

ACG Sector Highlights – August 2025

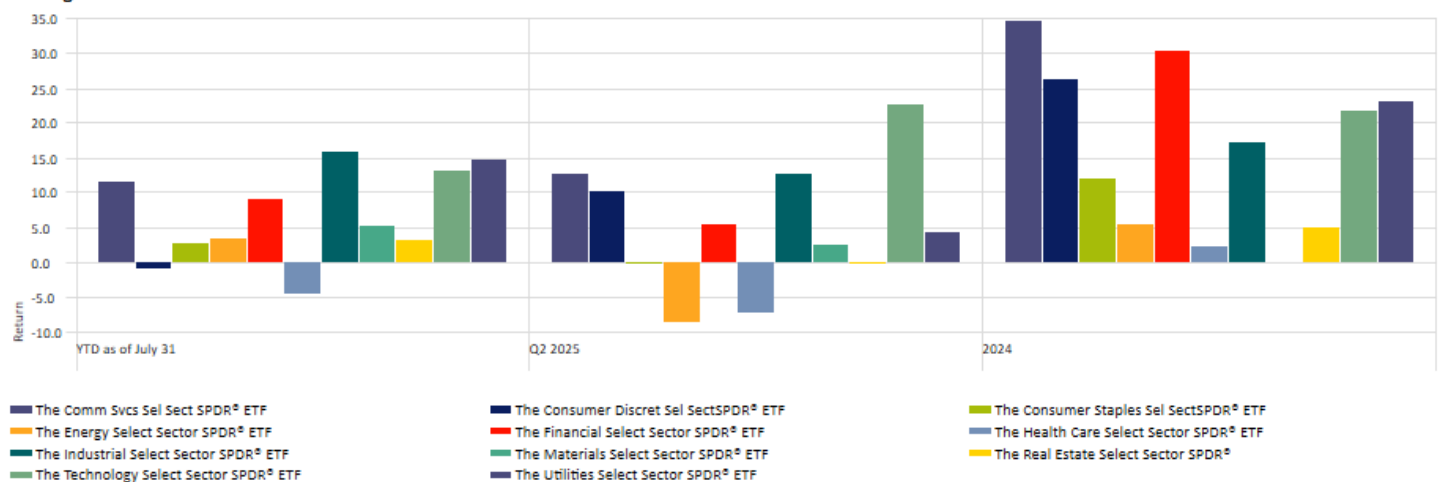
Executive Summary

- **Industrials are the year-to-date leader and Health Care the laggard**
- **Price movements in both sectors seem to reflect recent optimism about the economy**

