

2025 Power Portfolio: 10 Stocks You Can't Ignore

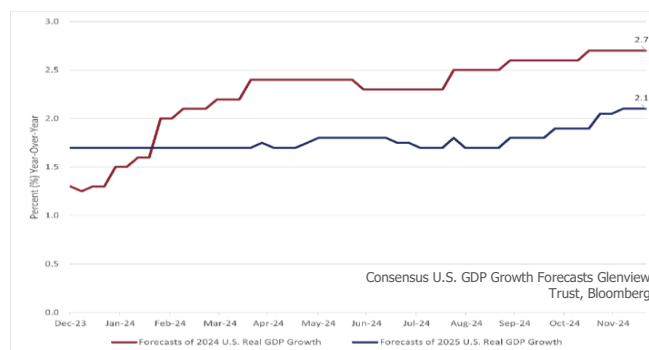
January 1, 2025

Outlook for 2025

2024 was a stellar year for the S&P 500 and NASDAQ 100 which posted gains of 24.0% and 27.2% respectively. Subsequently, my [top 10 report](#) from 2024 delivered an average return of 52.9%, highlighting my ability to find undervalued picks. Last year had been fueled largely by everything AI, whether it be data centers, chip makers, etc. and I believe this sector has potential to deliver phenomenal gains once again, but big names like Nvidia are hard to justify at this price point. Therefore, I have selected a top 10 list of my favorite stocks for 2025 which I believe are all outperformers.

There are several uncertainties for the year of 2025 ranging from the number and magnitude of Federal Reserve interest rate cuts, expected GDP growth, and future policies enforced by the Trump administration after winning the 2024 US presidential election. All these unknowns combined with heavy momentum in the AI and quantum computing space have made me shift a portion of my own balances from tech into a more diversified portfolio. On December 18th, the Fed decided to cut interest rates by another 0.25%, leaving the target rate at 4.25-4.50%. The next meeting will occur in January but Jerome Powell, chairman of the Federal Reserve, wants to see more economic data before another cut. Fed fund futures have two rate cuts baked in for 2025 as the most likely outcome; however, these estimates are not always correct as we saw last year.

GDP is expected to grow closer to about 2% for 2025, down from roughly 3% in 2024. While this is a decrease YoY, it is still in line for the US long term growth rate of 2%. We are also seeing a consistent increase in employment as well as higher consumer



spending, all supporting the anticipated 2% GDP growth. One of the larger questions is how will Trump's policies impact job growth. Immigrants have allowed businesses to grow as small companies often use low wages to enable higher margins to survive against industry titans. If Trump truly does tighten immigration policy and enforce deportation, we could see the economic growth rate decrease as less growth would be enabled.

“History provides a crucial insight regarding market crises: they are inevitable, painful and ultimately surmountable.”

- Shelby M.C. Davis

Amazon: (NASDAQ: AMZN)

While many of the magnificent seven companies may make a strong investment in 2025, I believe that Amazon holds the upper ground as it has numerous revenue streams where I see potential growth. Amazon's flagship revenue stream is its online retail presence which brings in 50% of its business; however, AWS (Amazon Web Services) accounts for 18%. While there is increased competition from Walmart & Shopify, I believe Amazon has a hold on its prime members with exceptional logistics and the ability to source almost any item you could need. AWS remains a leader in the fast-growing cloud services market, delivering high-margin revenue. The company's focus on innovation, from AI tools to healthcare initiatives, ensures continued expansion into lucrative markets. While its e-commerce margins remain thin, efficiency improvements and growth in Prime memberships boost profitability of the company. Its healthcare segment of the business allows consumers to schedule video or message appointments with a doctor at a low "per-visit" price. This service launched over a year ago but I think this could be a market that is in need of a overhaul. The unit is expected to lose \$1B this year; however, Amazon is projecting its revenue to increase 30% to \$3B. Healthcare has become unaffordable for many of Americans; if a brand name like Amazon can deliver consistently in this space, I could see this revenue stream increasing to 5-8% within 3 years.



