# Cencora Inc. (COR)
## Strategic Portfolio Addition

ESSEC Club of Economics

February 4, 2026

**Recommendation:**  BUY   Target: **16%**   Upside: **+129%**

## Current Portfolio: High Vulnerability

### Sector Allocation

| | |
|---|---|
| Technology | 26.5% |
| Financials | 12.5% |
| Commodities | 12.1% |
| Healthcare | 9.5% |
| Other | 39.4% |

### Geographic Exposure

- US: 60%   EU: 35%   Other: 5%

### Risk Metrics

| | |
|---|---|
| Volatility | 15.82% |
| Sharpe Ratio | 0.788 |
| VaR (95%) | -20.7% |
| Max Drawdown | -26.4% |

### Key Issues

- Tech concentration: 26.5%
- Healthcare underweight
- High correlation in top holdings

**"We need a structural hedge, not a speculative bet."**

# Why Healthcare? The Structural Diversifier

## 1. Low Correlation with Tech
- Correlation: **0.45** (vs 0.7+ for others)
- Stability during tech corrections

## 2. Defensive Characteristics
- Sector Beta: 0.6–0.7
- Demographics-driven demand

## 3. Portfolio Gap
- Current: 9.5% / Optimal: 12–15%
- Underweight: 3–5%

## Structural Tailwinds

**Demographics**
Aging population, chronic diseases

**Infrastructure**
Pharma distribution, supply chain

**2026 Macro**
Rates favor quality, defensive rotation

## 4. 2026 Context
- Rising rates pressure growth stocks
- Geopolitical uncertainty

# Cencora Inc.: The Distribution Powerhouse

## BUY

| | |
|---|---|
| Allocation | **16%** |
| Price | $359 → $823 |
| Upside | **+129%** |
| Dividend | 0.7% |

| | |
|---|---|
| Market Cap | $68B |
| 2026E Rev | $340B |
| Op. Margin | 1.5% |
| **Beta** | **0.36** |

## Why COR?

### 1. Pharma Distribution Leader
- Top 3 US distributor (90% market)
- Essential healthcare infrastructure

### 2. Stable Cash Flow
- Revenue: $321B+ (FY25)
- 5–7% growth guidance (FY26)
- Investment grade credit

### 3. 2026 Catalysts
- Specialty pharma expansion
- Biosimilar distribution growth

## Methodology: Portfolio Reconstruction

**Challenge:** Only Top 10 holdings (36%) $\rightarrow$ Need 100% for analysis

**Solution: ETF Proxy Approach**

| Sector | ETF Proxy | Gap |
|---|---|---|
| Healthcare | IXJ (Global Healthcare) | 9.5% |
| Commodities | MXI (Global Materials) | 12.1% |
| Real Estate | REET (Global REIT) | 8.7% |
| Communications | IXP (Global Telecom) | 6.5% |
| Industrials | EXI (Global Industrials) | 5.5% |
| Consumer Staples | KXI (Global Staples) | 5.0% |
| Consumer Disc. | RXI (Global Discretionary) | 5.0% |
| Other (Energy, Fin, Util) | IXC, IXG, JXI | 9.2% |

**Result:** Top 10 (36%) + ETF Proxies (64%) = **100% Portfolio**

Optimal Allocation Analysis: Cencora Inc. (COR)
Recommended: 16.3% via Mean-Variance Utility (λ=2.0, γ=0.5)

Cumulative Returns: +Cencora Inc.



Correlation Matrix



Drawdowns
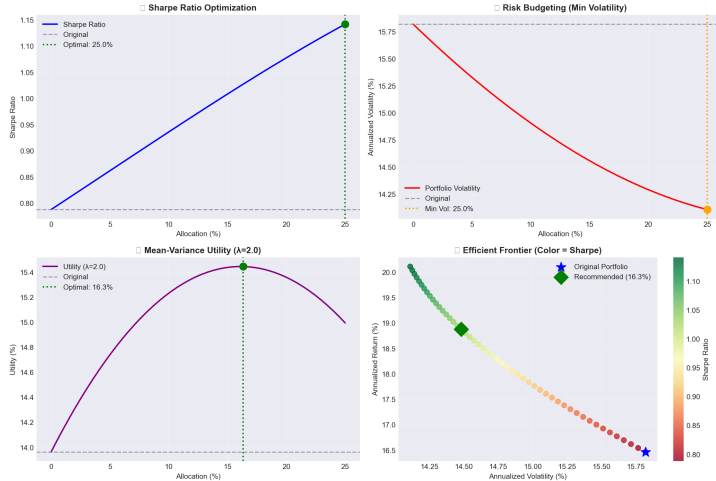
## Before vs After (+16% COR)

| Metric | Before | After |
|--------|--------|-------|
| Return | 16.47% | **18.88%** |
| Volatility | 15.82% | **14.48%** |
| Sharpe | 0.788 | **1.027** |
| Max DD | -26.4% | -21.8% |