Introduction

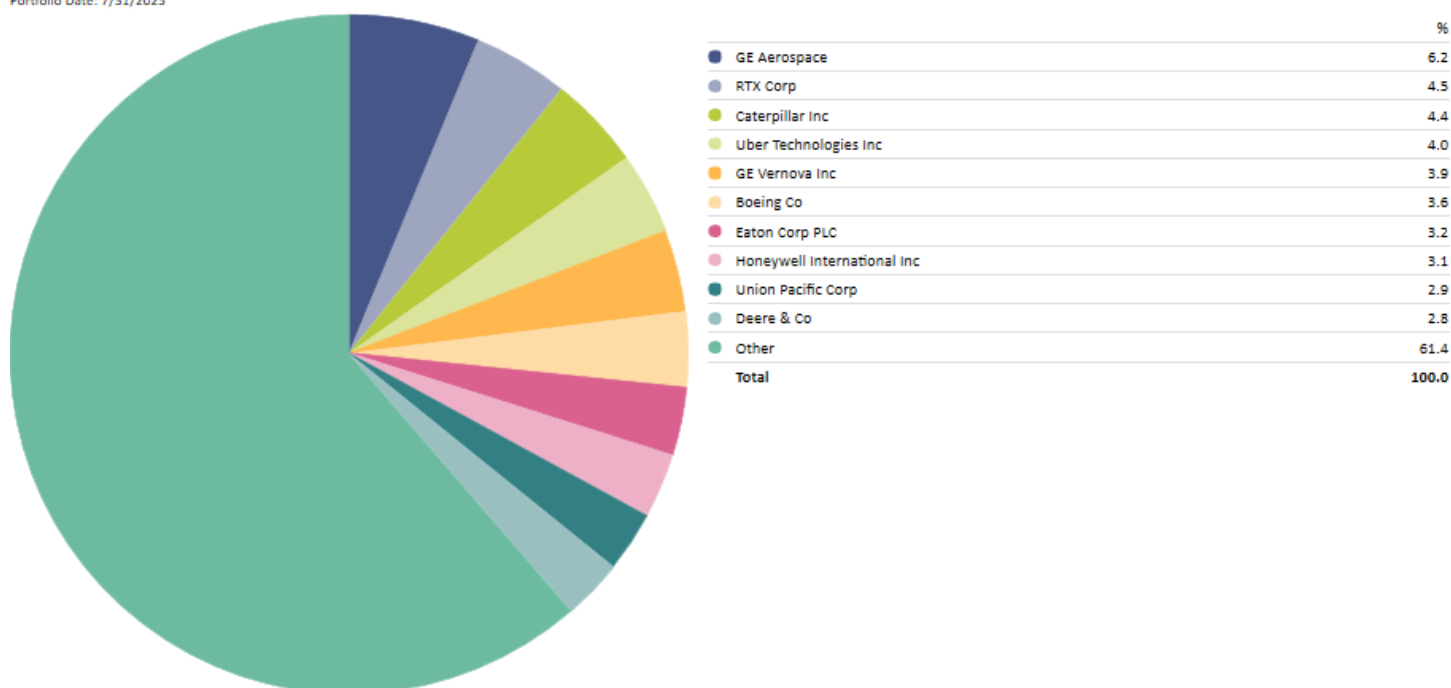
Earnings season has begun with the biggest tariff and trade deal news largely settled, except for negotiations with China. What major companies are reporting can give valuable insight into the overall state of the economy. As of the end of July, Industrials had the strongest year-to-date performance, followed by the Utilities and Technology Sectors. The worst performing sector as of the end of July was Health Care, followed by Consumer Discretionary and Consumer Staples.

Trailing Returns



Portfolio Holdings - The Industrial Select Sector SPDR® ETF

Portfolio Date: 7/31/2025



Industrials

Industrials are a cyclical sector, making their outperformance during the recent market recovery unsurprising.

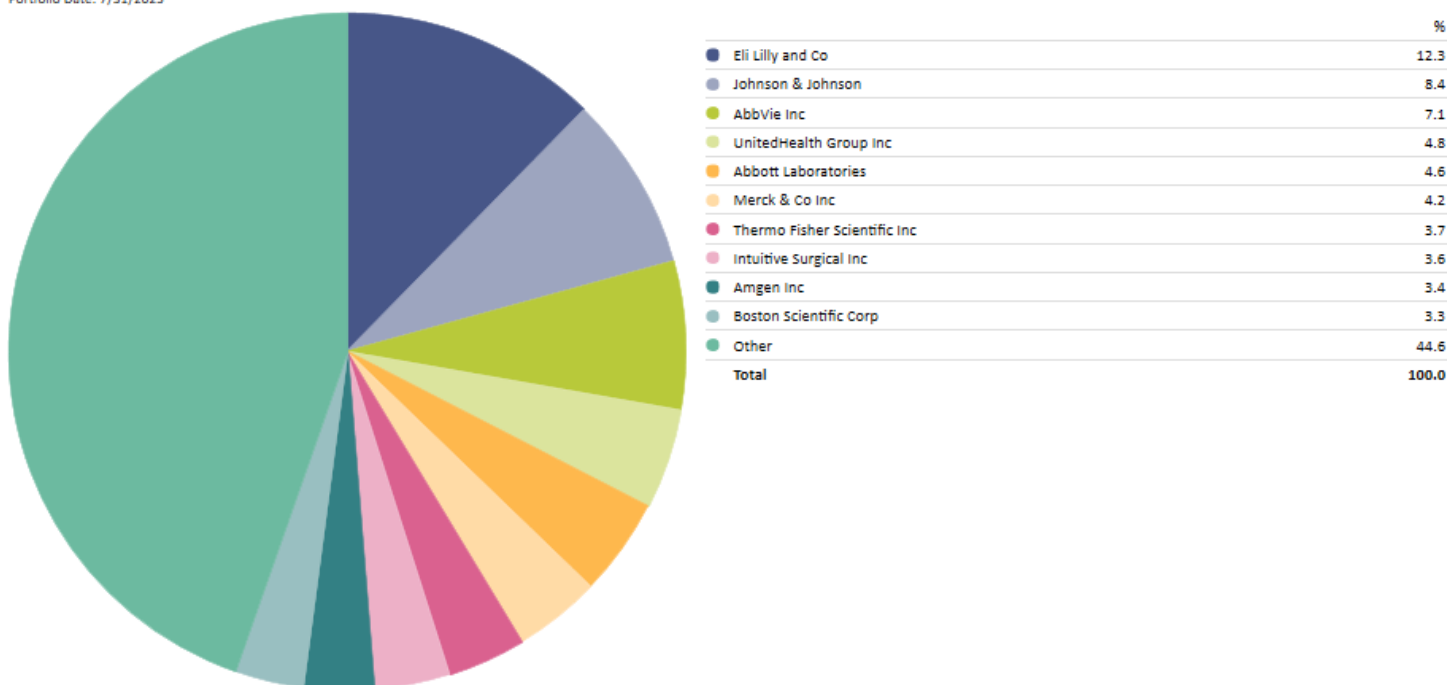
GE Aerospace reported earnings on July 17th, hosted by Chairman and CEO Larry Culp and CFO Rahul Ghai. Their outlook on commercial aerospace was bullish, “we see strong fundamentals. Air traffic growth is expected to outpace global GDP, especially in Asia-Pac and the Middle East. And new aircraft builds and airline expansions remain healthy, supporting the growth of our installed base.” Overall, they expect faster growth for their defense business outside the US saying, “Internationally, we're expecting faster growth than in the US, largely in response to rising global tensions and the evolving geopolitical landscape.”

