King's Investment Fund Portfolio Report

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Macroeconomic Outlook

Economic Growth and Outlook

- Economic Start to 2025: The UK economy began the year with modest but positive momentum after a difficult 2024.
- 2024 GDP Performance: Full-year GDP growth for 2024 was 0.9%, just under the 1.0% forecast.
- Late 2024 Strength: The economy gained strength at the end of 2024, with monthly growth of 0.1% in November and 0.4% in December.
- 2025 Growth Forecast: Projections for 2025 indicate subdued but steady growth. The CBI forecasts 1.6% GDP growth, revised down from 1.9%.
- Reason for Downgrade: The forecast was lowered due to concerns that higher employment costs from the Autumn Budget would negatively impact business investment.
- Key Growth Driver: Consumer spending is expected to be the main engine of growth in 2025, though slower real income growth will moderate its pace.
- Economic Challenges: Business investment faces headwinds from low productivity and the crowding-out effect of higher government spending.

Inflation and Monetary Policy

- Inflation Trajectory: UK inflation showed a complex pattern, falling to a three-year low of 1.7% in September 2024 before rising again to 2.6% by November 2024.
- Bank of England Forecast: The Bank of England projected inflation would continue to rise, peaking at 3.5% in Q3 2025, then gradually returning to the 2% target by early 2027.
- Sources of Inflation:The price pressures were driven by several factors:
  - Rising energy prices.
  - Regulatory price increases for utilities.
  - Wage growth pressures linked to higher employer National Insurance contributions.
- Monetary Policy Stance: The Bank of England remained cautious, holding the base rate at 4.75% in December 2024.
- Interest Rate Outlook: Market expectations were for gradual rate cuts throughout 2025, with forecasts suggesting the base rate could fall to approximately 3.8% by the end of the year.
- Market Impact: This outlook for more accommodative monetary policy was seen as supportive for equity valuations and business investment.

Macroeconomic Outlook

Fiscal Policy Impact

- Autumn Budget impact: The Labour government's first Autumn Budget had a significant influence on the 2025 economic outlook.
- National Insurance rise: Employer National Insurance contributions were increased, expected to dampen business confidence and hiring.
- Public spending and funding: The budget introduced substantial increases in public spending, financed by higher borrowing and taxation.
- Business sentiment: Business confidence surveys showed negative reactions: The British Chambers of Commerce reported confidence at its lowest since the Autumn 2022 mini-budget crisis.
- Private sector concerns: The combined effect of higher employment costs and regulatory pressures is likely to suppress private sector activityin the near term.

Political Climate

- Defence & Energy Realignment: The enduring conflict in Ukraine has established a long-term, non-discretionary spending cycle across NATO nations. This move to meet and exceed defence spending targets of 2% of GDP creates a highly favourable and visible demand environment for companies central to the defence and aerospace supply chains. In parallel, the conflict has elevated energy security to a primary strategic imperative, reinforcing the market position of large, reliable, and diversified energy producers.
- US-China Competition: Ongoing tensions continue to drive a "de-risking" of technology and trade supply chains, creating opportunities for resilient multinational companies that can navigate this complex environment.
- Post-Pandemic Recovery: The global economy continues to normalise, with a key structural trend being the robust recovery in global travel. This provides a sustained tailwind for the civil aerospace sector, particularly for services tied to flight hours.
- The UK-Specific Valuation Opportunity: Today, a period of relative political stability in the UK contrasts with the legacy of past uncertainty, which has created a "Brexit Discount." This persistent valuation gap between UK-listed equities and their global peers provides a compelling opportunity to invest in world-leading, globally-focused companies at a discount simply due to their UK domicile.

Industry Analysis

Technology

Industry Trajectory

- The UK tech sector, especially in digital transformation and enterprise IT services, is set for sustained growth despite macroeconomic challenges
- Government digitalisation initiatives (e.g. NHS Long Term Plan, UK Digital Strategy) support long-term contracts and drive demand
- Organisations are focusing on legacy system upgrades, cloud migration, and business process automation.
- UK IT services market expected to grow at a 6–8% CAGR over the next five years (Statista, 2024)
- Kainos Group PLC operates in high-growth areas, such as public sector digital consultancy and workday software services
- Shift to hybrid working and scalable infrastructure increases demand for secure platforms and user-centric digital services (Kainos' core strength)
- Enterprise-focused model = stable recurring revenue + long-term client relationships
- Digital transformation is now a necessity, not just a discretionary expense
- Sector seen as attractive and resilient for medium-term investment

Risk Considerations & Industry Resilience

Key Risks

- Public sector budget constraints (affecting firms like Kainos)
- Talent shortages, especially in AI and tech fields
- Technological evolution may disrupt traditional services
- Sector-wide valuation pressures from interest rate volatility

Mitigating Factors

- Digital transformation is a top policy priority regardless of political changes
- Kainos invests in graduate hiring and training to address talent issues
- Kainos is expanding AI capabilities to integrate with new tech (not compete)
- Low capital intensity reduces exposure to valuation shocks
- Strong fundamentals such as consistent profitability, debt-free balance sheet, and high cash reserves.
- Focus on long-term, essential digital infrastructure enhances resilience

Overall, while risks are present, they are well understood and manageable within a sector that is structurally supported by long-term digital demand.

Financials

Industry Trajectory

- UK financial services industry is poised for moderate recovery, offering a sound investment case
- Bank of England is expected to start monetary easing in late 2024 or early 2025 as inflation falls and economic activity stabilises. This will benefit banks by stimulating credit demand and maintaining relatively strong net interest margins (key driver to profitability)
- UK banking sector has shown resilience through recent shocks, supported by CET1 capital ratios above 13%, strong liquidity positions (Financial Conduct Authority, 2024)
- Digital transformation is reshaping the UK banking landscape
- Traditional banks (e.g., Santander UK, HSBC UK) are investing in digitisation to improve efficiency, competing with agile fintech challengers, enhancing long-term competitiveness
- London maintains its role as a global financial centre, driving growth in corporate finance, wealth management, and green finance

Risk Considerations & Industry Resilience

Key Risks

- Fragile economic recovery (UK GDP growth forecasted at just 0.8% in 2025)
- High household debt may raise non-performing loan risk if wage growth stalls or unemployment rises
- Geopolitical uncertainty and post-Brexit regulatory divergence may hinder cross-border finance

Mitigating Factors

- UK banks have improved risk management significantly since the 2008 crisis
- Prudential Regulation Authority (PRA) enforces high standards of solvency and conduct
- Stress tests show most banks can absorb significant shocks without breaching capital requirements
- Traditional banks are facing margin pressure from fintech, responding through partnerships or acquisitions of smaller tech-driven firms, and adapting business models for innovation integration

Industrials

Industry Trajectory

- The UK industrials sector, especially defence and aerospace, is experiencing a resurgence, driven by elevated geopolitical tensions, rising global defence budgets, and renewed focus on energy efficiency
- Defence spending across NATO is rising
  → the UK reaffirmed its goal to spend ≥2.5% of GDP on defence by 2030 (HM Government, 2024)
- BAE Systems, UK's largest defence contractor, benefits from long-term government contracts and sovereign security alignment
- Commercial aerospace segment is rebounding post-COVID global air travel now exceeds 2019 levels and aircraft manufacturers face a large backlog of orders (IATA, 2024)
- A key supplier of aircraft engines and propulsion systems.
  → benefit from aerospace recovery and capitalise on decarbonisation and clean energy innovation. Also, to focus on nuclear, hydrogen, and electrification technologies
- The UK industrial outlook is strengthened by a strong engineering base, R&D pipelines, and export-oriented manufacturing
- Sector offers a mix of cyclical recovery (aerospace), structural defence demand, and making it attractive for medium- to long-term investment.

Risk Considerations & Industry Resilience

Key Risks

- Supply chain disruptions, especially in semiconductors, raw materials, and skilled labour
- Political risks: changing defence priorities, regulations
- Environmental regulation, especially for aerospace
- Currency fluctuations impacting global sales and earnings

Mitigating Factors

- Major players (BAE, Rolls-Royce) use vertically integrated processes and strong supplier relationships → operational continuity
- Defence contracts are long-term and government-backed as well as provide predictable revenue and visibility
- Firms investing in low-carbon tech (e.g. sustainable aviation fuel, modular nuclear power)
- Firms hedge foreign exchange exposure with financial instruments and natural offsets

Consumer

Industry Trajectory

- UK consumer sector, especially hospitality, is gradually recovering due to easing inflation and resilient nominal wage growth (ONS, 2024)
- Despite ongoing cost-of-living pressure, pubs and casual dining have benefited from a return to social spending. For example, on-trade sales up 6.4% in early 2024 (CGA, 2024)
- J D Wetherspoon is well-positioned due to low-price model and wide national presence
- City centre footfall + demand for affordable dining = volume growth
- Discretionary spending remains sensitive, but
  - Consumer habits shifting to value-led, informal venues
  - Wetherspoon's broad demographic appeal and cost-efficiency align with post-pandemic trends
- Strategic pricing and large scale offer an edge in maintaining customer traffic during economic uncertainty
- Overall, the sector—particularly the value segment—is an attractive opportunity for steady, demand-driven growth

Risk Considerations & Industry Resilience

Key pressure

- High input costs
- Labour shortages

Wetherspoon's response

- Leverages scale and supply chain efficiency to offset inflation
- Utilises tech (e.g. mobile ordering) and staff retention initiatives

Economic volatility risks demand, but affordability helps the brand retain consumers trading down from pricier venues

Regulatory risks (e.g. alcohol duty, licensing laws) still present, but wetherspoon has a track record of adaptive pricing and flexible estate management

Interest rate pressures may raise financing costs, but the firm's post-pandemic deleveraging has strengthened its financial position

Energy

Industry Trajectory

- UK energy sector is in structural transition, in terms of balancing traditional fossil fuels with renewable energy
- Shell PLC is well-positioned in both segments, such as raditional oil & gas and renewable & transitional energy
- Elevated oil and gas prices (due to geopolitical instability & supply constraints) have supported upstream profits since 2022 (IEA, 2024)
- UK's net-zero 2050 target and rising demand for LNG, biofuels, hydrogen drive long-term investment (Shell, 2024)
- Shell's energy transition strategy emphasises diversified energy portfolio, integrated business model, global footprint, and trong cash flows (→ resilience & flexibility)
- Despite short-term commodity volatility, sustained capital is flowing into energy security and decarbonisation
- Global energy demand expected to rise 25% by 2045 (OPEC, 2023)
- The sector offers cyclical upside and long-term structural investment relevance

Risk Considerations & Industry Resilience

Key Risks

- Commodity price volatility
- Regulatory tightening
- ESG (Environmental, Social, Governance) scrutiny

