Blue Diamond Investing

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Reflecting on 2024

Analyzing Our Top 10 Picks and Looking Ahead

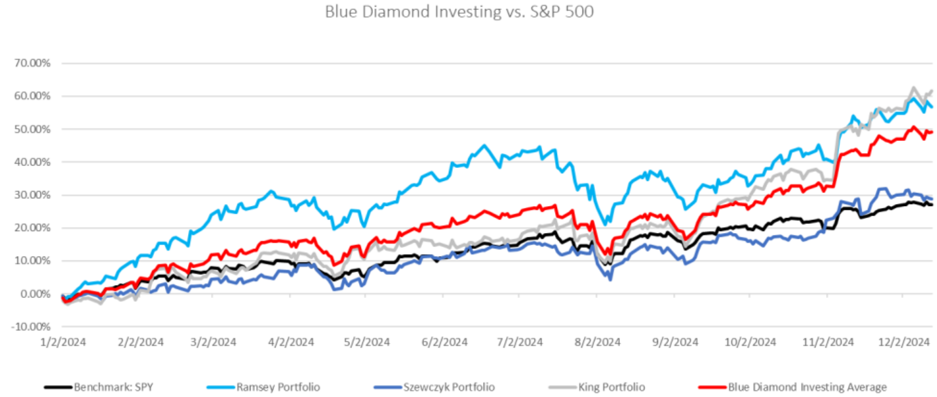
As we wrap up a full year of investing, we want to take a moment to thank you for joining us on this exciting journey. Last December, each of our team members shared their top 10 stock selections for 2024, carefully chosen with the conviction that these companies would thrive in the year ahead. Now, as the year draws to a close, it's time to assess how our recommendations performed.

In this report, we'll review how the portfolios of our three team members performed in comparison to the S&P 500, which returned 27.1% during the same period. We'll highlight the successes (and setbacks) of each team member's selections, explore the factors that influenced their performance, and most importantly, discuss how our subscribers might have benefited from this year's investment choices.

Whether your investment journey with us was one of gains, lessons, or a bit of both, we hope this year has provided valuable insights and reinforced your confidence in the potential of our strategies. Let's dive into the results, reflect on the lessons learned, and celebrate the wins as we look ahead to the opportunities that await.

2024 Performance Overview: Outperformance Across the Board

We are excited to report that **all three of our team members' portfolios outperformed the S&P 500 this year**. Of the 27 unique stocks selected, 14 outpaced the market, delivering an impressive average return of 94.12%. Notably, four of these stocks saw returns exceeding 150%. While five picks experienced negative returns, the overall performance of our selections was strong. Had you invested in all of our picks, you would have earned an average return of 49.05%, highlighting the strength and effectiveness of our strategy.

