

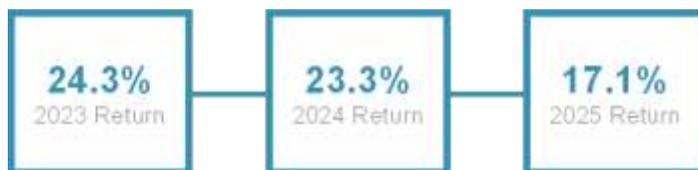
## Top 10 Picks: Market Leaders Built to Endure

January 1, 2026

### Outlook for 2026

The U.S. stock market in 2025 was another reminder that straight-line years are the exception, not the rule. Markets spent much of the year reacting to policy headlines, trade tensions, and shifting rate expectations, with a sharp spring selloff briefly pushing equities into a double-digit drawdown. That pullback felt uncomfortable at the time, but it proved temporary. Policy reversals, easing financial conditions, and resilient corporate earnings helped fuel a rebound and allowed U.S. stocks to finish the year higher despite volatility along the way.

S&P leaders remained narrow but powerful. Mega-cap technology and AI-linked businesses continued to absorb the majority of capital flows which were supported by strong free cash flow and clear competitive advantages. At the same time, select industrials, defense, and infrastructure-exposed names quietly delivered strong returns as fiscal spending and geopolitical realities reshaped investment priorities. Small and mid-cap stocks lagged early but conditions began to improve later in the year as rate pressures eased. Overall, 2025 rewarded patience, discipline, and a willingness to stay invested during periods of uncertainty.



Heading into 2026, the investment landscape looks more constructive but not without new variables. Inflation remains a moving target and markets will need to adjust to a new Federal Reserve leadership team as Chair Powell's term comes to an end. A Fed transition introduces uncertainty around how aggressively policymakers respond to inflation versus market stress. However, financial conditions have eased and the worst-case scenarios that dominated headlines earlier in 2025 have largely faded.

I expect 2026 to be a year where fundamentals reassert themselves. Earnings growth, balance-sheet strength, and pricing power should matter more than macro narratives or short-term sentiment swings. Valuation dispersion remains wide which allows for opportunities beyond the most crowded trades. Volatility is unlikely to disappear but for long-term investors, it should continue to create attractive entry points.

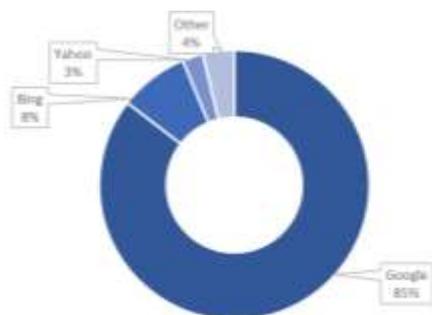
**"Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves."**

**- Peter Lynch**

## My Top 10 Picks

### Alphabet (NASDAQ: GOOGL)

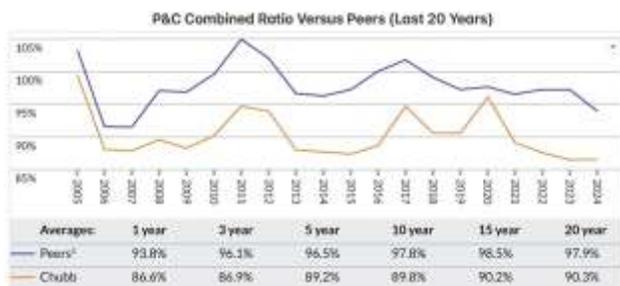
Alphabet stands apart among the Magnificent Seven due to its rare ability to generate multiple, distinct platform-scale successes over time. Search, mobile, and cloud represent three separate “winning tickets”, while most companies are lucky to obtain one. Google Search remains the global gateway to information, commanding roughly 85% market share and generating enormous free cash flow through high-margin advertising. Android, meanwhile, dominates global smartphone operating systems, ensuring Alphabet’s services remain embedded across billions of devices. Google Cloud, once viewed as a distant third, has now reached sustained profitability, with operating margins steadily expanding as enterprise adoption accelerates.



