



Size and Composition of the Sector:

- The Market Cap of this sector as of September 1st is \$4.64Trillion, which includes 6 industries including Beverages (1.2T), Food & Staples Retailing(1T), Food Products(956B), Household Products(517B), Personal Products(582B), and Tobacco(371B).
- In the one-year percent change, the consumer staples sector has gained 10.86% (As of August 31, 2021), which is the lowest out of all the sectors.
- The largest companies include Walmart, Proctor & Gamble (which we own), Coca-Cola (also own), PepsiCo, and Costco.
- The S&P 500 has Consumer Staples weighted at 6.51% (as of August 31st, 2021) of the overall allocation, where the Wiseman Fund has consumer staples weighted at 6.88% (as of July 31st, 2021). The S&P Dow Jones Indices has it weighted at 5.8% overall allocation on August 31st, 2021. This all means that we are overweight consumer staples at a time where consumer staples do not perform very well compared to other sectors.
- Consumer Staples in the last 3 months has produced about 2-2.5% return depending on where you look but certain industries within the sector did much better than that. Personal products were over 10% in the last 3 months for example.

Business Analysis:

- We are still in the early business cycle, could be entering a mid-cycle environment within the next year but regardless of the industry cycle, consumer staples industries are always needed. In the early cycle and mid cycle, consumer staples are even but during the late stage and recession, this is where consumer staples have larger than normal gains.
- In this sector, external factors and the economy does not really affect how well it does since they are always needed in the market. Supply is always flowing, when COVID hit and the supply seemed to be low because of panic buying, it was because no one was prepared in stores to be able to handle the stock needed to supply the panic buyers not because they didn't have a large amount of supply already made.
- Now there is some competition, and it is very hard to enter a market like consumer staples because a lot of the "staples" needed are in place and are always purchased. The competition mainly takes place between companies that are already in the marketplace like Coke vs Pepsi or Charmin vs Walmart brand.
- Since in this sector the strength of customers mainly comes from personalization of what the specific customer needs and what they prefer, brand names do matter more than other sectors. For example, nobody asks you "Mist Twist or Bubble up" it is always "Sierra Mist or Sprite." This means that available substitutes are very easy to find which makes it even harder for companies to stand out above the rest especially companies that are just starting in the industry.

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- I do want to mention that social media (TikTok especially) has helped many small businesses grow tremendously throughout COVID but that is unpredictable and usually comes in waves which is not sustainable like brand names already established in the market. But as a fund we could take advantage of this and possibly make larger returns from smaller companies if the fundamentals are solid.

Economic Analysis:

- Consumer staples does not rely on economic growth or recessions for the industries to consistently be positive returns. But that also means there is no market rallies unless there is specific stock-driven news to make it spike. They have a very low-price elasticity of demand because no matter the income or other GDP changes, the industry products are always in demand.
- This sector is also widely known to be defensive meaning it usually does well in economic downturns but does not capture all the gains from an economic rally. The only way companies in this industry can grow their business is to reduce costs, prices, and differentiate their products.
- With the three stocks we own in this sector (Coca-Cola, Proctor & Gamble, and Hershey), Coke falls under beverages, P&G falls under personal products, and Hershey falls under food products. So, diversification is good, but selection could be improved upon like I talked about earlier.

Financial Analysis:

- The average EPS (which is a profitability indicator) in the beverages Industry is \$3.14, revenue growth is 8.39%, ROE is 31.1%, ROI is 11.94%, and lastly the dividend yield is 2.61% as of August 31st, 2021. Comparing that with Coca-Cola with the same time frame, their EPS is \$1.87 currently, ROE is 40%, but ROI is only 8.74%. Revenue for Coca-Cola is -3% and the dividend yield is 2.95%. Clearly, there are better companies we can select to get better returns in this industry.
- The average EPS in the food products industry as of August 31st, 2021 is \$7.14, revenue growth is 7.79%, ROE is 18.53%, ROI is 7.81%, and the dividend yield is 2.54%. Comparing that with Hershey during the same time, their ROE is 71.45%, ROI is 16.14%, revenue is 2.74%, and the dividend yield is 1.86%. Hershey outperforms in every category except for the EPS at \$6.88 and dividend yield which makes sense because they are one of the bigger companies in the industry meaning that the dividend yield for them at 1.86% is going to be larger than other companies with a dividend yield of 2.5%.
- The average EPS as of August 31st, 2021 in the personal products industry is \$3.24, ROE is 36.30%, ROI is 20.50%, and the dividend yield is 2.10%. Proctor and Gamble during

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this time had an EPS of \$5.50, ROE of 30.80%, ROI of 11.70%, revenue gain of 4.43%, and a 2.33% dividend yield. P & G from looking at just these numbers seems to underperform in its industry, but risk is a very important factor to consider. P&G's beta is 0.43 where in industry average is 0.69 meaning it gives out lower returns than the average, but it has a much lower risk as well.

