



MUSMIF

Financial Sector Analysis

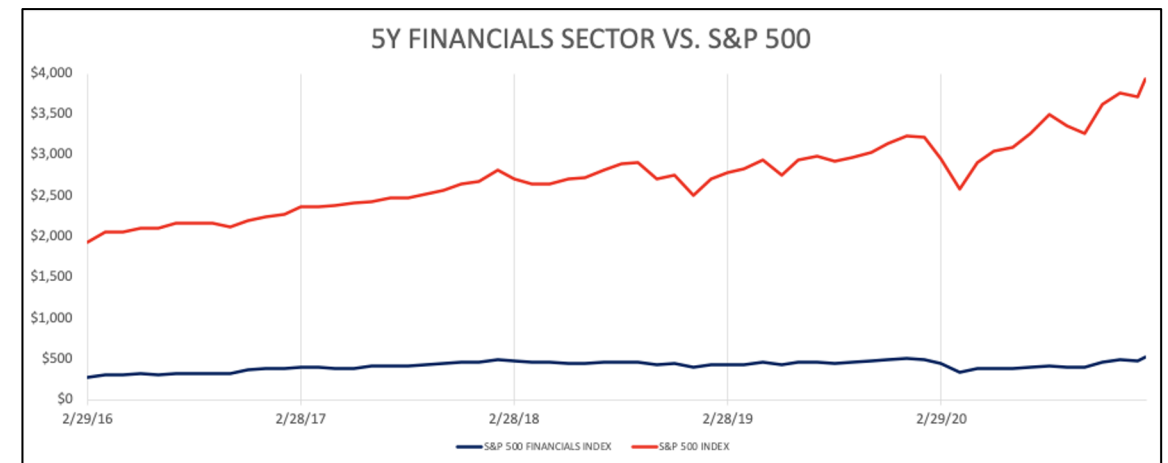
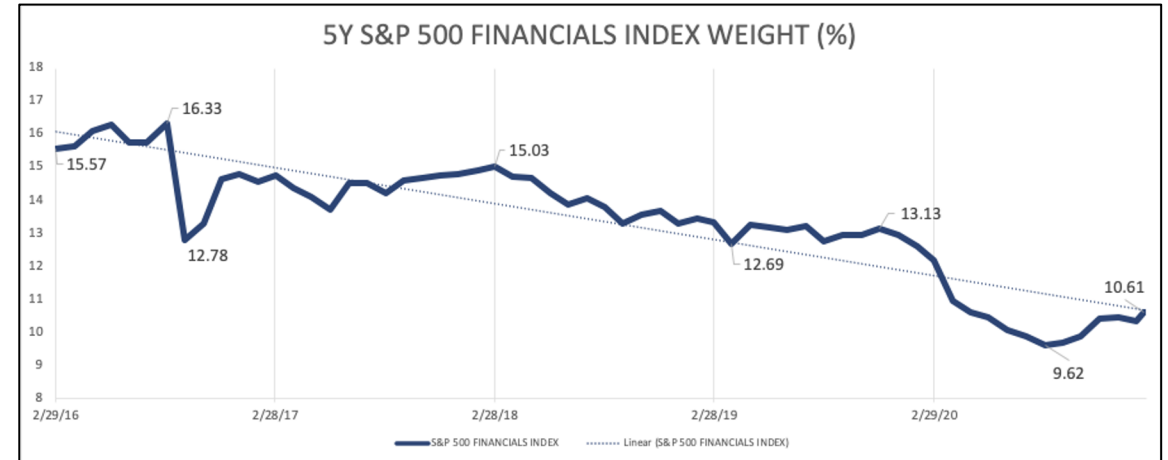
Sector Overview

Sector basic characteristics

- Mature Industry
 - SVA growth expected to be below that of GDP
 - Increased Regulation
 - Significant growth in assets under management
- Sector weight & index performance against S&P 500
 - 10.61% of S&P 500 (Q1 FY2021) - trending down from ~16.5% ending FY2015
 - 5th largest sector in the index
 - Underperformed compared to index - 84% vs. 104% 5Y HPR
- Fundamental performance: sales, earnings, etc.
- Cyclical: sector performance generally follows the overall economy

Business Model

- Financial transactions that can be broadly grouped as raising funds through deposit receipt, issuing securities, and taking on liabilities
- Products and Services: insurance, credit, securities, commodity contracts, and other investments



Sector Performance Stats

Revenue: \$5.0tr

Annual Growth (2015-2020): 2.3%

Profit: \$800.6bn

Annual Growth (2015-2020): -6.7%

Profit Margin: 15.9%

Annual Growth (2015-2020): -9.2%

Businesses: 988k

Annual Growth (2015-2020): 0.9%

Employment: 7mm

Annual Growth (2015-2020): 1.5%

Wages: \$712.8bn

Annual Growth (2015-2020): 1.7%

Top US Financial Companies by Market Cap

BRK/A - Berkshire Hathaway

BERKSHIRE HATHAWAY INC.