Alphabet is also uniquely positioned across all four layers of the AI stack: proprietary foundation models (Gemini), custom silicon (TPUs), cloud infrastructure, and consumer-facing AI applications integrated into Search, Workspace, and YouTube. This vertical integration lowers costs while accelerating innovation. YouTube itself is one of the most valuable media assets in the world, generating tens of billions in annual revenue and benefiting from secular shifts toward streaming, creator monetization, and connected TV advertising. With a fortress balance sheet, over \$100B in cash and marketable securities, and consistent double-digit free cash flow growth, Alphabet remains a core long-term compounder heading into 2026.

### Chubb (NYSE: CB)

Chubb is widely regarded as one of the highest-quality property and casualty insurers globally, distinguished by disciplined underwriting and superior risk management. Its industry-leading combined ratio of roughly 86% in both 2023 and 2024 (industry average near 96%) demonstrates an exceptional ability to price risk profitably. Even during industry stress events, such as the California wildfire-related losses in early 2025 that pushed many peers above breakeven levels, Chubb maintained a combined ratio under 100, reinforcing its conservative underwriting culture.



## Top 10 Hidden Engines

### Alphabet Inc.

- Ticker: GOOG
- Price: \$219.39
- Market Cap: \$3.8T
- Industry: Technology

### Chubb Ltd.

- Ticker: CB
- Price: \$165.16
- Market Cap: \$123B
- Industry: Insurance

### Corning Inc.

- Ticker: DUOL
- Price: \$916.27
- Market Cap: \$57.1B
- Industry: Technology

### JPMorgan Chase

- Ticker: JPM
- Price: \$110.53
- Market Cap: \$889.0B
- Industry: Finance

### Netflix Inc.

- Ticker: NFLX
- Price: \$693.08
- Market Cap: \$428.3B
- Industry: Entertainment

### nVent Electric

- Ticker: NVT
- Price: \$51.39
- Market Cap: \$16.6B
- Industry: Electrical Infrastructure

### Prysmian

- Ticker: PRYMY
- Price: \$1,990.93
- Market Cap: \$25.6B
- Industry: Energy Infrastructure

### ServiceNow

- Ticker: NOW
- Price: \$521.96
- Market Cap: \$161.4B
- Industry: Software

### Shopify Inc.

- Ticker: SHOP
- Price: \$181.96
- Market Cap: \$210.5T
- Industry: E-Commerce

### Taiwan Semiconductor

- Ticker: TSM
- Price: \$316.04
- Market Cap: \$1.3T
- Industry: Semiconductors

The company's scale, geographic diversification, and focus on high-net-worth individuals and commercial clients allow it to generate consistent underwriting profits across cycles. Notably, Berkshire Hathaway's continued accumulation of Chubb shares over the past two years serves as a strong external validation of management quality and long-term economics.

### **Corning** (NYSE: GLW)

Corning is a critical enabler of global connectivity, serving as the largest producer of optical fiber in the world. Its proprietary manufacturing processes, developed over decades, create significant barriers to entry, making its fiber production capabilities nearly impossible to replicate at scale. Corning's role in optical infrastructure is often compared to ASML's role in semiconductor lithography: indispensable, technologically complex, and strategically irreplaceable.

Corning's financial profile reflects this strength. In third-quarter 2025, the company reported GAAP sales of approximately \$4.10 billion and core sales of \$4.27 billion, marking about 14% year-over-year revenue growth and 24% growth in core EPS to \$0.67. Operating margins expanded toward nearly 19.6%, inching close to the company's target of 20% ahead of schedule. During the quarter, Optical Communications net sales of roughly \$1.65 billion represented a 33% increase versus the year-ago period, with enterprise sales up 58%, highlighting strong demand for Gen AI-optimized fiber solutions.



With hyperscalers and enterprise customers racing to upgrade connectivity to handle AI-driven workloads, Corning benefits from both volume growth and a richer product mix. Combined with steady cash generation from its display and specialty materials businesses, and a strong balance sheet supporting ongoing investments in innovation, Corning offers a blend of cyclical upside and long-term secular growth heading into 2026.

