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US Equity Strategy

Market Update, Impact of Higher Corporate Tax and Infrastructure Spending Plan

For the last twelve months, we have been aggressively pushing the upside case for equities ([Market Update Mar'20](#)). Going into this year, we argued for a continued melt-up with S&P 500 reaching 4,000 in 1Q and the majority of the upside to our year-end PT of 4,400 being realized during 1H, see [2021 Outlook](#). While we think the equity and business cycles should remain intact on global reopening and strong earnings recovery, easy equity gains for the broad market are likely behind us. Our bullish conviction is now lower. **As the second phase of global reopening gets confirmed by a pickup in mobility and pent-up demand, we expect yields to retrace higher thereby constraining the equity multiple with S&P 500 entering a period of consolidation.** On March 8th, we argued the risk-reward for the Growth trade had tactically improved after the February Momentum crash and Growth de-risking (see [Momentum Unwind](#)). Since then Growth has strongly outperformed, but mainly defensive/bond-proxy Growth, making this segment again vulnerable to rates.

Higher yields should drive another rotation back into reopening and epicenter plays from yield-sensitive low-vol stocks. In particular, we would again highlight Consumer Recovery plays, Energy, Financials, non-US (e.g. EM) and SMid stocks. Investors will need to be more selective in the second phase of global reopening as some stocks (e.g. airlines) appear rich while others still have strong upside (e.g. retail, oil producers, banks, consumer tech). We recommend investors take this opportunity to revisit our COVID-19 recovery themes, and in particular the **International Recovery Basket** (JPAMCRIB <Index>), which has not only lagged the **Domestic Recovery Basket** (JPAMCRDB <Index>) but has reversed most of its relative gains YTD.

Looking further out, we see monetary policy normalization (i.e. indication of tapering) and higher corporate taxes as the largest risks for equities. There is also a potential risk from higher capital gains tax if we get indication that it will materialize and go into effect starting next year (vs. retroactive to 2021) causing certain investors to take profits early. However, this proposal would be contentious and likely to face significant opposition. With respect to corporate taxes, S&P 500 companies are now better positioned to absorb a potential tax increase given: (1) robust economic and earnings recovery; (2) elevated corporate cash balance of \$2.1T ex-financials (up 28% vs. 4Q19); (3) partial offset from large NOL balance of ~\$290B; and (4) the spending component of the plan should boost aggregate demand. Obviously, there are significant unknowns including time, scope, and probability of any successful legislation. Since it is much easier to spend than increase taxes in DC, some are even suggesting little or nothing will get done. Regardless, this will remain a topic for investors for some time.

In this report we do a deep dive and estimate the implication of **American Jobs Plan and Made in America Tax Plan on S&P 500 earnings as understood today** ([White House](#), [Treasury](#)). We also include 5 new baskets of potential winners and losers under the current proposal. **Tax Baskets: Domestic Companies Sensitive to Higher Statutory Tax Rate** (see JPAMDTAX <Index> on page 10) and **US Multinationals Sensitive to Higher Foreign Tax Rates** (see JPAMFTAX <Index> on page 11). **Infrastructure Baskets: Green / EV** (see JPAMIGRN <Index> on page 12), **Construction & Engineering** (see JPAMBINF <Index> on page 13), and **5G / Broadband** (see JPAMIB5G <Index> on page 14).

See page 17 for analyst certification and important disclosures.

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Global Equity Strategy

Dubravko Lakos-Bujas ^{AC}

(1-212) 622-3601

dubravko.lakos-bujas@jpmorgan.com

Bhupinder Singh

(1-212) 622-9812

bhupinder.singh@jpmorgan.com

Kamal Tamboli

(1-212) 622-5794

kamal.r.tamboli@jpmorgan.com

Narendra Singh

(1-212) 622-0087

narendra.x.singh@jpmorgan.com

Arun Jain

(1-212) 622-9454

arun.p.jain@jpmorgan.com

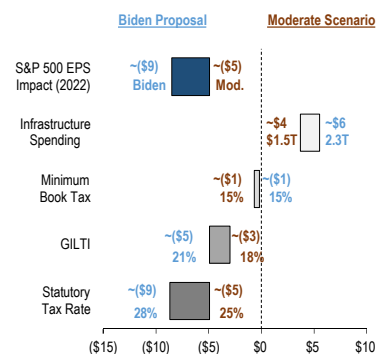
Marko Kolanovic, PhD

(1-212) 622-3677

marko.kolanovic@jpmorgan.com

J.P. Morgan Securities LLC

Fig 1: Estimated S&P 500 EPS Impact from Infrastructure and Tax Proposal
2022 EPS Impact



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

Bloomberg subscribers can use the tickers JPAMIGRN, JPAMBINF, JPAMIB5G, JPAMDTAX, JPAMFTAX to access tracking information on baskets created by the J.P. Morgan Delta One desk to leverage the themes discussed in this report. Over time, the performance of JPAMIGRN, JPAMBINF, JPAMIB5G, JPAMDTAX, JPAMFTAX could diverge from returns quoted in our research because of differences in methodology. J.P. Morgan Research does not provide research coverage of these baskets and investors should not expect continuous analysis or additional reports relating to them. For more information, please contact your J.P. Morgan salesperson or the Delta One Desk.

After passing the American Rescue Act last month, the Biden Administration has shifted focus to an 8 year infrastructure spending plan funded over 15 years through tax policy changes. While infrastructure and corporate tax proposals are preliminary, investors are trying to assess high-level earnings impact. Unlike the stimulus plan, **AJP / MATP should be net negative for S&P 500 EPS given narrower benefit to large-caps over a longer period, along with an outsized and immediate negative impact from higher taxes** (e.g. higher statutory rate, GILTI / global minimum tax, AMT). Our analysis of the current corporate tax proposal net of infrastructure benefit could result in **up to ~\$9 negative impact to S&P 500 EPS** (~\$9 statutory tax rate, ~\$5 GILTI, ~\$1 AMT and offset by infrastructure spending of ~\$6, see Fig 1). This should be seen as the worst case scenario ignoring partial offsets from potential new tax credits/deductions. For now, we have deferred the analysis of the social spending and individual taxes (part two), which will be introduced separately.

Ultimately, if there is legislation, the corporate tax increases (statutory and GILTI) are likely to be more benign than currently conceived, especially if it poses a risk to the nascent economic / job recovery. Besides, it would require significant political will to push taxes sharply higher, which have been steadily declining since 1960s, see Figure 8. **Under a moderate scenario with statutory tax rate increasing to only 25%, GILTI to 18%, and physical infrastructure spending is lowered \$1.5T, S&P 500 earnings hit would decline to ~\$5.00 EPS**, see Fig 1. Despite this negative earnings impact, 2021 consensus EPS growth would still be +11% (vs. current estimate of 14%). Since this is not a large earnings shock, we would expect only a minor adjustment to buybacks and no significant change to capital expenditure plans (large-caps are well funded and reinvestment is typically based on revenue growth and capacity utilization).

Impact of policy at the sector level. The new round of policies should be most favorable for cyclical sectors tied to infrastructure spending such as **Energy, Materials, & Industrials** (Construction / Engineering). These sectors also have significant NOL carryforwards, particularly after COVID-19 related losses (~\$90B, +\$14B y/y). These cyclicals should be able to shield some of the initial tax burden, see Figure 21. While **Financials** (in particular Regional Banks) should see multi-year benefit from infrastructure spending, we would caution investors as this mostly domestic sector should see a sharply higher effective tax rate given limited foreign tax shelters (effective tax rate declined to ~22% from ~32% after Tax Act, see Figure 16). GILTI / AMT / Global Minimum Tax would target asset-light Multinationals with significant intellectual property, low tangible assets, high foreign revenues and low effective tax rates. The sectors most vulnerable include **Technology / Communication Services** (Software, Semis, Tech Hardware, Communication Equipment, Internet Services, Media), and **Healthcare** (Pharma / Biotech). We expect significant dispersion within these sectors as well — growth companies reinvesting pre-tax income should be relative outperformers compared to highly profitable dividend payers. Pass-through entities such as regulated **Utilities** and **REITs** should outperform if final legislation aims to increase corporate tax rate sharply higher.

As for **Style**, Value captures higher domestic and cyclical exposures, which would benefit from infrastructure spending. Growth should outperform the market given lower profitability, long runway to peak margins, and larger NOLs. On the contrary, Low Vol / Quality by definition are mature companies with stable earnings profile and higher dividends. Thus, this cohort would likely see the largest tax headwind and lowest offset from infrastructure spending (less cyclical and more defensive like Staples, Healthcare, and Telecom). As for **Size**, small-caps should be relative outperformers given infrastructure spending favors domestic, cyclicals, and heavy industries. Similar to Growth, Small-caps are in emerging growth stage and have much lower pre-tax income compared to larger peers.

Fig 2: Impact Under a Moderate Scenario

Estimated 2022 EPS Impact



Fig 3: SMid More Cyclically Weighted than Large-Caps

Concentration based on 2019 Financials

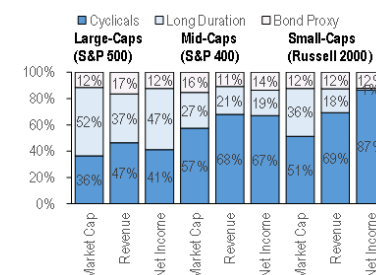


Fig 4: Domestic vs. Int'l Consumer Recovery

Performance of baskets YTD

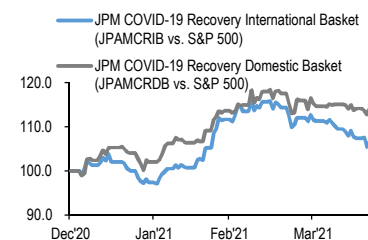


Fig 5: Spending Priorities vs. S&P 500

Basket performance since Presidential Election

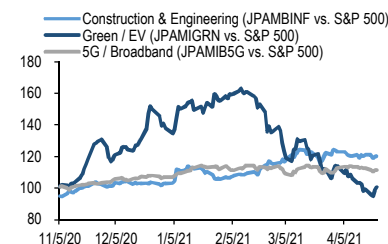
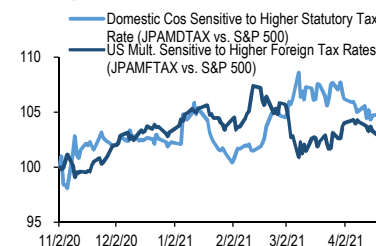


Fig 6: Taxation Priorities vs. S&P 500

Basket performance since Presidential Election



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research, Bloomberg Finance L.P., Factset

Impact of infrastructure spending — S&P 500 EPS benefit could be \$5-6 at \$2.3T and \$3-4 at \$1.5T using a blend of two methodologies. Higher Infrastructure spending could accomplish multiple priorities for the Biden Administration starting with employment and encompass traditional physical infrastructure spending priorities (e.g. roads, bridges, airports, public transportation, water infrastructure, schools / housing), component of climate change/green agenda (e.g. energy capacity, EV), and technology infrastructure (e.g. 5G, broadband, communications). Whereas estimating the downside impact of higher taxes to S&P 500 companies is almost mechanical, measuring the benefit of infrastructure spending is more opaque and difficult. First, there is significant uncertainty around the size of spending and how it will be distributed across industries. So far, the current plan assumes spending of ~\$2.3T over 8 years with many industries expected to benefit from the windfall, see Figure 25 for infographic. While calculating the direct benefit of infrastructure spending is challenging, the real difficulty is in estimating the potentially larger impact through indirect benefits / multiplier. For this reason, we used an average of two approaches: (1) top-down direct method; and (2) EPS sensitivity to GDP method which includes the indirect multiplier.

