

Beyond Bull and Bear: 10 Diamond Picks for a Resilient 2024

January 1, 2024

Outlook for 2024

The Magnificent Seven (Apple - AAPL, Microsoft - MSFT, Alphabet - GOOGL, Amazon - AMZN, Nvidia - NVDA, Meta Platforms - META, and Tesla - TSLA) have exhibited remarkable performance throughout 2023, propelled by a sustained emphasis on artificial intelligence. While I anticipate robust growth in these seven equities over the next year, my outlook extends beyond the confines of the technology sector.

In 2024, the Federal Reserve is poised to implement a series of interest rate cuts, specifically targeting three reductions aimed at recalibrating rates from the current range of 5.25%-5.5% to 4.5%-4.75%. Although the commencement date for these adjustments remains uncertain, I posit that the cuts could commence in March, post the 20th, contingent upon the absence of any significant economic data surprises prompting the Federal Reserve to reconsider. Additionally, prevailing sentiment on Wall Street leans towards a more aggressive approach, anticipating 5-6 cuts that would bring rates down to the range of 3.75%-4%, while the Federal Reserve maintains a comparatively conservative stance.



In the face of the inherent uncertainties of 2024, I remain optimistic about sustained market growth, with the technology sector once again at the forefront. Following the NASDAQ's impressive 54.90% surge this year, I anticipate profit-taking early in Q1, followed by a resurgence in late Q1/early Q2, potentially catalyzed by the first rate cut. As global perspectives on independence vary, certain markets such as LNG, are poised to make significant advancements towards establishing a transparent and unified market.

**“The
individual
investor
should act
consistently as
an investor
and not as a
speculator.”**

- Ben Graham

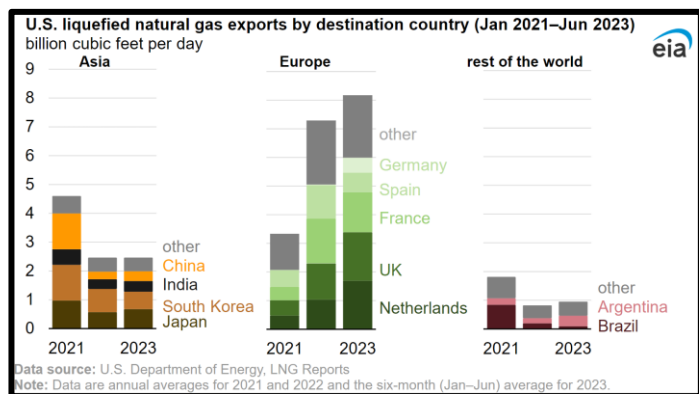
Camtek: (NASDAQ: CAMT)

Camtek emerges as a compelling investment in the dynamic landscape of semiconductor manufacturing, particularly in the critical domain of metrology. The company's meteoric 210% gain in 2023 is attributed to its strategic focus on the high-growth metrology segment, a vital component in the intricate world of semiconductor production. In an industry where complexity and costs are escalating, Camtek's role in providing advanced inspection and metrology solutions positions it as a standout player. The recent surge in orders, including 45 machines since August 2023, signifies a growing demand for its equipment, particularly in advanced semiconductor applications like HBM and chiplets. Despite a challenging 2023, Camtek's management anticipates a record 2024, fueled by its ability to secure significant orders. The impending acquisition of FRT Metrology from FormFactor for \$100 million enhances Camtek's market consolidation and diversifies its offerings into silicon carbide semiconductors for applications such as electric vehicles. While trading at a forward P/E ratio of 27, Camtek's robust balance sheet, with \$506 million in cash and investments against \$196 million in total debt, provides a foundation for future growth. As Camtek progresses towards a profitable scale, its potential to capitalize on the thriving metrology market makes it a compelling prospect for investors seeking exposure to the semiconductor industry's future hotspots.



Cheniere Energy: (NYSE: LNG)

The future of liquefied natural gas (LNG) looks bright as U.S. export terminals are turning what was once a domestic energy source into an internationally traded commodity. The U.S. currently exports roughly 10% of the natural gas produced in its borders; much of which ended up in Europe over the last 3 years due to the Russia/Ukraine War. In 2024, two large LNG projects, Golden Pass and Plaquemines, will add 2.7 Bcf/d of nominal exports to the existing 12 Bcf/d currently.