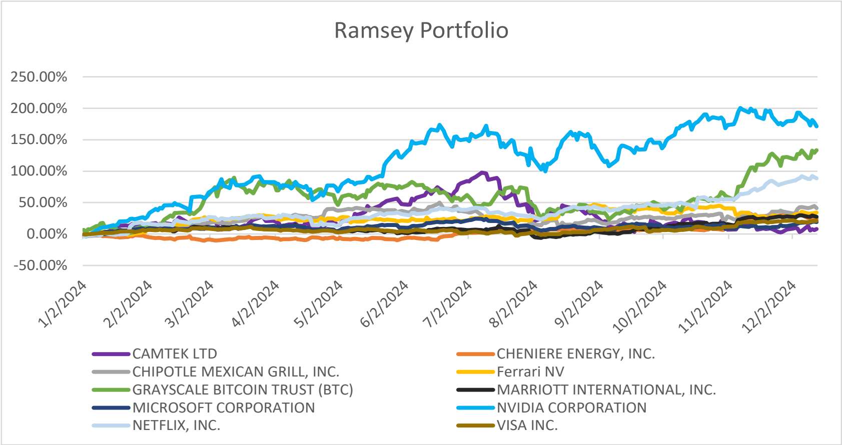


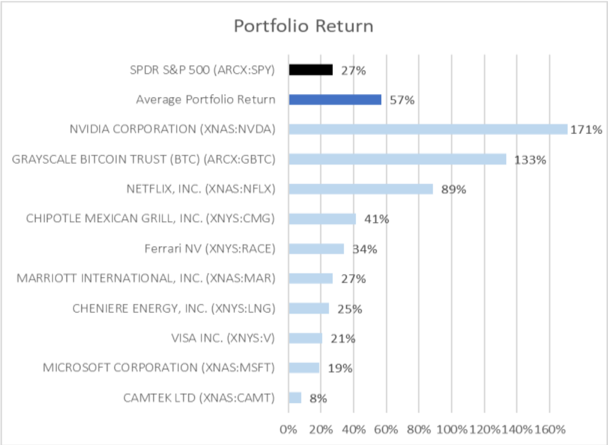
"More regulation is not the best answer to every problem"

-Jerome Powell

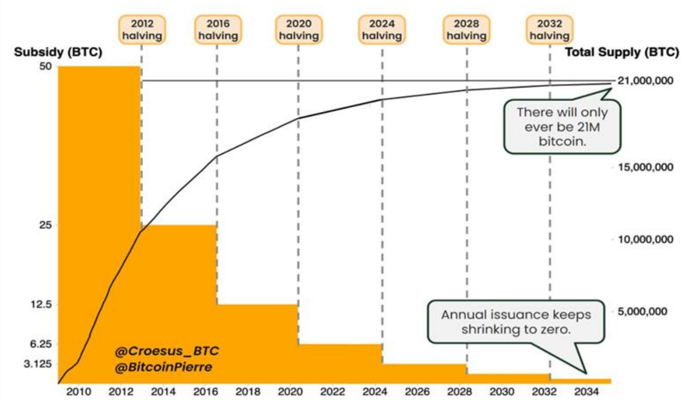
Notes from Jake:

2024 was a terrific year for the markets with gains largely fueled largely by an AI tech rally driving companies like Nvidia, Vertiv, and Amazon to all-time highs. As referenced in my top 10 picks for 2024, I believed we would see an extension of 2023's rally headed into a period of high growth driven by introduction of new technology that has the ability to impact every industry. It cannot be understated the reach this technology has with recent research suggesting 60% of the labor market will be impacted by AI and PwC stating GDP could be 14% higher by 2030 and as a result of AI. While I do not want this recap of 2024's performance to solely focus on this industry, it would be a disservice to not recognize how significant a few industry players pulled the market.





I am proud to announce that my top 10 picks averaged a return of 56.8%, more than doubling the S&P 500. Out of the 10 picks provided, 6 outpaced the S&P 500 return of 27.1%, suggesting the average was not heavily weighted by one company. This year started off strong with Bitcoin hovering at $42k in January and rallying to $71k in March driven by the introduction of Bitcoin exchange-traded funds (ETFs). These ETFs pulled in billions of dollars and created a buying spree in the crypto market. This rally then faded as we approached the halving in April of 2024 and turned our focus toward the US presidential election. Newly elected president Donald Trump's view on cryptocurrency added fuel to the fire as he expressed the wish to be known as an advocate of the community. He has promised to launch a strategic national crypto stockpile, similar to Strategic Petroleum Reserved created by President Ford in 1975. If President Trump follows through with a Bitcoin reserve, this would add further legitimacy to the cryptocurrency. Since the election, bitcoin added another 49% of gains and reached $100k, marking over 140% YTD gains.



A strong performer early on this year had been Camtek. I believed in a tech industry where complexity and costs are escalating, Camtek's role in providing advanced inspection and metrology solutions positioned it as a standout player. The stock rallied to all time highs, delivering 97% YTD gains by July; however, this quickly faded as geopolitical tensions in the Middle East continued to escalate. Camtek was impacted as the company's largest manufacturing facility is located in Israel, creating concerns about supply chain disruptions or even worse, impacts from missile attacks/bombings. Although investor concern seems to grow, the company consistently with 2024 sales expected to grow at 35.2% compared to 2023. Its newest Eagle G5 product is considered be top of the line and contribute to higher gross margins of 51% by 2025. With a recent cease fire occurring in late November between Israel and Hezbollah in Lebanon, this could be bullish news for Camtek and attract institutional investors once again. However, I believe there are better options in the industry that do not bring the same level of risk Camtek has; therefore, I rate this company as a HOLD and do not reinitiate a BUY rating at the current time.

