



Industrials Sector Stock Recommendations

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Agenda

- Overview
- Discussion of Stocks
 - Business Analysis
 - Financial Analysis
 - Valuation
- Recommendations

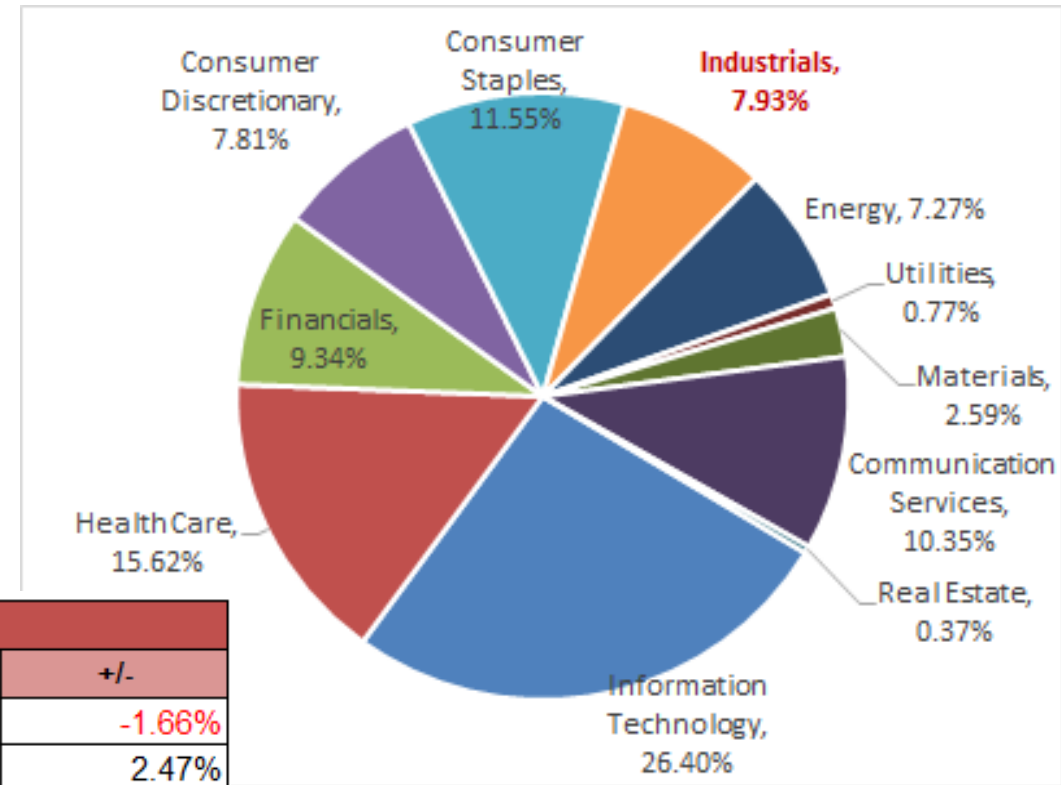


Overview



Overview – SIM Industrials

- Weight: 7.93%
- Underweight by 0.4%



Securities Allocation			
Sector	S&P 500 Weight	SIM Weight	+/-
Information Technology	28.06%	26.40%	-1.66%
Health Care	13.15%	15.62%	2.47%
Financials	12.76%	9.34%	-3.42%
Consumer Discretionary	10.55%	7.81%	-2.74%
Consumer Staples	6.62%	11.55%	4.93%
Industrials	8.33%	7.93%	-0.40%
Energy	4.54%	7.27%	2.73%
Utilities	2.50%	0.77%	-1.73%
Materials	2.42%	2.59%	0.17%
Communication Services	8.71%	10.35%	1.64%
Real Estate	2.36%	0.37%	-1.99%
Total	100.00%	100.00%	0.00%