- **Using the first approach, the EPS benefit is ~\$1-2 in 2022**, which assumes S&P 500 companies capture ~50% of infrastructure spending at ~8% profit margin. We acknowledge the limitation of this approach; it underestimates the total benefit since it does not include the indirect / multiplier effects such as expanding labor market, innovation, efficiency gains (e.g. traffic congestion is estimated to cost over \$160B/year in wasted time and fuel), etc.
- **We also looked at historical EPS sensitivity to GDP, which implies a much larger benefit of ~\$9-10.** This assumes ~\$300B front loaded infrastructure spending in 2022 and applying a conservative fiscal multiplier in the range of 0.5 to 1.0 (academic studies estimate the multiplier to be in the range 0.5 to 2.0), this would imply a 0.7% to 1.3% boost to GDP (in-line with the Biden administration's estimate of 1% GDP per year over eight years). A multivariate regression suggests 1% increase in GDP yields 4-5% EPS growth. In our view, this approach overstates the benefit for S&P 500 companies given the steady shift in the industry mix away from heavy industries to asset-light and rising foreign revenue exposure. Therefore, the actual infrastructure benefit for S&P 500 companies is likely to be much lower than implied by this method though likely viable for Russell 2000 (~80% domestic vs. ~65% for S&P 500). For this reason, there is merit in using an average of two methods which suggests the current Biden proposal could be upwards of \$5-6 in S&P 500 EPS at \$2.3T spending and \$3-4 at \$1.5T in year 1.
- **Impact of higher statutory tax rate.** We estimate 2022 EPS headwind would be ~\$8-9 if statutory tax rate were to increase to 28% and ~\$5 if rate is increased to only 25%. Generally, every 1% increase in the statutory tax rate is ~\$1 impact to S&P 500 EPS and expected to raise ~\$120B over 10 years in government revenue. We expect domestic sectors would see an almost linear increase in effective tax rate. For example, domestic companies saw the largest declines in effective tax rate post TCJA with Energy, Financials, and Discretionary among the largest beneficiaries, see Figure 16. Pricing power and industry competition will ultimately determine how much of the tax headwind is absorbed vs. passed down to end users. Prior to the passage of the TCJA, the US had some of the highest corporate tax rates in the OECD (see Figure 13) and currently enjoys among the lowest. The proposed tax hike could see the US more in-line with France and Australia as opposed to Korea and Canada on the low-end. The statutory rate increase is expected to be accompanied by the implementation of a higher GILTI thresholds and an AMT, which would hurt US multinationals the most. Multinationals have seen effective tax rates fall below statutory minimum and effective tax rates of purely domestic companies.

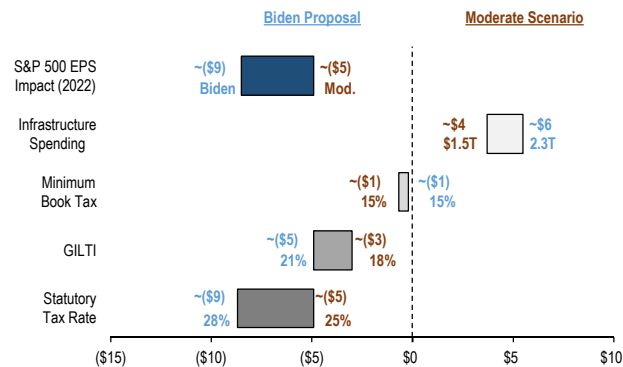
- **Impact of GILTI.** Looking at S&P 500 multinationals with substantial foreign revenue and foreign pre-tax income, we estimate that the proposed changes could drive up to ~\$4-5 EPS hit in 2022. We expect Communications, Technology and Healthcare sectors would bear a substantial portion of the earnings hit given their international exposure and significant intellectual property portfolios. The proposed changes to GILTI, elimination of the FDII deduction and adoption of a country by country regime will overwhelmingly impact large-cap US multinationals engaged in profit shifting globally. Based on analysis by the Joint Committee on Taxation (see [report](#)), foreign taxes did not substantially move higher after passage of the TCJA given offsetting measures (e.g. GILTI vs. FDII deduction). In fact, some of the largest multinationals saw their cash taxes on average decline from ~16% in 2017 to ~8% as they took advantage of these new deductions and saw lower statutory tax rate. The current Biden proposal will attempt to close many of the previous offsets while raising existing foreign tax rates (e.g. GILTI) to bring them more in-line with the statutory tax rate. GILTI previously trended ~1/2 of the statutory corporate tax rate (10.5% vs. 21%) in the TCJA but the Biden proposal will shift the ratio higher to ~3/4 (21% vs. 28%). At this stage we view GILTI at 21% as the opening bid and ceiling which will likely drift lower especially if the statutory tax rate moves closer to 24-25%. It is fair to assume multinationals have a seat at the policy table and are able to influence policy in a direction that is not too punitive.
- **New minimum tax on book income of 15%.** The implementation of a minimum tax introduces a new set of tax complications as it moves away from tax accounting and towards financial accounting to determine tax liability. Though the application of deductions and exemptions for items such as R&D, housing and renewables will likely need to be worked out, **we estimate up to ~\$1 EPS headwind from instituting a minimum tax** on book income. Given recent Treasury guidance, eligibility has shifted from the broader >\$100M in profits to >\$2B which leaves ~180 S&P 500 companies eligible based on consensus earnings expectations for 2021. However, considering the proposed changes to the statutory rate and foreign taxes, we estimate that fewer companies will be eligible/in-scope to pay the minimum book tax in 2022 under the current Biden proposal. The pursuit of digital tax will complicate matters but we expect the groundwork in this bill should allow for an eventual adoption of a global tax regime. The other benefit would be the plan should help in removing some uncertainty around digital tax that has been brewing in the background for several years.
- While we had initially expected TCJA to be neutral for Multinationals (lower statutory tax offset by higher taxes on foreign profits), the actual tax burden for multinationals was much lower than expected. New guidelines on GILTI and Global Minimum Tax will again try to tax foreign profits at a higher rate but the new rules can potentially open up just as many new workarounds. Global Minimum Tax will bring other complexities to the forefront such as how to fairly allocate profits to countries where the company has no corporate footprint / workforce. Given more companies are making money on intangibles / services, the solution will be complicated but US multinationals seem interested in a multilateral solution, especially if it is a parallel process in resolving global minimum / digital tax in OECD countries. The global effort is not a negative in our view given the US minimum tax at 15% is already higher than the ~12% discussed for the global minimum tax among the G20. If OECD members come to an agreement, it could trigger a global wave of M&A for multinationals who otherwise are restrained from entering certain geographic regions due to potential tax consequences.
- **Key catalysts and risk factors.** Biden is expected to address the joint session of Congress at the end of April and will likely discuss these proposals. Opposition to the bill remains strong from Republicans given tax increases and deficit spending, and TCJA was a signature legislation from Republicans. While Republicans are in

the process of putting together a counter-physical infrastructure offer, the fate of the infrastructure and tax plan ultimately lays among Democrats. However, internal debates among Democrats over the scope and size of the proposal at a time of narrow majorities in the House and Senate remain a risk along with a growing number of members in the bipartisan SALT Caucus. If debates over key components of the bill go on for too long, opposition may harden, reducing the possibilities of reaching any consensus. Investors should keep in mind that the budget reconciliation process does not encapsulate extraneous matters (non-budget related) which means that the Senate Parliamentarian could still remove clauses that fail to meet the Byrd rule (e.g. removal of \$15 minimum wage in recent \$1.9T stimulus bill). Complicating matters could be the upcoming debate around the debt ceiling (i.e. previous suspension set to expire July-end). Lastly, probability of retroactive tax hikes remains low (i.e. 2021 fiscal year), however, investors should be aware of the possibility as they have not yet been firmly ruled out by the administration.

- **Recap of Trump Tax Reform Provisions and Impact.** As a reminder, the Tax Cuts and Jobs Act (TCJA) represented ~\$5.5T of spending offset by ~\$4T of revenue resulting in a ~\$1.5T bill. The bill was divided into three broad sections including individual provisions (e.g. changing income tax brackets, modifying deduction, SALT, etc.), corporate provisions (e.g. cutting corporate taxes, NOL treatment, etc.) and international provisions (e.g. repatriation, BEAT, etc.). Of the ~\$1.5T of net spending, individual provisions drove ~\$1.2T or ~80% of the deficit with business provisions representing ~\$700B and international provisions actually providing a surplus (~\$300B). The largest sources of revenue were the repeal of deduction for personal exemptions (~\$1.2T), repeal of SALT deductions (~\$670B), repatriation tax (~\$340B) and limiting NOL deductions (~\$250B). The largest uses of funds were reducing the corporate tax rate to 21% (~\$1.3T), resetting the income tax brackets (~\$1.2T), modifying the standard deduction (~\$720B), increasing the individual AMT threshold (~\$640), modifying child tax credit (~\$570B) and 20% deduction for qualified business income (~\$420B).