Another tech whale that delivered throughout the year on my 2024 top 10 picks was Nvidia. Nvidia now makes up 6.93% of the S&P 500, placing only behind Apple's weighting of 7.17%. These two companies continue to compete for most valuable company in the world with Nvidia's market cap of $3.39 trillion shortly trailing Apple's $3.56 trillion. Nvidia impressed the globe with introduction of its newest AI superchip Blackwell which is twice as fast as its predecessor. In a world where speed and efficiency is key, Nvidia has a leg up on its competitors and it is reflected in its stock price. The company's stock is up 171% YTD, Q3 revenue +94% YoY, all while its forward P/E is at a respectable 33.4. When writing my 2024 top 10 report, I envisioned Nvidia being a strong performer, but did not expect this company to be worth over $3 trillion by 2024. The company is an absolute machine and any short-term dip has quickly been met with an influx of new capital propping the company back up to all time highs. While it is my #1 performer for 2024, I do believe we will see slightly slower growth from the super-giant compared to this year. There will be other winners in this sector with 2X growth, but I cannot foresee Nvidia climbing to $7 trillion in 2025. Come January 1st, I will be releasing my 2025 top 10 picks and will highlight what companies can replicate Nvidia's recent surge.

Netflix exceeded expectations despite initial concerns about potential subscriber loss following its crackdown on password sharing. It delivered a return of 89%+ over the last twelve months and has been a monster heading into the new year. The company further strengthened its market position by introducing a lower-priced, ad-supported tier and expanding into live event streaming. Notably, Netflix secured U.S. broadcast rights for the 2027 and 2031 FIFA Women's World Cups, marking a pivotal entry into live sports broadcasting. Moreover, the anticipated release of high-profile content, including new seasons of Stranger Things and Squid Game, is poised to drive subscriber growth and reinforce investor confidence.

Shifting from the tech sector to the restaurant industry, Chipotle once again demonstrated strong performance in 2024, delivering a solid 41% return for investors. The company has ambitious growth plans, aiming to double its locations by the end of 2030, as outlined by former CEO Brian Niccol in a February 2024 interview. While rapid expansion often raises concerns about maintaining food quality, which can diminish when scaling quickly, the company's performance so far suggests this goal is achievable. Chipotle's expansion plans are supported by solid financials, leadership's focus on automation, and operational efficiencies. It hopes to manage costs without resorting to further price increases which would ultimately upset customers. The rise of competitors like CAVA in the fast-casual sector, while offering a different type of cuisine, has led to some market share shifts. Nevertheless, Chipotle's strong brand and innovative approach continue to position it well in the industry. I look forward to seeing if the new CEO Scott Boatwright continues to ahead with Brian's expansion plan. I am excited to see what the team will implement over the next year and how these efforts will shape the company's trajectory.

KEY METRIC	2018	2023
Restaurant locations	2,491	3,437
Average annual volume per unit	$2 million	$3 million
Restaurant-level operating margin	18.7%	26.2%

Marriott International continues to demonstrate resilience and adaptability in 2024, supported by robust demand in leisure and business travel. The company has expanded its global footprint, with new property openings in key markets, including luxury and boutique brands that cater to diverse traveler preferences. Its stock returned 27.3% due to strong quarterly earnings, driven by rising occupancy rates and higher average daily rates. Marriott's investment in technology, including its revamped loyalty program, has enhanced customer engagement and retention, further strengthening its market position. The company's focus on sustainability, including commitments to net-zero emissions, has also resonated with environmentally-conscious travelers and investors alike.

Cheniere Energy has experienced a remarkable performance in 2024, supported by its critical role in supplying liquefied natural gas (LNG) to global markets amid heightened energy demands. Its stock price growth of 24.8% reflects growing investor confidence in its financial health and strategic execution. The company reported strong Q3 2024 results, with revenues of $3.8 billion and net income of $0.9 billion, surpassing market expectations. Cheniere's increased financial guidance for the year, with consolidated adjusted EBITDA projected between $6.0 billion and $6.3 billion, highlights its operational efficiency and market demand for LNG. Furthermore, the 15% dividend increase to $0.50 per share underscores Cheniere's commitment to shareholder returns. Strategic partnerships, expansions at key terminals, and a focus on reducing carbon emissions through innovative solutions like carbon capture technology have positioned Cheniere as a leader in the energy transition.