Apollo Global Management: (NYSE: APO)

Apollo Global Management stands as a dominant force in alternative asset management, thriving amid surging demand for diversified investment solutions. With a portfolio encompassing private equity, credit, and real estate, Apollo demonstrates remarkable resilience across market cycles. Its asset-light business model not only generates robust cash flows but also provides the flexibility to seize high-yield opportunities. The firm's innovative expansion into technology and infrastructure further underscores its growth trajectory.

As of June 30, 2024, Apollo's Assets Under Management (AUM) reached an impressive \$696 billion, with leadership forecasting a leap to \$1.5 trillion by 2029, largely driven by its flourishing origination business. CEO Marc Rowan confidently stated, "In an industry where we believe the capacity to originate good assets is the key to success, Apollo is playing to win." This bold vision, paired with Apollo's track record of performance, positions it as a standout contender in the market and a cornerstone pick for 2025.

The company's recent inclusion in the S&P 500 on December 23 further elevates its profile. This milestone typically triggers the "Index Effect," where ETFs and index funds purchase shares to align with the S&P 500, often driving up share prices. Apollo's

Top 10 Diamond Picks

Amazon

- Ticker: AMZN
- Price: \$219.39
- Market Cap: \$2.31T
- Industry: Internet Retail

Apollo Global Management

- Ticker: APO
- Price: \$165.16
- Market Cap: \$93.5B
- Industry: Asset Management

Arista Networks

- Ticker: ANET
- Price: \$110.53
- Market Cap: \$140.4B
- Industry: Information Technology

ASML Holding

- Ticker: ASML
- Price: \$693.08
- Market Cap: \$280.0B
- Industry: Semiconductors

Cameco Corp

- Ticker: CCJ
- Price: \$51.39
- Market Cap: \$22.4B
- Industry: Uranium

Costco Wholesale Corp

- Ticker: COST
- Price: \$916.27
- Market Cap: \$406.7B
- Industry: Diversified Retail

Fair Issac Corp

- Ticker: FICO
- Price: \$1,990.93
- Market Cap: \$48.5B
- Industry: Technology Services

Intuitive Surgical

- Ticker: ISRG
- Price: \$521.96
- Market Cap: \$185.9B
- Industry: Biotechnology

Palo Alto Networks

- Ticker: PANW
- Price: \$181.96
- Market Cap: \$119.4B
- Industry: Technology Services

Visa:

- Ticker: V
- Price: \$316.04
- Market Cap: \$620.0
- Industry: Payment Technology

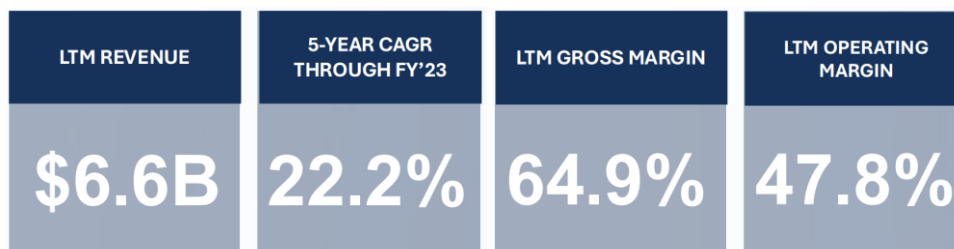
addition to the prestigious index not only validates its market leadership but also enhances its appeal to institutional investors. With a unique edge in the market and accelerating momentum, Apollo is well-positioned for sustained success in the years ahead.

Arista Networks: (NYSE: ANET)

Arista Networks is a powerhouse in high-performance cloud networking solutions, playing a crucial role as a partner for tech giants like Microsoft and Amazon. The company's commitment to scalable and efficient technology gives it a competitive edge in the growing data center market. A key driver of Arista's growth is the adoption of 400G Ethernet, a next-generation networking technology that enables fast data transfer speeds. 400G Ethernet is the infrastructure backbone allowing massive amounts of data to move at speeds critical for supporting modern applications like AI, gaming, and streaming—think of it as upgrading from a two-lane road to a highway for data.

