

Consumer Staples

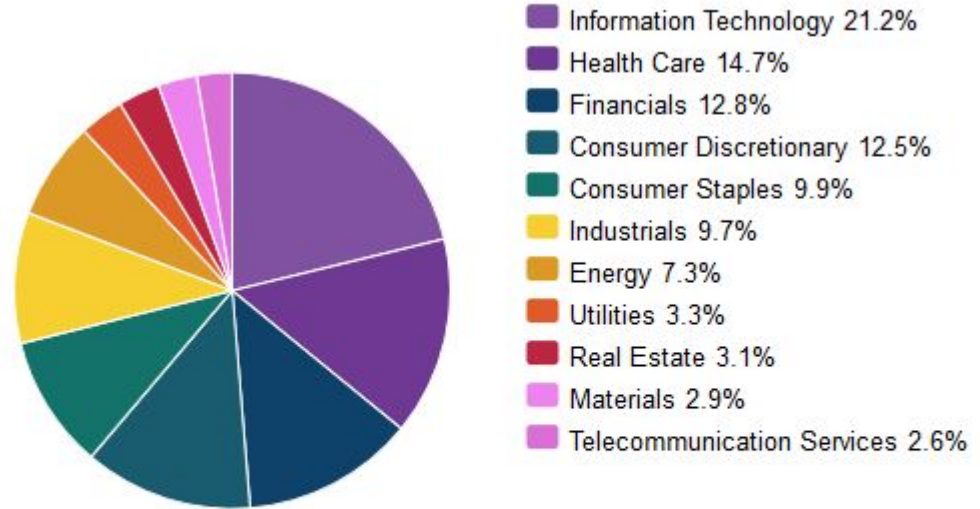
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Overview

Size of Sector

\$3.58T Market Cap

9.88% of S&P 500



Based on GICS® sectors

The weightings for each sector of the index are rounded to the nearest tenth of a percent; therefore, the aggregate weights for the index may not equal 100%.

Industries

Industry ▲	Last % Change 04:20 PM ET 10/25/2018	% CHANGE			
		YTD	1 - Year	3 - Year	5 - Year
Consumer Staples	+0.30%	+3.92%	+3.45%	+24.76%	+66.64%
Beverages	-0.12%	+3.77%	+3.57%	+31.62%	+66.02%
Food & Staples Retailing	-0.43%	-3.01%	-2.97%	+17.73%	+78.92%
Food Products	+0.18%	+7.24%	+5.54%	+33.92%	+83.86%
Household Products	+2.29%	+3.43%	+5.63%	+7.73%	+36.54%
Personal Products	+0.22%	-2.34%	+2.13%	-9.19%	+9.38%
Tobacco	-0.34%	+11.98%	+8.04%	+43.56%	+83.65%
S&P 500 ® Index	-0.38%	+5.25%	+3.67%	+23.19%	+73.74%