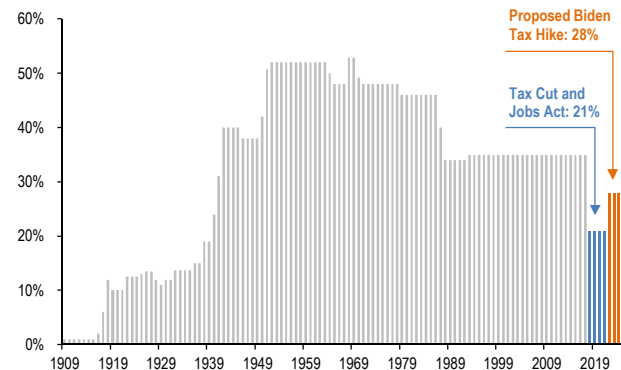
Corporate Infrastructure Spending and Tax Proposal

Figure 7: S&P 500 EPS Impact from Infrastructure and Tax Proposal
Estimated 2022 EPS Impact



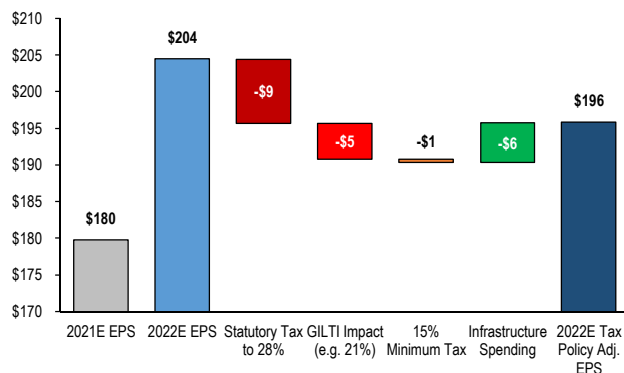
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research

Figure 8: First US Statutory Corporate Tax Rate Hike in Decades
1909-Present



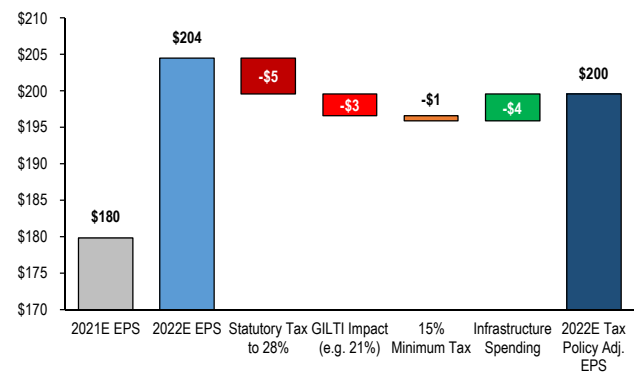
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, IRS

Figure 9: Biden Infrastructure and Tax Proposal Impact
Estimated 2022 EPS Impact



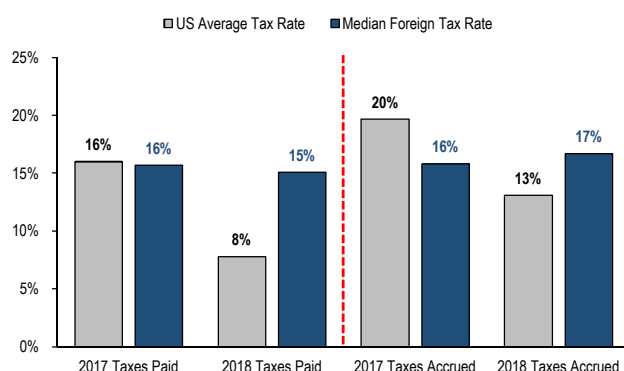
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Factset

Figure 10: Impact Under a Moderate Scenario
Estimated 2022 EPS Impact



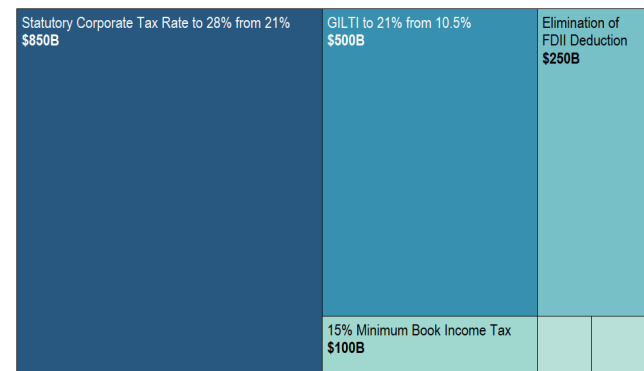
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Factset

Figure 11: US Multinationals Saw Little Change in Foreign Tax Rate
Multinational Taxes 2017 (pre-TCJA) and 2018 (post-TCJA) per JCT Report



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, JCT Report

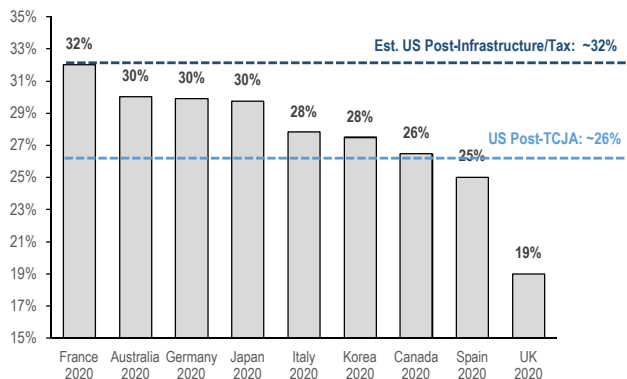
Figure 12: Government Revenue from Proposed Tax Provisions
~\$1.8T over 10-years



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, CRFB

Figure 13: US Combined Corporate Income Tax Rate vs. OECD

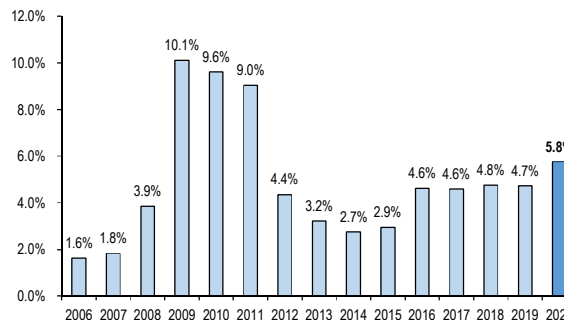
Includes corporate income tax, deductions and state and local taxes



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, OECD

Figure 14: % of S&P 500 Companies with Zero/Negative Tax Expense

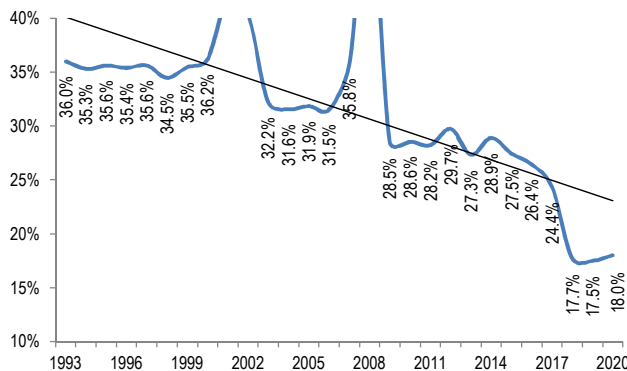
Since 2006, Current Constituents



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Factset

Figure 15: S&P 500 Effective Tax Rate Has Been Falling for 20+ Yrs

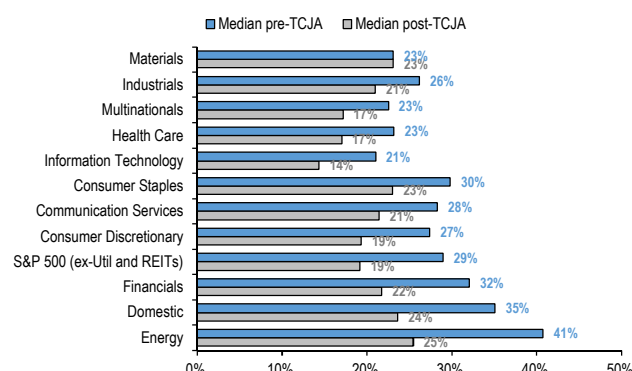
Effective Tax Rate Collapsed after Tax Act



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research

Figure 16: Median Pre/Post TCJA Impact to Effective Tax Rate

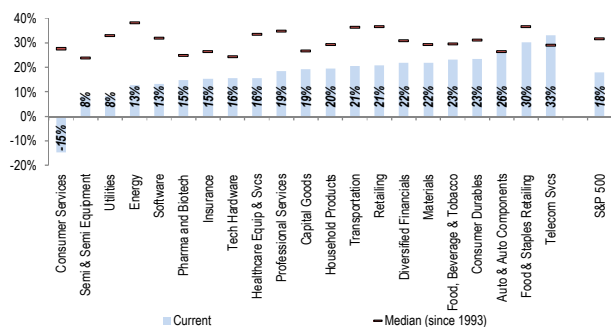
S&P 500 Sectors



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Factset

Figure 17: S&P 500 Effective Tax Rate by Sub-Sectors

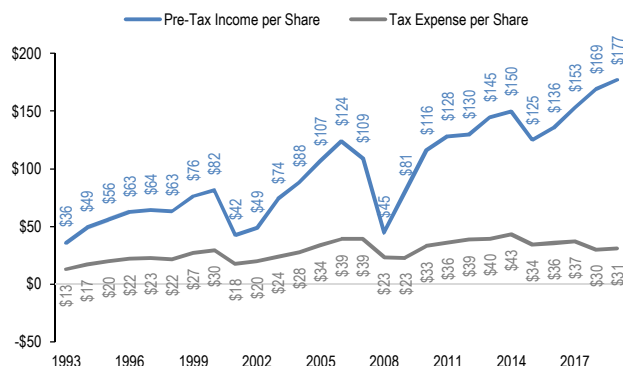
Current vs. Median since 1993



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, IBES

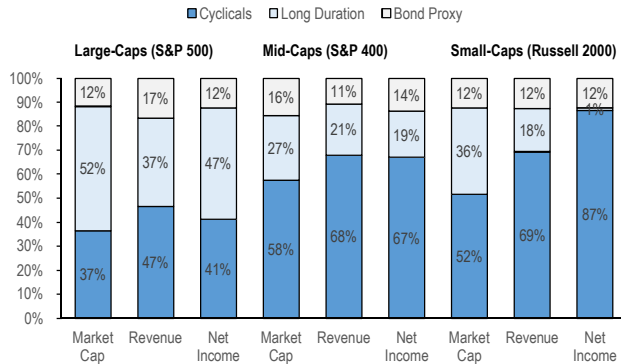
Figure 18: Pre-Tax Income Sharply Higher, Taxes Mostly Flat

S&P 500 / Share Reported Data since 1993



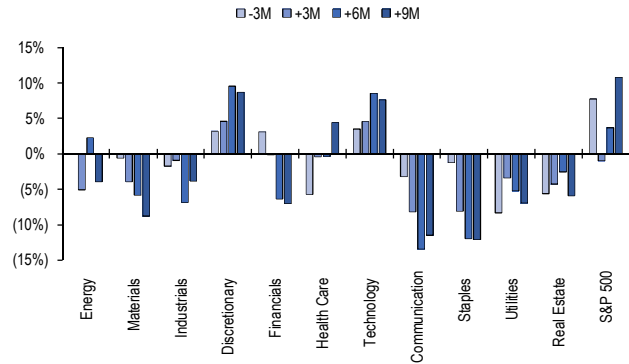
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Factset

Figure 19: S&P Mid More Cyclically Weighted than Large-Caps
Concentration based on 2019 Financials



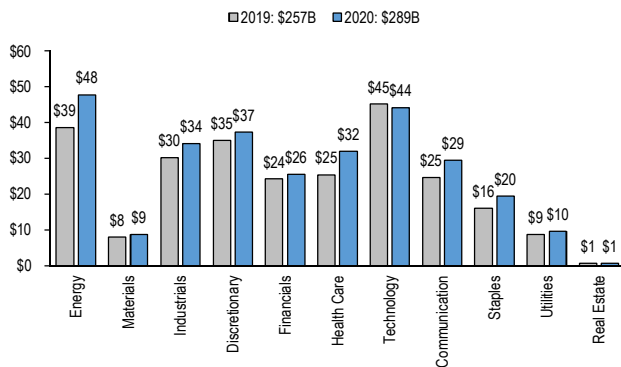
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Factset, Bloomberg L.P.