Industrial Stocks

- Aerospace & Defense



- Air Freight & Logistics



- Airlines

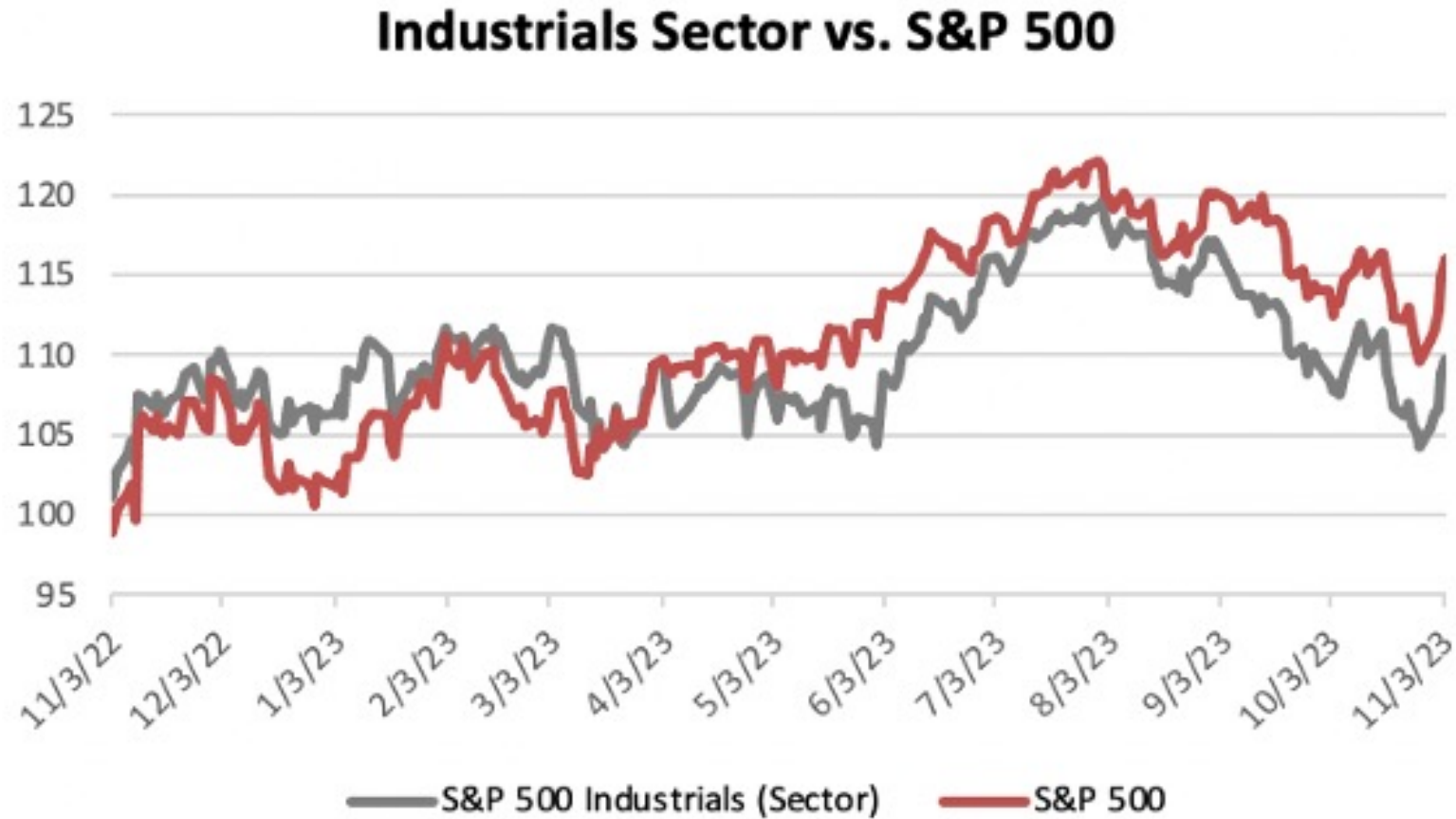


- Farm & Heavy Machinery



Security	Ticker	GIC Sector	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Unrealized Gain/(Loss)	Unit Income	Est. Ann. Income	%age Assets	Eq shares out	Market Cap (In Millions \$)	Beta
DEERE & CO	DE	Industrials	300	436.26	\$130,878.00	365.36	\$109,608.00	(\$21,270)	5.40	\$1,620.0	1.21%	288.001	105,223.9	1.00
FEDEX CORP	FDX	Industrials	1,400	159.97	\$223,953.58	240.10	\$336,140.00	\$112,186	5.04	\$7,056.0	3.70%	251.420	60,366.0	0.97
RTX CORP	RTX	Industrials	760	93.72	\$71,228.00	81.39	\$61,856.40	(\$9,372)	2.36	\$1,793.6	0.68%	1,437.901	117,030.8	0.75
TRANSDIGM GROUP INC	TDG	Industrials	90	648.06	\$58,325.40	828.09	\$74,528.10	\$16,203	-	\$0.0	0.82%	55.183	45,696.6	1.10
UNITED AIRLINES HOLDINGS INC	UAL	Industrials	3,970	42.49	\$168,669.13	35.01	\$138,989.70	(\$29,679)	-	\$0.0	1.53%	326.729	11,438.8	1.33
Total			6,520		\$653,054.11		\$721,122.20	\$68,068					339,756.1	
Average			1,304	\$276.10	\$130,610.82	309.99	\$144,224.44	\$13,614			1.59%	471.8	67,951.2	1.03

One Year Return Industrials Sectors vs S&P500



SIM Recommendation

Securities Allocation			
Sector	S&P 500 Weight	SIM Weight	+/-
Industrials	8.33%	7.93%	-0.40%

We recommend that we stay neutral on the Industrials sector by increasing the weight slightly by .22% to reach 8.15%. The short-term prospects show a possible decrease in growth potential, but there is still opportunity to find value for investors in the long-term



Discussion of Stocks



TransDigm - TDG



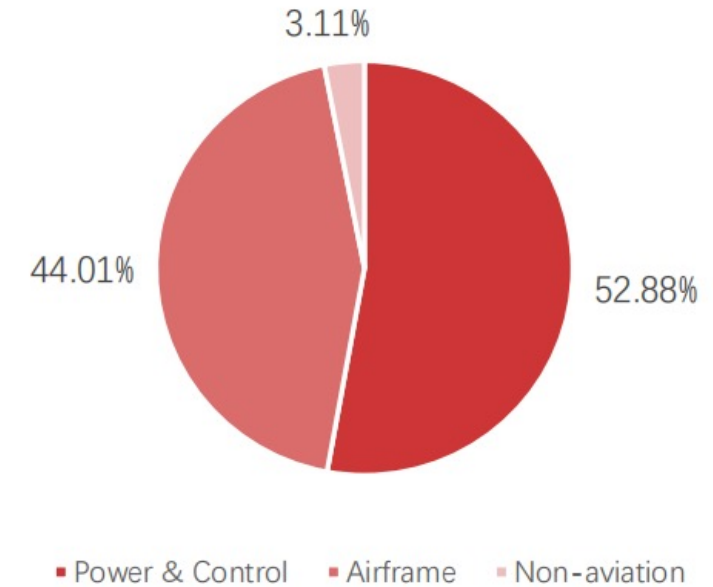
Business Overview:

TransDigm Group is an aerospace manufacturing company founded in 1993. It fielded its initial public offering in 2006, continued M&A, and is now comprised of 48 independent companies, each operating its local business autonomously and having its own market strategy.

- Price: \$955 (12/5)
- SIM Bought Price: \$648.06
- Market Cap: 45.7 Billion
- Shares Outstanding: 55.2 Million
- Div Yield: 2.14%

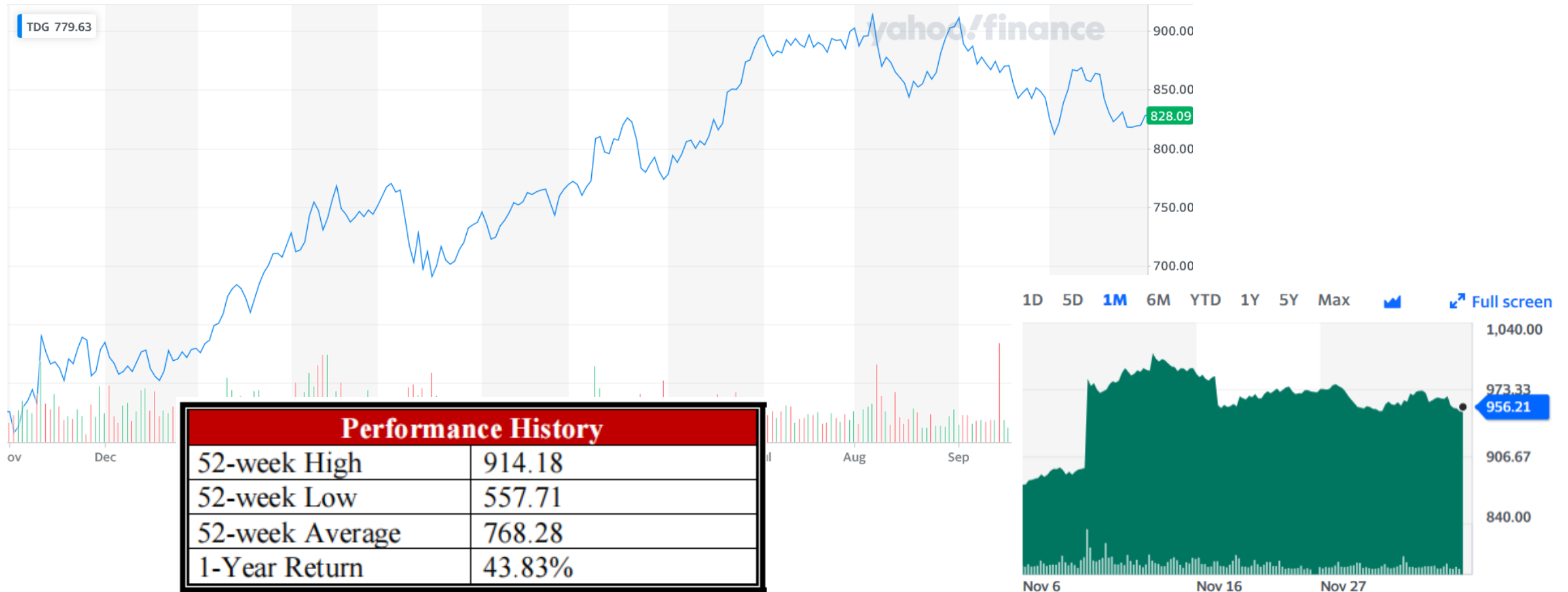
Key Statistics	
Revenue (2022)	5.43B
Rev. Growth (YoY)	13%
EPS	18.81
EPS Growth (YoY)	41%
P/E	44.04

2022 Net Sales by Segment



Segment (in \$Mi)	Y22 Net Sales	Percentage
Power & Control	2,873	52.88%
Airframe	2,391	44.01%
Non-aviation	169	3.11%
Total Net Sales	5,433	100.00%