Largest Companies

Procter & Gamble Co \$232.16B

Wal-Mart Stores Inc \$214.55B

Anheuser-Busch \$199.01B

Coca-Cola Co \$183.6B

PepsiCo \$153.79B

Philip Morris International Inc \$149.83B

Altria Group \$126.43B

British American Tobacco \$110.72B

Sector Performance



Business Analysis

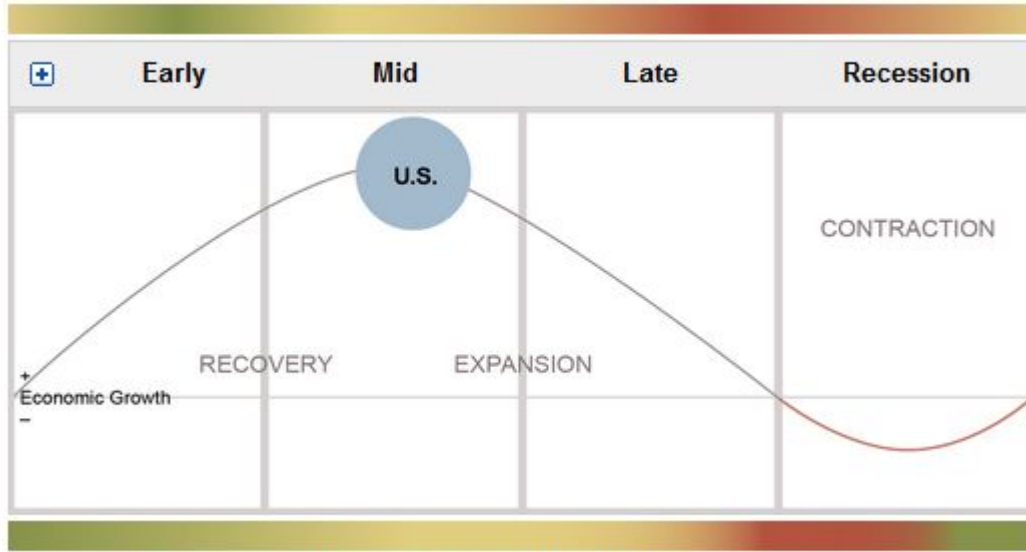
Business Cycle

Defensive

Demand is constant regardless of where the economy is headed, since people cannot cut out consumer staple products

Stocks have steady dividends and low Beta

INFLATIONARY PRESSURES / Red=High



RELATIVE PERFORMANCE OF ECONOMICALLY SENSITIVE ASSETS / Green=Strong

Sector	Early	Mid	Late	Recession
Consumer Staples	-		+	++

++ Consistently Overperform
 -- Consistently Underperform
 No Clear Pattern
+ Overperform
 - Underperform

Porter's Five Forces

1. Bargaining Power of Buyers - High

- a. Low costs to switch brands
- b. Buyers have many options

2. Bargaining Power of Suppliers - Low

- a. High number of suppliers reliant on low number of companies for the majority of business

3. Threats of Substitute Products - High

- a. Small number of established brands, but products are easy to replicate and can be sold for cheaper prices