- The key takeaway from this is that our stock selection for this specific sector is okay considering risk for the companies we have but can be improved upon and comparing a defensive sector like Consumer Staples to the S&P 500, does not fare well at all.

Valuation Analysis:

- Comparing the financial ratios between the S&P 500 and the Consumer Staples sector, the consumer staples sector has a P/E ratio of 26.86 for last year and the estimate for this year is 21.17. This means that the earnings in this sector have increased but at a rate where the price of the stock cannot keep up since the P/E Ratio measures how much more the market is willing to pay for each dollar of annual earnings.
- Comparing this to the S&P 500 of 30.99 and the projected 21.73, it has a similar ratio overall. But the dividend yield for consumer staples (2.58% and 1.37% respectively as of August 31st, 2021) is much better and it has a higher price to book ratio, lower price to cash flow ratio, and lower price to sales ratio.
- This all means that the consumer staples sector has a higher market premium, lower price dividend by cash flow per share, and lower stock price to sales per share. Comparing these to the three stocks we own, all three companies have higher P/B, P/S, and P/E ratios than the average.
- I believe these valuations will continue to stay higher than the average for consumer staples since in the past it has remained very similar to where it is at currently and since this is a defensive sector, then it will not drastically change like I said earlier.

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Recommendation:

- As you can tell, I believe IMP should underweight this sector even more than the S&P 500. Currently it is overweighted (6.88%) and last year that was a great recommendation but in September 2021, this should be updated to be lower than the S&P 500 (6.51%) which a great start to this would be selling Coca-Cola and replacing this as soon as possible. My recommended weight would be closer to the 80-20 S&P Portfolio of 5.8% if not closer to 4-5%.
- The positives in this is that we can overweight another sector and allow more allocation to outperforming sectors unlike consumer staples where it mainly stays the same regardless of how the market is growing. I am very confident this will allow for more growth to the fund especially for years to come.
- As for the industries, I would like to focus more on possibly adding a security in personal products. I feel like getting into a smaller cap stock in this sector would allow for more growth than staying in the large cap stocks that do well, but don't have as much room to grow.

Important Charts and Graphs:

Historical Performance of Sectors across the business cycle

ECONOMIC GROWTH	EARLY: Rebounds	MID: Peaks	LATE: Moderates	RECESSION: Contracts
OUTPERFORM THE U.S. EQUITY MARKET	<ul style="list-style-type: none"> CONSUMER DISCRETIONARY FINANCIALS INDUSTRIALS INFORMATION TECHNOLOGY MATERIALS REAL ESTATE 	<ul style="list-style-type: none"> COMMUNICATION SERVICES INFORMATION TECHNOLOGY 	<ul style="list-style-type: none"> CONSUMER STAPLES ENERGY HEALTH CARE MATERIALS UTILITIES 	<ul style="list-style-type: none"> CONSUMER STAPLES HEALTH CARE UTILITIES
UNDERPERFORM THE U.S. EQUITY MARKET	<ul style="list-style-type: none"> ENERGY HEALTH CARE UTILITIES 	<ul style="list-style-type: none"> CONSUMER DISCRETIONARY MATERIALS UTILITIES 	<ul style="list-style-type: none"> CONSUMER DISCRETIONARY INFORMATION TECHNOLOGY 	<ul style="list-style-type: none"> COMMUNICATION SERVICES INDUSTRIALS INFORMATION TECHNOLOGY REAL ESTATE

In a Growing Economy

Consider **information technology**.

It has had the highest volatility relative to all sectors over the past 20 years, which could boost portfolio performance.

It has often outperformed during the early and mid phases of the business cycle when the economy is growing.¹

As the Economy Slows Down

Consider **consumer staples, health care, and utilities** sectors.

They usually outperformed during the late and recession phases of the business cycle when the economy is slowing or shrinking.¹

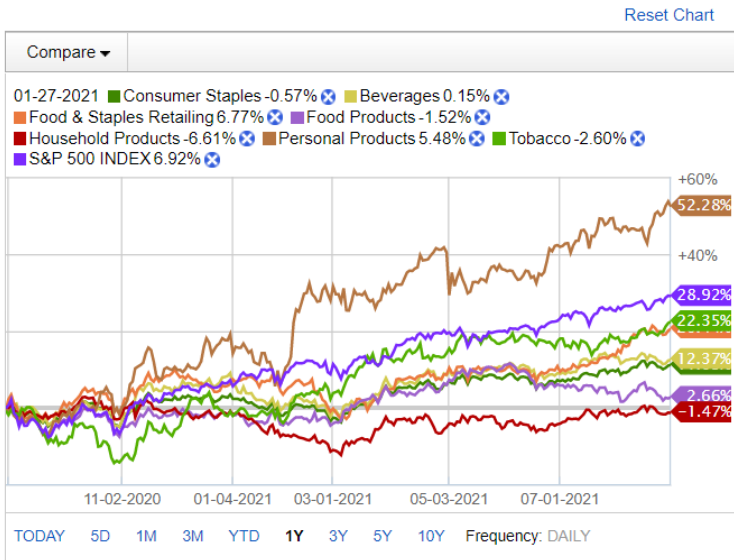
They have had the lowest volatility relative to all sectors over the past 20 years, which may lower portfolio risk.

