INVESTMENT MANAGEMENT TEAM

WINTER BREAK SPELLMAN FUND REPORT

Summary

Throughout December and January, the market saw minimal growth, rising just 0.09%. In January, the Spellman Fund outperformed the S&P 500 by 1.25%, breaking a five-month streak of underperformance. However, with a -2.34% return in December, the fund still lagged the S&P 500 overall by -1.09% over these two months.

President Trump's Impact

Since Donald Trump's election in November 2024, the stock market has risen, with the S&P 500 gaining nearly 4% before his inauguration. Investors anticipated tax cuts, deregulation, and corporate growth, driving further gains. However, concerns over tariffs, inflation, and volatility led to a 1.73% drop in the S&P 500 on January 31. Despite the initial rally, uncertainty surrounding economic policies continues to drive volatility.

Fed Meetings (December 18, January 28-29).

On December 18, 2024, the Fed cut rates to 4.25%-4.5%, the lowest since December 2022. Chair Jerome Powell called it a "closer call" but the "right call." Lower rates can boost economic activity and corporate profits, benefiting the stock market. However, signals of fewer and less drastic cuts in 2025 caused a significant market drop following the December meeting. In contrast, the January 28-29 meeting had little market impact, as investors had already anticipated Powell's cautious stance. Powell expressed optimism about the labor market and noted progress toward the Fed's 2% inflation goal.

NVIDIA's Fall

NVIDIA dominates the AI sector, holding about 80% of the AI chip market with its high-quality, advanced GPUs. While its products are expensive, consumers value their performance for AI model training. However, NVIDIA's growth came into question when Chinese startup DeepSeek announced it trained an AI model in under two months for less than $6 million, without NVIDIA's costly chips. This raised concerns that others could adopt similar strategies, leading to a 17% drop in NVIDIA's stock, which also impacted major tech stocks and the broader market. It is still uncertain if these claims are true and how it will impact NVIDIA in the long term.

Portfolio Performance for the months of December and January

The portfolio had a total return of -1.13% while the S&P 500 returned 0.09%. Over these two months the S&P outperformed the Spellman Fund 1.22%.

The three highest performing sectors were Communication Services (7.67% increase), Financials (5.84% increase), and Materials (2.56%).

Top 5 Highest Performers

Alphabet Inc. (GOOGL):

- 19.10% Increase
- $204.02 Ending price per share

META Platforms (META):

- 16.35% Increase
- $689.18 Ending price per share

SAP (SAP):

- 14.27% Increase
- $276.06 Ending price per share

Boeing (BA):

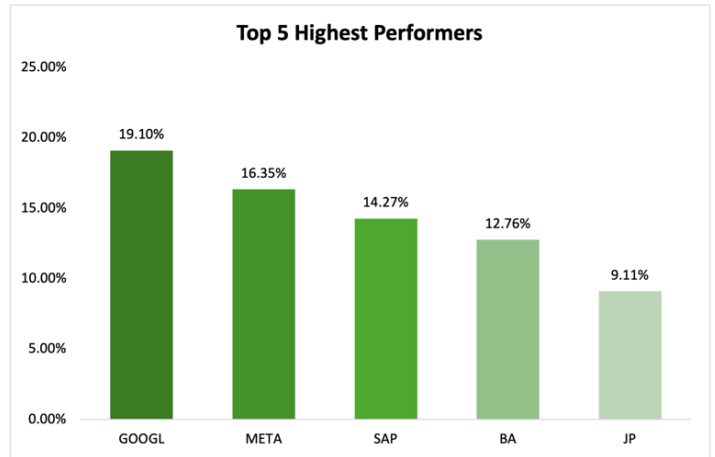- 12.76% Increase
- $176.52 Ending price per share

JP Morgan Chase (JPM):

- 9.11% Increase
- $267.30 Ending price per share

The three lowest performing sectors were Real Estate (-10.00% decrease), Energy (-8.85% decrease) and healthcare (-7.96% decrease).

Top 5 Lowest Performers

Intel (INTC):

- -18.80% Decrease
- $19.43 Ending price per share

NVIDIA (NVDA):

- -13.38% Decrease
- $120.07 Ending price per share

Nexstar Media Group (NXST):

- -11.52% Decrease
- $153.22 Ending price per share

Fastenal (FAST):

- -10.89% Decrease
- $73.24 Ending price per share

United Health Group (UNH):

- -10.52% Decrease
- $542.49 Ending price per share