Shell's Mitigation Strategies

- Vertically integrated operations
- Hedging for stable cash flows
- Transition strategy with investments in renewables, hydrogen, and carbon capture
- Aligns with future energy policies
- Reputational risks from climate litigation, investor activism
  - → Shell's response:
    Improve transparency in emissions reporting and sustainability targets
- Operational risks remain (e.g. geopolitical events, environmental incidents)
- Shell's global diversification and risk controls help limit impact
- High interest rates may challenge project financing, yet Shell's strong balance sheet and cash position provide funding flexibility

Healthcare

Industry Trajectory

- UK healthcare sector is a structurally attractive investment space, supported by ageing population rising chronic disease prevalence and increasing global healthcare spending
- AstraZeneca is well-positioned to benefit, due to focus on high-demand therapeutic areas including oncology, respiratory disease, and rare conditions
- Strong presence in emerging markets, where healthcare access and pharma consumption are growing fast (AstraZeneca, 2024)
- Global health spending projected to reach 10.7% of global GDP by 2030 (WHO, 2023)
- Post-pandemic innovation trends drive long-term growth, especially in biologics, mRNA platforms, and digital health
- AstraZeneca's strengths: onsistent R&D investment, deep development pipeline, and AstraZeneca is one of the strongest among global pharma firms
- The sector is defensive during downturns and supported by long-term structural demand

Risk Considerations & Industry Resilience

Key Risks

- Patent cliffs
- Regulatory delays
- Political scrutiny over drug pricing

AstraZeneca's mitigation strategies

- Reinvests $9+ billion annually in R&D to replace at-risk revenue
- Strong record of regulatory approvals & global engagement
- Targets high-efficacy drugs in oncology/rare diseases → less impacted by generics

Market pressure

- Intensifying pricing pressure in US and Europe
- AstraZeneca lowers risk through product targeting and efficacy

Geographic and product diversification reduce risk from single-market shocks and clinical trial setbacks

Supply chain resilience

- Maintains manufacturing and logistics flexibility across regions
- Helps manage operational and geopolitical risks

Stock Analysis

BAE Systems

BAE SYSTEMS

Company Description

- A leader in cutting-edge, tech-driven defence, aerospace and security offerings.
- It delivers ship repair, upkeep, upgrades, conversions and overhauls for naval fleets, government bodies and select commercial clients.
- The Electronic Systems division (UK & US) designs and builds electronic-warfare suites, navigation and electro-optical sensors, plus digital engine and flight-control systems for both military and civilian aircraft.
- The Platforms & Services arm—operating across the US, Sweden and the UK—produces and upgrades combat vehicles, weapons and munitions, and handles long-term sustainment and support.
- Its Air segment focuses on aircraft manufacture and maintenance, while Maritime covers both sea-going and on-shore operations.
- The Cyber & Intelligence group unites its Intelligence & Security and Digital Intelligence businesses to offer advanced cyber-security, data-analysis and intelligence services.

Comparisson With Peers

- We compared financials and trading multiples with industry peers including Airbus, Lockheed Martin, Rolls-Royce, and Thales, using data from Jan 2025.
- The EBITDA margin and net income margin of BAE Systems is quite outstanding, 14.58% and 7.85%, respectively. The beta of BAE Systems is 0.55, which is roughly the industry average.

	Current (2025 Jan)			Financials					Current Trading Multiples		
				Revenue Adj	EBITDA Adj.		Net Income Adj.		EV/EBITDA	P/E	
Company Name	Share Price	Market Cap	EV	Last	Last	Margin	Last	Margin	Last	Last	Beta
BAE System	26.42	77,501,715	53,426,165	33,619,544	4,902,637	14.58%	2,638,506	7.85%	17.58	32.26	0.55
Airbus Group	187.42	147,559,246	124,448,072	75,082,928	9,369,532	12.48%	4,651,109	6.19%	14.98	31.18	0.52
Lockheed Martin	486.45	113,973,266	131,354,921	71,811,000	9,075,000	12.64%	5,739,541	7.99%	14.60	20.98	0.27
Rolls-Royce Holdings	11.85	99,042,541	61,779,007	24,160,534	4,106,614	17.00%	2,174,691	9.00%	24.06	31.06	1.72
Thales (Aerospace and Defence)	290.67	59,712,116	34,595,627	22,265,915	2,758,162	12.39%	1,960,763	8.81%	22.82	54.93	0.79

Company Fundamentals

- In Dec 2024, BA is above the industry average in terms of Gross Margin, Net Margin, and ROE. Other items are either the same or close to the industry average.
- However, there are still some concerns about its financial health. Firstly, its total debt percentage of total equity is 86%, yet the industry average is around 47%, which means that it has higher leverage than industry peers. Secondly, its current ratio was 0.95, a slightly lower than the industry average (1.2), showing less liquidity.

	BA	Change Y/Y	Industry
Gross Margin	61.47%	-1.19%	39.90%
Operating Margin	9.32%	-0.60%	9.32%
Net Margin	7.76%	-0.65%	6.04%
Asset Turnover	0.75	3.17%	0.75
ROE	18.14%	0.60%	12.63%
Times Interest Earned	4.4	-34.60%	7.2

BAE Systems

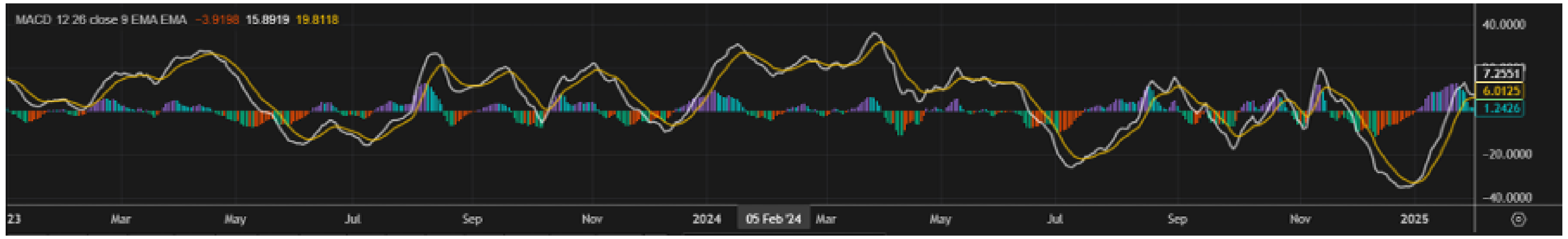
BAE SYSTEMS

Historical Performance

The chart and the table illustrate the stock performance from 2023 to 2024. Although the stock price dropped in 2024 H2, the total return in the whole period is still 33.83%, which is extraordinary in the market.

Stock Performance	Amount
Total Return	33.83%
SD Annualised	19.63%
Annualised Total Return	15.68%

Technical Analysis



This is the daily MACD line of BAE Systems from Jan 2023 to Jan 2025. The stock price decrease in the early 2025, crossing the moving average, and keep increasing until the end of the month. The upward trend continues, suggesting a buy opportunity.

HSBC Holdings

HSBC

Company Description

- Global banking and financial services powerhouse, serving individuals, businesses, and governments across 58 countries and territories.
- The UK segment includes retail banking (featuring first direct and M&S Bank) and commercial banking, plus HSBC Innovation Bank, which supports emerging enterprises.
- Corporate and Institutional Banking (CIB) merges commercial banking (outside the UK and Hong Kong) with its global banking and markets operations, providing services tailored to major corporations and institutions.
- The International Wealth & Premier Banking (IWPB) arm handles premier banking outside Hong Kong and the UK, alongside HSBC's global private bank, asset management, insurance, and investment distribution activities.
- Financials and trading multiples with industry peers including Airbus, Lockheed Martin, Rolls-Royce, and Thales, using data from Jan 2025. The EBITDA margin and net income margin of BAE Systems is quite outstanding, 14.58% and 7.85%, respectively. The beta of BAE Systems (0.55) is roughly the industry average.

Comparisson With Peers

By compare valuation multiples with industry peers, we can understand clearer about the value of the stock. HSBC has the lowest Price/Fair Value (0.91), showing that the stock price is relatively low in terms of fair value, compared to other three big banks. Besides, HSBC has the highest dividend yield, standing at 5.35%.

Company Name	Currency	Fair Value	Price/ Fair Value	Price/Sales	Price/Book	Price/ Earnings	Dividend Yield	Market Cap
HSBC Holdings PLC	GBX	980	0.91	3.31	1.14	8.95	5.35%	15,951.51 B
Citigroup Inc	USD	75	1.12	2.01	0.83	13.87	2.63%	157.56 B
JPMorgan Chase & Co	USD	195	1.43	4.53	2.41	1.29	1.72%	780.81 B
DBS Group Holdings Ltd	SGD	58.75	0.98	5.87	1.9	11.69	4.58%	131.03 B

Company Fundamentals

- HSBC shows mixed fundamentals compared to the industry.
- Its net interest margin (1.56%) is significantly lower than the industry average (2.22%), indicating weaker core lending profitability.
- However, its efficiency ratio (46.99%) outperforms the industry (57.23%), suggesting strong cost control and operational efficiency.
- Despite that, HSBC's operating leverage (+2.95%) is below industry standards, and the sharp YoY decline (-22.84%) suggests that revenue growth is not keeping pace with expenses recently.
- The bank relies less on non-interest income and particularly underperforms in fee revenue, signalling a heavier dependence on interest income rather than diversified sources. Moreover, loan growth (-1.78%) and deposit growth (2.44%) are both below industry trends, reflecting weaker balance sheet expansion and potentially more cautious lending amid market conditions.
- Overall, while HSBC maintains strong cost efficiency, its lower profitability, weaker growth, and higher credit risk warrant close monitoring.

	HSBA	Change Y/Y	Industry
Net Interest Margin	1.56%	-0.10%	2.22%
Efficiency Ratio	46.99%	-1.39%	57.23%
Operating Leverage	2.95%	-22.84%	-1.04%
Non-interest Income / Op Inc	0.32	3.01%	0.37
% Fee Revenue	11.33%	3.52%	27.35%
Loan Growth	-1.78%	-4.06%	3.99%
Deposit Growth	2.44%	-0.22%	2.72%
Nonperforming Loans (% of Total Loans)	2.47%	0.22%	2.00%

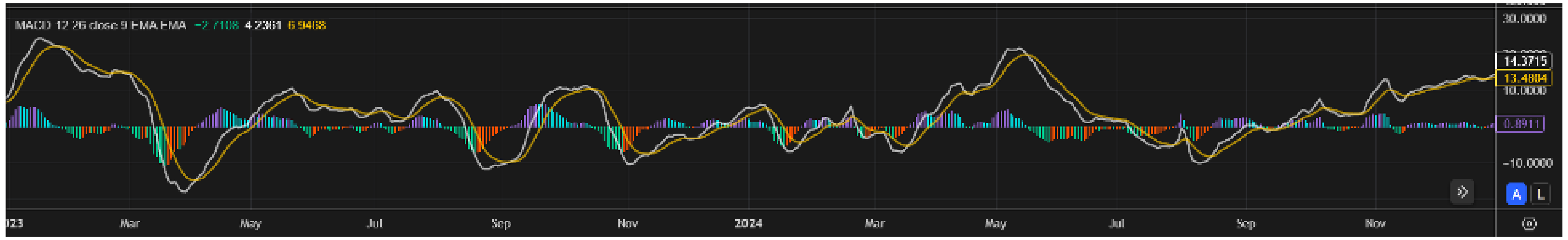
HSBC Holdings

Historical Performance

From 2023 to 2024, the stock price of HSBC has gained more than 50% of return, indicating an annualised total return at around 23.19%. From the graph below, we can see more clearly that the upward momentum is more significat in the past 6 months. With the surging stock price, the Annualised SD is thus high, standing at 23.42%

Stock Performance	Amount
Total Return	51.75%
SD Annualised	23.42%
Annualised Total Return	23.19%

Technical Analysis



The MACD line was alongside the signal line, which means that we cannot have a clear signal of buy or sell. However, the upward trend was quite significant since Aug 2024 till the end of Jan 2025.

