

Market Insights



ALTA
CAPITAL MANAGEMENT
A member of Guardian Capital Group Limited

March 2023



Top of the class

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total	
CONS -15.4%	INFT 61.7%	REAL 32.3%	UTIL 19.9%	FINL 28.8%	COND 43.1%	REAL 30.2%	COND 10.1%	ENRS 27.4%	INFT 38.8%	HLTH 6.5%	INFT 50.3%	INFT 43.9%	ENRS 54.6%	ENRS 65.7%	INFT 541.0%	407.98% avg
HLTH -22.8%	MATR 48.6%	COND 27.7%	CONS 14.0%	COND 23.9%	HLTH 41.5%	UTIL 29.0%	HLTH 6.9%	TELS 23.5%	MATR 23.8%	UTIL 4.1%	TELS 32.7%	COND 33.3%	REAL 46.2%	UTIL 1.6%	HLTH 413.4%	
UTIL -29.0%	COND 41.3%	INDU 26.7%	HLTH 12.7%	REAL 19.7%	INDU 40.7%	HLTH 25.3%	CONS 6.6%	FINL 22.8%	COND 23.0%	COND 0.8%	FINL 32.1%	TELS 23.6%	FINL 35.0%	CONS -0.6%	COND 379.0%	
TELS -30.5%	REAL 27.1%	MATR 22.2%	REAL 11.4%	TELS 18.3%	FINL 35.6%	INFT 20.1%	INFT 5.9%	INDU 18.9%	FINL 22.2%	INFT -0.3%	S&P 31.5%	MATR 20.7%	INFT 34.5%	HLTH -2.0%	CONS 298.5%	
COND -33.5%	S&P 26.5%	ENRS 20.5%	TELS 6.3%	HLTH 17.9%	S&P 32.4%	CONS 16.0%	REAL 4.7%	MATR 16.7%	HLTH 22.1%	REAL -2.2%	INDU 29.4%	S&P 18.4%	S&P 28.7%	INDU -5.5%	S&P 254.6%	
ENRS -34.9%	INDU 20.9%	TELS 19.0%	COND 6.1%	S&P 16.0%	INFT 28.4%	FINL 15.2%	TELS 3.4%	UTIL 16.3%	S&P 21.8%	S&P -4.4%	REAL 29.0%	HLTH 13.5%	MATR 27.3%	FINL -10.5%	INDU 226.2%	
S&P -37.0%	HLTH 19.7%	S&P 15.1%	ENRS 4.7%	INDU 15.4%	CONS 26.1%	S&P 13.7%	S&P 1.4%	INFT 13.9%	INDU 21.0%	CONS -8.4%	COND 27.9%	INDU 11.1%	HLTH 26.1%	MATR -12.3%	UTIL 191.3%	
INDU -39.9%	FINL 17.2%	CONS 14.1%	INFT 2.4%	MATR 15.0%	MATR 25.6%	INDU 9.8%	FINL -1.5%	S&P 12.0%	CONS 13.5%	TELS -12.5%	CONS 27.6%	CONS 10.8%	COND 24.4%	S&P -18.1%	REAL 173.7%	142.33% avg
REAL -42.3%	CONS 14.9%	FINL 12.1%	S&P 2.1%	INFT 14.8%	ENRS 25.1%	COND 9.7%	INDU -2.5%	COND 6.0%	UTIL 12.1%	FINL -13.0%	UTIL 26.4%	UTIL 0.5%	TELS 21.6%	REAL -26.1%	MATR 160.8%	
INFT -43.1%	ENRS 13.8%	INFT 10.2%	INDU -0.6%	CONS 10.8%	UTIL 13.2%	MATR 6.9%	UTIL -4.8%	CONS 5.4%	REAL 10.9%	INDU -13.3%	MATR 24.6%	FINL -1.7%	INDU 21.1%	INFT -28.2%	FINL 97.7%	
MATR -45.7%	UTIL 11.9%	UTIL 5.5%	MATR -9.6%	ENRS 4.6%	TELS 11.5%	TELS 3.0%	MATR -8.4%	REAL 3.4%	ENRS -1.0%	MATR -14.7%	HLTH 20.8%	REAL -2.2%	CONS 18.6%	COND -37.0%	ENRS 74.7%	
FINL -55.3%	TELS 8.9%	HLTH 2.9%	FINL -17.1%	UTIL 1.3%	REAL 1.6%	ENRS -7.8%	ENRS -21.1%	HLTH -2.7%	TELS -1.3%	ENRS -18.1%	ENRS 11.8%	ENRS -33.7%	UTIL 17.7%	TELS -39.9%	TELS 71.9%	

Year to year, different sectors will perform differently, but it is important to know that over the past 15 years, certain ones have outclassed others, and been key drivers for growth. Information Technology, Healthcare, Consumer Discretionary and Consumer Staples sectors have more than doubled the performance of the bottom 7 sectors in the above table.