Stock Analysis



DCF Analysis & Target

TransDigm (TDG)
(Million)
Analyst: Zelin Li
2023/9/18
(000s)

Terminal Discount Rate = 8.5%
Terminal FCF Growth = 6.0%

Year	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue	6,515	7,166	7,883	8,119	8,607	9,123	9,670	10,251	10,866	11,518	12,209
% Growth		10.0%	10.0%	3.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Operating Income	2,886	3,175	3,492	3,573	3,787	4,014	4,255	4,510	4,781	5,068	5,372
Operating Margin	44.3%	44.3%	44.3%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%
Interest Expense (Income)	1,303	1,433	1,577	1,624	1,722	1,825	1,935	2,051	2,174	2,304	2,442
Interest % of Sales	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Income Before Taxes	1,583	1,742	1,915	1,948	2,065	2,189	2,320	2,460	2,607	2,764	2,929
Taxes	380	348	383	390	413	438	464	492	521	553	586
Tax Rate	24.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Net Income from Cont Ops	1,203	1,394	1,532	1,559	1,652	1,751	1,856	1,968	2,086	2,211	2,344
Less: Net inc attributable to noncont interests	-	-	-	-	-	-	-	-	-	-	-
% of Revs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income	1,203	1,394	1,532	1,559	1,652	1,751	1,856	1,968	2,086	2,211	2,344
% Growth		15.8%	9.9%	1.7%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Add Depreciation/Amort	326	358	394	406	430	456	484	513	543	576	610
% of Sales	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Plus/(minus) Changes WC	-293	-160	-247	-254	-270	-286	-303	-321	-340	-361	-383
% of Sales	-4.5%	-2.2%	-3.1%	-3.1%	-3.1%	-3.1%	-3.1%	-3.1%	-3.1%	-3.1%	-3.1%
Subtract Cap Ex	137	150	166	171	181	192	204	216	229	243	257
Capex % of sales	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Free Cash Flow	1,099	1,442	1,513	1,539	1,631	1,729	1,833	1,943	2,060	2,183	2,314
% Growth		31.2%	5.0%	1.7%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
NPV of Cash Flows	11,511	21%									
NPV of terminal value	43,401	79%									
Projected Equity Value	54,913	100%									
Free Cash Flow Yield	2.40%										
Current P/E	38.0	32.8	29.8								
Projected P/E	45.6	39.4	35.8								
Current EV/EBITDA	19.5	17.8	16.1								
Projected EV/EBITDA	22.4	20.4	18.5								
Shares Outstanding	55										
Current Price	\$ 828.34										
Implied equity value/share	\$ 994.80										
Upside/(Downside) to DCF	20.1%										
Debt	20,029										
Cash	3,001										
Cash/share	54.37										

Stock Price Valuation - Sensitivity			
Scenario	Discount Rate	Terminal Growth Rate	Stock Price
1	8.00%	6.25%	\$ 1,413.73
2	8.25%	6.00%	\$ 1,105.10
3	8.50%	6.00%	\$ 994.80
4	8.75%	6.25%	\$ 990.28
5	9.00%	5.75%	\$ 769.16
Average	8.50%	6.05%	\$ 1,054.61

- **HOLD**
- Target Price: \$994.80
- + 20.1%

Target Price						
Absolute Valuation	Current Stock Price	Current Multiple	Target Multiple	Target/ Current	Target Price	Implied Return
P/E	828.34	44.04	56	1.27	1053.29	27.16%
P/B	828.34	5.88	7.5	1.28	1056.56	27.55%
P/S	828.34	8.07	8.45	1.05	867.34	4.71%
EV/EBITDA	828.34	21.94	28	1.28	1057.13	27.62%

Comps Analysis

Ticker	P/E	P/S	P/B	P/CF	EV/ EBITDA
S5INDU	19.44	1.94	4.8	13.89	14.46
SPX	20.74	2.43	3.91	14.34	14.08

Ticker	1-Year Return
TDG	43.83%
MOG.A	36.93%
PH	27.16%
HWM	21.21%
TXT	11.05%
HEI	-2.60%
GD	-2.96%
NOC	-13.83%
RTX	-17.14%
LHX	-27.21%
Avearge	7.64%
Aerospace & Defense	-0.58%
S5INDU	6.57%
SPX	15.79%

Valuation Multiples							
Ticker	P/E	P/S	P/B	P/CF	EV/ EBITDA	EPS	Stock Price
TDG	44.04	8.07	5.88	42.48	21.94	18.81	828.34
LHX	20.85	1.89	1.89	20.65	17.35	8.60	179.41
NOC	19.57	1.86	4.48	19.53	16.45	24.17	473.07
HEI	56.26	8.45	7.67	50.21	29.91	2.82	158.41
TXT	16.79	1.18	2.16	12.82	11.02	4.53	76.00
MOG.A	20.87	1.25	2.23	80.05	14.46	5.56	116.05
GD	20.43	1.61	3.34	15.97	15.07	11.86	242.40
HWM	28.86	3.10	5.15	24.90	17.08	1.49	43.09
RTX	16.65	1.81	1.72	15.58	20.61	4.72	78.57
PH	21.46	2.64	4.88	16.91	16.15	17.22	369.55
Avearge	26.58	3.19	3.94	29.91	18.00	9.98	256.49

Absolute Basis	High	Low	Mean	Current
P/E	77.59	18.61	43.66	44.04
P/B	6.06	5.85	5.93	5.88
P/S	7.62	2.67	4.91	8.07
EV/EBITDA	21.11	7.07	13.36	16.88

Relative to S5INDU	High	Low	Mean	Current
P/E	1.46	1.33	2.03	2.37
P/B	1.01	0.49	0.75	0.82
P/S	2.76	1.96	2.67	4.27
EV/EBITDA	1.00	0.92	1.17	1.46

Drivers and Opportunities

Economic Conditions

- The economy and commercial aerospace market are recovering from COVID-19

Increasing Defense Expenses – Wars

- The high defense budget with the military expenditure growth represents the expanded potential of the whole industry
 - 2023 - \$1.8 trillion budgetary resources (13.2% of U.S. Federal Budget), increase 10% in the next 10 years

Proprietary Products with Pricing Power and Sustainable Profits

- Around 80% to 90% of TransDigm's products are proprietary products, long life cycles
- The aftermarket is the addressable market that TransDigm focuses on, the bookings in these markets are sometimes even higher than the sales, which shows that these market potentials also drive the growth of the whole market

Selective Acquisitions

- With its value-driven operating strategy and the selective acquisition strategy, TransDigm sustains its developing advantages as the sole-provider status of some parts product



Total Budgetary Resources Over Time

Risks

External:

Economic and Financial Risks

- The uncertain global economic outlook may result in overly optimistic estimates

Geopolitical Risks

- The uncertain geopolitical environment and strikes may increase the cost of raw materials, production along the supply chain

Unpredictable Disasters

Internal:

Financial risk – leverage ratio

- TransDigm has a high leverage ratio and the cash cannot cover the huge debt
- With a total debt of around \$20 billion, TransDigm's total cash is just about \$3.2 Billion, EBITDA is about \$3.2 Billion, and its operating cash flow is around \$1.2 Billion

Business risk – product safety, costs, and future orders



United Airlines Holdings, Inc. (UAL)