Figure 20: S&P 500 Sector Performance Around TCJA Passage
Relative sector returns to index



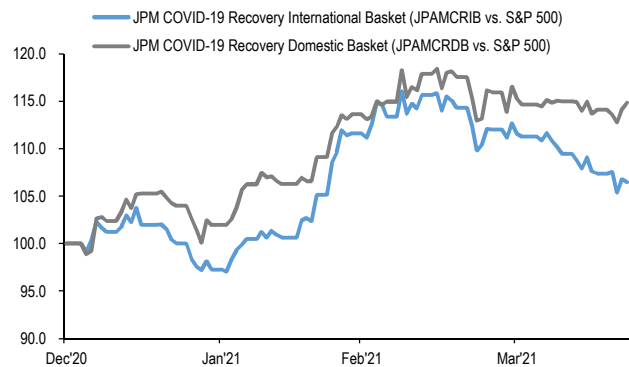
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Bloomberg L.P.

Figure 21: S&P 500 Net Operating Losses
2019 vs. 2020



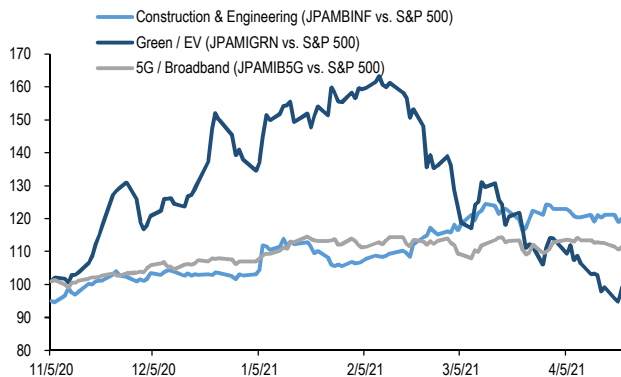
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Bloomberg L.P.

Figure 22: Domestic vs. International Consumer Recovery Basket
Performance since Covid



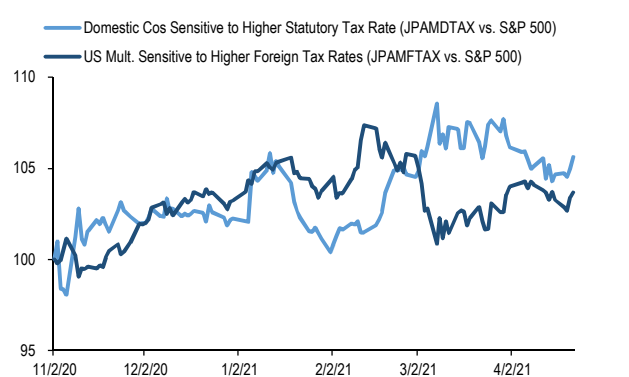
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Bloomberg L.P.

Figure 23: Basket Performance from Spending Priorities vs. S&P 500
Since Presidential Election



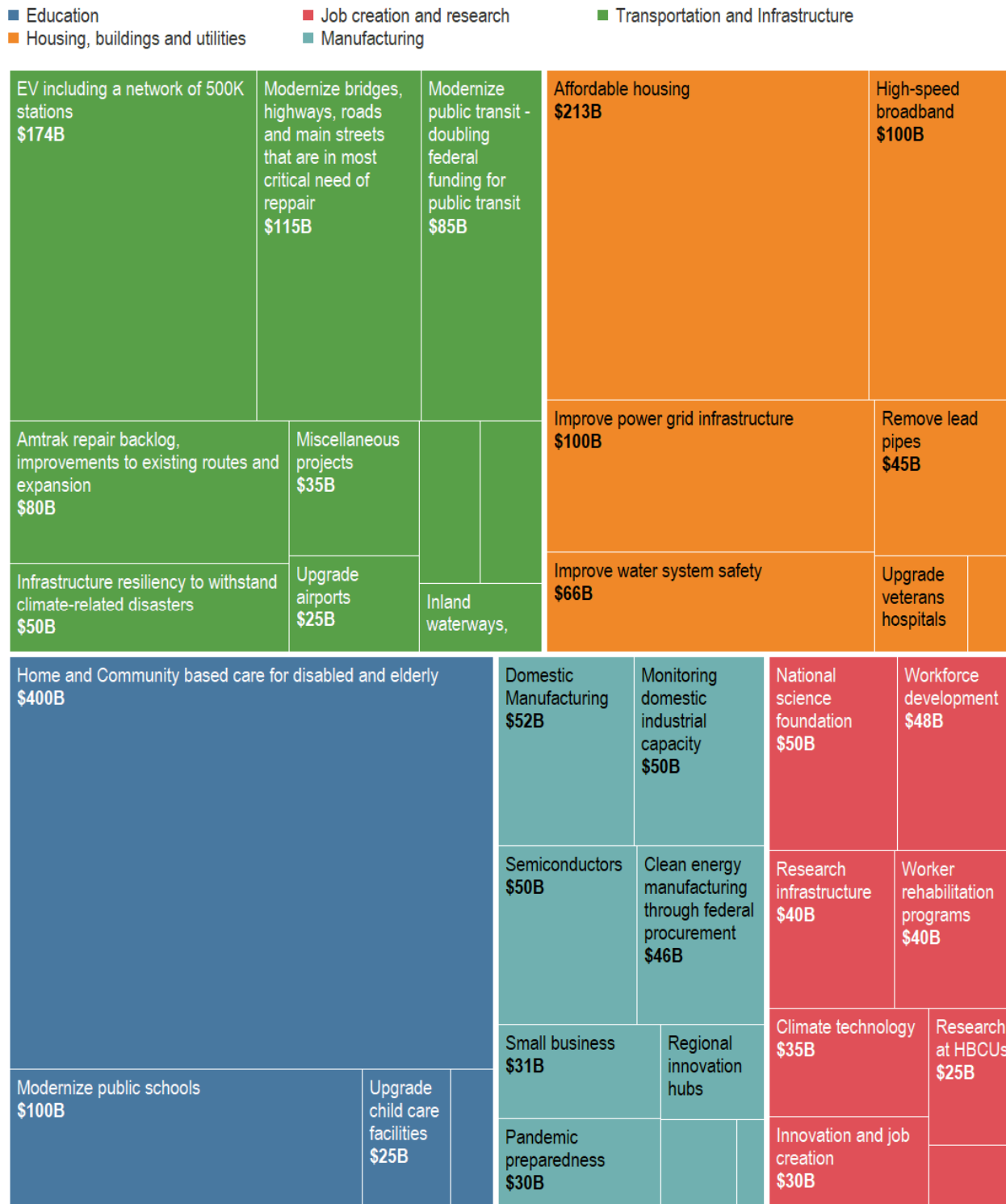
Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Bloomberg L.P.

Figure 24: Basket Performance from Taxation Priorities vs. S&P 500
Since Presidential Election



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, Bloomberg L.P.

Figure 25: ~\$2.3T Infrastructure Spending Proposal



Source: J.P. Morgan US Equity Strategy and Quantitative Research, [White House Proposal](#)

JPM Domestic Stocks Sensitive to Higher Statutory Tax Rate Basket (JPAMDTAX <Index>)

Methodology: This basket is designed to capture companies potentially vulnerable to the proposed statutory corporate tax rate increases under the Biden proposal. We selected the initial universe of companies based on the following criteria: (1) High domestic revenue exposure; (2) Large decline in effective tax rate after passage of the TCJA; (3) Excluded probable M&A targets; JPM analyst feedback was also incorporated to further refine the list of stocks.

Figure 26: JPM Domestic Stocks Sensitive to Higher Statutory Tax Rate Basket (JPAMDTAX <Index>)