Source: <https://novelinvestor.com/sector-performance/>

Quality companies are profitable

Making Money Isn't Easy

The number of unprofitable firms is elevated in US

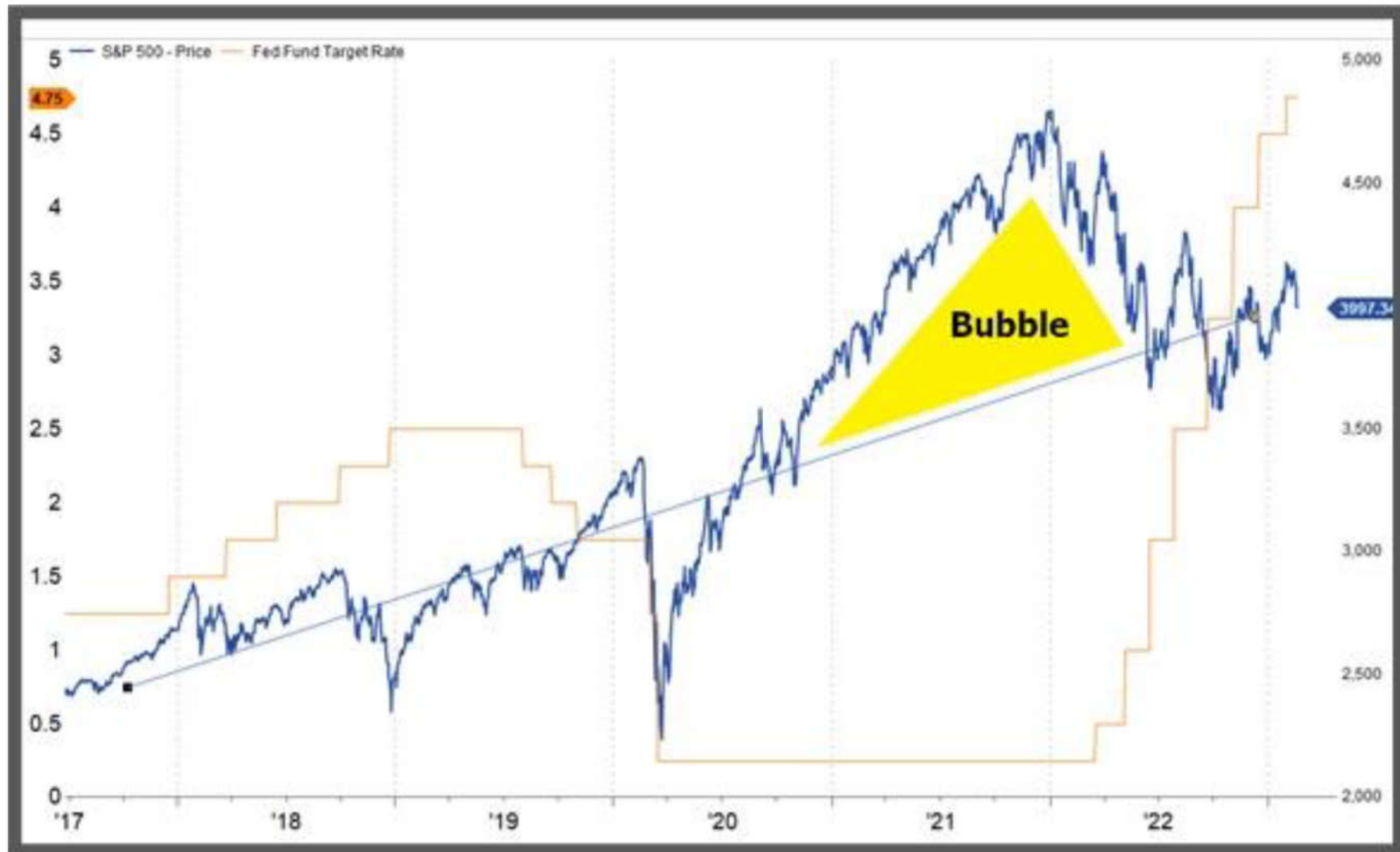


Source: Kailash Concepts Research

Bloomberg 

The prior bull run of the 2010's, combined with a favorable interest rate environment, resulted in more public companies having the ability to operate without turning profits. Ensuring a portfolio is focused on quality companies that are consistently executing and growing their business profits are a key factor investors should be intent on.