JPM - JPMorgan Chase

BAC - Bank of America

WFC - Wells Fargo

C - Citigroup Inc

AXP - American Express Co

MS - Morgan Stanley

BLK - BlackRock

USB - U.S. Bancorp

GS - Goldman Sachs

JPMORGAN CHASE & CO.

Bank of America 

WELLS FARGO

 Morgan Stanley

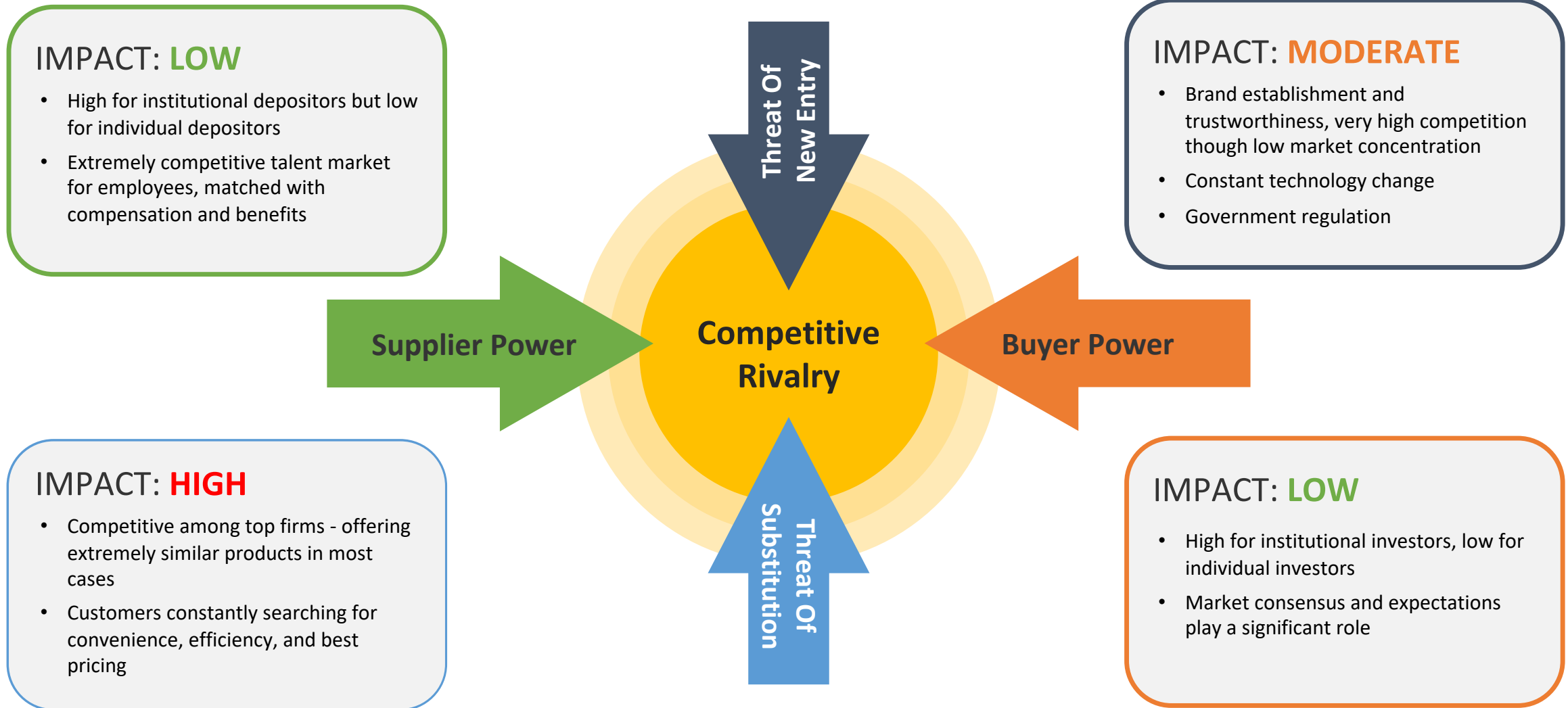
AMERICAN EXPRESS

BlackRock



Goldman Sachs

Industry Competition Analysis



Factors Affecting Pricing Power

Barriers to Entry

- Capital
- Regulation
- Privacy/Security
- Technology

Market Share Stability

- Stable among national firms, can shift among regionals
- Technology is key factor for disruption (automation, risk management, etc.)