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Chart Performance

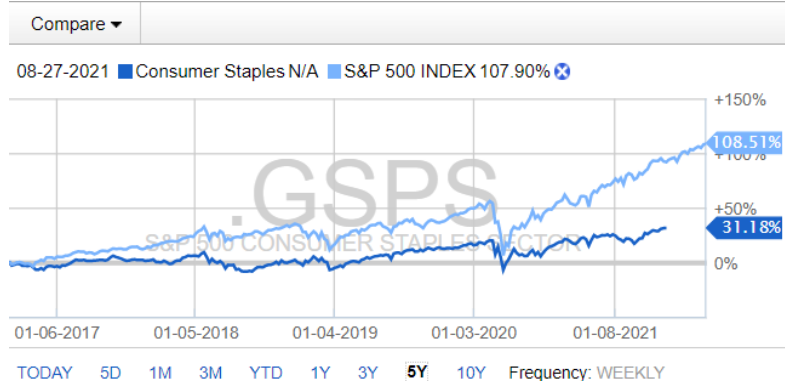


Year 2021		
Performance Attribution		
Sector Allocation	Security Selection	Total
-0.23%	-1.12%	-1.35%
-0.22%	-1.44%	-1.66%
-0.04%	-0.03%	-0.07%
0.00%	-0.13%	-0.13%
0.11%	0.04%	0.14%
0.02%	-0.33%	-0.31%
-0.04%	-0.02%	-0.06%
0.01%	-0.40%	-0.39%
0.01%	1.84%	1.86%
-0.02%	0.49%	0.47%
0.07%	-0.06%	0.01%
-0.33%	-1.16%	-1.49%

Industries in This Sector

Industry ▲	Last % Change 02:35 PM ET 09/01/2021	% CHANGE			
		YTD	1 - Year	3 - Year	5 - Year
Consumer Staples	+0.53%	+7.44%	+11.05%	+35.67%	+34.66%
Beverages	+0.92%	+3.16%	+12.37%	+29.12%	+37.39%
Food & Staples Retailing	-0.19%	+13.54%	+20.44%	+51.16%	+72.90%
Food Products	+0.30%	+3.87%	+2.66%	+17.26%	+1.37%
Household Products	+1.08%	-0.50%	-1.47%	+51.87%	+43.87%
Personal Products	+1.75%	+27.91%	+52.28%	+119.53%	+159.57%
Tobacco	+0.12%	+23.70%	+22.35%	+9.56%	-6.92%
S&P 500 © Index	+0.14%	+20.41%	+28.92%	+55.89%	+107.83%

	Year 2021		
	IMP Weight	IMP Return	W x R
Communication Services	7.00%	7.14%	0.50%
Consumer Discretionary	16.08%	1.49%	0.24%
Consumer Staples	6.88%	5.67%	0.39%
Energy	2.27%	24.67%	0.56%
Financials	12.06%	24.05%	2.90%
Healthcare	11.13%	13.21%	1.47%
Real Estate	2.03%	26.11%	0.53%
Industrials	6.50%	10.46%	0.68%
IT	29.77%	23.75%	7.07%
Materials	4.12%	27.67%	1.14%
Utilities	2.16%	2.31%	0.05%
Total	100.00%		15.53%

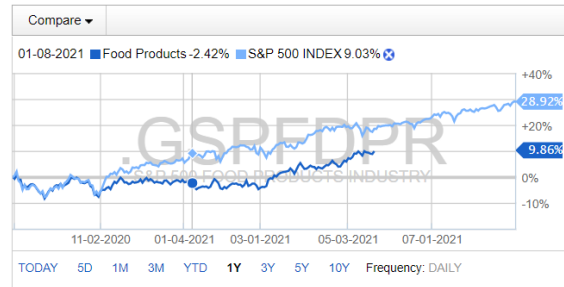


	Year 2021		
	IMP Weight	IMP Return	W x R
Communication Services	7.00%	7.14%	0.50%
Consumer Discretionary	16.08%	1.49%	0.24%
Consumer Staples	6.88%	5.67%	0.39%
Energy	2.27%	24.67%	0.56%
Financials	12.06%	24.05%	2.90%
Healthcare	11.13%	13.21%	1.47%
Real Estate	2.03%	26.11%	0.53%
Industrials	6.50%	10.46%	0.68%
IT	29.77%	23.75%	7.07%
Materials	4.12%	27.67%	1.14%
Utilities	2.16%	2.31%	0.05%
Total	100.00%		15.53%