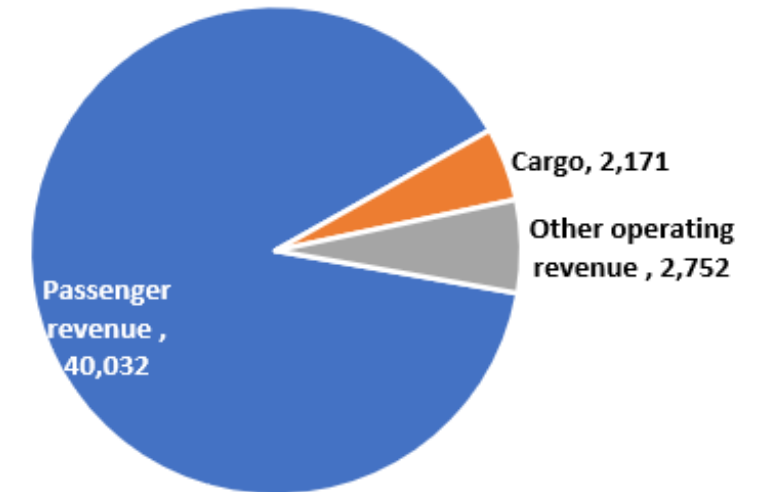
Company Overview

- UAL is a publicly traded airline holding company headquartered in the Willis Tower in Chicago
- UAH owns and operates UAL
- United has the most comprehensive route network among North American carriers
- Through United and its regional carriers, UAL operates across six continents

UAL – Industrials – Airlines

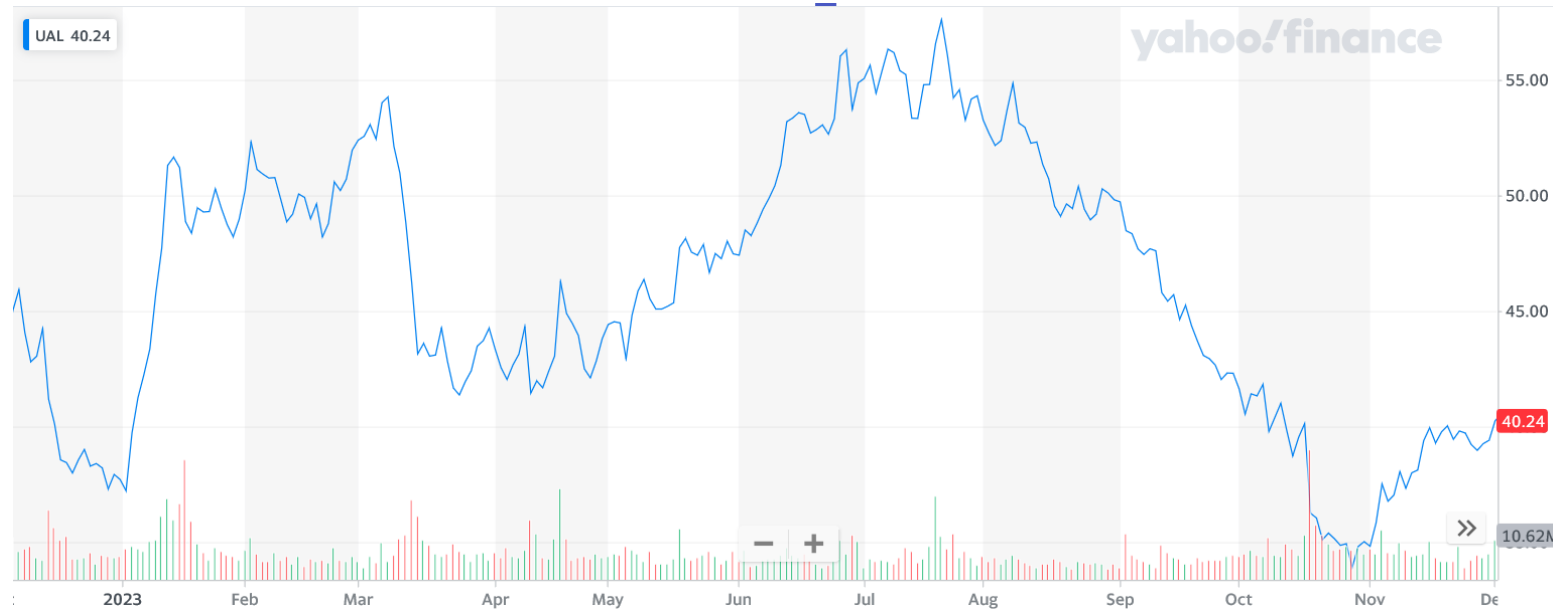
- SIM Bought Price: \$42.49
- Current Stock Price: \$40.52
- Market Cap: \$13.3B
- Shares Outstanding: 328M
- Bet: 1.49%
- Revenue (TTM): \$52.5B
- P/E ratio (TTM): 4.69
- EPS (TTM): 8.64

Operating Revenue FY2022



(\$millions)	FY2022	FY2021	% Change
Passenger revenue	40,032	20,197	98.2
Cargo	2,171	2,349	-7.6
Other operating revenue	2,752	2,088	31.8
Total operating revenue	44,955	24,634	82

Stock Analysis



Stock price:

- 52-week change: -10.64%
- 52-week high: 58.23
- 52-week low: 33.68

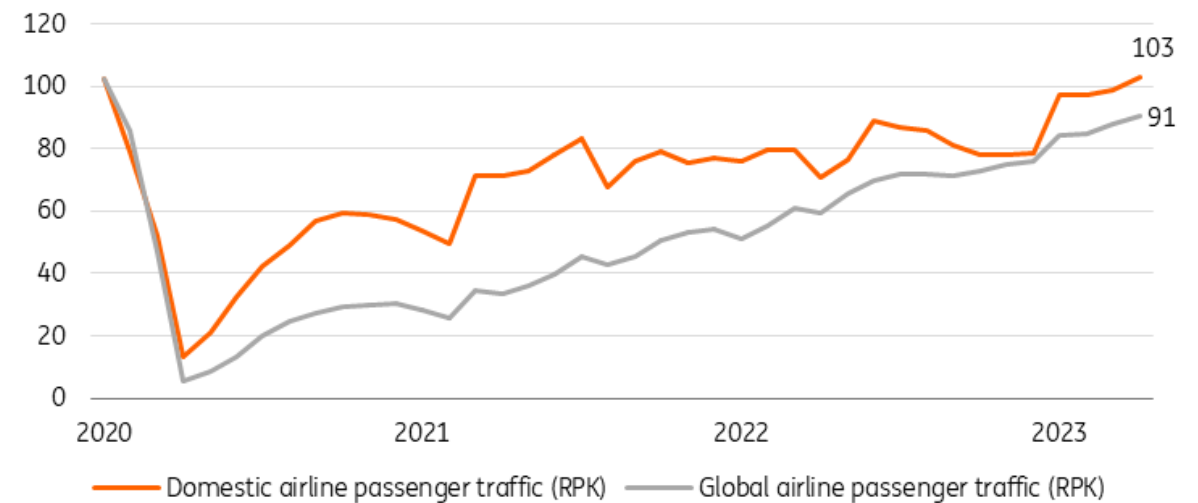
Drivers & Risks

Drivers:

- Recovery from COVID-19
 - Airline industry as a whole saw a huge boom after COVID restrictions were lifted
- Many long international flights
 - Increases mileage on average trip compared to peers