Banco Santander

Santander

Company Description

- Banco Santander, S.A. is a Spain-based financial institution specializing in retail and commercial banking across multiple regions.
- Its Continental Europe segment encompasses all banking activities across mainland Europe.
- The United Kingdom division oversees various branches and units delivering financial services across the country. With a diverse commercial model, Santander caters to customers across all income levels, from individual savers to major enterprises.
- Beyond traditional deposits and lending, Santander is forging a future-focused banking model, investing heavily in digital platforms, open banking, and responsible finance.
- Its integrated wealth-management and insurance offerings cater to evolving client needs, while fintech partnerships and in-house innovation labs accelerate seamless mobile payments, AI-driven credit scoring, and green finance solutions.

Comparisson With Peers

The table below shows the comparison as for the investing ratios among four banks, namely Banco Santander, Citigroup, HSBC Holdings, and Banco Bilbao. All investing multiples of Banco Santander is relatively lower than other three banks, indicating that the stock price of BNC is relatively cheap.

Company Name	Currency	Fair Value	Price/ Fair Value	Price/Sales	Price/Book	Price/ Earnings	Dividend Yield	Market Cap
Banco Santander SA	GBX	493	0.94	1.39	0.85	6.65	3.62%	7,051.22 B
Citigroup Inc	USD	75	1.12	2.01	0.83	13.87	2.63%	157.56 B
HSBC Holdings PLC	GBX	980	0.91	3.31	1.14	8.95	5.35%	15,951.51 B
Banco Bilbao	EUR	11.5	1.01	1.91	1.2	6.93	5.84%	66.97B

Company Fundamentals

- Banco Santander demonstrates moderate performance relative to the industry.
- Its efficiency ratio (49.48%) is better than the industry average (57.23%), indicating solid cost management and operational efficiency.
- However, operating leverage (0.74%) remains below the industry average, and the slight negative change year-over-year suggests challenges in growing revenues faster than costs.
- The bank's reliance on non-interest income (18%) is significantly lower than the industry (37%), implying a heavier dependence on traditional interest-based income, while fee revenue (20.79%) also lags peers (27.35%), suggesting limited diversification of income streams.
- A key concern is the elevated nonperforming loans ratio, highlighting higher credit risk in its lending portfolio.
- Overall, while Banco Santander shows decent cost control, its weaker growth, limited income diversification, and higher credit risk relative to the industry call for a cautious outlook.

	BNC	Change WY	Industry
Efficiency Ratio	49.48%	-0.34%	57.23%
Operating Leverage	0.74%	-0.69%	-1.04%
Non-interest Income / Op Inc	0.18	-4.02%	0.37
% Fee Revenue	20.79%	0.17%	27.35%
Loan Growth	1.40%	0.32%	3.99%
Deposit Growth	-0.44%	-0.26%	2.72%
Nonperforming Loans (% of Total Loans)	3.07%	-0.09%	2.00%

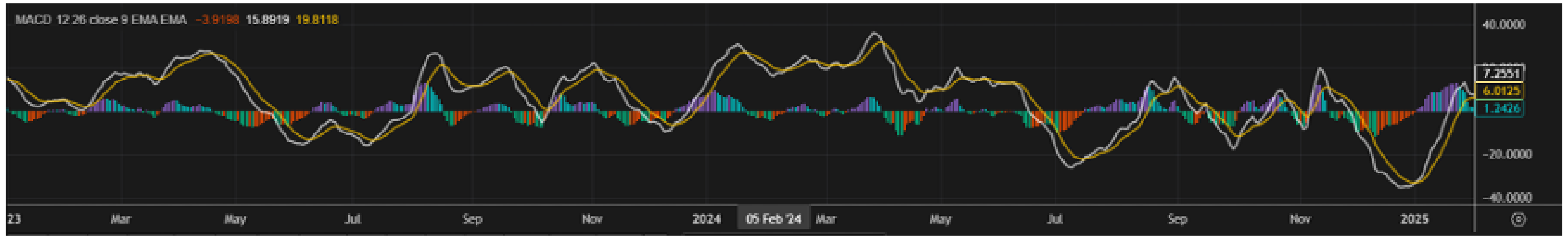
Banco Santander

Historical Performance

The total return of BNC from 2023 to 2024 is 46.75%, transformed in 21.14% of annualised total return. In 2024 H1, the stock price surge from 320 to 420, reaching its periodic peak in early-Jun. Although it slightly declined to below 360 in August 2024, it remained stable in the range of 360 and 380 until the end of the year.

Stock Performance	Amount
Total Return	46.75%
SD Annualised	26.22%
Annualised Total Return	21.14%

Technical Analysis



The MACD line was going to cross the signal line, suggesting a suitable time to buy the stock.

Kainos Group

Company Description

- Kainos Group PLC is a UK-based, publicly traded technology company specializing in digital transformation services and software solutions for clients across the public sector, healthcare, and commercial industries.
- Founded in 1986 and headquartered in Belfast, Kainos operates globally with offices in the UK, Ireland, EU, and the US.
- The company's core business areas are digital services and digital platforms. The former focuses on consulting, software development, and systems integration, while the latter focuses on proprietary solutions such as the Evolve healthcare platform and Workday-related services.
- Kainos is recognized for its strong corporate culture, commitment to innovation, and a track record of delivering large-scale digital transformation projects, particularly for government and healthcare clients.

Comparisson With Peers

Company Name	% Change	PE (DTM)	ROE
Kainoş Group PLC	0.81%	27.67	24.12%
Bytes Technology Group PLC	-0.39%	24.71	62.19%
Softcat PLC	0.63%	32.34	43.33%
Computacenter PLC	0.94%	18.05	19.44%
GB Group PLC	2.08%	75.22	1.40%

Company Fundamentals

- Kainos shows solid financial performance, with an operating margin of 14.13% and net margin of 9.68%, both above the industry average of 8.99% and 5.34% respectively, though they have declined YoY. Its gross margin of 47.90%, while lower than the industry's 74.18%, still indicates healthy profitability.
- The company shows strong operational efficiency with an asset turnover of 1.35, outperforming the industry's 1.16 despite a near 10% decline YoY. ROE (24.12%) remains significantly higher than the industry average of 14.86%, reflecting strong returns for shareholders, although it has dropped by nearly 10% from the previous year.
- Most notably, Kainos maintains a high times interest earned ratio of 155.8, far exceeding the industry average of 13.2, indicating a strong ability to service its debt despite a 15.83% decline.
- Overall, Kainos maintains strong profitability and financial stability, though recent declines in margins and returns suggest a need to monitor future performance trends.

	BA	Change Y/Y	Industry
Gross Margin	47.90%	-1.09%	74.18%
Operating Margin	14.13%	-1.36%	8.99%
Net Margin	9.68%	-3.06%	5.34%
Asset Turnover	1.35	-9.85%	1.16
ROE	24.12%	-9.92%	14.86%
Times Interest Earned	155.8	-15.83%	13.2

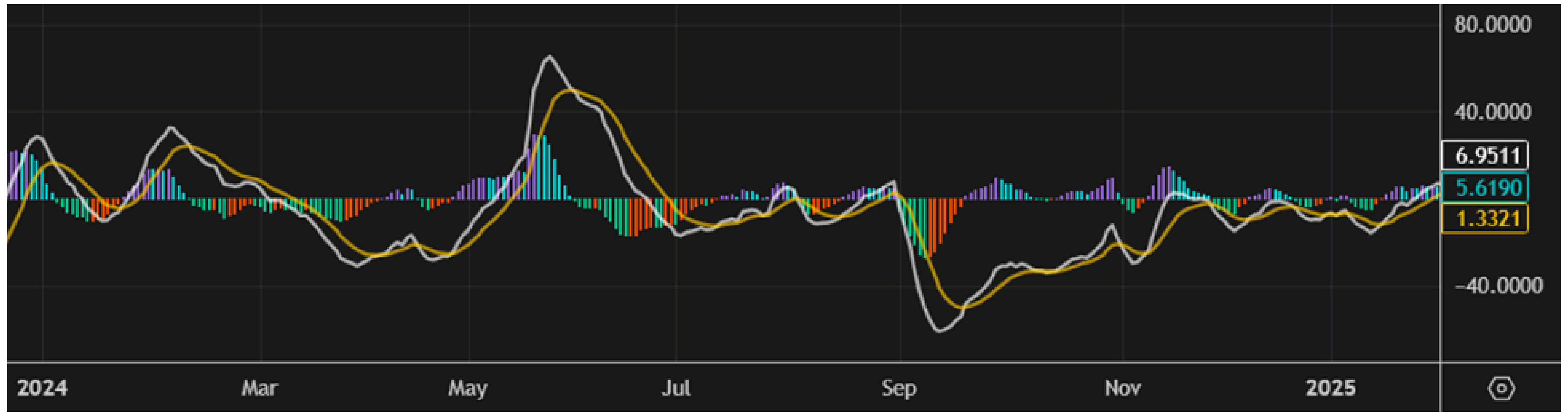
Kainos Group

Historical Performance

The stock dropped nearly 50% from approximately 1,600 to 800 between 2023 and 2024, reflecting market pessimism. However, Kainos's solid fundamentals suggest a potential turnaround opportunity.

Stock Performance	Amount
Total Return	-49.55%
SD Annualised	30.99%
Annualised Total Return	-28.97%

Technical Analysis



The MACD line has slowly recovered above the signal line again, with both lines flattening but still in mild positive territory, suggesting moderate bullish momentum.

