On Monday, February 26, the Breakfast Club met again, and it was another lively gathering. A new year and a new portfolio (our 44th) were introduced and discussed. But first, after coffee and breakfast, the trivia challenge for the month was addressed.

**Trivia**. Successful Investing. (1)  **Bill Ackman, Cliff Asness, and Ray Dalio are multi-billionaires who achieved their wealth through investing. Can you match each to the hedge fund they now manage? (Bridgewater Associates, AQR Capital Management, Pershing Square).** Bill Ackman manages Pershing Square ($20 Billions), Cliff Asness manages AQR ($95 Billions), and Ray Dalio manages Bridgewater (the largest, $125 Billions). (2) **According to Morningstar, the largest ETF available to investors is** \_\_\_\_\_\_\_\_? **Hint: It holds roughly a half trillion dollars in value and returned 26.2% to investors in 2023.**  That ETF would be SPY, the SPDR S&P 500 Trust. (3) **The DJIA had a “fair” year in 2023, providing investors with a 16.0% return. The top three of the 30 stock index performed much better. Can you name these three stocks and their returns for the year?** Of the stocks of the DJIA, Salesforce (CRM) performed best in 2023, returning 98% to shareholders. Running second was Intel (INTC), returning 90% for the year. And third was Microsoft (MST), returning 56%.

**Portfolio Review.** First, Portfolio 43. As February draws to a close, we see the lingering effects of the year-end Santa Claus Effect and the transition to the January Effect. January is typically a good month for the market owing to a unique calendar effect – fund managers’s bonuses are paid out and invested, the influx tending to bid up prices. Recall that Portfolio 43 was still negative at November’s end, then boosted by Santa, closing out 2023 at a positive 5.4%. The months of January and February have been even more generous, as the portfolio return has now grown to a positive 14%. Leading this portfolio is Frank C’s selection of Nvidia (NVDA) at 73.1% returns, and this is probably no surprise to anyone following the market’s “Magnificent Seven.” The leading selection is closely followed by a trio of stocks, each returning northward of 50%. Thomas R’s elf Beauty (ELF) leads the trio at 60.8% return, and is followed by Rick Y’s DLH Holdings (DLHC) at 58.3% and Diep C’s Cyberark Software (CYBR) at 57.0%. Applause to this leading quartet. We are hopeful the positive momentum continues. By way of comparison, over the same horizon the Dow has returned 13.4%, the S&P 500 12.95%, and NASDAQ 13.3%.

As we introduced our latest Portfolio 44, we found our results misleading. In discussion we uncovered a pair of corrections that need to be made. The first was a misstatement of a participant’ selection. Frank C’s true selection is Tesla (TSLA), not the Nvidia (NVDA) which is his leading choice in Portfolio 43. The second correction was the result of an inexplicable oversight. Marvin H’s selection of Fuel Positive (NHHHF) was missed in the correspondence to the portfolio manager. NHHHF has now been included. Thirty stocks again make up the portfolio. As in recent portfolios, tech is well represented with over one-third of the portfolio from this sector. Health Care is also well represented. Here and there we find Consumer Staples and Consumer Discretionary, but virtually no Energy. Portfolio inception is taken as January 19, 2024. Since that date, the DOW has returned 3.3%, the S&P 500 has returned 5.1% and NASDAQ 4.5%. At our March meeting on the 25th, we will present corrected figures on this “new and improved” portfolio.

**Handouts**. Discussion of handouts followed. Chuck H circulated a sheet with several web sites he finds helpful in his investing decisions. From their names, you might appreciate their opinions: UnusualWhales.com, rationalboomer.com. It is probably always a good idea to test your own opinion against that of other market observers. Agree? Disagree? And why. From one of the sites, Chuck presented a listing of the market returns for members of our US Congress. Although she appeared on the list, Nancy Pelosi did not top the list. That honor goes to Brian Higgins, closely followed by Mark Green. No one party has a monopoly on super (insider?) returns! Thank you, Chuck.

Next up, sector performance. Comparing 2023 sector actuals to 2024 forecasts of Operational Earnings for the S&P 1500, we ask: where is the coming year’s growth likely to come from? For example, the Health Care sector’s earnings per share are estimated to grow 33.3% in 2024, the highest among the eleven sectors. Also expected to do well is the Information Technology sector, whose earnings are expected to grow 27.0%. Sectors likely to struggle are Utilities and Energy. By tracking Vanguard’s sector ETF’s, we test how well growth estimates play out. Top return thus far is earned by the Communications Services sector (VOX), leading the way with 8.9% return. Health Care (VHT) is close behind at 7.9%. The Utilities sector (VPU) does in fact lag, at a negative -2.4% return.

Paul G provided a handout sampling the performance of the latest Google AI offering, the Gemini ULTRA. (An aside. Also revealed over the weekend was the package’s poor performance identifying and re-constructing Images. But even Google’s promotional literature admitted its performance in the imaging realm is spotty, on the order of 50% correct.) Still, the AI future is bright. According to Google, “With a score of 90.0%, Gemini Ultra is the first model to outperform human experts on MMLU (massive multitask language understanding), which uses a combination of 57 subjects, such as math, physics, history, law, medicine, and ethics for testing both world knowledge and problem-solving abilities…. Gemini think(s) more carefully before answering difficult questions, leading to significant improvements over just using its first impression.” When an analyst queried the AI to name five stocks expected to perform well in 2024, Gemini responded. One of the stocks named is Microsoft. Here is its evaluation, according to criteria the AI package considers important.

“**Financial Strength:** Highly profitable, with substantial EPS growth. Manageable debt levels and ample free cash flow provide flexibility and resilience.

**Growth Potential:** Well-positioned within expanding industries like cloud computing and gaming. Brand strength and productivity suite dominance add to its advantages.

**Valuation:**  Moderate P/E, reflecting solid performance. Offers a reliable dividend with a history of increases.

**Other Factors**: Respected and experienced management team, with strong shareholder focus. High stock liquidity.”

The other four stocks were Costco (COST), Apple (AAPL), Nike (NKE), and United Health Group (UNH).

The final handout reported the monthly update of the Breakfast Club’s experimental portfolio, the Concentrated Large Cap Portfolio. This portfolio was formed in June last year to provide a reality-based answer to the question: how would a portfolio perform going forward that was comprised of large cap stocks only, selected from the top three-four performing sectors? (Large caps only would be chosen because their returns were multiples higher than returns from the small caps at the time.) Top sectors were Information Technology, Communication Services, Consumer Discretionary and Industrials. Stocks drawn from these sectors were ranked by quality, value and momentum criteria, and the top twenty entered the portfolio. This portfolio has done very well, far outperforming its comparable index, the S&P 500 ETF, VOO. From July 11, 2023 through February 23, this portfolio has provided a return of 33.3%. Its index, VOO, has returned 15.6% over the same period. We will continue the experiment until we have a 12-month performance comparison. Only then may we congratulate ourselves.

**The Jeff Fraser Breakfast Club meets again Monday, March 25, 2024**. Hope to see you all again then.