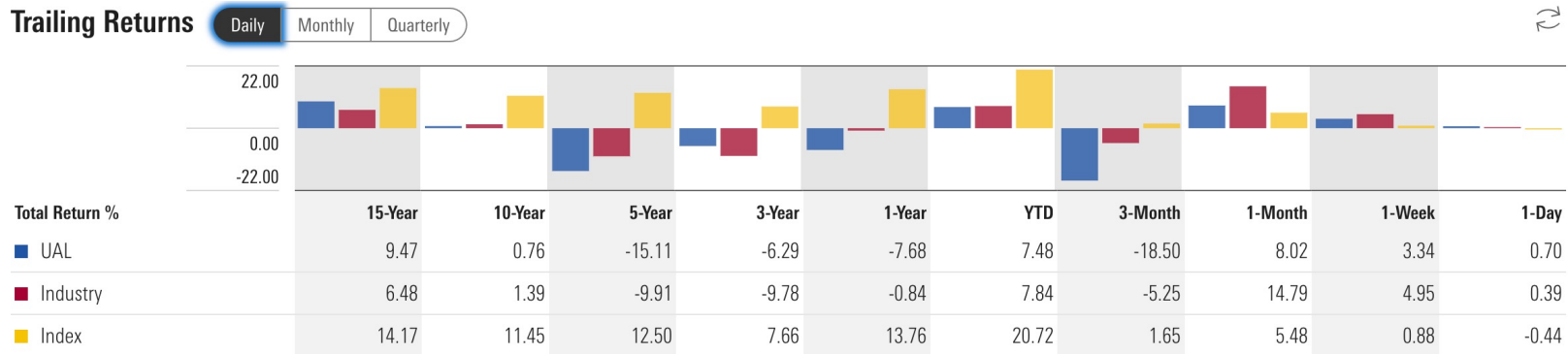
Risks:

- Business travel recovery – still lags economic recovery
 - Has large business travel exposure
- Rising oil prices – also raising jet fuel costs



Comps Analysis

Trailing Returns



As of Dec 04, 2023 | Industry: Airlines | Index: Morningstar US Market TR USD

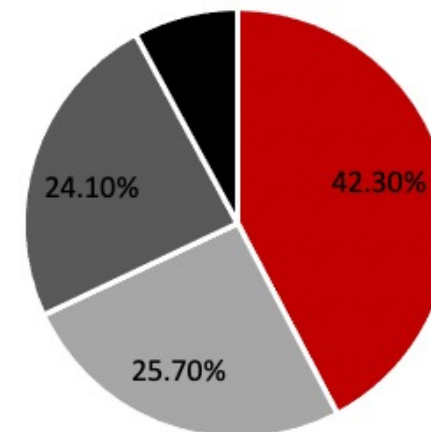
Ticker	P/E	P/S	EV/EBITDA	EPS	Stock Price
UAL	4.66	0.26	5.52	8.7	\$40.52
LUV	32.89	0.67	5.73	0.83	\$27.30
DAL	7.18	0.43	8.7	5.3	\$38.16
AAL	5.59	0.17	9.19	2.39	\$13.35
ALK	19.81	0.49	7.72	1.72	\$34.08

Ticker	1-Yr Return
UAL	-10.02%
LUV	-30.89%
DAL	6.62%
AAL	-5.39%
ALK	-27.04%
Average	-13.34%
Industrials	6.44%
SPX	15.95%



Deere & Company- DE

Revenue by Segment



■ Production & Precision ■ Small Ag. & Turf
 ■ Construction & Forestry ■ Financial Services

Company Overview

- Manufactures and distributes some of the most recognizable agricultural equipment and machines worldwide
- Operates through four business segments: production and precision agriculture, small ag. and turf, construction and forestry, and John Deere Capital

2022 Segment Revenue	
Production & Precision	\$22,002
Small Ag. & Turf	\$13,381
Construction & Forestry	\$12,534
Financial Services	\$4,085
Total	\$52,002

Key Statistics

Revenue (2022, M)	\$49,391
EPS (2022)	\$23.28
P/E (11/03/2023)	11.33
Beta (5Y Monthly)	1.08

Deere & Co. (DE) Recent Performance and Events



Performance History	
52 Week High	\$450.00
52 Week Low	\$345.55
1-Year Return	-4.16%

- 3Q net income was up from \$1.88B in FY 2022 to \$2.97B in 2023
- 10% increase in net sales
- Revenue guidance of \$50-53B after a positive 3Q report



Deere & Co. Comps

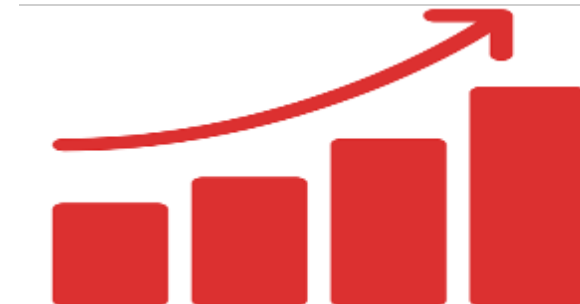
Ticker	P/E	P/S	EV/EBITDA	EPS	Stock Price
DE	10.46	1.8	9.23	34.64	\$370.26
CAT	14.45	1.98	11.01	17.63	\$254.75
PCAR	11.97	1.44	8.44	7.83	\$93.75
AGCO	7.45	0.61	5.69	15.39	\$114.69

	Market Weight	YTD Return
DE	33.88%	-9.90%
CAT	38.64%	-1.94%
PCAR	14.41%	31.04%
AGCO	2.72%	-17.7%

Deere & Co. Outlook

Growth Drivers

- **Production and precision agriculture contributes to 42.3% of the total company revenues**
 - A strong demand for agriculture equipment in the coming years will have a tremendous impact - CAGR of 3.5% for global demand of ag. equipment
- **Technology advancements for efficiency of land use has been a strong focus for Deere & Co.**
 - The number of U.S. farms continues to slowly decline due to increases in global populations and higher requirements for automation of equipment
 - Decrease in input costs (chemicals, fuel, physical labor)
 - High-quality machines with a longer lifetime
- **An increase in infrastructure spending due to the Bipartisan Infrastructure Law**
 - Totalling \$350 billion over the next five years
 - Will cause a strong demand in heavy construction machinery which are responsible for 24.10% of Deere's revenues
 - High-quality machines with a longer lifetime



Deere & Co. Outlook

Risks

- **Threat of risks from environmental, social, and governance actions**
- **Carbon emission regulation can also be considered as a headwind**
 - Deere & Co. has started to develop next-gen products, getting ahead of the curve
- **Climate change/droughts**
 - Droughts can have a negative effect on the prices of commodities such as soybean and corn
 - Incremental effects on this industry, not only JD
- **Slight global competition**
 - Few global competitors, but they do not have the brand loyalty and excellence that Deere & Co. currently has

DCF Analysis and Recommendation

DCF ANALYSIS	
Discount Rate	9.50%
Terminal Growth Rate	2.50%

Recommendation	
Stock Rating	HOLD
Current Price	\$370.26
Target Price	\$419.15
Implied Upside	9.70%

- Company and sector have underperformed overall market 1-YR return (-4.16% to SP500 of 12.02%)
- Headwinds are not company specific
 - JD can hedge against these with precise execution of business strategy and their product evolution

RTX Corp - RTX

Business Overview:

- Raytheon (RTX) is an aerospace and defense company that provides advanced systems and services for commercial, military and government customers
- 4 Segments:
 - **Collins Aerospace:** provides advanced aerospace and defense equipment/services
 - **Pratt & Whitney:** supplies aircraft engines to different customers across the airline industry
 - **Raytheon Intelligence & Space:** provides integrated communication/sensor systems and cyber/software solutions
 - **Raytheon Missile & Defense:** provides solutions to detect and deter threats i.e. Patriot missile defense system