Rolls-Royce

ROLLS
RR
ROYCE

Company Description

- Rolls-Royce is one of the most iconic names in the world of engineering and luxury, synonymous with excellence, innovation, and unrivalled craftsmanship.
- Founded in 1904 by Charles Rolls and Henry Royce in Manchester, England, the company was forged from a shared passion for engineering and a relentless desire to create what would become known as "the Best Car in the World".
- From the outset, Rolls-Royce distinguished itself through a commitment to quality and precision. Over the years, Rolls-Royce expanded beyond automobiles into the development and manufacture of aeroengines, becoming a cornerstone of British industry and innovation.
- Today, Rolls-Royce remains a byword for luxury and engineering excellence, with its motor cars produced as a subsidiary of BMW AG since 2003, while its aerospace division continues to lead in advanced power and propulsion technologies.

Comparisson With Peers

Compared with the industry peers, Rolls Royce has the best financials performance, with the highest EBITDA margin (17.00%) and the highest net income margin (9.00%). Although it's the risky stocks among the five companies due to the highest beta, its trading multiples show that its relatively cheap in the market, with the highest EV/EBITDA multiple and an over average P/E ratio.

	Current			Financials					Current Trading Multiples		
				Revenue Adj	EBITDA Adj.		Net Income Adj.		EV/EBITDA	P/E	
Company Name	Share Price	Market Cap	EV	Last	Last	Margin	Last	Margin	Last	Last	Beta
BAE System	26.42	77,501,715	53,426,165	33,619,544	4,902,637	14.58%	2,638,506	7.85%	17.58	32.26	0.55
Airbus Group	187.42	147,559,246	124,448,072	75,082,928	9,369,532	12.48%	4,651,109	6.19%	14.98	31.18	0.52
Lockheed Martin	486.45	113,973,266	131,354,921	71,811,000	9,075,000	12.64%	5,739,541	7.99%	14.60	20.98	0.27
Rolls-Royce Holdings	11.85	99,042,541	61,779,007	24,160,534	4,106,614	17.00%	2,174,691	9.00%	24.06	31.06	1.72
Thales (Aerospace and	290.67	59,712,116	34,595,627	22,265,915	2,758,162	12.39%	1,960,763	8.81%	22.82	54.93	0.79

Company Fundamentals

- Rolls-Royce has delivered strong performance over the past few years.
- Both its operating margin and net margin significantly exceed the industry average, standing at 12.63% and 13.14%.
- Notably, the operating margin recorded a YoY increase of 1.5%. Although the company's gross margin is below the industry average of 39.90%, it still achieved positive YoY growth at 0.65%.
- In terms of efficiency and solvency, both asset turnover and the times interest earned ratio remain slightly below industry benchmarks.
- However, these metrics showed substantial YoY improvements, growing by 4.05% and 32.65%, respectively, showing that the company is improving its operational efficiency and financial stability.

	RR (Dec-2024)	Change Y/Y	Industry
Gross Margin	22.32%	0.36%	39.90%
Operating Margin	12.63%	1.50%	9.32%
Net Margin	13.14%	-1.45%	6.04%
Asset Turnover	0.56	4.05%	0.75
Times Interest Earned	6.6	32.65%	7.2

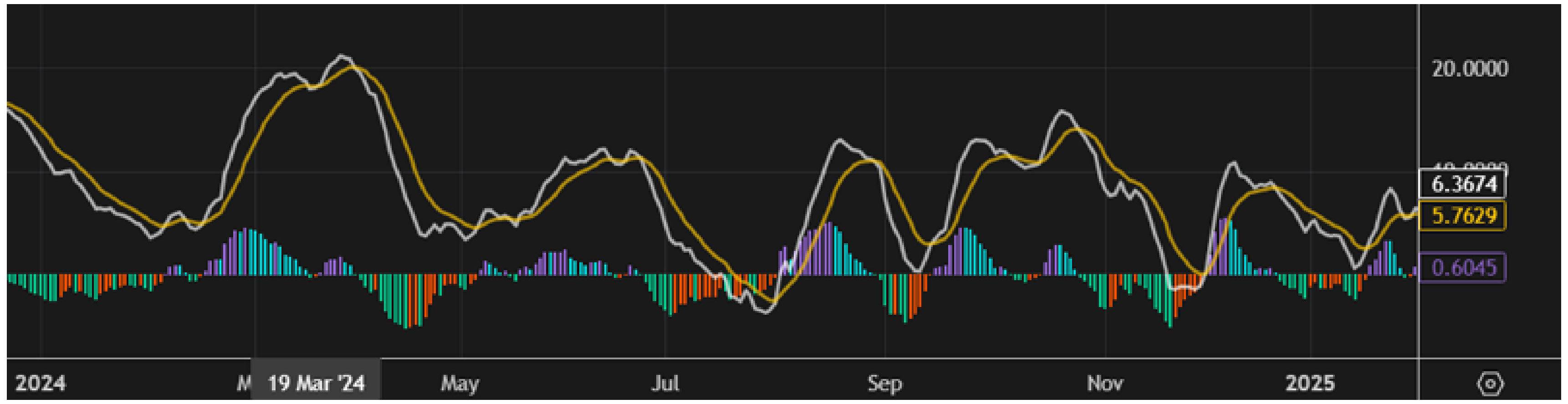
Rolls-Royce

Historical Performance

Rolls-Royce had a notably great performance in stock price in the last two years. The total return is 512.02% with an annualised SD at 37.28%.

Stock Performance	Amount
Total Return	512.02%
SD Annualised	37.28%
Annualised Total Return	147.39%

Technical Analysis



The MACD line just crossed the signal line in the beginning of the Jan in 2025, showing a moderate bullish sign, despite not very strong.

J D Wetherspoon

Company Description

- Wetherspoon owns and operates pubs throughout the UK and Ireland.
- The company aims to provide customers with good-quality food and drinks, served by well-trained and friendly staff, at reasonable prices.

Comparisson With Peers

- JD Wetherspoon trades at 67% of its fair value, with valuation metrics sitting between peers.
- The P/E (12.85x) is lower than C&C but above Mitchells, reflecting steady earnings quality.
- The higher P/B (1.60x) suggests a premium on asset efficiency. A 2.4% dividend yield offers moderate income.
- Overall, JDW combines valuation support with operational stability, offering mid- to long-term appeal

Company Name	Currency	Fair Value	Price / Fair Value	Price / Sales	Price / Books	Price / Earnings	Dividend Yield	Market Cap
JD Wetherspoon	GBX	892.5	67.4%	0.31	1.60	12.85	2.4%	641.18
C&C Group	GBX	274.36	54.2%	0.37	1.09	55.88	4.1%	613.96
Mitchell & Butlers	GBX	501.7	44.9%	0.51	0.52	8.61	0.0%	1,337.50

Company Fundamentals

- As of FY2024, JD Wetherspoon has shown a strong recovery from its pandemic low, driven by improved core operations and efficiency. Revenue more than doubled from FY2021 to FY2024. While year-on-year growth has slowed since the initial rebound, it remains positive. Like-for-like (LFL) sales returned to growth in FY2023 and rose a further 7.6% in FY2024, signalling strong customer traffic and better performance at existing pubs.
- Profitability has improved markedly. Operating profit rose from a £100.4 million loss in FY2021 to £139.5 million in FY2024, with the margin improving from –13.0% to 6.85%. Net income turned positive in FY2023 and reached £58.5 million in FY2024, with a 2.87% net margin. EPS recovered from a £1.19 loss to £0.47, reflecting a return to shareholder value.
- Leverage remains high. The debt ratio reached 78.91% in FY2024 is still exceeding the sector average of 70%, which suggests financial risk persists. Operating cash flow includes one-off gains from interest rate swap sales. Excluding these, core cash generation is modest, and reinvestment and debt servicing require ongoing attention.

	FY2021	FY2022	FY2023	FY2024	FY2024H1	FY2025H1
Revenue	**772.60**	**1,740.50**	**1925.00**	**2035.50**	**991.00**	**1029.50**
YoY		125.28%	10.60%	5.74%	8.19%	3.88%
LFL Growth	-38.40%	-4.70%	12.70%	7.60%	9.90%	4.80%
Operating Profit	-100.40	25.70	107.10	139.50	67.70	64.80
OPM Margin	-13.00%	1.48%	5.56%	6.85%	6.83%	6.29%
EBITDA	20.52	142.48	216.62	241.87	117.36	120.87
EBIT Margin	2.66%	8.19%	11.25%	11.88%	11.84%	11.74%
Net income	-146.47	-27.03	33.83	58.51	24.89	24.88
Net Margin	-18.96%	-1.55%	1.76%	2.87%	2.51%	2.42%
EPS(GBP)	-1.19	-0.21	0.26	0.47	0.2	0.21
YoY		82.35%	223.81%	80.77%		5.00%

	FY2021	FY2022	FY2023	FY2024	Industry avg.
Debt Ratio	86.17%	84.29%	79.14%	78.91%	~70.00%

J D Wetherspoon

Historical Performance & Technical Analysis

In 2024, JD Wetherspoon (JDW.L) experienced a broad consolidation with clear signs of bottoming. After peaking around 850p in early 2024, the stock entered a gradual downtrend, but by Q4, selling pressure had eased and price action stabilized around the 580–600p range.

Notably, despite continued weakness through November and December, the stock showed signs of support building near 580p, forming a potential base with decreasing volatility. Volume during the late-stage decline began to dry up, suggesting capitulation was nearing. At the same time, MACD showed signs of convergence, with the bearish momentum fading.

By early 2025 (Feb), the stock had shown multiple failed attempts to break below 580p, suggesting strong technical support. This, combined with a favorable risk/reward setup, improving fundamentals, and early signs of reversal momentum, made it a compelling entry point ahead of a potential trend reversal.

Shell

Company Description

- Shell is one of the world's largest global energy companies, headquartered in London, UK, widely recognized for its leadership in oil, natural gas, and increasingly, in the transition to cleaner energy solutions.
- The company's business model is built on a vertically integrated structure that spans the entire energy value chain, from exploration and production to refining, distribution, marketing, and retail operations, as well as investments in renewable energy, biofuels, hydrogen, and electric vehicle charging infrastructure.
- Shell's diverse product and service offerings include traditional fuels, lubricants, chemicals, and liquefied natural gas, as well as a growing portfolio of low-carbon and sustainable energy solutions designed to meet evolving market demands and support global efforts to reduce carbon emissions.
- By leveraging its extensive global network, innovation capabilities, and strategic partnerships, Shell aims to deliver reliable energy to millions of customers while actively contributing to the global transition to a more sustainable energy future.

Comparisson With Peers

- All the multiples of Shell are in the average among the other three companies, indicating that it is not relatively expensive or cheap.
- One of the notable differences is that Shell's market cap is the largest in the group, and its twice than the second largest company, showing its large scale.