**+2.4% return AND 1.3% vol reduction**

**New Weights:** (assuming proportional reduction of original positions)

- Tech: 26.5% $\to$ 22.2%
- Health: 9.5% $\to$ **23.3%**

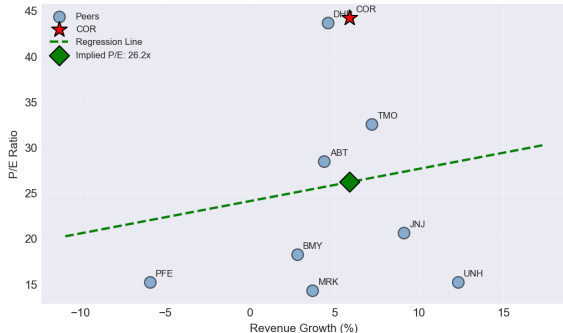# Valuation: Relative Analysis

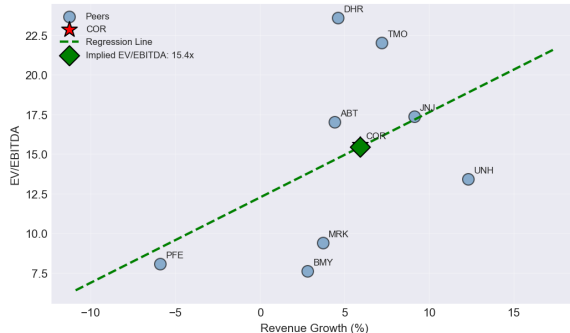**Current: $359 | Fair Value: $823 | Upside: +129% | Win Prob: 97%**



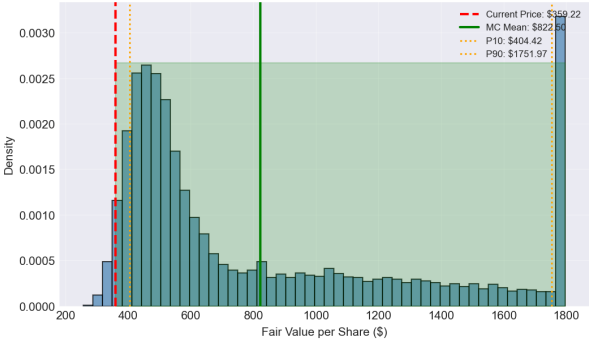Relative Valuation: COR vs Sector Peers

# Valuation: DCF Analysis

**Valuation Analysis: COR**

Monte Carlo Fair Value Distribution
Win Probability: 97.2%

Sensitivity: WACC vs Terminal Growth
(Current Price: $359.22)

## Risk Assessment

| Risk | Prob. | Impact | Mitigation |
| --- | --- | --- | --- |
| Drug Pricing | Med-Hi | Revenue | Diversified customer base. Essential service. |
| Opioid Liability | Low | Legal | Major state settlements complete. |
| Competition | Med | Margins | Oligopoly structure. High barriers. |
| M&A Risk | Low | Delays | Strong integration history. |
| Margin Pressure | Med | Earnings | Specialty pharma growth offsets. |

**"Essential infrastructure, oligopoly protection, stable cash flows."**

# Recommendation: Build Resilience for 2026

## Problem
- Tech overweight: 26.5%
- VaR too high: -20.7%

## Solution
- COR at 16%
- Sharpe: +30%
- Volatility: -1.34%

## Result
- Downside protection
- 18.9% annualized return

## BUY COR

| | |
|---|---|
| Allocation | **16%** |
| Entry | $359 |
| Target | $823 (+129%) |
| Horizon | 12–24 months |

| | Before | After |
|---|---|---|
| Return | 16.5% | 18.9% |
| Volatility | 15.8% | 14.5% |
| Sharpe | 0.788 | 1.027 |
| Tech | 26.5% | 22.2% |
| Health | 9.5% | 23.3% |

**"In 2026, the best offense is a strong defense."**

# Questions?

All metrics, backtests, and visualizations were generated using my custom engine:

```
https://github.com/joshsssn/ECE-Portfolio-Analysis-Engine
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