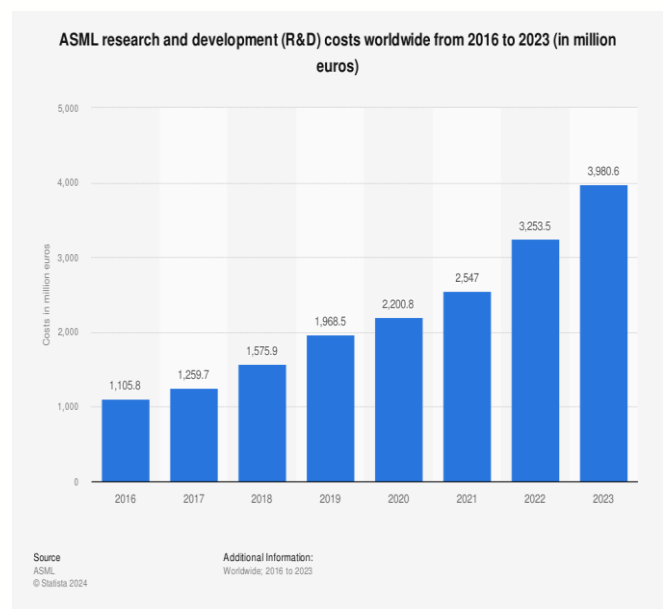
Arista's ability to consistently innovate and deliver superior products has led to strong long-term relationships with major cloud providers and enterprises, creating reliable and recurring revenue streams. The company's focus on research and development keeps it ahead of competitors, even in this competitive industry. With a strong balance sheet and expanding opportunities in AI-driven networking and quantum computing, Arista is well-positioned to benefit from the explosive growth in cloud computing and AI technologies.

In addition, Arista recently completed a 4-for-1 stock split on December 4, reducing the share price to \$110.53 and making it more accessible to investors. Historically, companies executing stock splits have outperformed the broader market, with an average return of 25.4% compared to the S&P 500's 11.9% since 1980. This strategic move not only broadens Arista's investor base but signals management's confidence in its long-term growth trajectory. For those seeking to invest in the infrastructure powering the AI and cloud revolution, Arista Networks is a top choice of mine.



ASML Holding: (NASDAQ: ASML)

ASML Holding is one of the largest players in the Semiconductor industry, yet many are unfamiliar with the company. In a recent Investor Relations presentation from November '24, it quotes "We expect that our ability to scale EUV technology into the next decade and extend our versatile holistic lithography portfolio could place ASML at the heart of the AI opportunity." As the only supplier of EUV technology, ASML enjoys unparalleled pricing power and market dominance. Many companies who hold a significant edge over competitors may just coast as consumers don't have many choices that could replace a product like ASML's EUV technology, however, this is not the case for ASML. The company continues to ramp up its R&D, suggesting it wants to stay leaps away from competitors and develop more cutting edge products.



There are a few concerns about forward guidance as the company updated its 2025 revenue forecast from a range of \$31-\$41B to \$31-\$36B. A large driver is lower Chinese revenue as it is expecting growing export restrictions to reduce the amount of sales in this region. However, I believe that although lower Chinese sales will occur, ASML's robust balance sheet and improving margins can lead to a fantastic next 5 years as the company continues to innovate. Shares are down 37% from all-time-highs set back in July of 2024 and I could see a rapid recovery in the first half of 2025. For investors seeking a technology leader with high barriers to entry and growing dividends, ASML is unmatched.

Cameco Corp: (NYSE: CCJ)

Cameco Corporation is one of the world's largest uranium producers, supplying the nuclear fuel essential for generating carbon-free nuclear power. With 440 nuclear reactors currently in operation globally, 94 of which are in the United States and an additional 60 under construction, the demand for clean 24/7 energy is undeniable. Nuclear power is increasingly recognized as a critical solution for achieving global decarbonization goals. Cameco, with over 60 years of experience in uranium mining, has weathered industry-defining events like Fukushima, Three Mile Island, and Chernobyl, demonstrating its resilience and commitment to safety. As technological advancements make nuclear power safer and more efficient, the question is no longer if nuclear energy will play a pivotal role in the clean energy future, but when.