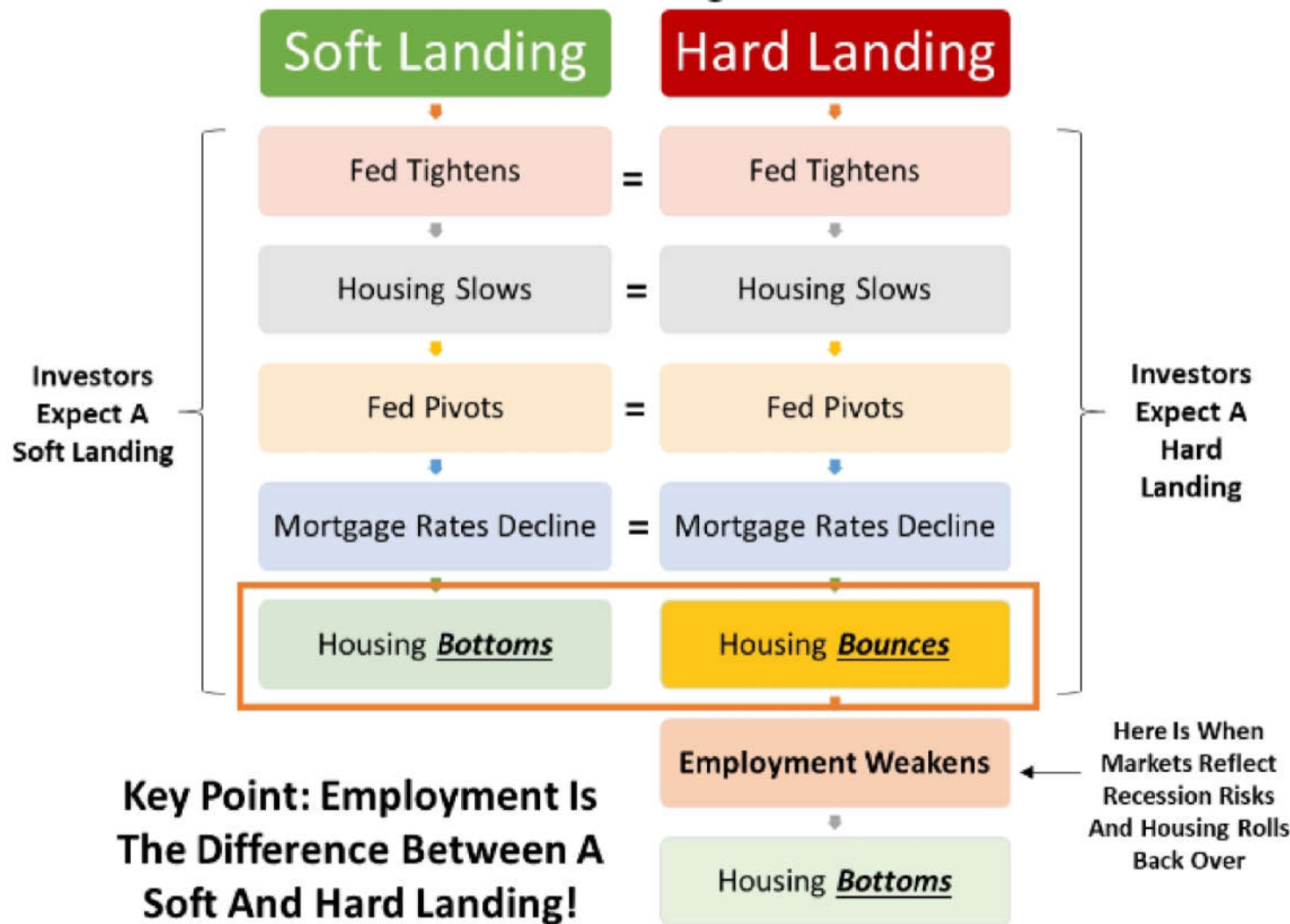
A pullback from zero rate environment



The velocity of fed rate increases in 2022 and the impact to the stock market are well documented. Now that the market is more closely aligned to the S&P price trend line, the setup of where the market goes next points to more normalized movements than what we experienced since the onset of the pandemic.

A housing bounce vs bottom

The Path To A Soft or Hard Landing Is ****MOSTLY**** The Same



The debate of the chances and severity of a recession have continued into 2023. The key metric that the Fed and investors will need to keep an eye on is whether the labor market continues to remain as resilient as it has been. Wage growth (still growing) and the Unemployment rate (at historic lows) continue to defy the actions the Federal Reserve has imposed to combat inflation.

Shopping for the deals

Company	NTM P/E	2y EPS CAGR Estimate ('23-24)	5y EPS CAGR	PEG Ratio
Walmart (WMT)	22.4	5.9%	7.4%	3.8
Clorox (CLX)	31.3	17.5%	-6.5%	1.79
Hershey (HSY)	25.4	8.9%	12.3%	2.85
Coca-Cola (KO)	22.8	6.2%	5.4%	3.68
Procter & Gamble (PG)	22.8	6.5%	7.4%	3.51
Alphabet (GOOGL)	17.4	16.2%	20.5%	1.07

Opportunities still exist within the market. When taking into account the price/earnings to growth (PEG) ratio, several Consumer Staples stocks appear overvalued, especially when compared to a stock like Alphabet.

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