### **JPMorgan Chase** (NYSE: JPM)

JPMorgan Chase is the gold standard of global banking, anchored by exceptional leadership under Jamie Dimon, widely regarded as one of the most effective CEOs of the 21st century. The firm's diversification across consumer banking, investment banking, asset management, payments, and commercial lending creates resilience across economic cycles. No other bank combines JPM's scale, global reach, and operational discipline, allowing it to consistently gain market share during periods of stress.



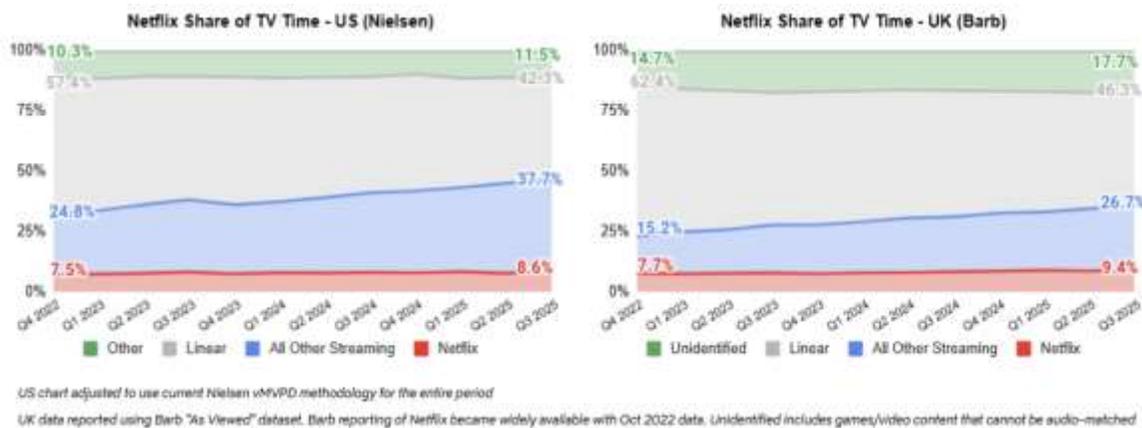
Financially, JPMorgan continues to deliver best-in-class returns with return on equity approaching 17% in 2024, far exceeding most global peers (many of which remain in the low to mid-teens). JPM's efficiency remains a key differentiator with an efficiency ratio in the mid-50% range, reflecting disciplined cost control even as the firm continues to invest heavily in technology and talent.

Balance sheet strength further reinforces this durability. JPM ended 2024 with a Common Equity Tier 1 (CET1) ratio around 15% and maintained one of the strongest liquidity profiles in the global banking system with hundreds of billions of dollars in excess liquidity. As consolidation continues across financial services, JPM's unmatched scale combined with its disciplined risk culture and consistent capital returns through dividends and share repurchases positions it as a durable compounder for years ahead.

## Netflix (NASDAQ: NFLX)

Netflix remains the undisputed leader in subscription video-on-demand, with over 300 million global subscribers and a singular focus on content creation and distribution. Unlike competitors whose streaming services are secondary to other businesses, Netflix's entire organization is optimized around maximizing engagement, retention, and monetization. More than 50% of its library now consists of original content, giving the company control over intellectual property.