4. Intensity of Rivalry - High

- a. Low product differentiation

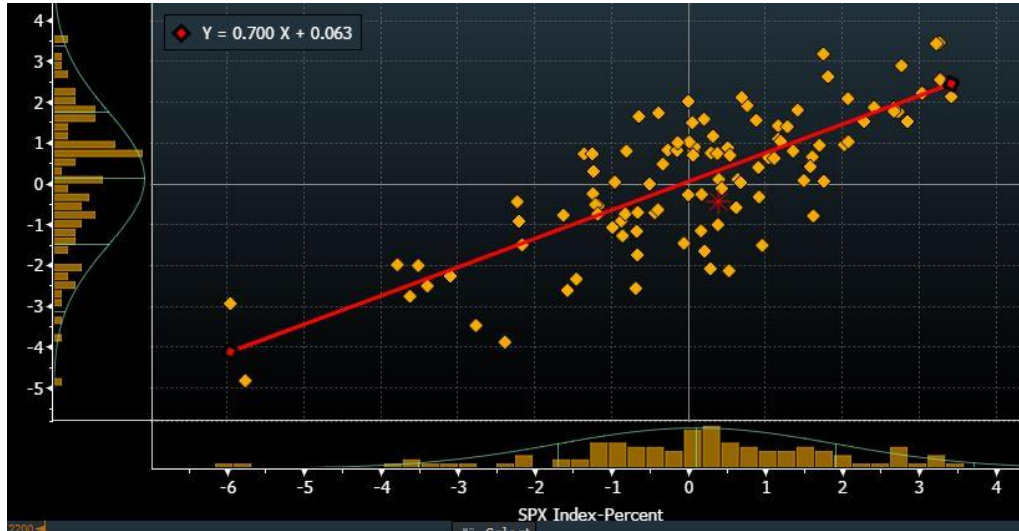
5. Threats of New Entrants - Low

- a. High capital requirement
- b. Brand recognition is significant

Economic Analysis

Economic Correlation

- Relatively low amongst different indicators
 - With Exception of S&P 500



Y = S&P 500 CONS STAPLES IDX

X = S&P 500 INDEX

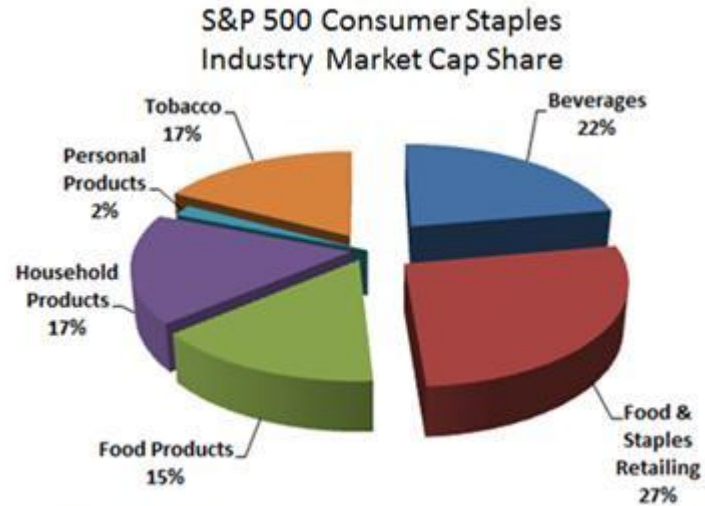
Linear Beta	Range 1
Raw BETA	0.700
Adjusted BETA	0.800
ALPHA (Intercept)	0.063
R ² (Correlation ²)	0.601
R (Correlation)	0.775
Std Dev of Error	1.038
Std Error of ALPHA	0.102
Std Error of BETA	0.056
t-Test	12.401
Significance	0.000
Last T-Value	-0.735
Last P-Value	0.232
Number of Points	104
Last Spread	1606.24
Last Ratio	0.250

Economic Correlation

- Other drivers
 - CPI
 - FAO Food Price Index
 - Foreign Exchange/ Strong or Weak Dollar
 - Unemployment