Company: Raytheon	Ticker Symbol: RTX
Current Stock Price: \$83.13	Sector: Industrials
Industry: Aerospace and Defense	Market Cap: \$124.795 billion
Shares Outstanding: 1.46 billion shares	Average Daily volume: 6,262,054
Div Yield: 2.8%	Beta: 0.71

Absolute Basis	High	Low	Median	Current
P/E	44.33	8.16	15.73	18.85
P/B	2.20	1.21	1.81	1.73
P/S	2.39	0.76	1.28	1.79
P/EBITDA	56.77	4.20	9.91	12.30

Stock Analysis

- Last 3 years performance: 14.05%
- Last year performance: -17.70%
- Last month performance: 0.50%

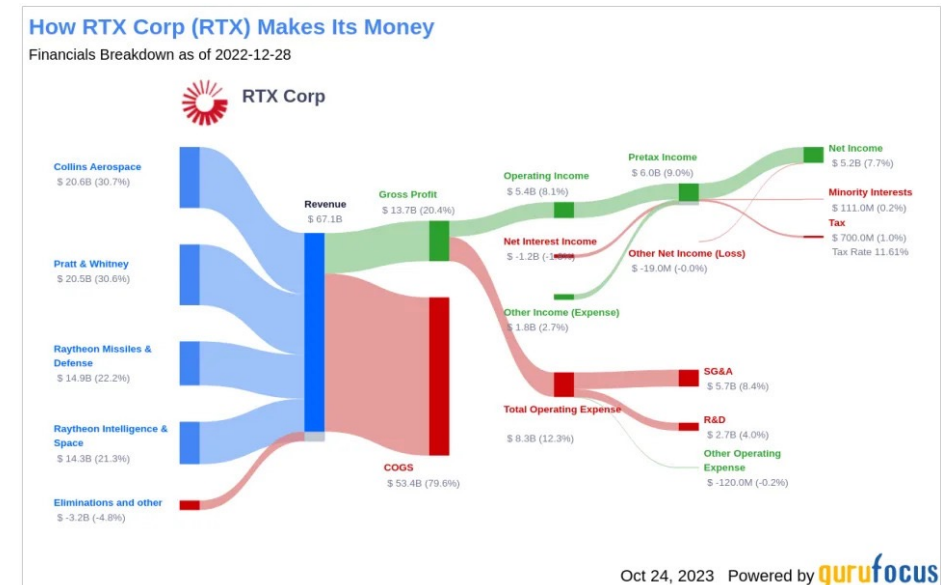
52-week range: \$68.56-\$104.91



Financials

- Record \$185 billion in backlog with \$25 billion of new awards
- Projected FY 2023 FCF estimated at \$4.3 billion - down from an originally projected \$4.8 billion
- Operating Profit Margin FY 2022
 - Collins Aerospace:** 11.38%
 - Pratt & Whitney:** 5.24%
 - RIS:** 9.38%
 - RMD:** 10.22%
- Reported Sales % Outlook
 - Collins Aerospace:** Up low double digits to low-teens
 - Pratt & Whitney:** Up low to mid-teens
 - Raytheon:** Up low to mid single digits

Year	Last reported year	Consensus 1 yr forward estimate	Consensus 2 yr forward estimate	Consensus 3 yr forward estimate
Revenue	\$67.07 billion	\$73.64 billion	\$79.20 billion	\$84.69 billion
% growth from prior year	4%	10%	8%	7%
Earnings Per Share	4.78	5.01	5.58	6.59
% growth from prior year	12%	5%	11%	18%



Comps Analysis

Ticker	P/E	P/S	P/B	P/CF	EV/ EBITDA
RTX	18.85	1.79	1.73	22.99	15.44
GD	18.63	1.52	3.18	15.01	14.14
LMT	16.97	1.73	12.32	15.20	12.79
BA	21.78	1.88	1640.74	15.01	193.25
NOC	18.14	1.75	4.24	17.51	15.57
LHX	18.47	1.89	1.83	19.40	22.41
Average	18.81	1.76	277.34	17.52	45.60

Relative to SP500	High	Low	Median	Current
P/E	1.75	0.79	1.04	0.97
P/B	1.55	0.92	1.31	1.20
P/S	0.98	0.68	0.85	0.85
P/EBITDA	1.34	0.76	0.98	1.00

Growth Drivers

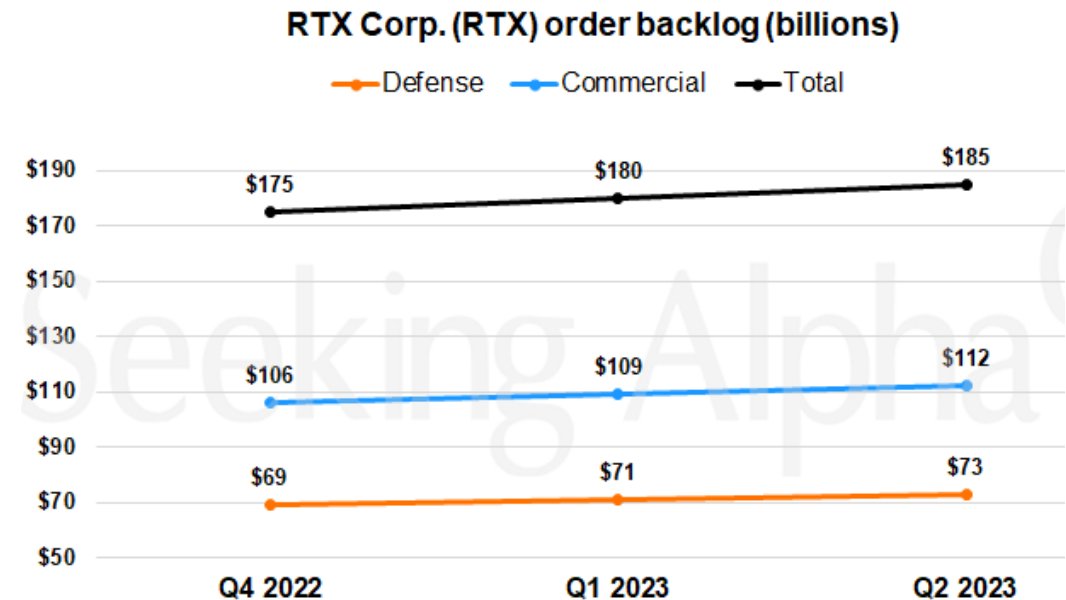
Global Conflicts

- Ukraine/Russia
- Israel/Hamas
- Increase demand for defense equipment

Further growth in the airline industry/Strong consumer demand for air travel

US Government Support

- US Government is large customer of RTX products
- Accounted for nearly 45% of net sales in FY23 – paying roughly \$30 billion for their products and services



Source: Seeking Alpha, company reports

Risks

Pratt & Whitney Engine Recall

- Issue related to powdered metal used to produce certain engine parts
- 600 to 700 engines called back for inspection – mostly used in Airbus planes
- \$3 billion hit to profit in the 3rd quarter of this year

Slow Production/Supply chain issues

- COVID effected supply chains and increased material costs

Innovative Failures

- Many of these defense companies rely on large, expensive projects – failure could cost billions