Company Name	Currency	Fair Value	Price/ Fair Value	Price/ Sales	Price/ Book	Price/ Earnings	Dividend Yield	Market Cap
Shell PLC	GBX	2900	0.89	0.72	1.15	7.54	4.12%	15,693.65 B
Exxon Mobil Corp	USD	135	0.8	1.34	1.78	12.66	3.53%	477.61 B
BP PLC	GBX	759.5	0.85	0.46	1.37	8.01	5.70%	6,542.83 B
TotalEnergies SE	EUR	68	0.82	0.7	1.22	7.14	5.57%	124.97 B

Company Fundamentals

- The table below reveals a mixed performance picture.
- In terms of profitability, SHEL's margins are all substantially lower than the industry averages, indicating it retains less profit from its revenue compared to competitors.
- As for efficiency, SHEL's asset turnover of 0.72 is significantly higher than the industry's 0.49, meaning it generates more revenue per dollar of assets than its peers.
- However, this efficiency has decreased by 3.94% from the previous year.
- The ROE, a key measure of shareholder returns, stand at 8.97%, which is below the industry average of 10.88% and has also declined YoY. This indicates that despite its asset efficiency ratio of 8.8 shows SHEL has a strong ability to meet its debt interest payments, comfortably above the industry average of 7.5, although this metric has seen a notable decline of 11.67% from the previous year.

	SHEL	Change Y/Y	Industry
Gross Margin	17.63%	0.13%	51.00%
Operating Margin	12.02%	-0.28%	23.23%
Net Margin	5.81%	-0.39%	8.32%
Asset Turnover	0.72	-3.94%	0.49
ROE	8.97%	-1.34%	10.88%
Times Interest Earned	8.8	-11.67%	7.5

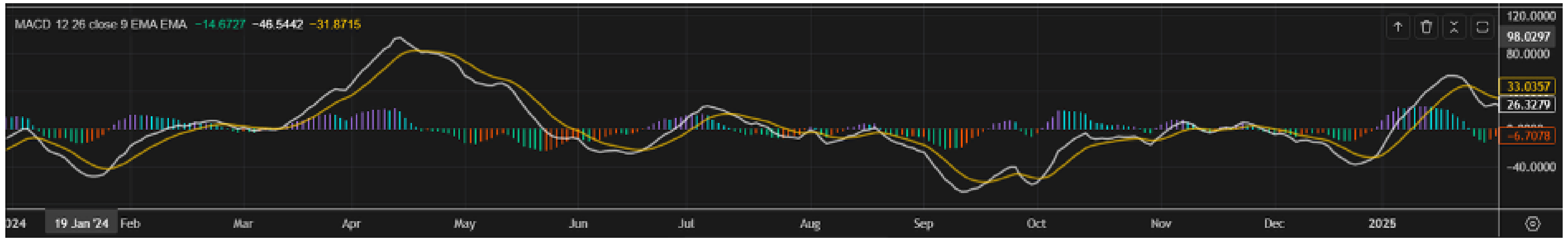
Shell

Historical Performance

The stock prices of Shell in the last two years fluctuated quite significantly. It reached its peak in the early May at around 2950, while it dropped to 2376 in the end of the year. During the two-year period, it achieved 5.06% return in total, with an annualised SD of 19.01%.

Stock Performance	Amount
Total Return	5.06%
SD Annualised	19.01%
Annualised Total Return	2.50%

Technical Analysis



In MACD graph for SHEL, it shows the bearish momentum, as the indicators have reversed, signalling a loss of buying pressure and the potential onset of a downtrend or price correction.

AstraZeneca

AstraZeneca

Company Description

- AstraZeneca is a globally biopharmaceutical company headquartered in Cambridge, UK, dedicated to pioneering scientific innovation and developing medicines for some of the world's most serious health challenges.
- Its business model centres on research and development, strategic collaborations with academic institutions and biotech partners, and a diversified revenue approach encompassing direct product sales, licensing agreements, and co-development partnerships.
- AstraZeneca's extensive product portfolio covers key therapeutic areas such as oncology, cardiovascular and metabolic diseases, respiratory and immunology, rare diseases, and vaccines, including its widely used COVID-19 vaccine.
- By leveraging advanced science and precision medicine, the company tailors treatments to individual patient needs, ensuring both efficacy and safety, while its strong global presence enables broad access to its innovative therapies and supports improved health outcomes.

Comparisson With Peers

- The multiples of AZN are relatively small among other three companies, indicating that its relatively cheap in terms of the stock price.
- AZN has the highest market cap, which is twice as much as Eli Lilly and Co.

Company Name	Currency	Fair Value	Price/ Fair Value	Price/ Sales	Price/ Book	Price/ Earnings	Dividend Yield	Market Cap
AstraZeneca PLC	GBX	2900	0.89	0.72	1.15	7.54	4.12%	15,693.65 B
Bristol-Myers Squibb Co	USD	135	0.8	1.34	1.78	12.66	3.53%	477.61 B
Eli Lilly and Co	USD	759.5	0.85	0.46	1.37	8.01	5.70%	6,542.83 B
Merck & Co Inc	USD	68	0.82	0.7	1.22	7.14	5.57%	124.97 B

Company Fundamentals

- In terms of profitability, AZN demonstrated significant strength; its gross margin of 82.14% and operating margin of 24.10% are both above the industry average of 74.06% and 21.17%, respectively.
- While the gross margin saw a marginal decline, the operating margin improved substantially YoY, indicating strong control over its core business costs. Its net margin at 13.07% is in line with the industry.
- On the efficiency front, the asset turnover of 0.53 matched the industry average and show a remarkable 13.69% improvement from the previous year, suggesting the company has become much more effecting using its assets to generate sales.
- The only metric where AZN trails the industry is its times interest earned ratio of 9.4, which, while healthy, is below the industry average of 15.7. However, this has improved by nearly 19% from the prior year, signalling a strengthening ability to cover its debt obligations.

	AZN	Change Y/Y	Industry
Gross Margin	82.14%	-0.25%	74.06%
Operating Margin	24.10%	4.64%	21.17%
Net Margin	13.07%	0.03%	13.01%
Asset Turnover	0.53	13.69%	0.53
ROE	17.59%	1.95%	14.95%
Times Interest Earned	9.4	18.97%	15.7

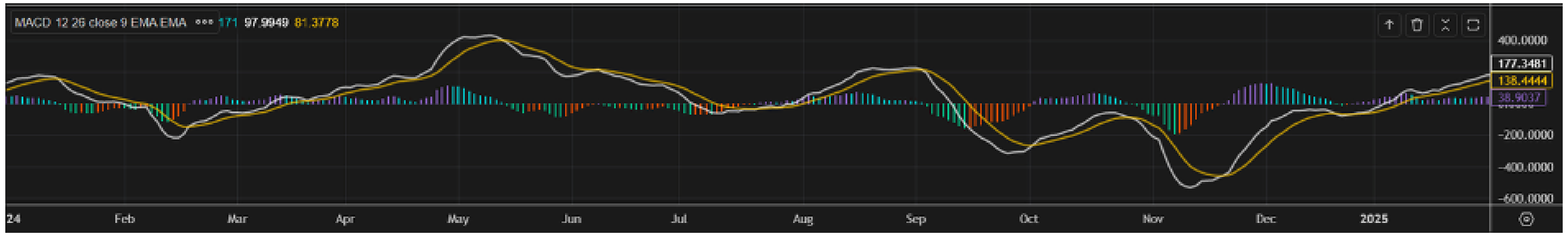
AstraZeneca

Historical Performance

AZN's stock price movement is a bit like the SHEL's. It fluctuated during the two-year period and dropped to the lower price in the end of the year. During the period, the total return is –7.18%, with a high annualised SD of 19.16%.

Stock Performance	Amount
Total Return	-7.18%
SD Annualised	19.16%
Annualised Total Return	-3.66%

Technical Analysis



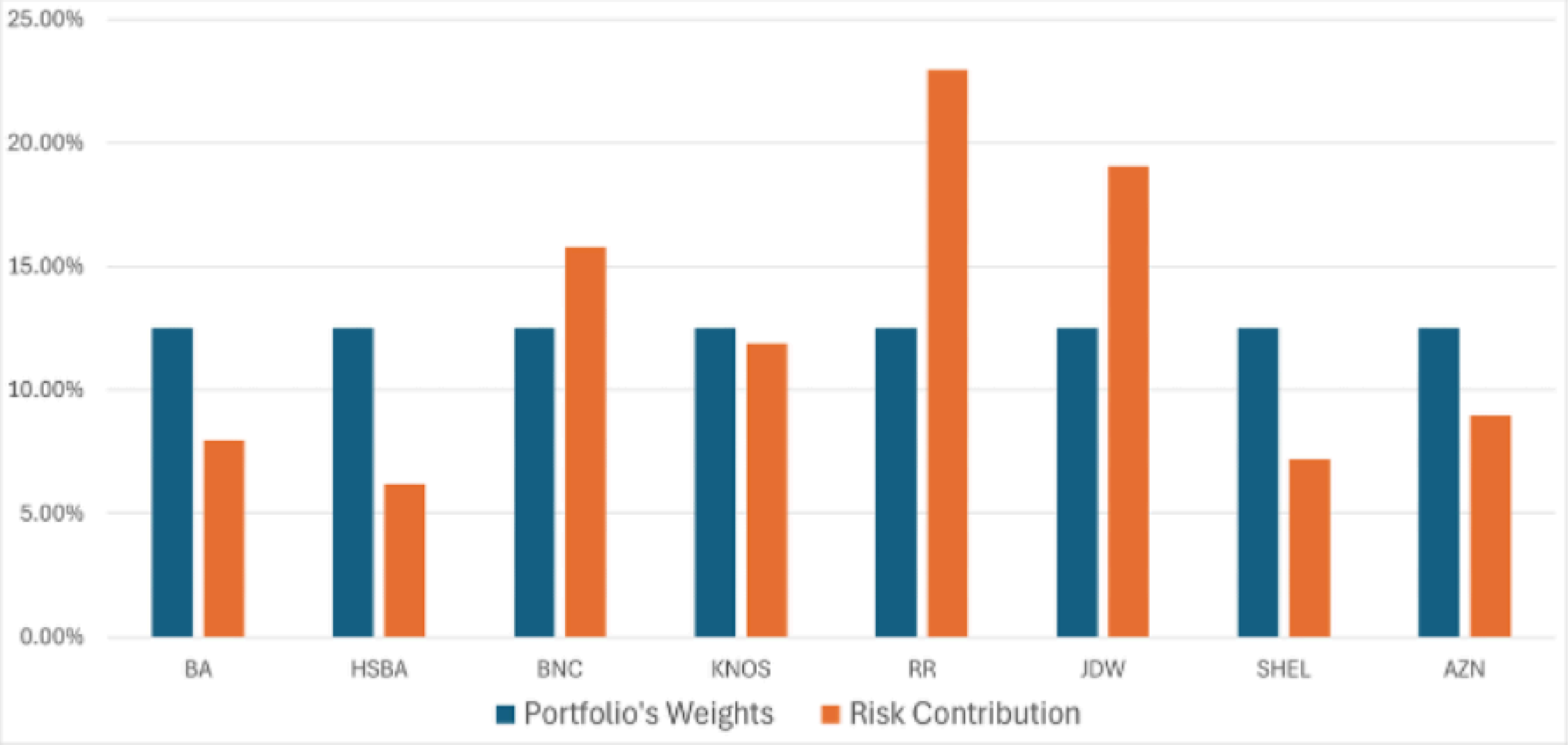
There is no clear signal from the MACD graph of AstraZeneca in the early 2025. The signal line and the MACD line were roughly paralleled in Jan 2025.