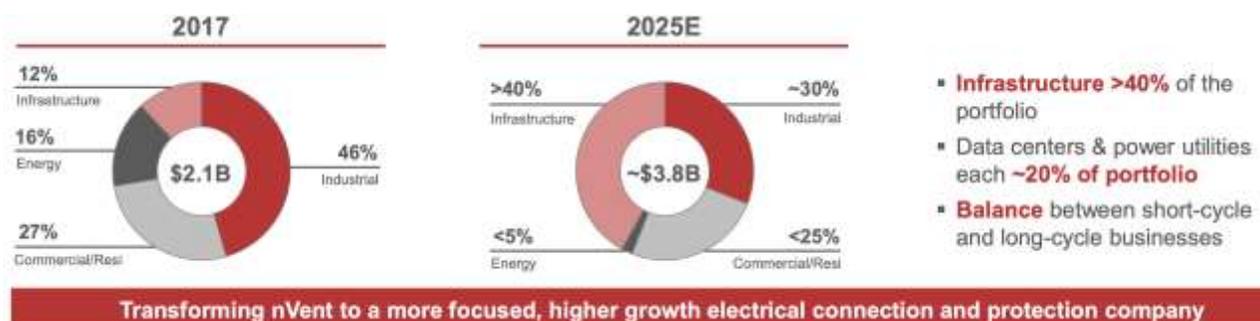
Growth remains robust, with 17% year-over-year revenue growth in Q3 2025, alongside record-high viewing share in key markets like the U.S. and UK. Netflix is also expanding beyond traditional streaming into live sports, movie premieres, and premium video podcasts beginning in 2026. The rollout of the Netflix Ads Suite, after ad revenue doubled in 2025, adds a powerful incremental growth lever with high-margin potential. As pricing power, advertising, and content efficiency converge, Netflix is well positioned for sustained earnings expansion.



## nVent Electric (NYSE: NVT)

nVent is a direct beneficiary of the massive, multi-year global investment cycle in grid modernization and electrification. The company specializes in protection, control, and electrical infrastructure solutions that are essential for upgrading aging power systems and integrating renewable energy. Its portfolio of trusted brands, including Erico, Hoffman, and Trachte, gives it strong customer relationships across industrial, commercial, and utility end markets.

Financial momentum has accelerated meaningfully, with nVent surpassing \$1 billion in quarterly revenue for the first time in Q3 2025, representing 35% year-over-year growth. As grid complexity increases and reliability becomes more critical, nVent's specialized infrastructure products should see durable demand through 2026.



As the chart above indicates, nVent's portfolio has drastically transformed over the past decade with a heavy emphasis placed on the infrastructure sector. This aligns with the overall growth of the electrical protection and control demand across the nation, showing that nVent is willing and able to adapt to new markets and have a modern portfolio of products.

## Prysmian (OTC: PRYMY)

Prysmian is a global leader in the design, manufacturing, and installation of cables for power transmission and distribution, an increasingly critical role as energy demand rises and grids undergo modernization. The company holds the largest market share in submarine cables, which are vital for many of the latest grid upgrade designs. These projects carry high technical complexity and long lead times, creating strong competitive moats.

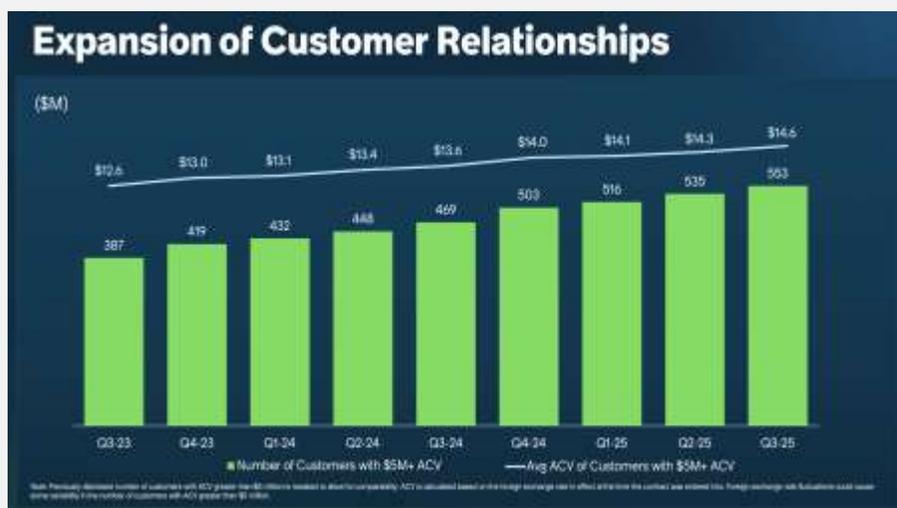
In Q3 2025, Prysmian delivered 39% organic growth in transmission markets, reflecting accelerating investment in high-voltage and long-distance power infrastructure. As governments and utilities expand renewable capacity and reinforce grid resilience, Prysmian stands to benefit from a long runway of structurally driven demand, strong backlog visibility, and expanding margins into 2026.