Financial Analysis

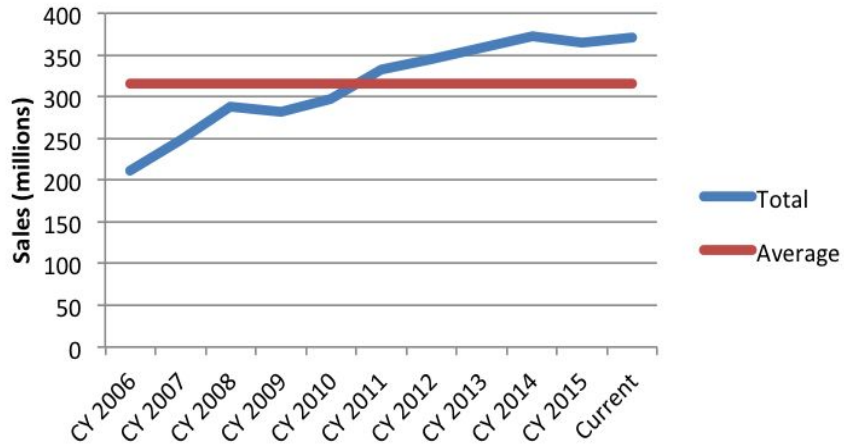
Financial Analysis



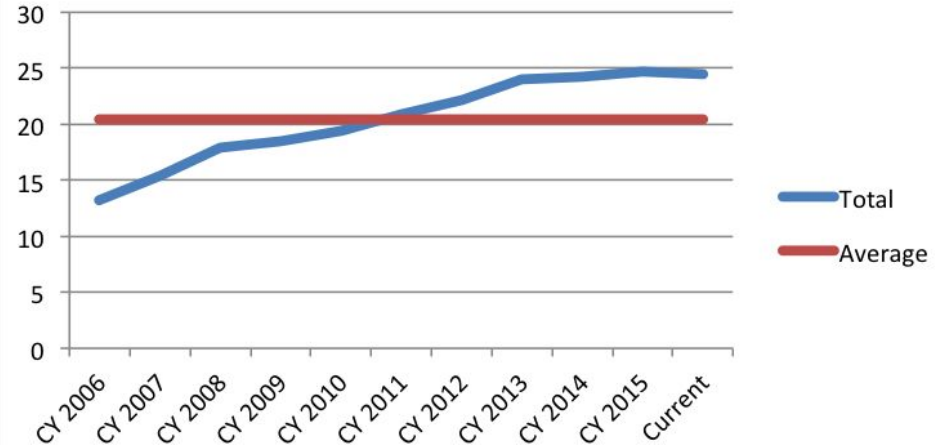
Source: Bloomberg

Industry Sales

Consumer Staples Sales



Consumer Staples Earnings



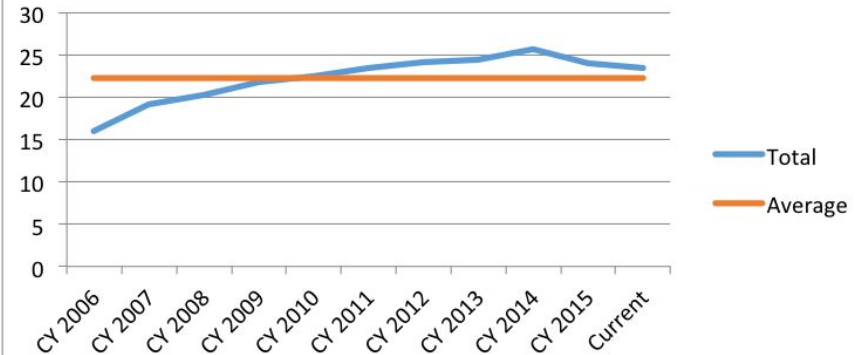
Downward Trends

- Household and Personal Products
- Mondelez and P&G

Household and Personal Products Sales



Household and Personal Products Earnings

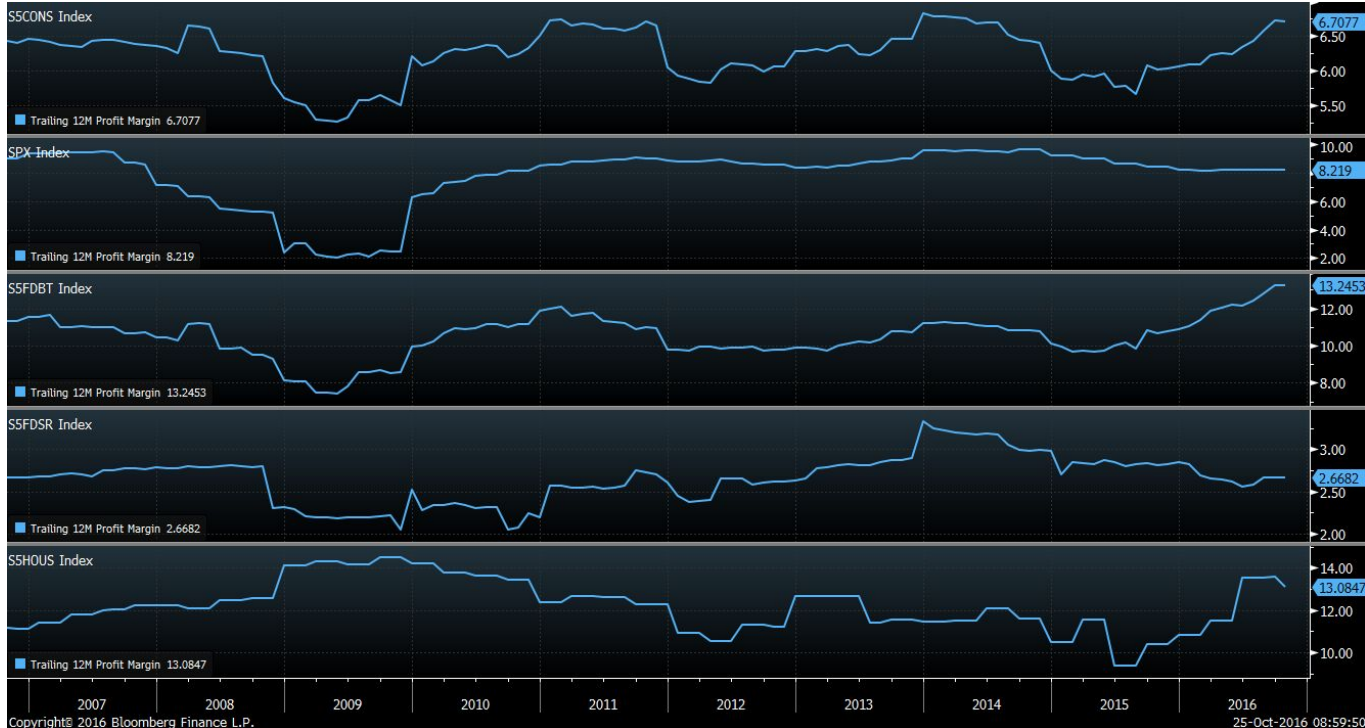


Margins



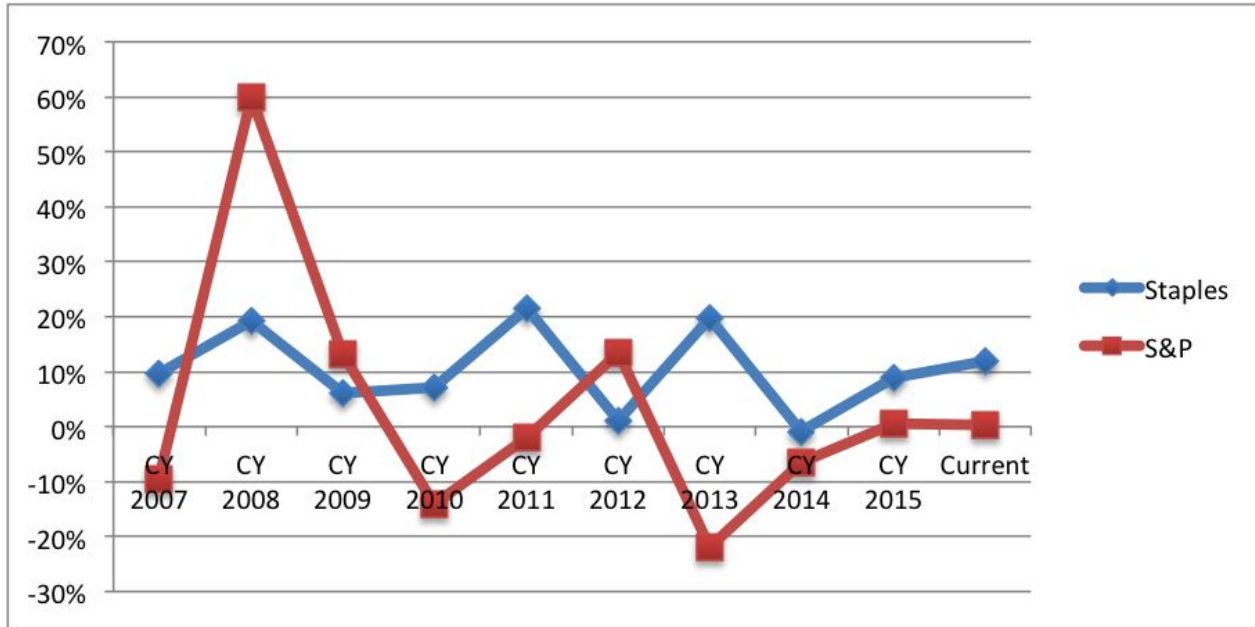
- Resilient in face of a recession
 - -13% in 2008 vs. S&P -30%
- Currently: 6% vs -2% S&P 500

Profit Margin



- -12% PM in 2008 Vs. -66% S&P
- 11% currently vs flat S&P 500

Free Cash Flow



- Very Established Sector
- Not extremely cash intensive in terms of new projects, concepts, etc.
- Positive and consistent cash generator

Valuation Analysis

Absolute Valuation

Consumer staples sector is relatively expensive to history

	High	Low	Median	Current
P/E	23.8	11.5	17.8	21.8
P/B	5.6	2.8	4.1	5.3
P/S	1.5	0.7	1.1	1.4
P/EBITDA	12.7	6.1	9.5	11.8