Among the more modest performers in my 2024 top 10 picks were Visa and Microsoft, delivering solid returns of 20.9% and 18.9%, respectively. I'm pleased to see these established companies continue to perform well, particularly considering their more mature market positions compared to high-growth names like Camtek or Nvidia. Visa's success in 2024 was driven by a 10% year-over-year increase in net revenue and record payment volumes. The company, with over 4.6 billion cards in circulation and operations across 150 million merchant locations, remains well-positioned for long-term growth. Visa's impressive 55.3% net profit margin underscores its leadership in the industry, and I see no signs of a slowdown. Its business model continues to demonstrate resilience and scalability.

While I had higher expectations for Microsoft's performance, I'm still pleased with its 18%+ return this year. The launch of Microsoft Copilot has proven to be a catalyst for productivity, with recent surveys showing that 70% of Copilot users reported increased productivity, and 68% noted improved work quality. For those unfamiliar, Copilot is Microsoft's suite of generative AI tools, including its search engine, coding assistant, and chatbot, powered by OpenAI's GPT model. After investing $10 billion in OpenAI, Microsoft integrated the technology into its products, yielding significant improvements. I've personally used Copilot in my own company and have seen firsthand its potential to enhance business operations. Given Microsoft's diversified revenue streams and consistent earnings growth throughout 2024, I remain confident in its long-term prospects.

Personal Note from the Founders:

I wanted to personally say thank you to all of those who subscribed and supported our company this year. I am very pleased with the performance we have delivered in 2024 and we envision big things ahead in 2025. Thank you for being an integral part of our journey. Here's to a future full of possibilities, and we're thrilled to have you with us every step of the way.

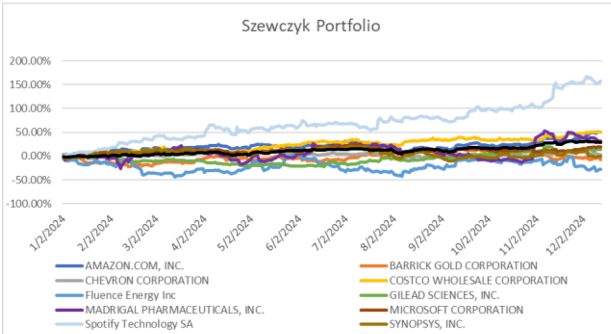
Jake Ramsey

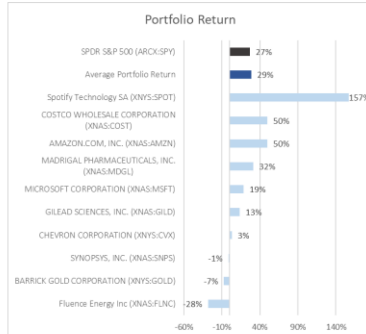
Thank you for your trust and support throughout this successful year. I sincerely appreciate your continued engagement and belief in what we're building together. Cheers to another year of picking winners!

Alex Szewczyk

Notes from Alex:

My consumer discretionary stocks Amazon and Costco were the anchor of my success with both steadily returning 50% on the year. AMZN beat revenue and EPS expectations in all 4 reported earnings calls for the year and it continued to show its dominance in cloud computing services through AWS. Costco had a mix of beats and misses, but investors remained confident in the company's ability to maintain strong foot traffic in its stores. They are also eagerly anticipating the potential upside from a long-awaited membership price hike. These two companies remain on my "only-sell-in-emergency" list and I think they should continue to be a part of your portfolio.





Now let's address what was holding my portfolio back all year. My worst performing stock was Fluence energy, which had the most volatile ride of any of my picks this year, ultimately dropping roughly 30%. In hindsight, betting on this company's novel energy storage technologies may have been a bit too pre-emptive as the they are still finding their financial footing with investors. Despite reporting record results for Q4 and FY24 across all major financial metrics – revenue, EPS, GAAP profit, net income, and adjusted EBITDA, to name a few – the stock dropped over 20% in one day, capping the rocky year with a terrible ending. One other external factor that worried investors was the election of President Donald Trump. The stock dropped 13% during election week due to concerns that alternative energy companies will be held back during the next administration.