## ServiceNow (NASDAQ: NOW)

ServiceNow represents a high-quality SaaS platform temporarily out of favor, having declined roughly 27% during 2025, creating an attractive entry point. The company's workflow automation software is deeply embedded within enterprise operations, leading to exceptional customer stickiness. This is reflected in a Net Revenue Retention rate of 124%, meaning existing customers consistently expand their usage year after year.

Profitability metrics are equally attractive. Subscription gross margins consistently range between 77% and 80%, among the highest in enterprise software, while operating leverage continues to improve as the company scales. ServiceNow generates strong free cash flow, with free cash flow margins in the mid-to-high 20% range, supporting ongoing investment in R&D, AI capabilities, and go-to-market expansion. The balance sheet remains robust, with billions in cash and minimal net debt, providing flexibility for acquisitions and shareholder returns.



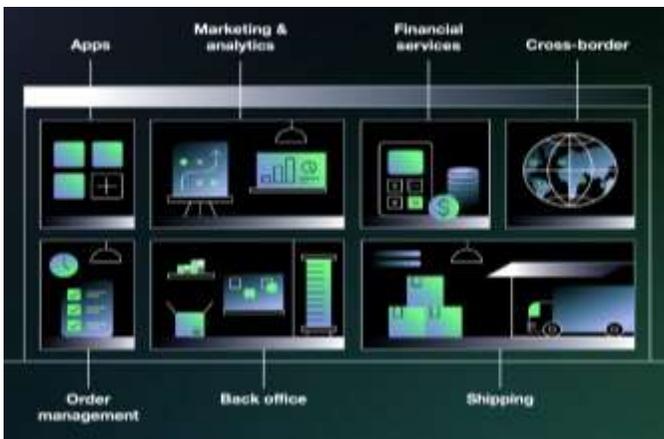
As AI-driven automation becomes central to enterprise productivity and cost control, ServiceNow's platform is positioned to become even more critical. Its generative AI and workflow intelligence offerings enable customers to automate complex processes, reduce manual work, and improve service outcomes which increase platform value and switching costs. With durable growth, best-in-class margins, strong cash generation, ServiceNow appears well positioned for a meaningful rebound heading into 2026.



## Shopify (NASDAQ: SHOP)

Shopify has evolved into a comprehensive operating system for small and mid-sized businesses, offering an integrated suite spanning website creation, payments, logistics, and analytics. This “one-stop-shop” approach allows merchants to retain full control over branding, pricing, and customer relationships, an increasingly important distinction compared to marketplace-driven alternatives like Amazon.

From a financial standpoint, Shopify’s asset-light operating model remains a key advantage. Gross margins remain in the low-to-mid 50% range while disciplined cost control and revenue scale have driven meaningful improvements in operating leverage. The company has transitioned into a phase of sustained free cash flow generation with free cash flow margins expanding as fixed costs grow more slowly than revenue. Shopify’s balance sheet is also a strategic strength and supported by billions of dollars in cash and marketable securities with minimal debt, providing flexibility to invest in product innovation and ecosystem expansion.



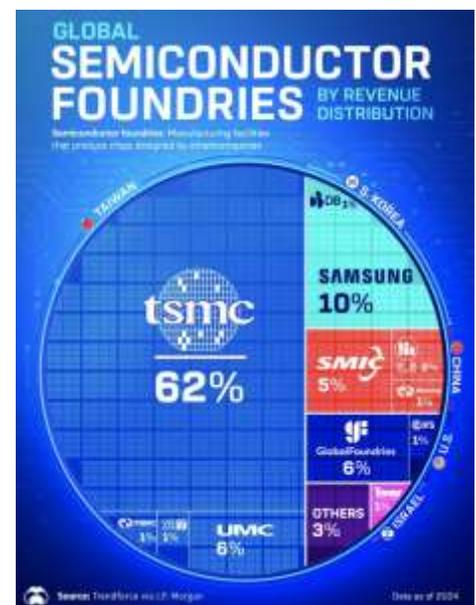
Growth remains robust with 32% year-over-year gross merchandise volume (GMV) growth in Q3 2025, reflecting both continued merchant acquisition and higher monetization per merchant.