Cameco's diversified business model sets it apart. Beyond mining, the company refines uranium, holds a significant stake in Westinghouse—an industry leader in nuclear power plant construction—and actively participates in various facets of the nuclear energy value chain. Geographically, Cameco is well-diversified, with projects in uranium-rich regions like Canada, Australia, and the U.S., mitigating risks associated with any single government or market.

The company's strong emphasis on ESG (environmental, social, and governance) principles aligns with the priorities of environmentally conscious investors, positioning it as a leader in the global energy transition. With a robust balance sheet, a well-diversified portfolio, and exposure to an industry poised for growth, Cameco offers significant upside potential for those looking to invest in the future of clean energy.

Costco Wholesale Corp: (NASDAQ: COST)

Costco is a household name in the United States and continues to make significant strides in establishing a global presence. Its expansion into new markets, including Southeast Asia, represents a major growth opportunity that could drive substantial revenue for years to come. The company's proven membership-based model is a cornerstone of its success, with membership fees accounting for a consistent and significant portion of its income. This model, combined with exceptional customer loyalty as evidenced by a remarkable renewal rate of 90.4%, creates a stable and predictable revenue stream. Recent investments in supply chain efficiency further enhance Costco's competitive edge, ensuring its ability to deliver value to customers and shareholders alike.

77.4M Paid Memberships,
+7.6% growth YoY

However, Costco's valuation remains a concern. At a P/E ratio of 53, investors are pricing in significant growth expectations. If the company falls short of its ambitious global expansion targets, it could face a notable sell-off. That said, Costco's disciplined approach and strong leadership inspire confidence. The company's plan to add 26 new warehouses in 2025, 12 of which will be international, highlights its commitment to steady and measured growth. These additions will bolster its current base of 890 locations, ensuring a broader global footprint.

As a testament to its long-term reliability, Costco's model resembles the durability and consistency of a Toyota Tundra—slow, steady, and built to last. It's a calculated play for investors seeking exposure to a resilient and expanding retail powerhouse.

Fair Issac Corp: (NASDAQ: FICO)

Fair Isaac Corp (FICO) is a dominant data analytics company that specializes in two segments: Scores and Software. FICO's primary focus is on providing businesses and organizations with software solutions and services that enable a company to harness the power of analytics to optimize, automate, and connect decisions to achieve business performance. Its popular credit scoring model, FICO Score, is used amongst 90% of the top 100 largest U.S. lenders and is a leader in the industry.

FICO (Continued)

These lenders use the company's credit scoring model to assess credit worthiness of consumers, in fact 98.8% of total U.S. Securitizations solely cited FICO Scores as a credit risk measure. Fair Isaac Corporation's FICO Score is used to determine 65% of all credit card application decisions with financial institutions. One revenue stream the company has is charging institutions fees for accessing the credit reporting system. The company continuously releases new versions of its model with different weightings compared to previous models. For example, the FICO Score 9 considers rent payments, unlike the FICO Score 8, which does not include this factor in its calculation. However, it's important to note that not all landlords report rent payments to credit bureaus. Additionally, Fair Isaac Corporation has the capacity to develop customized scoring models tailored to the unique requirements of clients across different industries.

Despite a slight miss in its June 2024 earnings, FICO remains positioned for long-term growth. Revenues increased by 16% year-over-year, and profit margins expanded, reflecting operational efficiency. The company's ability to integrate AI and machine learning into its analytics solutions ensures continued innovation, while its strong relationships with major financial institutions provide a stable foundation for growth.



Intuitive Surgical: (NASDAQ: ISRG)

Robotic surgery has revolutionized healthcare, and Intuitive Surgical's da Vinci system stands at the forefront of this transformation. This state-of-the-art technology enables minimally invasive procedures, helping patients recover faster, experience less pain, and be discharged from the hospital in a fraction of the time compared to traditional surgeries. The da Vinci system has been embraced worldwide, with more than 60,000 surgeons trained on it and over 10 million procedures successfully completed to date. This cutting-edge platform allows surgeons to operate with unparalleled precision in spaces where traditional methods would require larger incisions, leading to better patient outcomes. For instance, the da Vinci system boasts a 98% success rate in gallstone removal, significantly outperforming the 70% success rate of traditional laparoscopic approaches.