Portfolio Construction & Analysis

Equally Weighted (EW)

This investment strategy employs an equally weighted approach, assigning 12.5% to each stock in the portfolio. As a result, the overall performance is influenced equally by the returns of each individual stock, regardless of company size or market capitalization. Over the past two years, Rolls-Royce (RR) has emerged as the leading contributor to the portfolio's returns, while also being the primary source of risk among the holdings.

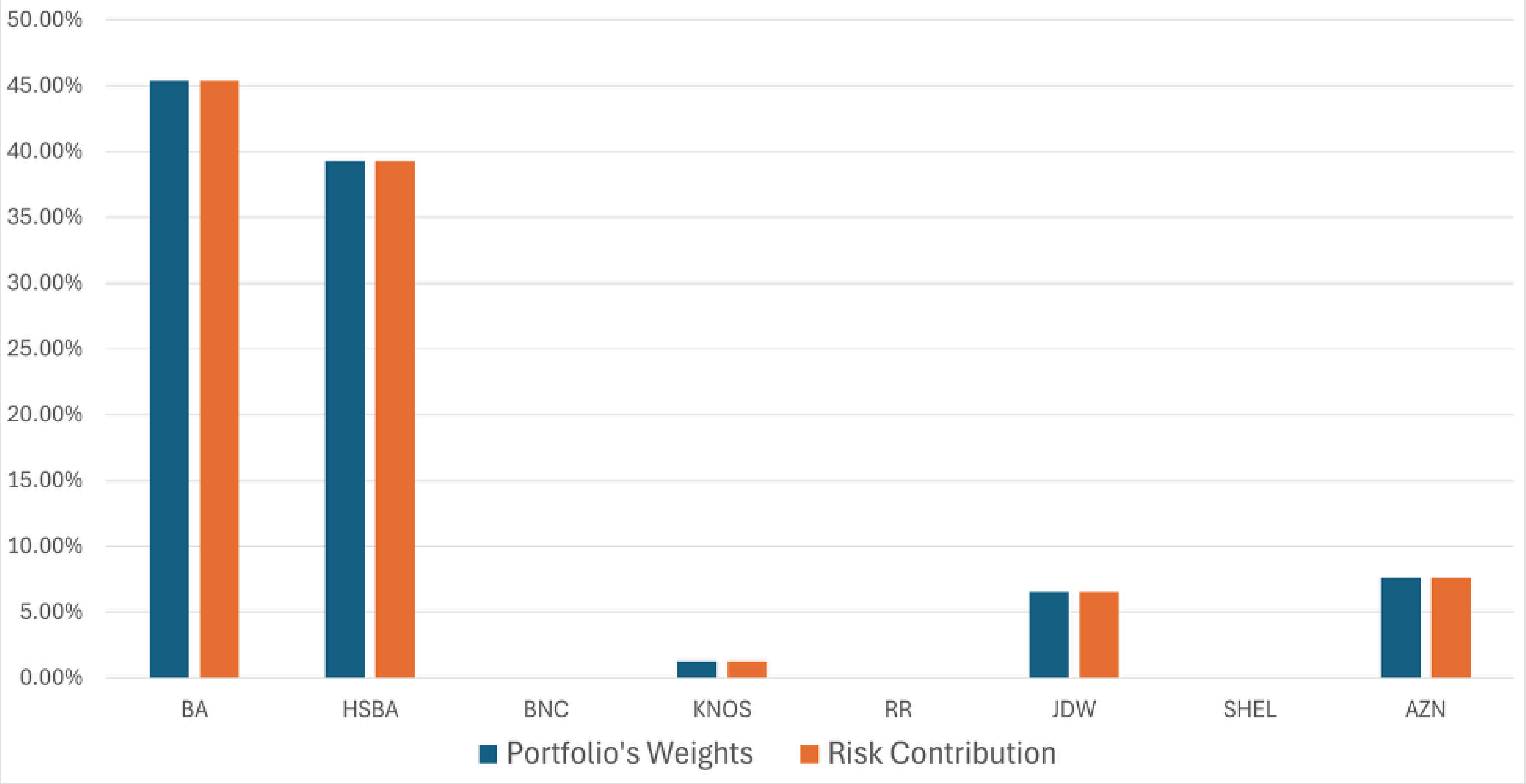
Equally Weighted Asset Allocation				
Assets	Portfolio's Weights	Annualised Volatility	Marginal Risk Contribution	Risk Contribution
BA	12.50%	19.63%	0.14%	7.95%
HSBA	12.50%	23.42%	0.11%	6.19%
BNC	12.50%	26.22%	0.28%	15.77%
KNOS	12.50%	30.99%	0.21%	11.90%
RR	12.50%	37.28%	0.41%	22.97%
JDW	12.50%	35.41%	0.34%	19.07%
SHEL	12.50%	19.01%	0.13%	7.20%
AZN	12.50%	19.16%	0.16%	8.96%
Total	100.00%	13.29%	1.77%	100.00%



Minimum Variance (MV)

The minimum variance asset allocation method aims to construct a portfolio that minimizes risk while seeking to achieve optimal returns. However, reducing risk exposure does not necessarily lead to maximizing potential returns. Moreover, as shown in the table below, the minimum variance approach may entirely exclude certain stocks that a portfolio manager would otherwise prefer to include. This can pose a challenge when full diversification is one of the portfolio's objectives. In this case, the portfolio can reach to the smallest variance at 1.09%. BAE Systems is the main portion of the portfolio (45.35%), with a risk contribution of 0.49%. However, BNC and RR are excluded from the portfolio, which is not our expectation.

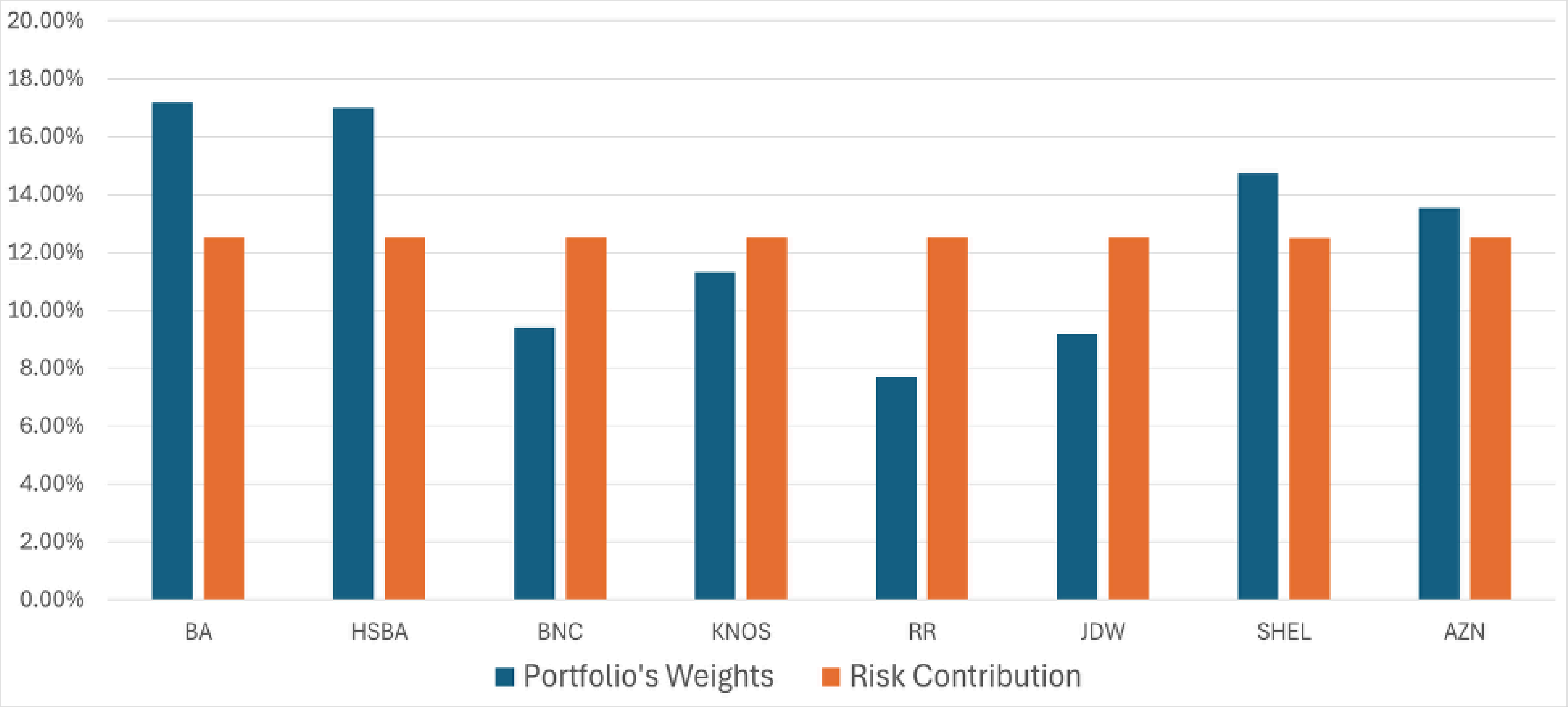
Minimum Variance Portfolio				
Assets	**Portfolio's Weights**	**Annualised Volatility**	**Marginal Risk Contribution**	**Risk Contribution**
BA	45.35%	19.63%	0.49%	45.35%
HSBA	39.28%	23.42%	0.43%	39.28%
BNC	0.00%	26.22%	0.00%	0.00%
KNOS	1.25%	30.99%	0.01%	1.25%
RR	0.00%	37.28%	0.00%	0.00%
JDW	6.54%	35.41%	0.07%	6.54%
SHEL	0.00%	19.01%	0.00%	0.00%
AZN	7.58%	19.16%	0.08%	7.58%
Total	100.00%	10.44%	1.09%	100.00%



Risk Parity (RP)

The risk parity approach offers portfolio managers a framework to construct a diversified portfolio in which each stock contributes an equal share of the overall portfolio risk. Each stock would account for 12.50% of risk contribution, and the marginal risk contribution would be 0.18% of each. From the result, we can notice that it reached the lowest return, and its volatility was even higher than the minimum variance method's. Its Sharpe ratio is also the lowest among the four methods, showing that this strategy does not suit for this portfolio.