			Company Stats				Price Perf (%)		IBES Estimates		Valuation			
			52-Wk		Avg									
			Current	High/Low	Market	Vol.			Sales	EPS	EV/			
			Price	Low	Cap	(mm)	12-mos		Growth	Growth	EBITDA	P/E		
							Change	YTD	NTM	NTM	LTM	NTM	P/B	
1	GICS Sector/Industry	Company	Ticker											
1	Sector: Industrials	TransDigm Group Incorporated	TDG	\$596.19	633/300	\$32,605	\$251	86%	-4%	10%	27%	27.2x	40.8x	NA
2	Electrical Equipment	Emerson Electric Co.	EMR	\$92.11	93/49	\$55,269	\$270	93%	15%	10%	11%	14.6x	23.0x	6.2x
3		Rockwell Automation, Inc.	ROK	\$267.82	275/163	\$31,109	\$195	77%	7%	16%	18%	23.3x	28.7x	20.0x
4	Industrial Conglomerates	Roper Technologies, Inc.	ROP	\$429.65	456/305	\$45,087	\$239	38%	0%	16%	18%	28.1x	28.6x	4.3x
5	Machinery	Flowserve Corporation	FLS	\$40.15	42/21	\$5,242	\$48	68%	9%	-3%	-7%	14.3x	24.5x	3.0x
6	Trading Companies & Distributors	Fastenal Company	FAST	\$52.06	52/34	\$29,907	\$186	67%	7%	6%	6%	22.2x	32.6x	10.7x
7		W.W. Grainger, Inc.	GWV	\$424.04	428/256	\$22,195	\$136	71%	4%	7%	20%	19.8x	21.8x	12.2x
8	Commercial Services & Supplies	Waste Management, Inc.	WM	\$135.56	136/94	\$57,212	\$248	46%	15%	13%	21%	15.5x	27.7x	7.7x
9	Professional Services	Robert Half International, Inc.	RHI	\$82.50	84/39	\$9,316	\$93	119%	32%	14%	22%	12.3x	23.3x	7.8x
10	Air Freight & Logistics	United Parcel Service, Inc. Class E	UPS	\$178.57	181/89	\$128,664	\$710	91%	6%	5%	11%	12.8x	19.6x	235.0x
11	Airlines	Southwest Airlines Co.	LUV	\$62.04	65/22	\$36,684	\$828	74%	33%	80%	Neg	NA	Neg	4.1x
12	Road & Rail	Union Pacific Corporation	UNP	\$223.43	226/141	\$148,962	\$665	58%	7%	10%	21%	17.3x	22.5x	8.8x
13		CSX Corporation	CSX	\$102.69	103/59	\$77,993	\$405	79%	13%	13%	27%	15.5x	22.5x	6.0x
14		Norfolk Southern Corporation	NSC	\$280.46	283/147	\$76,115	\$367	92%	18%	12%	28%	17.3x	23.7x	4.8x
15		J.B. Hunt Transport Services, Inc.	JBHT	\$166.78	178/95	\$17,624	\$127	81%	22%	16%	35%	14.2x	24.0x	6.5x
16	Sector: Consumer Discretionary	Hilton Worldwide Holdings Inc	HLT	\$123.91	129/62	\$34,512	\$363	82%	11%	60%	2720%	NA	48.8x	NA
17	Distributors	Genuine Parts Company	GPC	\$121.24	122/67	\$17,508	\$98	80%	21%	4%	9%	24.1x	20.7x	5.5x
18	Multiline Retail	Target Corporation	TGT	\$206.77	211/101	\$103,099	\$860	122%	17%	-1%	-4%	10.8x	23.0x	7.2x
19		Kohl's Corporation	KSS	\$59.17	64/15	\$9,325	\$468	306%	45%	18%	- to +	18.7x	17.9x	1.8x
20		Nordstrom, Inc.	JWN	\$36.86	46/12	\$5,815	\$290	140%	18%	27%	- to +	85.8x	27.9x	19.1x
21	Specialty Retail	Lowe's Companies, Inc.	LOW	\$203.91	209/91	\$146,240	\$922	137%	27%	-2%	15%	12.7x	20.1x	103.7x
22		Ross Stores, Inc.	ROST	\$127.37	130/80	\$45,422	\$312	46%	4%	37%	395%	73.3x	29.3x	13.8x
23		O'Reilly Automotive, Inc.	ORLY	\$533.26	540/358	\$37,438	\$306	77%	18%	4%	4%	12.4x	21.7x	270.4x
24		CarMax, Inc.	KMX	\$128.93	137/61	\$21,039	\$189	140%	36%	21%	29%	15.9x	22.2x	4.8x
25		Tractor Supply Company	TSCO	\$180.16	186/91	\$20,935	\$241	113%	28%	4%	1%	17.4x	26.0x	10.9x
26		Ulta Beauty Inc	ULTA	\$322.63	351/186	\$18,134	\$330	84%	12%	22%	134%	19.5x	31.4x	9.1x
27		Advance Auto Parts, Inc.	AAP	\$199.87	203/112	\$13,078	\$186	114%	27%	4%	25%	8.6x	18.8x	3.7x
28	Sector: Consumer Staples	Monster Beverage Corporation	MNST	\$97.99	98/59	\$51,752	\$207	74%	6%	18%	18%	27.5x	34.9x	10.0x
29	Food Products	Hormel Foods Corporation	HRL	\$47.31	53/43	\$25,554	\$99	1%	2%	6%	10%	18.4x	26.3x	3.9x
30	Household Products	Church & Dwight Co., Inc.	CHD	\$89.89	99/67	\$22,031	\$133	40%	3%	6%	10%	18.9x	28.9x	7.3x
31	Sector: Health Care	UnitedHealth Group Incorporated	UNH	\$398.81	401/273	\$377,003	\$1,316	60%	14%	13%	16%	13.9x	20.4x	5.4x
32	Health Care Providers & Services	CVS Health Corporation	CVS	\$76.70	77/55	\$100,670	\$583	29%	12%	6%	3%	8.9x	9.9x	1.4x
33		Centene Corporation	CNC	\$65.49	72/54	\$38,089	\$237	10%	9%	8%	9%	8.8x	12.1x	1.5x
34		Cardinal Health, Inc.	CAH	\$61.71	63/45	\$18,122	\$134	29%	15%	7%	5%	11.1x	10.0x	9.2x
35		Universal Health Services, Inc. Class A	UHS	\$147.88	149/87	\$11,516	\$95	49%	8%	7%	0%	7.4x	13.3x	2.0x
36	Sector: Financials	Bank of America Corp	BAC	\$38.72	40/20	\$332,594	\$2,347	82%	28%	4%	31%	NA	12.7x	1.3x
37	Banks	Wells Fargo & Company	WFC	\$43.24	44/21	\$179,061	\$1,784	51%	43%	-3%	155%	NA	11.7x	1.1x
38		Truist Financial Corporation	TFC	\$56.77	61/30	\$76,347	\$327	84%	18%	-2%	13%	NA	12.1x	1.3x
39		M&T Bank Corporation	MTB	\$152.99	165/85	\$19,680	\$143	48%	20%	15%	4%	NA	13.0x	1.3x
40	Consumer Finance	Capital One Financial Corporation	COF	\$132.91	138/51	\$60,691	\$479	164%	34%	2%	169%	5.1x	9.7x	1.0x
41		Discover Financial Services	DFS	\$98.40	104/33	\$30,144	\$339	176%	9%	6%	12%	5.3x	9.9x	3.1x
42		Synchrony Financial	SYF	\$40.18	44/15	\$23,366	\$253	150%	16%	5%	109%	3.4x	8.1x	2.0x
43	Capital Markets	Charles Schwab Corporation	SCHW	\$65.40	69/32	\$118,106	\$644	95%	23%	31%	22%	16.7x	20.5x	2.5x
44	Sector: Information Technology	Broadridge Financial Solutions, Inc	BR	\$160.75	161/105	\$18,615	\$91	70%	5%	7%	8%	18.2x	26.9x	13.0x
45	IT Services	Jack Henry & Associates, Inc.	JKHY	\$166.09	201/142	\$12,636	\$94	7%	3%	9%	12%	21.6x	38.0x	8.2x
46	Software	Intuit Inc.	INTU	\$408.95	424/246	\$111,987	\$527	78%	8%	30%	19%	41.8x	43.3x	12.6x
47		ANSYS, Inc.	ANSS	\$365.88	413/245	\$31,881	\$167	57%	1%	13%	6%	52.0x	51.7x	7.7x
48	Electronic Equipment Instruments	CDW Corp.	CDW	\$181.83	185/94	\$25,551	\$156	95%	38%	8%	13%	13.3x	24.5x	19.9x
49	Sector: Communication Services	Verizon Communications Inc.	VZ	\$58.14	62/53	\$240,700	\$952	8%	-1%	4%	3%	8.8x	11.4x	3.4x
50	Diversified Telecommunication Services	AT&T Inc.	T	\$30.11	33/26	\$214,939	\$1,175	3%	5%	1%	-1%	11.1x	9.5x	1.3x
51		Lumen Technologies, Inc.	LUMN	\$12.90	17/9	\$14,262	\$156	36%	32%	-5%	-9%	7.7x	8.5x	1.3x
52	Entertainment	Walt Disney Company	DIS	\$183.11	203/99	\$332,393	\$2,298	90%	1%	31%	366%	52.2x	49.1x	4.0x

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg, IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

JPM Multinationals Sensitive to GILTI / AMT Tax Basket (JPAMFTAX <Index>)

Methodology: This basket is designed to capture names potentially vulnerable to an increase in foreign taxes (e.g. GILTI, minimum book tax, etc.) as described in the Biden proposal. We selected the initial universe of companies based on a composite score between: (1) Low 2019 effective tax rate; (2) High foreign revenue exposure; (3) Low foreign tax rate (where available). JPM analyst feedback was also incorporated to further refine the list of stocks.

Figure 27: JPM Multinationals Sensitive to GILTI / AMT Tax Basket (JPAMFTAX <Index>)