Relative Valuation to S&P 500

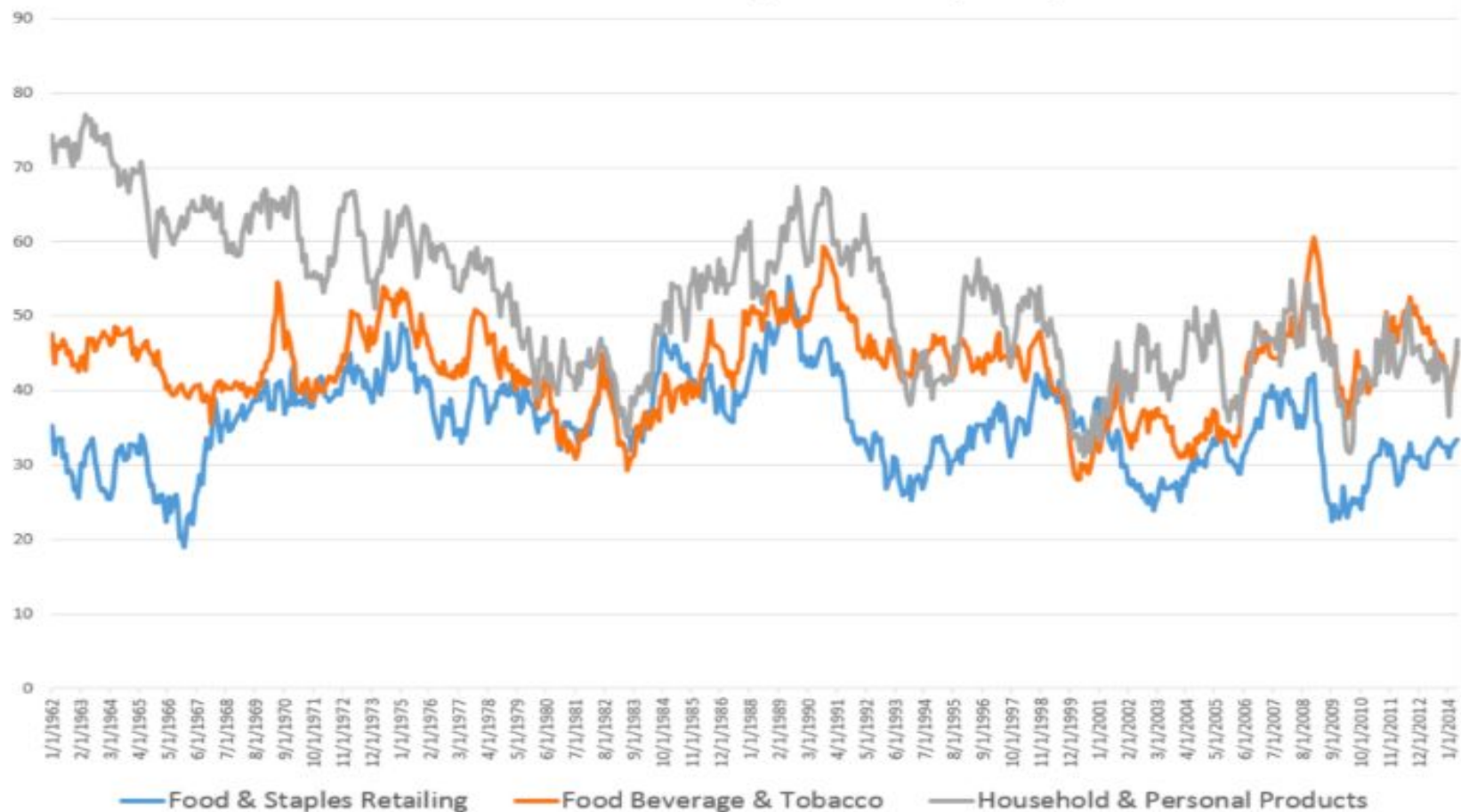
Consumer staples sector is relatively expensive to S&P500

	High	Low	Median	Current
P/E	1.2622	0.5752	1.067	1.0792
P/B	2.0111	1.3327	1.6818	1.8929
P/S	1.0642	0.6937	0.7816	0.7368
P/EBITDA	1.6381	0.9781	1.2536	1.0631

Industry Comparison

	YTD Return	P/E	P/S	P/B	Dividend Yield
Cons Staples Sector	3.92%	17.76	1.08	3.96	2.91
Beverage	3.77%	26.2	2.5	5.1	1.5
Food & Staples Retailing	-3.01%	20.0	0.5	2.6	3.5
Food Products	7.24%	23.8	1.6	3.3	1.8
Household & Personal Products	3.43%	24.31	2.27	4.29	1.1
Tobacco	11.98%	20.3	3.1	4.3	3.8

Value Percentile for Staples Industry Groups



Consumer Staples Sector VS. S&P 500

S5CONS ↑ 538.76 +3.84 -- / --
 At 17:00 0 534.92 H 540.13 L 534.92 Prev 534.92

S5CONS Index		97 Settings		Page 1/10 Comparative Returns			
Range	09/29/2006	-	09/30/2016	Period	Monthly	No. of Period	120 Month(s)
Security	Currency	Price Change	Total Return	Difference	Annual Eq		
1) S5CONS Index	USD	109.60%	177.19%	76.17%	10.72%		
2) SPX Index	USD	62.31%	101.02%		7.22%		
3)							



Technical Analysis



Recommendation

Sector weight: 9.97% - Market Weight:8.99%

Overall, the SIM portfolio is overweight relative to S&P 500

Industry weight

Overweight: Tobacco, Food & Staples Retailing

Underweight: Beverage, Household & Personal Products

Positives: Likely to outperform relative to S&P 500

Defensive stocks with lower risk (Lower volatility)

International Expansion Opportunity

Risk: Risk of loss (Underperform)

Past performance and dividend income are historical and do not guarantee the future results.