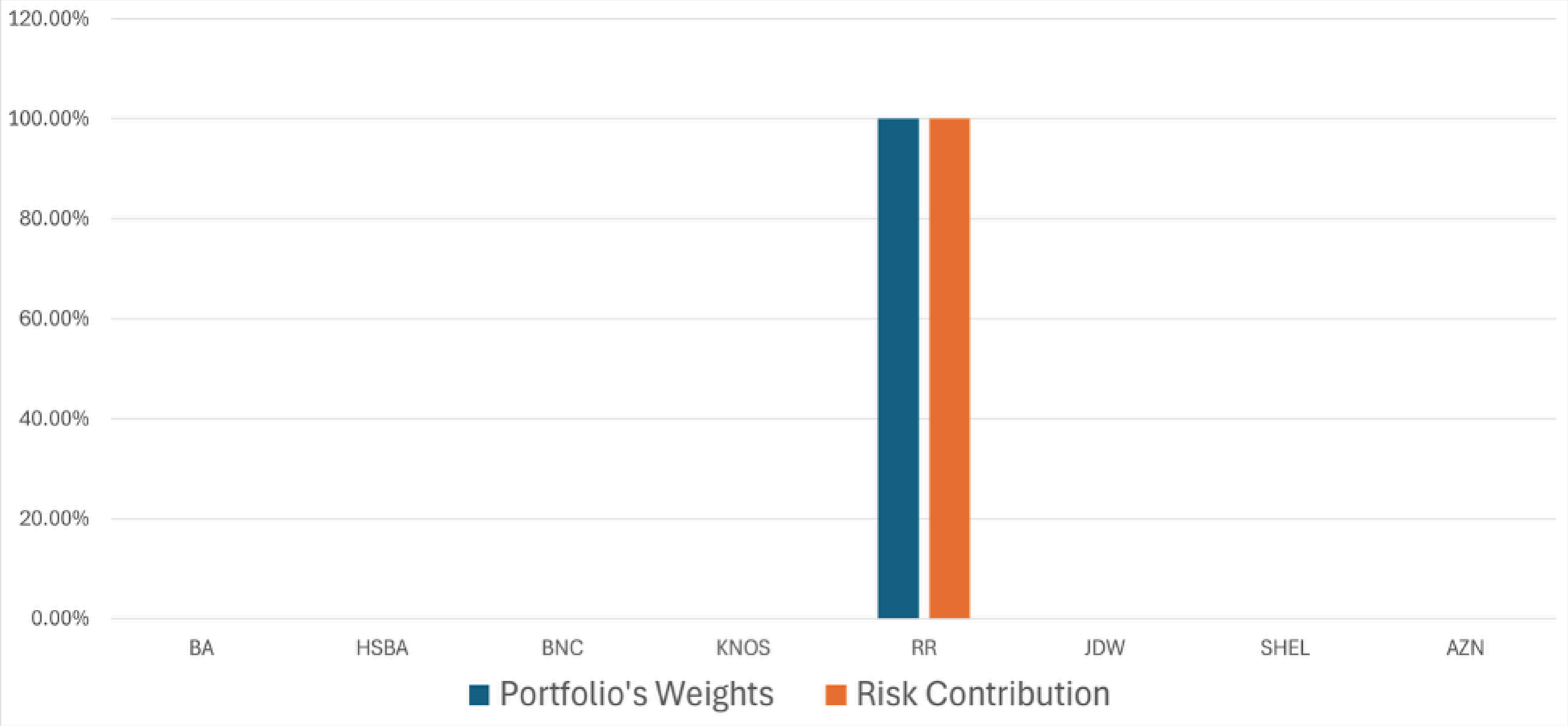
Risk Parity				
Assets	Portfolio's Weights	Annualised Volatility	Marginal Risk Contribution	Risk Contribution
BA	17.16%	19.63%	0.18%	12.50%
HSBA	16.99%	23.42%	0.18%	12.50%
BNC	9.40%	26.22%	0.18%	12.50%
KNOS	11.31%	30.99%	0.18%	12.50%
RR	7.67%	37.28%	0.18%	12.50%
JDW	9.19%	35.41%	0.18%	12.50%
SHEL	14.73%	19.01%	0.18%	12.50%
AZN	13.55%	19.16%	0.18%	12.50%
	100.00%	12.00%	1.44%	100.00%



Maximum Sharpe Ratio (ShRa)

With this investment strategy, we could build a portfolio that contributing the highest Sharpe ratio. Sharpe ratio implies that the return generated from each unit of risk, which is (Return – Risk Free Rate) / Portfolio Risk. In this portfolio, RR has the best Sharpe ratio in the last two years, so if it represents 100% of the portfolio, the portfolio will have the highest Sharpe ratio. Although this method reached the highest Sharpe Ratio, its volatility was also the highest among the four strategies. Additionally, most of the stocks in the portfolio are neglected by the strategy, which is not aligned with our goal.

Maximum Sharpe Ratio				
Assets	Portfolio's Weights	Annualised Volatility	Marginal Risk Contribution	Risk Contribution
BA	0.00%	19.63%	0.00%	0.00%
HSBA	0.00%	23.42%	0.00%	0.00%
BNC	0.00%	26.22%	0.00%	0.00%
KNOS	0.00%	30.99%	0.00%	0.00%
RR	100.00%	37.28%	13.90%	100.00%
JDW	0.00%	35.41%	0.00%	0.00%
SHEL	0.00%	19.01%	0.00%	0.00%
AZN	0.00%	19.16%	0.00%	0.00%
	100.00%	37.28%	13.90%	100.00%



Correlation Matrix

The correlation matrix is the normalized version of the covariance matrix. It tells you how strongly and in what direction the returns of two assets are linearly related, on a scale from -1 to +1. For example, the correlation between BA and HSBA is –47.56%, which means they are relatively negative relationship, while the correlation between SHEL and HSBA is 49.71%, representing the relative positive relationship between two of them.

CORRELATION MATRIX									
SD	Company	BA	HSBA	BNC	KNOS	RR	JDW	SHEL	AZN
19.63%	BA	100.00%	-47.56%	10.77%	19.78%	26.05%	26.94%	25.57%	21.81%
23.42%	HSBA	-47.56%	100.00%	43.74%	1.51%	-0.66%	-23.87%	49.71%	16.17%
26.22%	BNC	10.77%	43.74%	100.00%	-8.91%	60.98%	4.33%	38.53%	2.91%
30.99%	KNOS	19.78%	1.51%	-8.91%	100.00%	-11.64%	33.45%	-15.70%	31.12%
37.28%	RR	26.05%	-0.66%	60.98%	-11.64%	100.00%	37.62%	14.06%	-5.19%
35.41%	JDW	26.94%	-23.87%	4.33%	33.45%	37.62%	100.00%	-28.59%	29.50%
19.01%	SHEL	25.57%	49.71%	38.53%	-15.70%	14.06%	-28.59%	100.00%	35.17%
19.16%	AZN	21.81%	16.17%	2.91%	31.12%	-5.19%	29.50%	35.17%	100.00%

Correlation Matrix

The covariance matrix measures how two assets move together in absolute terms. It tells you whether the returns on assets move in the same direction and how strongly.

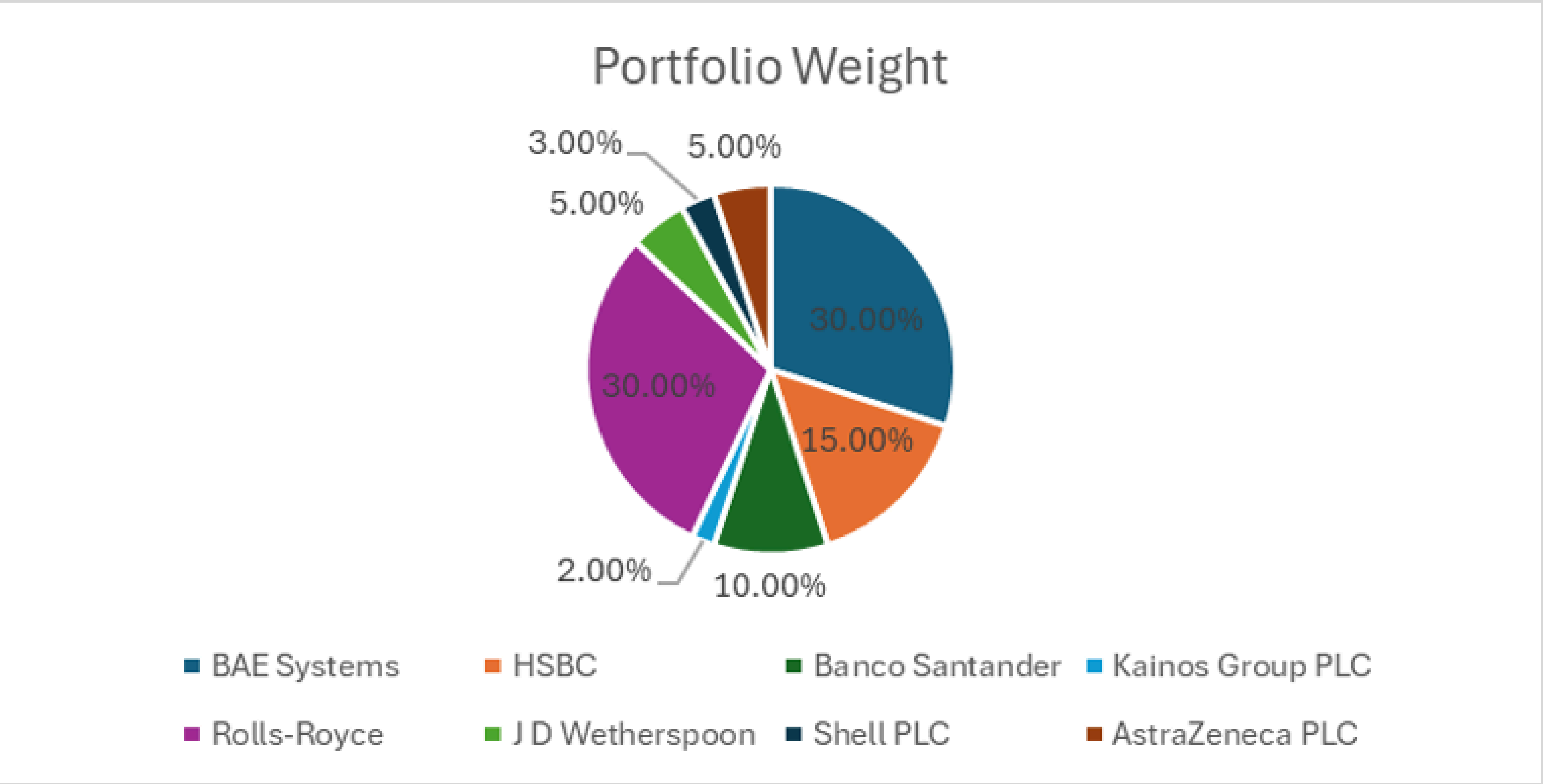
COVARIANCE MATRIX								
Company	BA	HSBA	BNC	KNOS	RR	JDW	SHEL	AZN
BA	3.86%	-2.19%	0.55%	1.20%	1.91%	1.87%	0.95%	0.82%
HSBA	-2.19%	5.48%	2.69%	0.11%	-0.06%	-1.98%	2.21%	0.73%
BNC	0.55%	2.69%	6.88%	-0.72%	5.96%	0.40%	1.92%	0.15%
KNOS	1.20%	0.11%	-0.72%	9.61%	-1.34%	3.67%	-0.92%	1.85%
RR	1.91%	-0.06%	5.96%	-1.34%	13.90%	4.97%	1.00%	-0.37%
JDW	1.87%	-1.98%	0.40%	3.67%	4.97%	12.54%	-1.92%	2.00%
SHEL	0.95%	2.21%	1.92%	-0.92%	1.00%	-1.92%	3.61%	1.28%
AZN	0.82%	0.73%	0.15%	1.85%	-0.37%	2.00%	1.28%	3.67%