Top 10 Diamond Picks

Camtek

- Ticker: CAMT
- Price: \$69.38
- Market Cap: \$3.11B
- Industry: Electronic Technology

Cheniere Energy

- Ticker: LNG
- Price: \$170.71
- Market Cap: \$40.67B
- Industry: Oil & Gas

Chipotle Mexican Grill

- Ticker: CMG
- Price: \$2,286.96
- Market Cap: \$61.06B
- Industry: Restaurants

Ferrari

- Ticker: RACE
- Price: \$338.43
- Market Cap: \$61.06B
- Industry: Luxury Sports Car

Grayscale Bitcoin Trust:

- Ticker: GBTC
- Price: \$34.62
- Market Cap: \$23.97B
- Industry: Digital Currency

Marriott International Inc.

- Ticker: MAR
- Price: \$225.51
- Market Cap: \$66.2B
- Industry: Hotels/Resorts

Microsoft Corp:

- Ticker: MSFT
- Price: \$376.04
- Market Cap: \$2.79T
- Industry: Technology Services

Nvidia:

- Ticker: NVDA
- Price: \$495.22
- Market Cap: \$1.22T
- Industry: Semiconductors

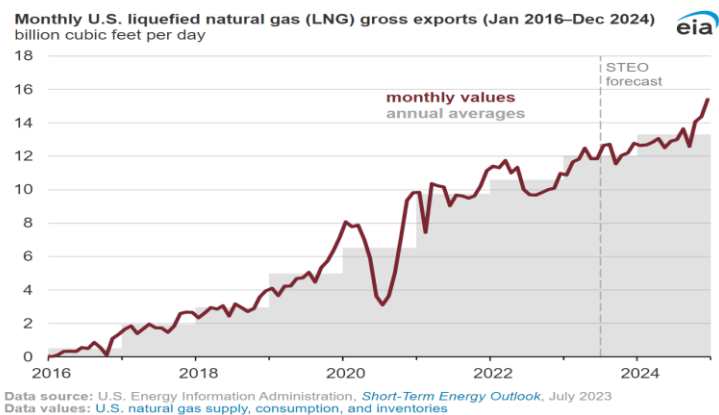
Netflix:

- Ticker: NFLX
- Price: \$486.88
- Market Cap: \$213.1B
- Industry: Technology Services

Visa:

- Ticker: V
- Price: \$260.35
- Market Cap: \$535.1B
- Industry: Payment Technology

The U.S. changed from an importer of natural gas to a net exporter in 2016 and continues to add capacity every year. Cheniere Energy is the largest U.S. LNG exporter and operates Sabine Pass and Corpus Christi which make up over 7 Bcf/d. The company is in fantastic position to grow and expand over the next decade



Marriott International: (NASDAQ: MAR)

Marriott has benefited recently from an increase in leisure travel and bookings in the Asia Pacific region as travel restrictions were lifted in 2023. Revenue is expected to grow by 6.9% in 2024 while its earnings are estimated to increase 13.8%. Marriott is focused on growing its presence around the globe with a key emphasis on Asia, Latin America, the Middle East, and Africa. The company has a pipeline of 3,200 hotels (557,000 rooms) with 238,000 rooms currently being constructed and is a strong leader in the travel industry. I foresee Marriott's brand recognition to also help in one of its newer revenue streams: credit cards. Its Marriott Bonvoy chain of cards has made some notable strides in partnerships, one of which was ending its Hyatt partnership and replacing it with MGM in early 2024. A 10% increase in credit card fees will add additional revenue for the company to use for heavy growth engines. Even though 2024 will be uncertain, I see the travel industry once again having a phenomenal year with Marriott at the forefront.



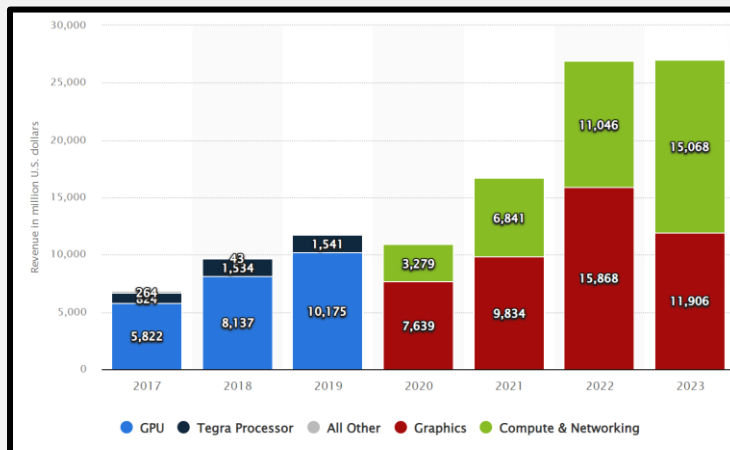
Microsoft Corp: (NASDAQ: MSFT)