Industry Concentration

- Low - top 4 firms account for 9.9% of sector revenue
- Can vary slightly between industries (higher concentration in medical insurance)
- Increasing steadily due to sector-wide consolidation trends

Price Competition

- High and steadily increasing with less-differentiated products and technology

External Factors

Positive

- Rising 10 yr / 30 yr interest rates with inflation and economic rebound expectations
- Trading, wealth management & investment banking revenue momentum
- Loan loss provisions may have peaked in 1H 2020
- Digital acceleration will aid efficiency
- Share buybacks resuming
- Fiscal and monetary policy support
- Vaccine rollout brightens economic outlook

Negative

- Strong finish to 2020 could indicate additional risk ahead
- Fed indicating interest rates will remain low through 2022, which hurts net interest margins
- Net interest margins expected to stabilize, but remain flat
- Credit reserves indicate near term risk remains
- SPAC attraction could hit IPO underwriting revenues
- Unemployment levels are improving but remain elevated

Regulatory Environment

- Key 2021 themes under Biden Administration
 - Supporting the US economic recovery
 - Racial Inequality
 - Climate change
- Janet Yellen - Treasury Secretary
 - Climate stress tests

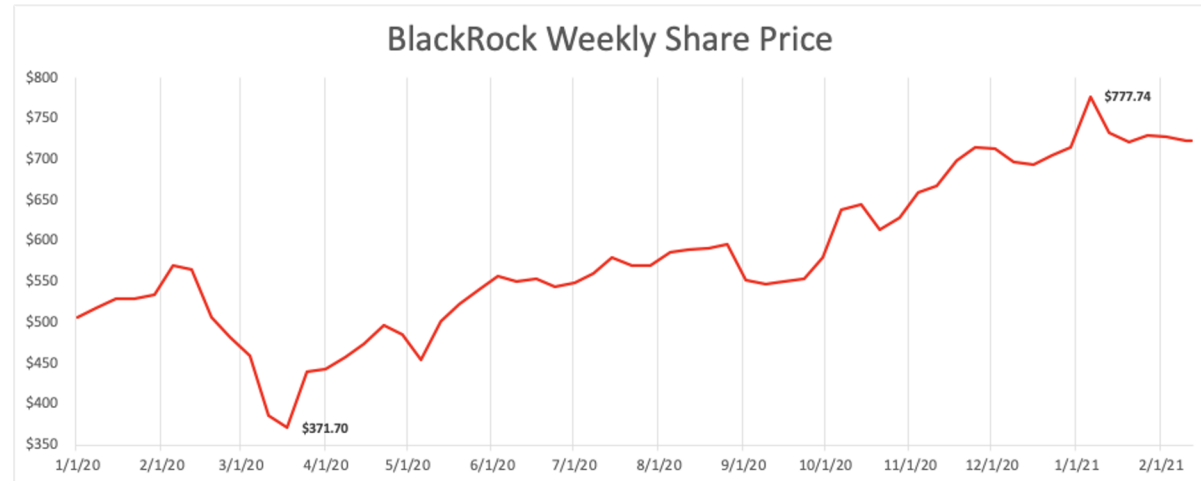
Major company business analysis

- JP Morgan Chase: \$425.7B Market Cap (1.8%)
 - Result of multiple banks acquisitions over the years
 - One of the nation's largest credit card issuers with over 65.0 million open accounts
 - Investment/Commercial services provided globally
- Bank of America: \$285.3B Market Cap (1.5%)
 - Provides banking services to small, medium and large businesses, as well as government entities
 - Provides asset management and trading services to institutional investors and retail investors
 - Divided operations into 5 segments: consumer banking, global banking, global markets, global wealth and investment management
 - 5-year growth rate is below sector average, likely attributed to slow development of credit card business

Holding Company Business Analysis

Blackrock: \$110.99B Market Cap

- \$723.26 current trading price (up 0.23% this year, 36.82% last year)
- 52-week range: \$323.98-788
- Manages assets on behalf of institutions and individuals worldwide through equity, fixed income, cash management, and alternative investment products
- 52% of the company generated long term AuMs from equity products, fixed income (31%), multi-asset class (8%)
- 70% assets for clients in the Americas, 25% in Europe, the Middle East and Africa (EMEA), and 5% in Asia-Pacific.
- Institutional clients accounted for 57% of the company's AuMs, followed by iShares ETFs (33%), and retail customers (10%)



Holding Company Business Analysis

Visa: \$464.5B Market Cap (14th largest)

- Current Price \$210.10 (down 3.68% this year, down 2.87% last year)
- 52-week range: \$133.93-220.39
- Portfolio of offering consists of payment cards, commercial payments, transaction processing services, digital services, and merchant solutions
- Offering all forms of payment gives Visa a competitive advantage (\$8.449bn in payment volume last year. Next closest competitor, Mastercard, had \$4.338bn)
- Operates in 200+ countries and territories in the Americas, Europe, Asia-Pacific, Africa, and the Middle East, and had presence in about 61mm merchant and business locations