Final Portfolio

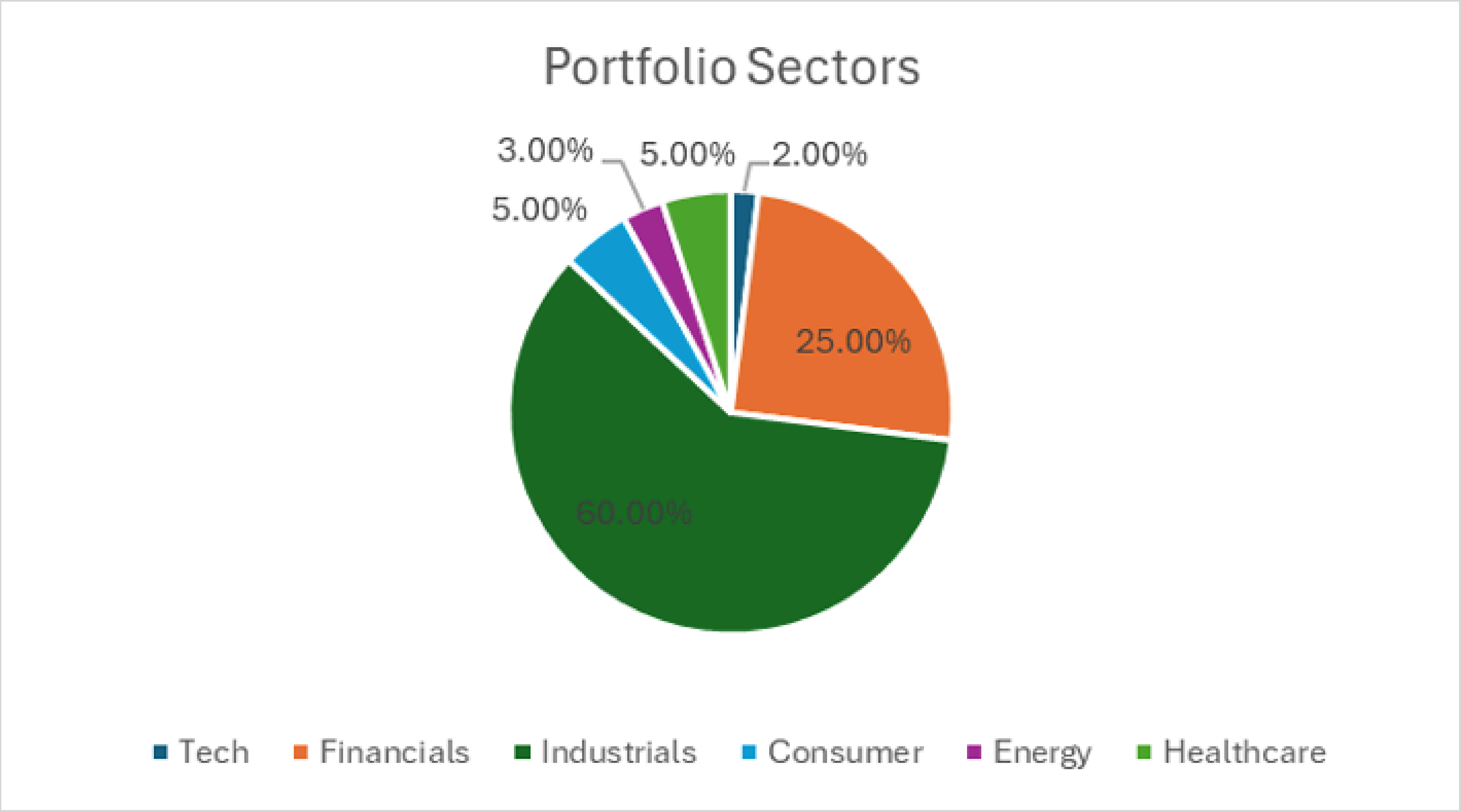
Company	Ticker	Sector	Weight
BAE Systems	BA	Industrials	30.00%
HSBC	HSBA	Financials	15.00%
Banco Santander	BNC	Financials	10.00%
Kainos Group PLC	KNOS	Tech	2.00%
Rolls-Royce	RR	Industrials	30.00%
J D Wetherspoon	JDW	Consumer	5.00%
Shell PLC	SHEL	Energy	3.00%
AstraZeneca PLC	AZN	Healthcare	5.00%

Portfolio Stock Weight

The main idea of this portfolio is to invest in high return stocks, while investing in a portion of conservative stocks to mitigate the overall risk. Therefore, we consider two of the investment strategies that we mentioned above, which are minimum variance method and maximum Sharpe ratio method. By balancing these two methods, we invest 30% of our portfolio into RR, which represents the high return, while we also invest in 50% of the portfolio in the conservative stocks, which are BA, HSBA, and JDW. Finally, the remaining are shared with the 20% of the portfolio.



Portfolio Sector Weight

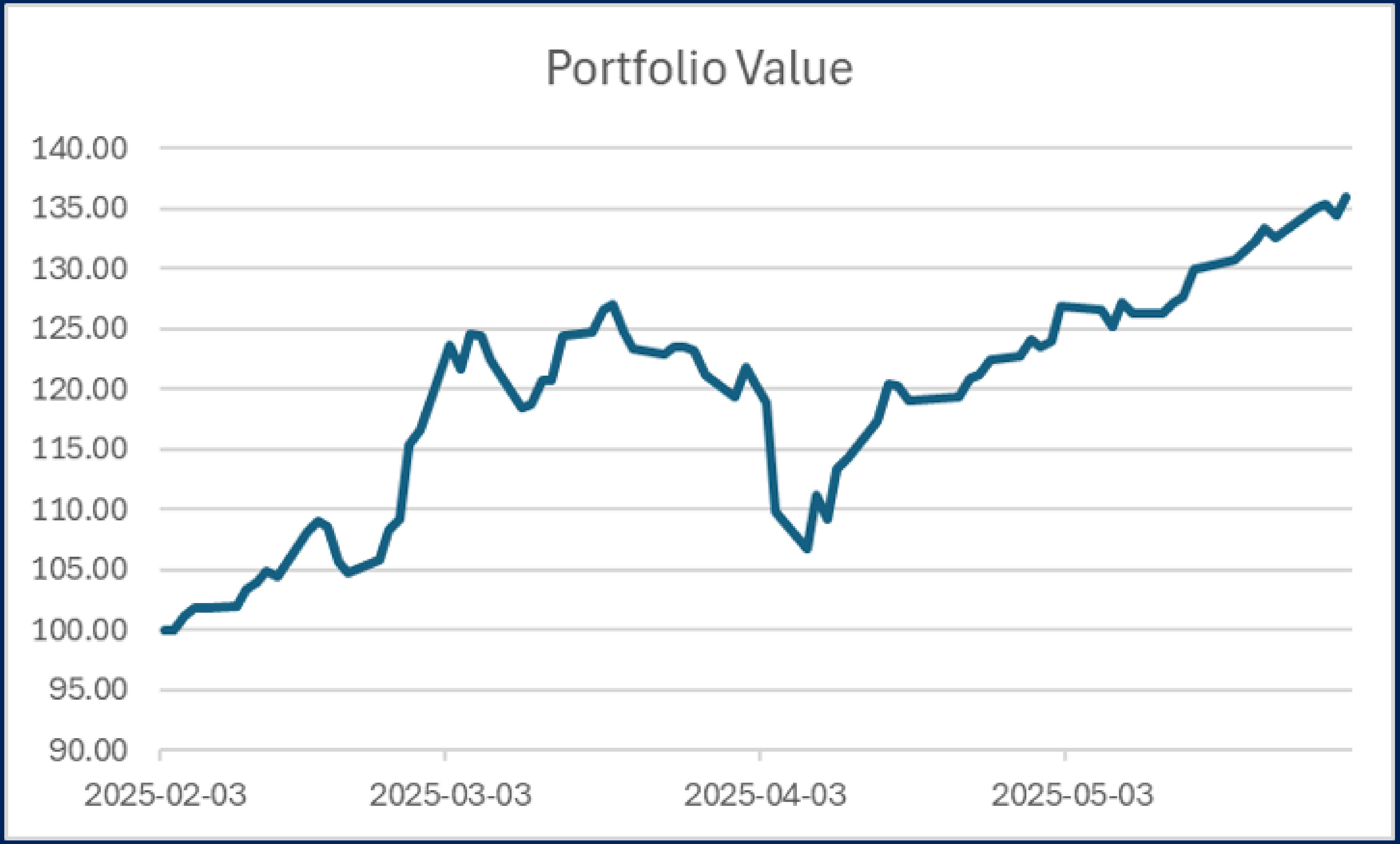


From the chart on the left, we can see that a major part of the portfolio is invested in the industrials sector, as it is the main development in the UK and it had outstanding performance in the past few years. The second largest portion of the portfolio is the Financials. In the depression of the economics, Financials would be a safer choice compared to other sectors such as tech.

Past Performance

We assessed the portfolio in the period from February 1st to May 30th. The momentum of the portfolio value is clearly upward trending. Assumed the value of the portfolio was 100 in the beginning of the period, it reached its first peak at around 127 in mid-March. However, it dropped in the early April due to the Trump tariff policy. The uncertain impact of the US government policies leads to the global stock market fluctuating seriously during that period. After that, the return of the portfolio kept increasing until the end of May.

Performance	Our
Period Return	35.97%
Annual Return	163.25%
Period Volatility	30.53%
Annual Volatility	54.19%
Risk Free Rate	4%
Sharpe Ratio	2.94



The period returns of our portfolio reached 35.97% with a volatility of 30.53%, which implied that the annual return would be 163.25% with an annual volatility of 54.19%. The high volatility can be explained by the tariff policy as we mentioned above. The portfolio value is also relatively stable excluding the early-April period. Based on the assumption of 2% of the risk-free rate, the Sharpe ratio achieved at 2.98, which is an outstanding number.