As global entrepreneurship, social commerce, and direct-to-consumer models continue to gain share, Shopify is well positioned to benefit from long-term secular tailwinds. Its expanding ecosystem, rising merchant sophistication, and improving profitability profile position the company for continued margin expansion and durable growth, reinforcing Shopify’s status as a long-term winner heading into 2026.

## Taiwan Semiconductor Manufacturing (NASDAQ: TSM)

TSMC is the backbone of the global semiconductor industry, commanding approximately 72% market share in pure-play foundry manufacturing. Its technological leadership enables it to produce the most advanced chips used by customers such as Nvidia, AMD, and Apple, companies at the forefront of AI, high-performance computing, and mobile innovation. No competitor currently matches TSMC’s combination of scale, yield, and process sophistication at leading-edge nodes. This manufacturing edge allows TSMC to remain the first call for customers pushing the limits of performance and efficiency.

Global semiconductor sales grew 22.5% in 2025 and are not expected to slow down in 2026. AI, data centers, and advanced packaging continue to drive structural demand, supporting high capital returns and pricing power. With massive barriers to entry and strategic importance to global technology ecosystems, TSMC remains one of the most critical long-term investments in the semiconductor value chain. Few companies sit at the center of so many secular growth trends with comparable visibility and durability.



This report reflects a consistent philosophy: owning high-quality businesses with durable competitive advantages, strong balance sheets, and clear paths to long-term value creation. While markets will continue to fluctuate, the companies highlighted here share common traits: pricing power, scale advantages, and exposure to structural growth trends that extend well beyond any single economic cycle. These are businesses built to compound through volatility, not just survive it.

This is not a call for short-term market timing. Many of these companies have already proven their ability to navigate uncertainty, whether through technological disruption, shifting consumer behavior, or changing macro conditions. As valuation gaps widen and capital rotates more selectively, fundamentals should matter more in the year ahead. That environment favors disciplined operators and market leaders over speculative growth.

Looking forward, I believe patience and selectivity will be key. Volatility will likely remain a feature of markets, but it often creates opportunity for long-term investors willing to focus on business quality rather than headlines. My goal remains simple: identify durable compounders, manage risk thoughtfully, and allow time and fundamentals to do the heavy lifting.

Company	Ticker	Market Cap (\$ Billions)	TTM Revenue (\$ Billions)	TTM Operating Margin	PE	Forward PE
ALPHABET INC.	GOOG	3,803.8	385.5	32.2%	31.3	28.3
Chubb Ltd	CB	124.0	58.9	21.1%	13.2	11.6
CORNING INCORPORATED	GLW	76.0	14.9	13.4%	56.3	30.1
JPMORGAN CHASE & CO.	JPM	918.7	178.8	40.7%	16.1	15.4
NETFLIX, INC.	NFLX	417.9	43.4	29.0%	38.2	28.6
NVENT ELECTRIC PUBLIC LIMITED COMPANY	NVT	41.9	3.6	15.8%	59.2	27.0
Prysmian SpA	PRYMY	26.6	19.3	7.3%	21.8	20.6
SERVICENOW, INC.	NOW	154.4	12.7	13.4%	89.3	35.9
SHOPIFY INC.	SHOP	204.6	10.7	15.9%	115.5	88.5
Taiwan Semiconductor Manufacturing Co., Ltd.	TSM	1,314.0	3631.4	49.5%	31.8	26.4

Finally, I want to thank the readers and supporters for their continued trust and engagement. Blue Diamond Investing exists because of a growing community of thoughtful investors who value long-term thinking, disciplined analysis, and open dialogue. I appreciate you taking the time to read this report, follow along throughout the year, and support what we're building. I look forward to continuing to share ideas, insights, and research as we head into 2026.

**John King**  
Analyst

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