FedEx Corp - FDX

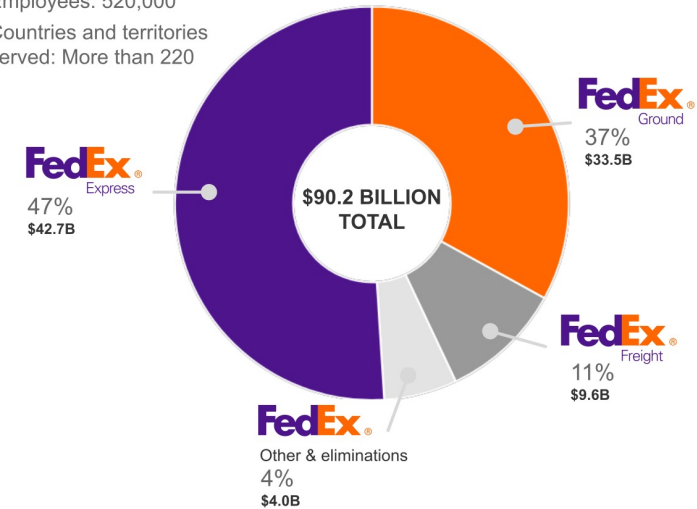
Business Overview:

- FedEx Corporation is a delivery services company that offers integrated business solutions through their seven business segments: FedEx Express, FedEx Ground, FedEx Freight, FedEx Services, FedEx Logistics, FedEx Office, and FedEx Dataworks
- FedEx has over 520,000 employees that span more than 220 countries and territories, reaching markets that add up to 99% of the globe's GDP

Ticker	FDX
Sector	Industrials
Industry	Air Freight & Logistics
Price	\$265.60

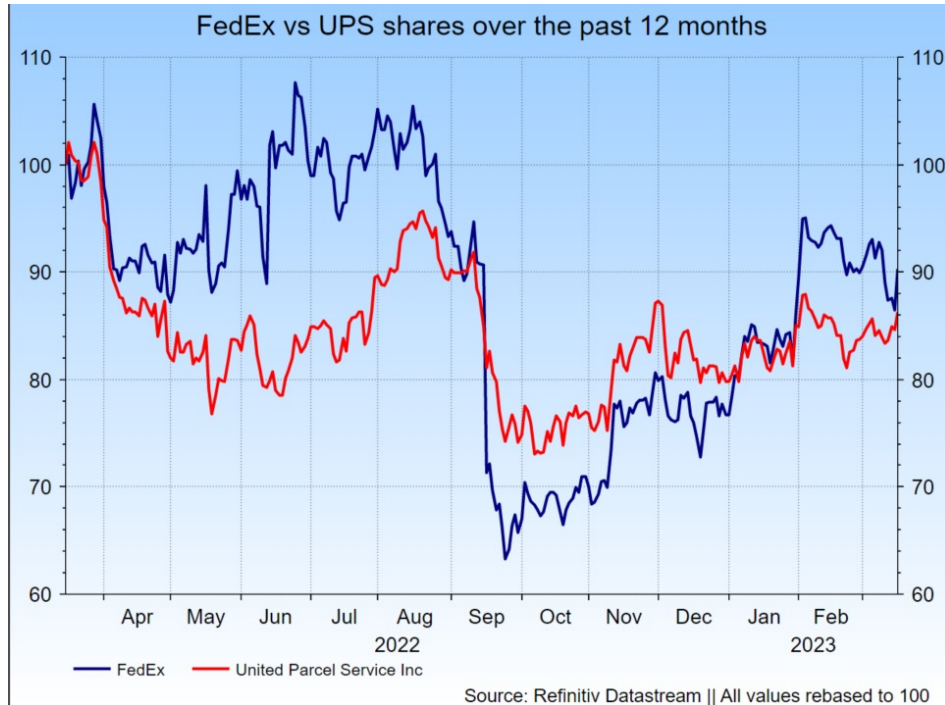
FY24 revenue in %

Employees: 520,000
 Countries and territories served: More than 220



52 Week High	\$270.95
52 Week Low	\$157.33
Shares Outstanding (mn)	256
Beta (5Y)	1.35
Market Capitalization (mn)	\$61,397

Stock Analysis



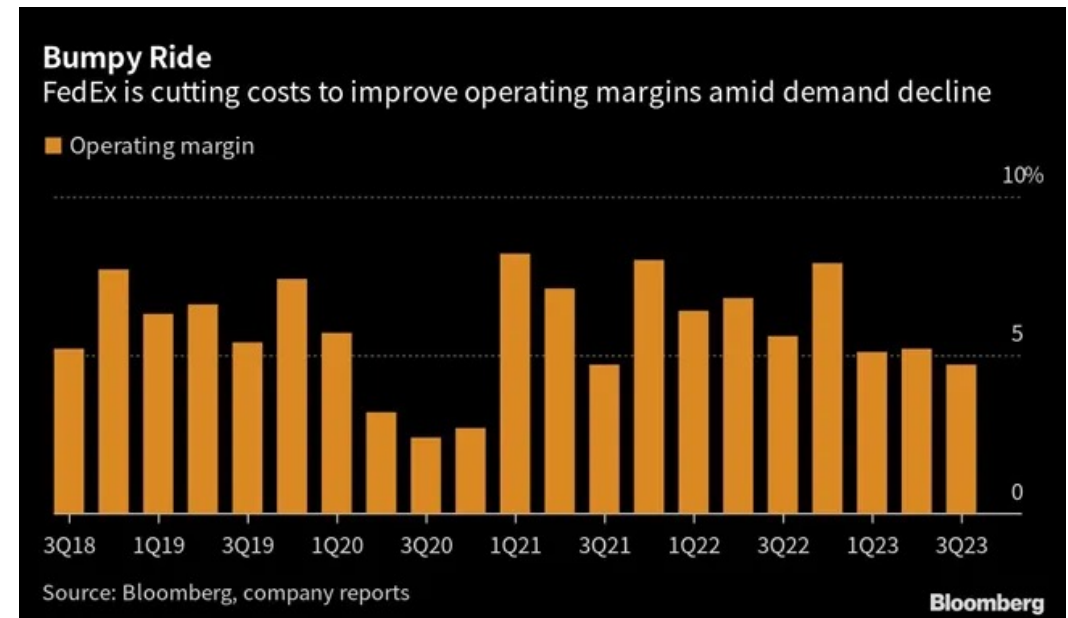
- Last 3 years performance: -8.25%
 - Last year performance: 46.41%
- Last month performance: 7.47%

52-week range: \$162.61-\$270.95

Financials

- Operating margins expected to increase from 5.45% to 7.70% by 2026
- Holding around \$20.6 billion in debt as of FY 2023 – majority is long term in nature
- Returned \$2.7 billion back to stockholders in FY 2023 – through both dividends and share repurchases
- FY 2024 – flat to low single digit revenue growth YoY

	Revenue 2023/2022	Revenue 2022/2021	Revenue Growth	Diluted EPS 2023/2022	Diluted EPS 2022/2021	EPS Growth
FDX	\$90.16B	\$93.51B	-3.58%	15.48	14.33	8.03%
UPS	\$100.34B	\$97.29B	3.14%	13.20	14.68	-10.08%



Comps Analysis

Relative to SP500	High	Low	Median	Current
P/E	1.75	0.79	1.04	0.97
P/B	1.55	0.92	1.31	1.20
P/S	0.98	0.68	0.85	0.85
P/EBITDA	1.34	0.76	0.98	1.00