On the other end of the energy spectrum, Chevron also had a forgettable year. This Dow Jones stalwart didn't have the turn around year that I expected. In hindsight, a value play like this wasn't the best recommendation in a year that returned 27% to investors but it would be a great play if you are expecting a down year. However, with the upcoming year unlikely to fit that profile, I would suggest exploring alternatives to this blue-chip for 2025.

My bet on mining company Barrick Gold (GOLD) was also a bit cryptic. The initial intent was a tangential bet on the precious metal (which did hit record highs and returned 28% on the year), combined with anticipated lower production costs. However, the stock never got its footing this year, despite multiple positive earnings, but I remain bullish on this company and think it's currently trading at a bargain. Synopsys was my final regrettable investment. It had initially gotten off to a hot start after a strong February earnings call that sent the stock climbing 20% by March. It continued this momentum fundamentally with public praise from NVDA's CEO, strategic acquisitions, increased AI chip demand and even some good earnings reports. However, it ultimately lost technical steam and ended the year where it began. The moral of my 2024 investing journey is that good earnings are rarely enough to please investors. Q1 2025 forecasts were somewhat subdued, and investors left the stock 10% cheaper in early December despite guiding on a backloaded year that reflected continued YoY growth. I believe this company is well-positioned for growth and poised to capture greater market share as AI chip production continues its steady rise. Furthermore, it stands to benefit significantly once synergies from its Ansys acquisition begin to materialize.

Spotify was my best performing stock on the year by far. Investors kept coming back for more as good news continued to roll in. The biggest plus was its balance sheet now reflects a firmly profitable business model, the focal point of investor uncertainty. In a year to remember for investors, they raised prices, increased subscribers, and continued to beat quarterly all year long. Additionally, the announcement that TikTok reported it was shutting down its music-streaming service also helped keep its momentum going. If my portfolio were to have a "wrapped" feature it would be sure to highlight Spotify's success that was immediate and sustained all year. Now, where the stock goes in 2025 may not be as one sided as it was for 2024; I wouldn't recommend buying now, but rate this a current HOLD if bought in early 2024.

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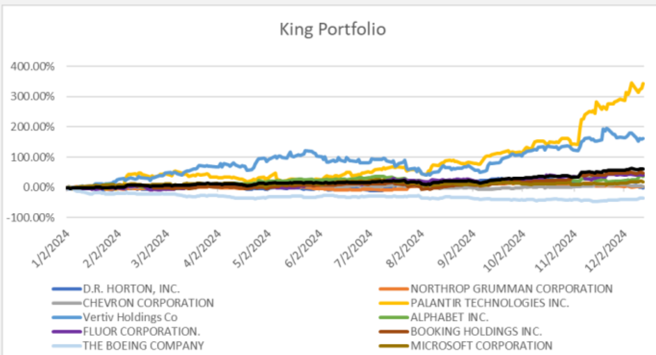
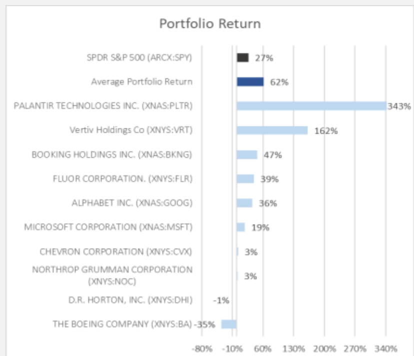
Notes from John:

In a year when nearly everyone has enjoyed seeing gains in their investment accounts, my top 10 pick portfolio has delivered extraordinary results, achieving a 62% return—more than double the S&P 500's growth. As 2024 draws to a close, it’s the perfect time to reflect on my portfolio’s performance and align my strategy for 2025.

At a high level, the portfolio’s returns highlight a highly successful selection of companies. However, a closer examination of key metrics reveals opportunities for refinement. While the cumulative gain is undeniably impressive, the portfolio lacked the diversity and breadth that could have enhanced its resilience and long-term potential. In the following analysis, I will explore areas for improvement in 2025 while identifying the winning strategies and decisions from 2024 that I plan to build upon.