Microsoft had a stellar 2023, fueled by a large amount of hype with its partial ownership of OpenAI which created Chat GPT and Dall-E. Microsoft's browser Bing had previously integrated AI technology in February of 2023 and the stock price jumped on the news. In March, the company also announced the addition of AI embedded within its Office products through Co-Pilot. The company charges \$30 a month per user of Co-Pilot, coming in higher than expected on Wall Street. The company is positioned extremely well to benefit as AI demand grows for recreation and business purposes.

Its acquisition of Activision Blizzard had been delayed since 2022 as it faced antitrust challenges in the U.S. and U.K.; however, the purchase of \$68.7b was made official in October of this year. Activision Blizzard is known for its suite of games including "Call of Duty," "World of Warcraft," "Overwatch" and "Candy Crush." Activision's revenue has been choppy over the last decade but much of this is from the rotation of Call of Duty developers. I believe that while the purchase of Activision will help Microsoft in the long run, we may continue to see large swings in this revenue segment.

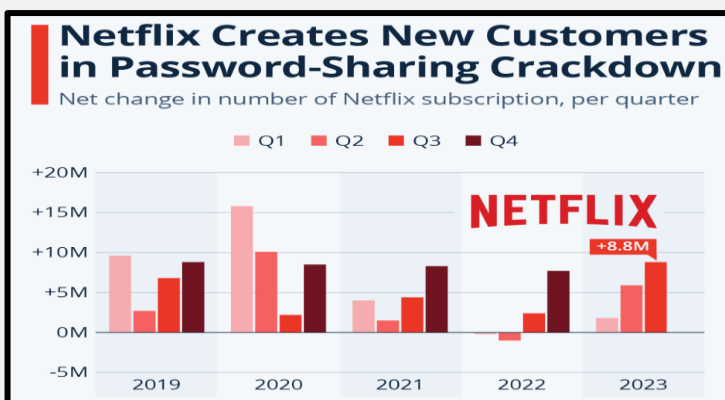
Nvidia: (NASDAQ: NVDA)

Nvidia has been an absolute monster in 2023, posting gains of 246% this year. The rise of artificial intelligence and Nvidia's name go hand-in-hand as the company's share price rose to over \$500 this year. While the company's Graphics revenue stream has decreased in 2023, its Compute & Networking increased by 37% and analysts predict long-term earnings growth of 42%. Even with the massive run in the last year, the P/E ratio still sits at just 40 which makes the company surprisingly reasonable. Profit taken in October and December led to vast swings in the stock price, causing prices to drop back down to \$403 and \$455 respectively. Today, the price is just under all time highs of \$505.48 and I believe we will see a push upward of \$700 if the historic run continues.



Netflix: (NASDAQ: NFLX)

Netflix's growth has certainly slowed over the last few years; however, the company's subscriber growth rebounded as it added a lower-cost, advertising-supported service. In addition, Netflix's crackdown on unpaid account sharing has led to more individual accounts that were historically being shared all under one. Q3 of 2023 showed that the company added 8.76m subscribers vs forecasts of 6.06m, ending the year with approximately 247m subscribers. With the company cracking down on unpaid account sharing, adding new plans, and promoting high-quality content delivery, it continues to also increase prices across the board. While there has been public pushback to the above, the subscriber counts show a different story. I see this company continuing to crack down and add far more subscribers in 2024 as a result, leading to stronger revenues this year.



Ferrari: (NYSE: RACE)

Since its inception in 1947, Ferrari has been an emblem of automotive excellence, and in 2024, it stands as a compelling investment for enthusiasts and investors alike. The company's consistent ability to adapt to evolving market trends has not only solidified its position as a premier luxury car manufacturer but has also positioned it at the forefront of the electric vehicle (EV) revolution.