Ticker	P/E	P/S	P/B	P/CF	EV/EBITDA
FDX	14.37	0.71	2.32	17.88	9.85
UPS	14.39	1.32	6.36	21.54	9.21
CSX	16.17	4.22	5.03	18.11	10.43
NSC	15.77	3.56	3.49	20.34	12.64
JBHT	23.68	1.32	4.51	45.57	10.85
Average	17.08	11.13	4.34	24.83	10.37

Growth Drivers

Global Network

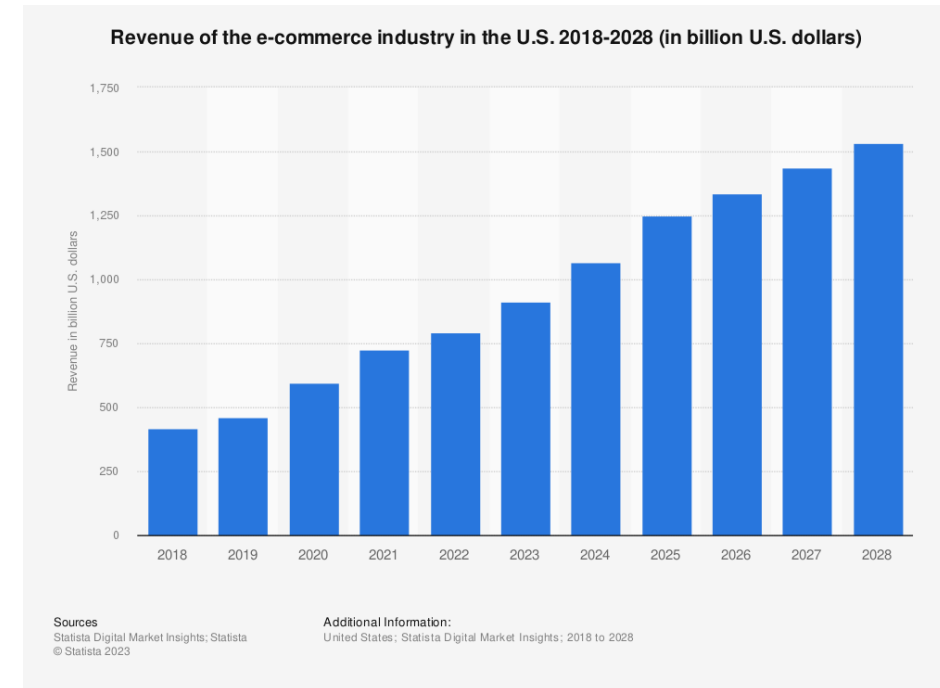
- Located in over 220 countries/territories
- 2016 - FedEx acquired TNT Express, granting them access to TNT Express's lower cost road networks in areas such as Europe, the Middle East, and Asia.

DRIVE Initiative

- The DRIVE transformation program aims to increase long-term profitability with an estimated \$4 billion in permanent benefits from the transformation by FY 2025

Digital Offerings/E-Commerce

- 68% of shoppers admitted to being influenced by delivery times when searching for a product to purchase
- FedEx and Microsoft announced a new logistics solution for e-commerce aimed at increasing merchant competitiveness



Risks

Unionization Efforts

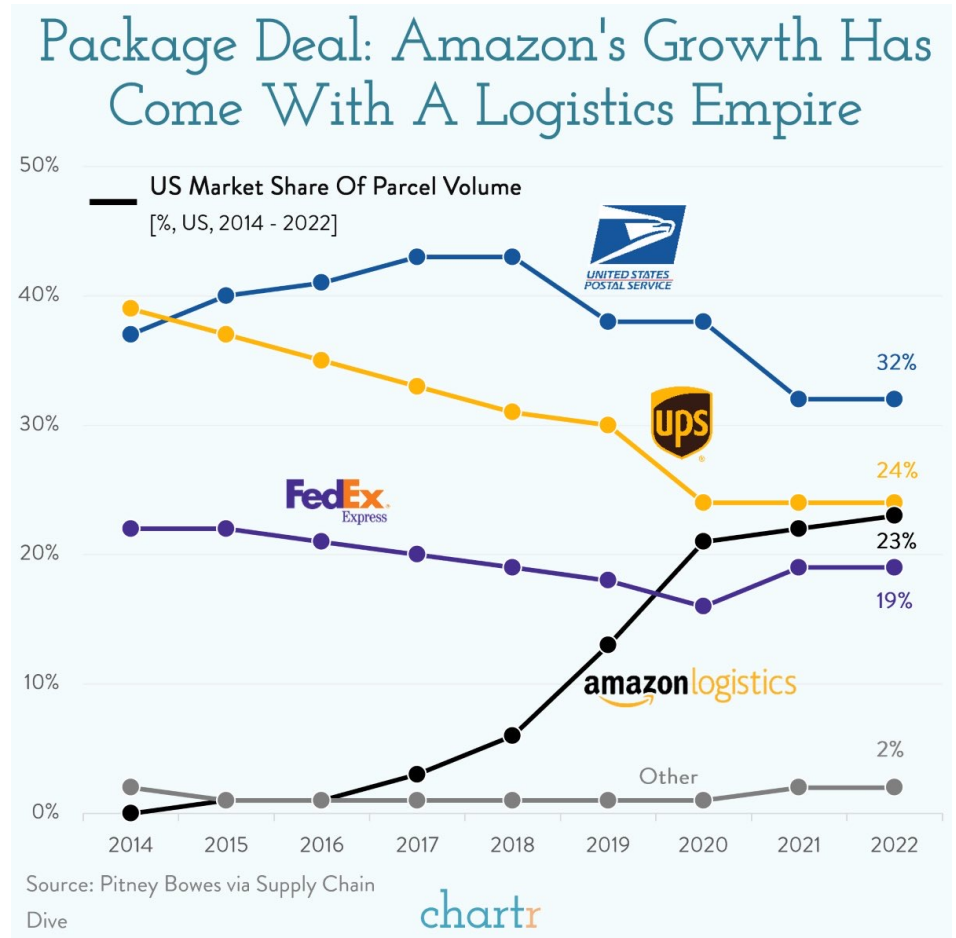
- Recent deals landed with the UAW, International Brotherhood of Teamsters, and the Writers Guild of America
- Only FedEx pilots are unionized – FedEx drivers are independent contractors

Power of Amazon

- Delivered more packages to U.S. homes in 2022 than UPS, after eclipsing FedEx in 2020, and it is on track to widen the gap this year

Macroeconomic Conditions

- Oil/Fuel Prices
 - Production cuts by Saudi Arabia and Russia of up to 1 million barrels per day being extended into 2024



Recommendations



Recommendations

Action	Company	Current Weight	Proposed Weight	Change	Upside/Downside
Buy	RTX Corp	0.68%	1.59%	91 bps	11.30%
Sell	FedEx	3.70%	3.00%	(70 bps)	1.30%
Hold	United Airlines	1.53%	1.53%	-	-
Hold	Transdigm	0.82%	0.82%	-	20.10%
Hold	John Deere & Co.	1.21%	1.21%	-	9.10%

Main Catalysts:

- Current geopolitical tensions boosting need for defense products
- Airline dependence on Transdigm's proprietary parts
- Demand for precision agriculture equipment coupled with strong technological advances

Main Risks:

- After initial post-pandemic boost, air travel demand may level off in future
- Decrease in consumer demand for packages/continued strength of Amazon
- Higher for longer interest rates