I’ll start with the proverbial elephant in the room - Boeing was a terrible selection. It’s actually remarkable how successful my return was despite BA dropping 35% this year. In hindsight, my faith in Boeing was largely rooted in the premise that the company was being undervalued due to the negative publicity caused by quality concerns in 2023. Unfortunately, Boeing stock plummeted almost immediately in 2024 after a 737 Max 9 lost a door plug mid-flight on January 5th, which caused these models to be grounded for several weeks to follow. This was only the tip of the iceberg of bad news throughout 2024 as several FAA investigations ensued throughout the year and a Boeing whistleblower was found dead.

Fortunately, Boeing was the only pick that delivered significant negative YTD returns. Some of the other companies from my 2024 portfolio that significantly lagged the S&P include Northrop Grummon, Chevron and D.R. Horton, which all grew less than 10% this year. Chevron underperformed alongside its counterparts in the oil sector amid global uncertainty surrounding OPEC and the associated geopolitical tensions. It has also struggled in part due to lawsuits that have held up the Hess Corporation acquisition, pushing the closing back to sometime in 2025. D.R. Horton’s revenue came up significantly short of projections in 2024 and its stock price reacted accordingly. Although the Fed cut interest rates in September, the housing market continued to struggle this past year. These were two cases where, although I believed in the strong fundamentals of both CVX and DHI, negativity surrounding their respective industries was too strong to overcome.

Tech giants Microsoft and Google, though lagging the S&P 500, still had very successful years at 19% and 36% growth respectively. While some investors may feel like there was more to be desired for these industry leaders, I think it’s important to recognize how strong these returns are for companies so well-established with less room for rapid growth. And even after recognizing these still-impressive returns, some investors may feel there was meat left on the bone by choosing these companies instead of chasing the much steeper growing firms responsible for the S&P’s massive year. I would counter by emphasizing the importance of reinforcing a portfolio with stable, known commodities like Microsoft and Google, especially when that portfolio is made up of just a handful of companies.

While not as many companies in my 2024 portfolio outpaced the S&P as I would have liked, the ones that did had extremely successful returns. These companies more than made up for the laggards. As I forecasted last year, Fluor benefitted from increasing confidence amongst project developers and successfully executed several large scale power and energy projects. According to a Deloitte study, in 2024, the EPC industry experienced a gross revenue increase of 12% and its highest employment total since 2006 with 8.3 million people. One reason the EPC industry thrived in 2024 was the increase in datacenter development driven by the AI boom. McKinsey & Company reported that the U.S. increased its data center energy consumption by approximately 29 Terawatt-hours in 2024. A huge beneficiary of this rapid industry growth was my second-best performing company in 2024, Vertiv. As Vertiv was a major supplier of the critical digital infrastructure needed for these data centers, it has seen substantial growth in revenue during 2024, highlighted by over $2 billion in net sales during Q3. Giordano Albertazzi, Vertiv's CEO, has credited their increase in liquid cooling sales for their successful earnings this year.

Finally, the company that truly bolstered my 2024 portfolio was Palantir. The data analytics giant, which DPO'd in 2020, has grown 343% YTD. Thanks to this massive growth, Palantir not only joined the S&P 500 in September of this year, but also found themselves sitting comfortably in the index's top 5 performers shortly thereafter. Stop me if you've heard this before - the AI demand significantly contributed to this company's 2024 growth. Palantir's Artificial Intelligence Platform (AIP) has been its most highly demanded product as it allows AI to seamlessly analyze big data all in one tool. It's safe to say that with a P/E ratio currently at 63, Palantir is likely due for a minor pull back after a phenomenal year. That said, Palantir's business has still been fantastic, even if the stock price quadrupling is a bit more optimistic than the 30% revenue growth would suggest, to say the least.

Stepping back once again to look at my portfolio from a higher level, it's easy to see a striking takeaway from the 2024 results. I had invested in companies that were fundamentally flawed, but in industries that were poised to do well. Conversely, I had invested in companies that were fundamentally solid, but belonged to an industry that struggled. Ultimately, the big winners from this past year were the companies whose fundamentals were as strong as the industries in which they resided. Overall, I'm thrilled with my portfolio's returns, and I'm happy for anyone who decided to invest with me.

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