			Company Stats				Price Perf (%)		IBES Estimates		Valuation			
			Current Price	52-Wk High/Low	Market Cap	Avg Vol. (mm)	12-mos Change	YTD	Sales Growth NTM	EPS Growth NTM	EV/EBITDA LTM	P/E NTM	P/B	
1	GICS Sector/Industry	Company	Ticker											
2	Sector: Materials	Albemarle Corporation	ALB	\$153.05	188/56	\$17,864	\$211	172%	4%	8%	-3%	25.1x	38.3x	3.8x
3	Chemicals	FMC Corporation	FMC	\$114.86	124/82	\$14,875	\$85	41%	0%	9%	20%	16.1x	15.5x	5.0x
4	Sector: Industrials	Allegion PLC	ALLE	\$133.09	135/90	\$12,076	\$96	45%	14%	3%	-1%	19.7x	26.4x	14.6x
5	Industrial Conglomerates	General Electric Company	GE	\$13.35	14/5	\$117,275	\$1,271	68%	24%	1%	734%	39.7x	40.0x	3.3x
6	Sector: Consumer Discretionary	Garmin Ltd.	GRMN	\$139.00	142/76	\$26,708	\$117	85%	16%	13%	6%	17.1x	25.7x	4.8x
7	Textiles Apparel & Luxury Goods	NIKE, Inc. Class B	NKE	\$129.90	148/84	\$165,617	\$839	57%	-8%	25%	82%	41.9x	33.7x	17.2x
8		Hanesbrands Inc.	HBI	\$20.59	21/8	\$7,186	\$128	162%	41%	2%	14%	68.4x	12.5x	8.8x
9	Sector: Consumer Staples	Coca-Cola Company	KO	\$54.61	55/43	\$235,332	\$912	23%	0%	13%	12%	24.0x	24.4x	11.6x
10	Food Products	Mondelez International, Inc. Class	MDLZ	\$59.57	60/49	\$83,702	\$397	19%	2%	7%	12%	20.2x	20.3x	3.1x
11	Household Products	Colgate-Palmolive Company	CL	\$81.15	86/66	\$68,861	\$320	22%	-5%	7%	10%	18.2x	24.2x	92.8x
12		Kimberly-Clark Corporation	KMB	\$141.47	160/128	\$47,818	\$269	11%	5%	5%	2%	13.5x	17.9x	76.5x
13	Sector: Health Care	Medtronic Plc	MDT	\$130.25	131/88	\$175,586	\$638	44%	11%	17%	63%	27.9x	22.8x	3.5x
14	Health Care Equipment & Supplies	Danaher Corporation	DHR	\$244.40	249/151	\$174,274	\$626	77%	10%	21%	25%	23.8x	31.1x	4.8x
15		Boston Scientific Corporation	BSX	\$42.31	43/33	\$60,102	\$436	30%	18%	19%	70%	59.7x	25.9x	3.9x
16		Edwards Lifesciences Corporation	EW	\$95.24	96/66	\$59,243	\$260	51%	4%	19%	22%	50.9x	41.4x	12.8x
17		Align Technology, Inc.	ALGN	\$616.08	634/185	\$48,754	\$469	254%	15%	51%	91%	85.8x	61.6x	15.0x
18		Teleflex Incorporated	TFX	\$438.28	440/312	\$20,489	\$100	50%	6%	14%	25%	32.9x	32.8x	6.1x
19		Cooper Companies, Inc.	COO	\$404.02	405/269	\$19,858	\$120	47%	11%	18%	36%	30.2x	29.4x	3.3x
20	Biotechnology	AbbVie, Inc.	ABBV	\$110.80	113/79	\$195,543	\$896	45%	3%	24%	23%	15.0x	8.6x	15.0x
21	Life Sciences Tools & Services	Thermo Fisher Scientific Inc.	TMO	\$480.41	533/316	\$188,809	\$758	69%	3%	9%	9%	19.5x	22.5x	5.5x
22		Illumina, Inc.	ILMN	\$403.33	556/260	\$58,879	\$472	48%	9%	30%	33%	68.5x	67.4x	12.5x
23		Mettler-Toledo International Inc.	MTD	\$1,311.14	1314/661	\$30,577	\$161	90%	15%	12%	21%	32.2x	42.5x	108.9x
24		Avantor, Inc.	AVTR	\$32.23	33/13	\$18,752	\$154	158%	14%	11%	38%	20.1x	26.2x	11.2x
25		Waters Corporation	WAT	\$301.22	310/171	\$18,693	\$141	65%	22%	10%	10%	21.3x	30.2x	80.8x
26	Sector: Financials	Aon Plc Class A	AON	\$233.50	240/167	\$52,807	\$363	41%	11%	6%	16%	17.4x	20.5x	15.1x
27	Sector: Information Technology	PayPal Holdings Inc	PYPL	\$264.89	309/107	\$311,050	\$2,319	177%	13%	28%	28%	58.5x	53.4x	15.5x
28	IT Services	VeriSign, Inc.	VRSN	\$211.11	221/185	\$23,803	\$137	17%	-2%	7%	-20%	28.9x	37.6x	NA
29		Western Union Company	WU	\$26.22	26/18	\$10,758	\$132	45%	20%	7%	14%	8.7x	12.3x	57.8x
30	Software	Adobe Inc.	ADBE	\$512.34	537/325	\$244,899	\$1,433	61%	2%	20%	15%	37.6x	40.6x	18.1x
31		Autodesk, Inc.	ADSK	\$288.87	321/167	\$63,434	\$414	85%	-5%	19%	34%	71.6x	53.1x	65.7x
32	Communications Equipment	Lumentum Holdings, Inc.	LITE	\$93.12	112/66	\$7,049	\$137	26%	-2%	15%	10%	14.5x	13.6x	3.7x
33	Technology Hardware Storage & Peripherals	Apple Inc.	AAPL	\$133.50	145/66	\$2,241,211	\$17,634	110%	1%	16%	25%	24.8x	29.0x	33.9x
34		HP Inc.	HPQ	\$33.90	34/13	\$42,461	\$377	95%	38%	5%	31%	6.9x	10.2x	NA
35		Hewlett Packard Enterprise Co.	HPE	\$15.99	16/8	\$20,805	\$177	65%	35%	4%	31%	12.1x	8.5x	1.3x
36		Seagate Technology PLC	STX	\$83.88	84/44	\$19,421	\$265	72%	35%	7%	23%	13.3x	14.3x	20.3x
37	Electronic Equipment Instruments	Keysight Technologies Inc	KEYS	\$144.65	156/91	\$26,917	\$214	73%	10%	16%	20%	22.9x	24.0x	7.6x
38		Zebra Technologies Corporation	ZBRA	\$491.37	519/192	\$26,288	\$172	168%	28%	16%	26%	27.3x	30.5x	12.3x
39	Semiconductors & Semiconductor Equipment	NVIDIA Corporation	NVDA	\$614.42	649/267	\$382,405	\$6,440	133%	18%	38%	40%	55.1x	44.0x	22.6x
40		Intel Corporation	INTC	\$63.70	68/44	\$259,408	\$2,090	18%	28%	-7%	-13%	8.3x	13.8x	3.2x
41		Broadcom Inc.	AVGO	\$459.79	495/247	\$187,733	\$937	94%	5%	12%	19%	18.4x	16.5x	7.8x
42		Qualcomm Inc	QCOM	\$136.19	168/72	\$154,712	\$1,280	101%	-11%	31%	45%	18.7x	17.6x	21.0x
43		Applied Materials, Inc.	AMAT	\$135.05	146/46	\$123,930	\$1,112	195%	56%	24%	38%	17.4x	21.3x	10.8x
44		Advanced Micro Devices, Inc.	AMD	\$81.61	99/48	\$99,124	\$4,265	79%	-11%	46%	67%	65.1x	37.8x	16.9x
45		Lam Research Corporation	LRCX	\$641.25	669/230	\$91,640	\$1,118	167%	36%	11%	12%	19.7x	23.8x	17.0x
46		Analog Devices, Inc.	ADI	\$158.29	164/96	\$58,392	\$460	77%	7%	16%	20%	23.1x	24.8x	4.8x
47		NXP Semiconductors NV	NXPI	\$201.13	216/80	\$55,461	\$649	143%	26%	23%	58%	20.4x	20.7x	6.3x
48		KLA Corporation	KLAC	\$331.79	360/147	\$51,120	\$414	131%	28%	18%	27%	19.7x	22.8x	17.4x
49		Microchip Technology Incorporated	MCHP	\$154.65	167/75	\$41,641	\$356	128%	12%	16%	22%	22.6x	20.5x	7.9x
50		Skyworks Solutions, Inc.	SKWS	\$186.62	196/88	\$30,809	\$381	109%	22%	27%	35%	15.5x	17.7x	7.0x
51		Teradyne, Inc.	TER	\$129.94	148/56	\$21,643	\$267	140%	8%	9%	8%	17.7x	26.1x	9.8x
52		Monolithic Power Systems, Inc.	MPWR	\$377.57	407/174	\$17,225	\$164	125%	3%	27%	23%	87.6x	61.1x	17.7x
53	Sector: Communication Services	Electronic Arts Inc.	EA	\$141.04	150/110	\$40,567	\$379	41%	-2%	11%	10%	24.8x	22.8x	5.1x
54	Interactive Media & Services	Facebook, Inc. Class A	FB	\$301.47	316/168	\$723,770	\$6,652	81%	10%	33%	20%	17.8x	24.9x	6.7x
55		Alphabet Inc. Class A	GOOGL	\$2,278.35	2304/1205	\$685,184	\$4,052	96%	30%	31%	25%	18.8x	31.0x	6.9x
56		Twitter, Inc.	TWTR	\$67.33	81/25	\$53,775	\$1,314	174%	24%	39%	- to +	75.2x	65.5x	6.7x

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg, IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

J.P. Morgan Green / EV Infrastructure Basket (JPAMIGRN <Index>)

Methodology: This basket is designed to capture names that would likely benefit from a federal spending boost in clean energy manufacturing, electric vehicle charging stations, climate technology, etc under the current Biden proposal. We selected the initial universe of companies based on the green agenda. JPM analyst feedback was also incorporated to further refine the list of stocks.

Figure 28: J.P. Morgan Biden Green / EV Infrastructure Basket Infrastructure (JPAMIGRN <Index>)

				Company Stats				Price Perf (%)		IBES Estimates		Valuation		
				52-Wk		Avg						EV/		
				Current	High/	Market	Vol.	12-mos		Growth	Growth	EBITDA	P/E	
				Price	Low	Cap	(mm)	Change	YTD	NTM	NTM	LTM	NTM	P/B
1	GICS Sector/Industry	Company	Ticker	\$60.11	117/21	\$2,722	\$62	193%	-15%	19%	54%	14.1x	14.4x	2.0x
2	Sector: Energy	Renewable Energy Group, Inc.	REGI	\$17.18	24/5	\$2,519	\$56	227%	-9%	30%	- to +	491.6x	95.1x	4.4x
3	Sector: Materials	Livent Corporation	LTHM	\$47.90	70/16	\$1,589	\$20	181%	-8%	12%	7%	24.2x	37.5x	4.7x
4	Sector: Industrials	Ameresco, Inc. Class A	AMRC	\$27.14	75/4	\$13,638	\$842	667%	-20%	66%	Neg	NA	Neg	8.3x
5	Electrical Equipment	Plug Power Inc.	PLUG	\$52.22	101/12	\$10,579	\$265	417%	-25%	58%	Neg	NA	Neg	1.7x
6		Sunrun Inc.	RUN	\$189.94	196/105	\$10,317	\$57	66%	21%	10%	15%	14.4x	21.9x	5.0x
7		Hubbell Incorporated Class B	HUBB	\$21.39	49/10	\$6,309	\$68	122%	-47%	—	—	NA	Neg	NA
8		ChargePoint Holdings, Inc. Class / CHPT	CHPT	\$27.62	55/26	\$3,508	\$76	—	-36%	—	—	NA	29.8x	NA
9		Array Technologies Inc	ARRY	\$23.74	45/7	\$3,422	\$117	354%	-17%	33%	- to +	NA	5087.1x	50.6x
10		Bloom Energy Corporation Class / BE	BE	\$33.91	44/28	\$3,172	\$95	—	—	—	—	NA	90.0x	NA
11		Shoals Technologies Group, Inc. (SHLS	SHLS	\$52.68	81/14	\$1,934	\$36	256%	0%	11%	- to +	20.9x	43.5x	9.6x
12		TPI Composites, Inc.	TPIC	\$16.41	32/5	\$453	\$6	199%	-30%	21%	Neg	NA	Neg	3.7x
13	American Superconductor Corpora	AMSC	\$10.29	94/9	\$4,033	\$204	-3%	-33%	#####	Neg	NA	Neg	4.1x	
14	Machinery	Nikola Corporation	NKLA	\$86.05	95/22	\$4,318	\$63	277%	10%	38%	28%	19.0x	13.1x	1.3x
15	Trading Companies & Distributors	WESCO International, Inc.	WCC	\$13.62	16/7	\$1,800	\$13	59%	4%	5%	- to +	13.9x	159.6x	5.8x
16	Commercial Services & Supplies	Covanta Holding Corporation	CVA	\$33.50	133/10	\$7,505	\$408	—	-60%	—	—	NA	Neg	NA
17	Sector: Consumer Discretionary	QuantumScape Corporation Class QS	QS	\$6.82	35/6	\$949	\$34	-31%	-71%	—	—	NA	Neg	NA
18	Auto Components	XL Fleet Corp. Class A	XL	\$744.12	900/135	\$714,246	\$41,139	610%	5%	72%	118%	141.1x	153.7x	32.1x
19	Automobiles	Tesla Inc	TSLA	\$14.59	37/10	\$8,844	\$22	52%	-48%	—	—	NA	Neg	NA
20	Automobiles	Arrival Group	ARVL	\$15.15	32/9	\$2,389	\$162	50%	3%	—	—	NA	Neg	NA
21		Fisker Inc Class A	FSR	\$9.76	32/9	\$1,723	\$53	-6%	-51%	—	—	NA	Neg	NA
22		Lordstown Motors Corp. Class A	RIDE	\$12.46	43/2	\$1,581	\$246	588%	-37%	12389%	+ to -	9.1x	Neg	3.8x
23		Workhorse Group Inc.	WKHS	\$35.51	65/2	\$1,489	\$281	1953%	-17%	139%	Neg	NA	Neg	47.0x
24		Blink Charging Co	BLNK	\$70.99	80/18	\$11,582	\$92	270%	23%	13%	58%	14.4x	22.9x	4.0x
25	Specialty Retail	Blink Charging Co	BLNK	\$53.62	72/25	\$4,219	\$40	163%	-15%	19%	10%	49.9x	31.0x	3.4x
26	Sector: Consumer Staples	Darling Ingredients Inc.	DAR	\$90.55	122/51	\$4,086	\$36	62%	-6%	7%	45%	54.1x	33.6x	4.5x
27	Sector: Financials	Hannon Armstrong Sustainable Inf	HASI	\$155.08	229/34	\$21,028	\$684	380%	-12%	93%	71%	106.7x	66.6x	41.3x
28	Sector: Information Technology	Iron, Inc.	ITRI	\$255.09	377/86	\$13,158	\$312	212%	-20%	38%	29%	91.4x	48.3x	12.1x
29	Semiconductors & Semiconductor	Enphase Energy, Inc.	ENPH	\$109.03	130/34	\$12,104	\$163	207%	3%	-10%	Neg	NA	Neg	6.5x
30		SolarEdge Technologies, Inc.	SEDG	\$83.65	113/38	\$8,893	\$191	132%	-15%	7%	8%	16.2x	20.7x	1.6x
31		Cree, Inc.	CREE	\$27.38	58/4	\$4,717	\$176	725%	7%	15%	- to +	NM	65.7x	11.5x
32		First Solar, Inc.	FSLR	\$77.97	88/56	\$152,934	\$639	30%	1%	23%	8%	25.9x	30.2x	4.1x
33		SunPower Corporation	SPWR	\$42.80	63/27	\$7,369	\$39	—	-27%	—	—	NA	Neg	13.2x
34	Independent Power and Renewa	Brookfield Renewable Corporation	BEPC	\$76.03	129/53	\$4,256	\$44	12%	-16%	1%	-1%	16.8x	46.1x	2.4x
35		Ormat Technologies, Inc.	ORA	\$37.63	58/10	\$4,083	\$66	274%	-17%	61%	Neg	211.7x	Neg	4.0x
36		Sunnova Energy International Inc	NOVA	\$28.53	37/19	\$2,329	\$21	52%	-11%	—	—	16.0x	NA	1.8x
		Clearway Energy, Inc. Class C	CWEN											