Ferrari's unwavering commitment to growth within the automotive industry is evident in its strategic focus on the electric vehicle space. Although relatively new to this domain, the brand's illustrious name and established reputation for uncompromising luxury ensure a seamless transition into the EV market. The anticipation surrounding Ferrari's entry into electric vehicles is already creating ripples within its existing customer base, showcasing the brand's magnetic appeal that transcends traditional combustion engines. One of Ferrari's key strengths lies in its remarkable profit margins, which set it apart from other vehicle manufacturers. Operating at its own pace, Ferrari has successfully carved out a niche that is virtually impervious to the conventional challenges faced by its competitors. Unlike many automakers, Ferrari faces minimal threats, with the only formidable contender being Tesla. However, even in the face of such competition, Ferrari's unique blend of heritage, craftsmanship, and exclusivity remains unmatched.

Looking ahead, Ferrari's venture into the electric vehicle space is not merely aspirational; it's a strategic move backed by a concrete timeline. The company is set to unveil its first electric vehicle in 2025, showcasing its proactive approach to staying ahead of industry trends. While Tesla may have pioneered the electric vehicle landscape, Ferrari's timely entry positions it to capitalize on the growing demand for luxury EVs. Furthermore, Ferrari's commitment to innovation extends beyond the electric vehicle sector. The company's research and development efforts are geared towards cutting-edge technologies, enhancing performance, and ensuring that every Ferrari produced is a testament to the pinnacle of automotive engineering.

As Ferrari accelerates into the future with its Electric vehicles, the blend of tradition and innovation makes it a prospect for those seeking not just a car, but an unparalleled driving experience. Whether you're a passionate car enthusiast or a savvy investor, Ferrari's legacy of excellence and its strategic positioning in the evolving automotive landscape make it a compelling choice for 2024 and beyond.



Visa: (NYSE: V)

Visa's impressive track record in payment technology and robust financial positions it as a standout investment opportunity for 2024. With a substantial gross profit margin of 79.89% and an impressive 52.9% profit margin, Visa consistently demonstrates its efficiency in extracting value from transactions, making it a financially solid choice.

What further bolsters Visa's appeal is the optimistic outlook from Wall Street analysts, projecting a notable 14% annual growth in revenue over the next five years. This forecast reflects confidence in Visa's ability not only to maintain its market share but also to capitalize on the ongoing evolution in payment technologies. Beyond its financial performance, Visa actively rewards its investors. The company's commitment is evident through significant share buybacks totaling \$16.1 billion, showcasing its confidence in its own value. Coupled with a 0.8% dividend yield, Visa provides investors with both capital appreciation potential and a steady income stream.

As a global leader in the digital payments landscape, Visa is strategically positioned to benefit from the increasing adoption of cashless transactions. Investing in Visa in 2024 is not just about choosing a financial giant but aligning with a company driving innovation in the payment space. With its strong financial metrics, positive revenue growth outlook, and shareholder-friendly practices, Visa presents a compelling case for those seeking stability, growth, and a stake in the future of digital finance.



Chipotle Mexican Grill: (NYSE: CMG)

Chipotle Mexican Grill's consistent growth story is highlighted by its strong financial performance, notably its Return on Capital Employed (ROCE) of 22%, which stands well above industry averages by 9%. This metric reflects the company's savvy in making the most of its investments and outshining competitors. Chipotle's ability to generate substantial returns on its capital is a clear sign of effective financial management, making it an attractive prospect for investors.



Beyond the numbers, Chipotle's success is grounded in its commitment to delivering high-quality food and dependable service. The brand has earned a reputation for excellence, fostering customer loyalty. Moreover, Chipotle keeps things fresh and exciting with annual additions to its menu, ensuring a dynamic and engaging experience for customers. Chipotle's blend of financial strength, customer satisfaction, and innovation makes it a standout in the industry, offering investors a promising opportunity to be part of a company that not only performs well financially but also consistently exceeds customer expectations.

Grayscale Bitcoin Trust: (OTC: GBTC)

Grayscale Bitcoin Trust (GBTC) is an investment product offered by Grayscale Investments, a subsidiary of Digital Currency Group. Grayscale Bitcoin Trust is a way for investors to gain exposure to Bitcoin without directly owning and managing the cryptocurrency themselves. The next bitcoin halving is expected to occur in April 2024, when the number of blocks hits 740,000. It will see the block reward fall from 6.25 to 3.125 bitcoins. A bitcoin halving is an event where the reward for mining new blocks is halved, meaning miners receive 50% fewer bitcoins for verifying transactions. Bitcoin halvings are scheduled to occur once every 210,000 blocks – roughly every four years – until the maximum supply of 21 million bitcoins has been generated by the network. Historically, there have been rallies during this period of time and we can see a pattern form. While I believe we will see a pullback in crypto, I think riding the rally until mid-summer will present a fantastic opportunity.

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