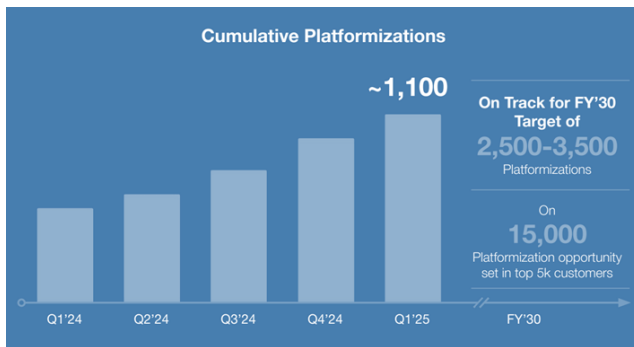
Intuitive Surgical benefits from a high-margin, recurring revenue model, as hospitals depend on the company's instruments, accessories, and maintenance services for their robotic systems. This creates a reliable income stream and positions the company for sustained growth. With the global healthcare market increasingly adopting robotic solutions, Intuitive Surgical is well-poised to capitalize on this trend.

Several macroeconomic factors amplify its growth potential. The world's aging population is driving demand for precision surgeries, while advancements in robotics technology enable an ever-expanding array of procedures, from urology to cardiology. Intuitive Surgical's relentless focus on innovation ensures it remains the leader in its field, with the development of next-generation robotic systems and expanded procedure capabilities. There is no doubt in my mind that robotic assisted surgeries are here to stay and Intuitive has been a leader for decades. A strong revenue model combined with stronger margins make me place this company as one of my favorite top 10 picks for 2025.



Palo Alto Networks: (NASDAQ: PANW)

Palo Alto Networks (PANW) is at the forefront of a transformative trend in cybersecurity: platformization. This strategy consolidates fragmented security tools into unified platforms, enabling organizations to simplify management, reduce training costs, and enhance overall security effectiveness. The company's pivot toward platformization has reshaped its product offering, reducing reliance on disparate point solutions that can lead to inefficiencies. This approach positions Palo Alto as a leader in an industry where customers demand streamlined, cost-effective, and comprehensive cybersecurity solutions.



The shift to a subscription-based revenue model has bolstered revenue stability and visibility. Palo Alto's investments in AI-driven security solutions and cloud-based offerings have made it a go-to partner for enterprises navigating modern cybersecurity challenges. The company's M&A strategy, including strategic acquisitions like Expanse and Demisto, has further strengthened its capabilities, integrating features like threat detection, response automation, and expanded visibility into its ecosystem.

Palo Alto's financial performance underpins its strategy's success. As of October 31, 2024, the company had 1,100 platformized customers, a 6% annual recurring revenue (ARR) increase among this group. By fiscal 2030, it expects to grow this number to between 2,500 and 3,500 platform customers, demonstrating the long-term potential of its model. Additionally, Palo Alto's gross margin of 74.09% reflects the profitability of its high-value offerings. With Cybercrime costs projected to reach \$10.5 trillion annually by 2025 and Palo Alto's push for continued innovation, I believe we could see a stellar year from this company.

Visa: (NYSE: V)

Visa remains a dominant force in payment technology, making it a compelling investment opportunity for 2025. With an outstanding gross profit margin of 81.11% and a net profit margin of 55.3%, Visa demonstrates operational efficiency and profitability, standing out as a reliable choice in the digital payments space.

Analysts anticipate 8.9% annual revenue growth over the next five years, underpinned by Visa's expanding market share and leadership in innovative payment solutions. These projections highlight the ability to thrive amid the ongoing shift towards digital and cashless transactions. Visa has also returned value to shareholders through \$16.7 billion in share buybacks, underscoring management's confidence in the company's intrinsic value. Additionally, a 0.75% dividend yield provides investors with steady income alongside long-term growth potential. For these reasons, I have once again added Visa to my top 10 picks for 2025.

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