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg, IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

J.P. Morgan Construction, Engineering and Infrastructure Basket (JPAMBINF <Index>)

Methodology: This basket is designed to capture names that would likely benefit from a physical infrastructure spending including, but not limited to, modernizing roads, bridges, airports, and public transit. The initial universe was arrived at by filtering names with exposure to civil construction. These names are primarily in the Industrial and Materials sectors with exposure to raw materials, equipment, construction and engineering components of infrastructure. JPM analyst feedback was also incorporated to further refine the list of stocks.

Figure 29: J.P. Morgan Construction, Engineering and Infrastructure (JPAMBINF <Index>)

				Company Stats				Price Perf (%)		IBES Estimates		Valuation		
				52-Wk			Avg			Sales	EPS	EV/		
				Current	High/Low	Market Cap	Vol. (mm)					Growth	Growth	EBITDA LTM
	GICS Sector/Industry	Company	Ticker	Price				12-mos Change	YTD	NTM	NTM			
1	Sector: Materials	Vulcan Materials Company	VMC	\$177.37	177/89	\$23,531	\$174	64%	20%	5%	14%	16.5x	33.2x	3.9x
2	Construction Materials	Martin Marietta Materials, Inc.	MLM	\$351.93	354/152	\$21,946	\$207	86%	24%	7%	2%	14.7x	29.8x	3.7x
3		Eagle Materials Inc.	EXP	\$142.21	145/49	\$5,964	\$53	143%	40%	8%	15%	9.8x	18.2x	4.7x
4		Summit Materials, Inc. Class A	SUM	\$29.09	31/10	\$3,392	\$37	94%	45%	9%	40%	8.2x	25.3x	2.1x
5		U.S. Concrete, Inc.	USCR	\$63.64	79/15	\$1,080	\$24	251%	59%	5%	21%	7.4x	24.7x	2.8x
6	Metals & Mining	Freeport-McMoRan, Inc.	FCX	\$35.90	39/7	\$52,359	\$769	432%	38%	53%	413%	10.2x	12.7x	5.1x
7		Nucor Corporation	NUE	\$80.18	83/35	\$23,949	\$183	123%	51%	36%	149%	9.1x	9.8x	2.2x
8		Steel Dynamics, Inc.	STLD	\$51.18	53/21	\$10,810	\$101	127%	39%	32%	62%	8.4x	7.8x	2.3x
9		Reliance Steel & Aluminum Co.	RS	\$155.12	159/80	\$9,882	\$58	77%	30%	24%	44%	9.6x	14.0x	1.9x
10		Alcoa Corporation	AA	\$34.26	37/6	\$6,386	\$234	456%	49%	9%	- to +	6.4x	9.4x	2.0x
11		United States Steel Corporation	X	\$22.41	27/6	\$6,023	\$342	255%	34%	55%	- to +	NA	6.9x	1.3x
12		Commercial Metals Company	CMC	\$28.74	32/14	\$3,463	\$36	82%	40%	11%	-11%	6.4x	12.4x	1.7x
13	Paper & Forest Products	Louisiana-Pacific Corporation	LPX	\$63.50	69/16	\$6,766	\$93	270%	71%	13%	40%	5.1x	10.4x	5.5x
14	Sector: Industrials	Johnson Controls International plc	JCI	\$61.88	63/26	\$44,570	\$305	130%	33%	9%	25%	18.7x	21.8x	2.5x
15	Building Products	Carrier Global Corp.	CARR	\$43.06	45/14	\$37,431	\$275	150%	14%	10%	23%	12.5x	21.2x	6.0x
16	Construction & Engineering	Quanta Services, Inc.	PWR	\$95.57	96/29	\$13,328	\$123	201%	33%	11%	17%	10.9x	21.3x	3.0x
17		AECOM	ACM	\$66.80	68/29	\$9,867	\$88	124%	34%	1%	28%	11.2x	22.6x	3.4x
18		MasTec, Inc.	MTZ	\$99.03	103/29	\$7,345	\$82	203%	45%	25%	-1%	5.0x	19.5x	3.7x
19		Valmont Industries, Inc.	VMI	\$238.74	252/98	\$5,076	\$34	125%	36%	9%	12%	17.3x	24.3x	4.1x
20		Fluor Corporation	FLR	\$21.58	25/7	\$3,040	\$53	212%	35%	-12%	- to +	NA	26.1x	2.9x
21		Arcosa, Inc.	ACA	\$62.92	68/31	\$3,031	\$18	58%	15%	2%	-10%	10.6x	28.5x	1.6x
22		Dycom Industries, Inc.	DY	\$92.35	101/25	\$2,828	\$40	260%	22%	3%	28%	11.2x	28.5x	3.5x
23		Granite Construction Incorporated	GVA	\$38.84	41/13	\$1,778	\$16	156%	45%	—	—	NA	25.4x	1.8x
24	Electrical Equipment	Vertiv Holdings Co. Class A	VRT	\$21.80	23/10	\$7,661	\$72	152%	17%	11%	39%	16.8x	19.6x	11.2x
25	Industrial Conglomerates	3M Company	MMM	\$200.88	202/131	\$116,393	\$556	47%	15%	8%	13%	12.8x	20.3x	9.0x
26	Machinery	Caterpillar Inc.	CAT	\$232.46	238/100	\$126,761	\$778	100%	28%	15%	51%	14.4x	25.3x	8.3x
27		Oshkosh Corp	OSK	\$122.75	125/55	\$8,394	\$71	91%	43%	14%	39%	9.2x	17.8x	2.9x
28		Lincoln Electric Holdings, Inc.	LECO	\$125.98	129/68	\$7,516	\$36	83%	8%	14%	28%	19.3x	23.8x	9.5x
29		Evoqua Water Technologies Corp	AQUA	\$28.25	32/14	\$3,380	\$28	152%	5%	5%	9%	16.4x	37.6x	6.7x
30		Terex Corporation	TEX	\$46.76	50/12	\$3,260	\$36	226%	34%	22%	2131%	25.5x	17.5x	3.5x
31		Mueller Water Products, Inc. Class MWA	MWA	\$14.21	15/7	\$2,250	\$12	77%	15%	6%	14%	12.0x	23.2x	3.4x
32		Manitowoc Company, Inc.	MTW	\$21.47	24/7	\$745	\$8	153%	61%	11%	- to +	7.6x	37.1x	1.2x
33		Trading Companies & Distributors	United Rentals, Inc.	URI	\$316.75	341/96	\$22,911	\$301	208%	37%	6%	13%	6.7x	16.1x
34	Commercial Services & Supplies	Tetra Tech, Inc.	TTEK	\$130.45	145/65	\$7,074	\$40	85%	13%	8%	11%	18.7x	34.7x	6.4x
35	Professional Services	Jacobs Engineering Group Inc.	J	\$135.46	136/69	\$17,621	\$101	71%	24%	8%	14%	16.6x	21.0x	2.9x
36	Transportation Infrastructure	Macquarie Infrastructure Corporation	MIC	\$33.00	41/23	\$2,888	\$29	31%	-12%	-7%	- to +	13.2x	55.9x	3.3x
37	Sector: Information Technology	ANSYS, Inc.	ANSS	\$365.88	413/245	\$31,881	\$167	57%	1%	13%	6%	52.0x	51.7x	7.7x
38	Sector: Utilities	MDU Resources Group Inc	MDU	\$33.39	33/19	\$6,718	\$39	55%	27%	—	7%	9.2x	15.9x	2.2x

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg, IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

J.P. Morgan 5G and Broadband Infrastructure Basket (JPAMIB5G <Index>)

Methodology: This basket identifies names that would likely benefit from a federal spending boost in 5G communications and broadband under the current Biden proposal. The 5G thematic basket is comprised of stocks that are most closely tied to the ongoing 5G rollout. We also used textual analysis of corporate earnings, conferences and other call transcripts to identify names associated with the 5G theme. JPM analyst feedback was also incorporated to further refine the list of stocks.