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Industry Fundamentals

AS OF 08/31/2021

P/E (Last Year GAAP Actual)	31.91
P/E (This Year's Estimate)	27.16
Enterprise Value	\$156.94B
EPS (TTM)	\$3.14
EPS Growth (TTM vs. Prior TTM)	139.22%
Revenue Growth (TTM vs. Prior TTM)	8.39%
Return on Equity (TTM)	31.10%
Return on Investment (TTM)	11.94%
Total Debt/Equity (TTM)	179.00
Dividend Yield	2.61%

Industry Fundamentals

AS OF 08/31/2021

P/E (Last Year GAAP Actual)	21.36
P/E (This Year's Estimate)	23.37
Enterprise Value	\$168.07B
EPS (TTM)	\$7.13
EPS Growth (TTM vs. Prior TTM)	17.78%
Revenue Growth (TTM vs. Prior TTM)	7.68%
Return on Equity (TTM)	18.53%
Return on Investment (TTM)	7.82%
Total Debt/Equity (TTM)	111.94
Dividend Yield	2.54%



Industry Fundamentals

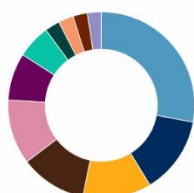
AS OF 08/31/2021

P/E (Last Year GAAP Actual)	40.79
P/E (This Year's Estimate)	32.77
Enterprise Value	\$187.91B
EPS (TTM)	\$3.24
EPS Growth (TTM vs. Prior TTM)	193.32%
Revenue Growth (TTM vs. Prior TTM)	23.02%
Return on Equity (TTM)	36.30%
Return on Investment (TTM)	20.50%
Total Debt/Equity (TTM)	124.03
Dividend Yield	2.10%

Sector	Last % Change	Market Cap	1-Year % Change
Expand All Collapse All	AS OF 02:41 PM ET 09/01/2021	AS OF 08/31/2021	AS OF 08/31/2021
Communication Services 5 Industries	+0.62%	\$7.01T	+36.71%
Consumer Discretionary 11 Industries	+0.47%	\$9.10T	+17.28%
Consumer Staples 6 Industries	+0.52%	\$4.64T	+11.05%
Energy 2 Industries	-1.64%	\$2.63T	+32.95%
Financials 7 Industries	-0.50%	\$8.81T	+51.47%
Health Care 6 Industries	0.00%	\$8.52T	+25.30%
Industrials 14 Industries	-0.30%	\$5.93T	+32.76%
Information Technology 6 Industries	+0.29%	\$16.09T	+28.72%
Materials 5 Industries	-0.12%	\$2.73T	+33.58%
Real Estate 2 Industries	+1.59%	\$1.76T	+31.52%
Utilities 5 Industries	+1.47%	\$1.67T	+16.20%
S&P 500® Index	+0.18%	--	+28.92%

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Sector Breakdown



SECTOR	INDEX WEIGHT
Information Technology	27.9%
Health Care	13.4%
Consumer Discretionary	11.9%
Communication Services	11.5%
Financials	11.2%
Industrials	8.2%
Consumer Staples	5.8%
Real Estate	2.6%
Materials	2.6%
Utilities	2.5%
Energy	2.4%

Consumer Staples 6 Industries	+0.51%	\$4.64T	+11.05%
Beverages	+0.85%	\$1.20T	+12.37%
Food & Staples Retailing	-0.21%	\$1.01T	+20.44%
Food Products	+0.24%	\$953.82B	+2.66%
Household Products	+1.05%	\$517.34B	-1.47%
Personal Products	+1.76%	\$581.73B	+52.28%
Tobacco	+0.18%	\$373.50B	+22.35%

Sector Fundamentals AS OF 08/31/2021

P/E (Last Year GAAP Actual)	26.60
P/E (This Year's Estimate)	24.10
Enterprise Value	\$194.46B
EPS (TTM)	\$4.57
EPS Growth (TTM vs. Prior TTM)	54.93%
Revenue Growth (TTM vs. Prior TTM)	10.34%
Return on Equity (TTM)	38.25%
Return on Investment (TTM)	13.62%
Total Debt/Equity (TTM)	193.58
Dividend Yield	2.57%

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Resources:

[XLP Snapshot - The Consumer Staples Select Sector SPDR Fund](#)

[Sectors & Industries Overview - U.S. Sectors- Fidelity](#)

[S&P 500® | S&P Dow Jones Indices \(spglobal.com\)](#)

[S&P 500 Consumer Staples | S&P Dow Jones Indices \(spglobal.com\)](#)

[Morningstar Investment Research Center \(openathens.net\)](#)