | $2.97 | $2.98 |

When it comes to technology firms, Apple is known as an icon and leader in industry. Apple’s brand equity is significant and faces no immediate disruption. With over $270 billion in revenue in 2020, Apple nearly doubles that of Microsoft’s and is up to 5x that of its other competitors including: Dell, Lenovo, HP and Sony. Apple also boasts a much higher ROE than its above mentioned competitors at ≈ 73%. High revenues wouldn’t be as significant if Apple’s gross margin was low which isn’t the case given ≈ 38% for 2020. Apple has undergone a recent capital restructuring in order to benefit from low interest rates by assuming more debt in recent years, however this long term plan will result in significantly less cost of capital when comparing cost of debt to cost of equity financing. Apple should have no troubles maintaining its interest payments with the revenue produced YOY and not to mention positive growth projections (6.19%) for the future. Apple has also released its newly developed M1 chip to compete with giants like AMD and Intel which is a significant event and will have considerable benefits for the future.

Amount Invested | Annualized Expected Return: $300,000 | 40.35%

**Microsoft Corp. (MSFT)**

Sector: Technology **|** Industry: Software

|  |  |  |  |
| --- | --- | --- | --- |
| **MSFT Trailing Returns (Quarterly)**  **Total Return %[[6]](#footnote-6)** | | | |
| **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| 42.26 | 149.27 | 304.36 | 703.80 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Diluted earnings per share (Morning Star)** | | | |
|  | **2020** | **2019** | **2018** |
| MSFT | $5.76 | $5.06 | $2.13 |

Microsoft generates revenue from a diversified product mix including devices, software, cloud services, search engine etc. As a technology company, some important metrics to look at are liquidity, profitability and leverage. Microsoft excels in all three of these with a lower debt to equity ratio than two of its competitors, Apple and Amazon, and a cash balance of ≈ $138 million compared to ≈ $70 million in total debt. Microsoft also has had consistent YOY increases in both EBITDA and NI much higher than SAP, Oracle and IBM ($143m and $53m respectively in 2020) with a gross margin of ≈ 68% which is higher than Apple and Amazon. Despite Microsoft’s long tenure as a leader in industry, double digit growth outlooks are projected for the future (13%). When comparing these tech giants, Microsoft has an objectively high PE ratio of 36.2 but is still less than its peers Apple and Amazon and signify high expectations for growth which Microsoft continues to meet. Microsoft has a lower EV/EBITDA which supports the rationale that Microsoft is a better value buy than some of its peers. Microsoft also has 17+ years of dividend growth which reflects a healthy balance of stock holder certainty and continued research and innovation.

Amount Invested | Annualized Expected Return: $300,000 | 34.26%

1. Morningstar [↑](#footnote-ref-1)
2. Morningstar [↑](#footnote-ref-2)
3. Financial Highlights from Yahoo Finance as of Jan 20, 2021. [↑](#footnote-ref-3)
4. Morningstar [↑](#footnote-ref-4)
5. Morningstar [↑](#footnote-ref-5)
6. Morningstar [↑](#footnote-ref-6)