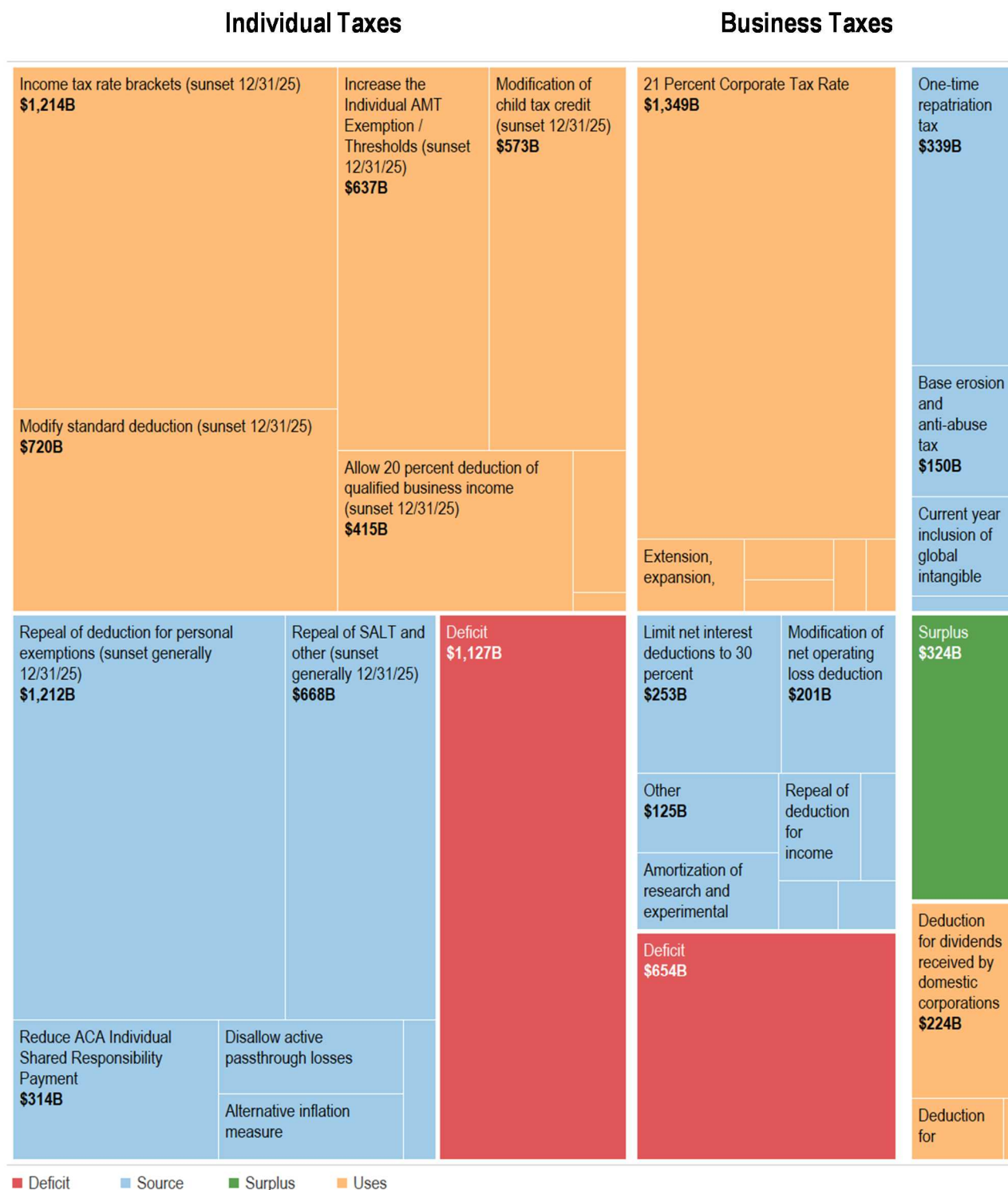
Figure 30: J.P. Morgan 5G and Broadband Infrastructure Basket (JPAMIB5G <Index>)

	GICS Sector/Industry	Company	Ticker	Company Stats				Price Perf (%)		IBES Estimates		Valuation		
				Current Price	52-Wk High/Low	Market Cap	Avg Vol. (mm)	12-mos Change	YTD	Sales Growth NTM	EPS Growth NTM	EV/EBITDA LTM	P/E NTM	P/B
1	Sector: Industrials	MasTec, Inc.	MTZ	\$99.03	103/29	\$7,345	\$82	203%	45%	25%	-1%	5.0x	19.5x	3.7x
2	Electrical Equipment	Vertiv Holdings Co. Class A	VRT	\$21.80	23/10	\$7,661	\$72	152%	17%	11%	39%	16.8x	19.6x	11.2x
3	Industrial Conglomerates	3M Company	MMM	\$200.88	202/131	\$116,393	\$556	47%	15%	8%	13%	12.8x	20.3x	9.0x
4	Sector: Information Technology	Akamai Technologies, Inc.	AKAM	\$105.55	125/93	\$17,228	\$194	15%	1%	9%	7%	15.3x	19.0x	4.0x
5	IT Services	Amdocs Limited	DOX	\$77.21	82/55	\$10,101	\$63	40%	9%	3%	8%	11.2x	15.7x	2.6x
6	Software	Fortinet, Inc.	FTNT	\$201.92	209/100	\$32,952	\$276	100%	36%	24%	16%	36.3x	51.8x	38.3x
7		InterDigital, Inc.	IDCC	\$72.87	74/44	\$2,245	\$17	63%	20%	-4%	-31%	10.0x	73.8x	2.9x
8	Communications Equipment	Viavi Solutions Inc	VIAV	\$16.85	17/10	\$3,854	\$37	50%	13%	11%	10%	14.1x	20.1x	4.8x
9		CommScope Holding Co., Inc.	COMM	\$16.51	18/8	\$3,358	\$55	81%	23%	2%	27%	14.7x	8.5x	9.3x
10		Calix, Inc.	CALX	\$42.94	49/7	\$2,699	\$39	506%	44%	15%	5%	31.7x	43.2x	9.5x
11		NetScout Systems, Inc.	NTCT	\$27.94	32/20	\$2,052	\$12	18%	2%	2%	2%	14.2x	15.9x	1.0x
12		Cambium Networks Corporation	CMBM	\$57.10	66/4	\$1,490	\$13	920%	128%	24%	52%	18.5x	42.6x	23.5x
13		ADTRAN, Inc.	ADTN	\$17.56	19/9	\$851	\$5	129%	19%	13%	75%	69.6x	38.6x	2.3x
14	Electronic Equipment Instruments	Corning Inc	GLW	\$46.25	47/19	\$35,574	\$223	125%	28%	17%	52%	17.8x	21.8x	3.2x
15		Keysight Technologies Inc	KEYS	\$144.65	156/91	\$26,917	\$214	73%	10%	16%	20%	22.9x	24.0x	7.6x
16		National Instruments Corporation	NATI	\$44.99	47/30	\$5,921	\$30	36%	2%	14%	-22%	18.2x	52.7x	4.8x
17		Rogers Corporation	ROG	\$199.60	202/92	\$3,728	\$21	111%	29%	15%	54%	19.3x	25.6x	3.7x
18		Knowles Corp.	KN	\$21.12	22/13	\$1,958	\$14	58%	15%	15%	108%	19.4x	15.9x	1.5x
19		TTM Technologies, Inc.	TTMI	\$14.98	15/10	\$1,601	\$18	45%	9%	-2%	17%	9.3x	11.5x	1.1x
20	Semiconductors & Semiconductor Equipment	Intel Corporation	INTC	\$63.70	68/44	\$259,408	\$2,090	18%	28%	-7%	-13%	8.3x	13.8x	3.2x
21		Broadcom Inc.	AVGO	\$459.79	495/247	\$187,733	\$937	94%	5%	12%	19%	18.4x	16.5x	7.8x
22		Qualcomm Inc	QCOM	\$136.19	168/72	\$154,712	\$1,280	101%	-11%	31%	45%	18.7x	17.6x	21.0x
23		Analog Devices, Inc.	ADI	\$158.29	164/96	\$58,392	\$460	77%	7%	16%	20%	23.1x	24.8x	4.8x
24		Marvell Technology, Inc.	MRVL	\$47.48	56/25	\$32,268	\$448	110%	0%	23%	57%	92.2x	32.5x	3.8x
25		Skyworks Solutions, Inc.	SWKS	\$186.62	196/88	\$30,809	\$381	109%	22%	27%	35%	15.5x	17.7x	7.0x
26		Teradyne, Inc.	TER	\$129.94	148/56	\$21,643	\$267	140%	8%	9%	8%	17.7x	26.1x	9.8x
27		Qorvo, Inc.	QRVO	\$189.21	200/81	\$21,430	\$252	135%	14%	19%	22%	16.0x	18.1x	4.8x
28		FormFactor, Inc.	FORM	\$48.49	52/21	\$3,771	\$26	141%	13%	9%	10%	22.1x	29.7x	5.0x
29		Cohu, Inc.	COHU	\$44.23	52/12	\$2,128	\$19	257%	16%	41%	169%	26.2x	14.1x	3.6x
30	Sector: Real Estate	American Tower Corporation	AMT	\$252.18	272/198	\$112,161	\$511	16%	12%	12%	44%	23.6x	46.2x	27.4x
31	Equity Real Estate Investment Trusts	Crown Castle International Corp	CCI	\$182.89	185/146	\$79,043	\$384	27%	15%	6%	77%	31.3x	73.1x	8.8x
32		SBA Communications Corp. Class SBAC	SBAC	\$291.35	328/233	\$31,829	\$200	8%	3%	8%	1079%	32.5x	123.6x	NA

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg, IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

Appendix: Tax Cuts and Jobs Act (December 2017)

Figure 31: Sources and Uses of Funds for TCJA



Source: J.P. Morgan US Equity Strategy and Quantitative Research, [JCT](#)

Additional Basket Methodology

In order to keep the basket relevant to the investment theme, J.P. Morgan reserves the right to review the following at any time:

Basket methodology. This is to ensure the rules of the basket remain relevant following any structural changes to the theme. This may include ensuring that the sector exposure of the basket remains broadly consistent with the investment theme.

Basket change implementation. J.P. Morgan will consider extending the implementation of changes to the basket composition from one trading session to any period up to five trading sessions in the event that a material increase in the liquidity or capacity of the basket is required to minimize market impact.

Corporate actions may affect the JPAMIGRN <Index>, JPAMBINF <Index>, JPAMIB5G <Index>, JPAMDTAX <Index> and JPAMFTAX <Index> baskets. The composition of a custom basket is typically adjusted in the following manner:

Cash Merger. The divisor is adjusted, and we remove the merging company from the basket on the day of merger and redistribute gains into remaining companies according to recalculated market cap weights of surviving constituents in the basket.

Stock Merger. If the acquirer is a member of the basket, then the weight allocated to the acquired will transfer to the surviving entity on the close of the last day it trades. If the acquirer is not a part of the basket, then proceeds (losses) from the acquired company will be redistributed to the surviving basket constituents based on the recalculated weighting on the close of its last trading day.

Spinoffs. The spinoff company and parent will be included in the basket, and both the spinoff and parent company weights will be readjusted according to new market capitalizations after the spinoff date.

Tender Offers and Share Buybacks. The company remains in the basket and its weight is adjusted according to the impact the tender/buyback has on the stock's market value.

Delisting/Insolvency/Bankruptcy. The company is removed from the basket as of the close of the last trading day, and the proceeds (losses) will be redistributed into remaining companies according to re-calculated weights of remaining companies in the basket. If a stock trades on "pink sheets" it will not be included in the basket.

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	49%	38%	12%
IB clients**	54%	48%	38%
JPMS Equity Research Coverage*	46%	39%	14%
IB clients**	78%	70%	55%

*Please note that the percentages might not add to 100% because of rounding.

**Percentage of subject companies within each of the "buy," "hold" and "sell" categories for which J.P. Morgan has provided investment banking services within the previous 12 months.

For purposes only of FINRA ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above. This information is current as of the end of the most recent calendar quarter.

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