RTX Corporation reported earnings on July 22nd, hosted by CEO Chris Calio and CFO Neil Mitchill. RTX similarly reported strong performance for aerospace, “Pratt booked over 1,000 GTF engine orders, including up to 177 aircraft for Wizz Air and 91 aircraft for Frontier Airlines as they further expand their GTF-powered fleets.” AI appears to be making inroads in defense, “Autonomy and AI are significant parts of our RTX cross-company technology road map. Earlier this month, we announced a new partnership with Shield AI to integrate AI-based sensor and target recognition capabilities into select Raytheon products.”

Caterpillar Inc. reported earnings on August 5th, hosted by CEO Joe Creed and CFO Andrew Bonfield. Tariffs were of concern, “the net impact of tariffs was around the top end of our estimated range for the quarter and is likely to be a more significant headwind to profitability in the second half of 2025.” However, conditions were otherwise positive, “another quarter of increased ordering activity and backlog growth, continued sales to users growth in Construction Industries, and strong demand in power generation.”

Portfolio Holdings - The Health Care Select Sector SPDR® ETF

Portfolio Date: 7/31/2025



Health Care

Health Care is a defensive sector and has lagged with recent general market optimism.

Eli Lilly reported earnings on August 7th, hosted by CEO Dave Ricks and CFO Dan Skovronsky. Their ATTAIN-1 weight loss trials showed promise, “the safety and tolerability in ATTAIN-1 was consistent with the injectable GLP-1 class.” They started increasing investment in future drugs, “we’re also increasing our R&D investment as early phase program data continues to impress us.”

Johnson and Johnson reported earnings on July 16th, hosted by CEO Joaquin Duata and CFO Joe Wolk. They covered their future pipeline, “focusing on six areas of unmet need and where we are delivering significant growth: oncology, immunology, neuroscience, cardiovascular, surgery, and vision.” They are a beneficiary of the recent tax cuts stating, “We are pleased that the One Big Beautiful Bill Act provides certainty for our previously announced \$55 billion commitment to invest here in the United States. This includes provisions such as permanent expensing for domestic R&D spend, permanent bonus depreciation, and 100% expensing of qualified production property, including our newly planned facility in North Carolina.”

AbbVie reported earnings on July 31st, hosted by CEO Rob Michael and CFO Scott Reents. There was some concern about the impact of tariffs, “We do need to see the outcome of the February investigation and how tariffs are ultimately phased in. What I can say is that we do not expect our exposure to be outsized relative to peers.” They are positioning to mitigate them, “That again includes adding four new sites to our US network that will cover API peptides, drug product, and devices. And so we are well-positioned. We'll obviously continue to invest in the US.”

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