

An aerial view of an industrial facility, likely a refinery or chemical plant, at dusk. The sky is dark with some clouds, and the facility's lights are visible. In the foreground, several large, cylindrical storage tanks are prominent. The entire image has a semi-transparent red overlay.

# *Energy Sector Strategy*

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# Summary

**Idea** – *Investing in the energy sector*

**Strategy** – *Invest in the energy sector by using max CapEx, minimum Market Cap, Quarterly earnings growth > yearly earnings growth %, Free Cash Flow > 0 and filtering by top 10 rank on EPS*

**Historical Performance** – *Outperformed SPY by 826% and Bloomberg's Energy Index by 1024% from 2014-2024*

**Recommendation** – *Buy \$40k, in the School Fund*

**What to Sell** – *Sell SPY to fund strategy*

**Effect on Portfolio** – *Increase volatility and Idiosyncratic risk, but lowers beta*



# Strategy Details

## **Backtesting Method – Bloomberg EQBT**

**Rebalance frequency** – *Annually*

**Weighting** – *Equal*

**Sector** - *Energy*

**Number of positions** – *5 (Max 10)*

**Minimum stock market cap** – *300M*

**CapEx to Sales** – *Max 15%*

**Latest Q Revenue Sequential Growth** > *Latest FY Revenue Sequential Growth*

**Free Cash Flow** > *0*

**Top 10 Rank EPS** – *higher is better*



# Backtesting Implementation Details

<b># OF STOCKS</b>	10
<b>MIN MARKET CAP</b>	\$300M
<b>MIN MONTHLY TRADING VOLUME</b>	*
<b>WEIGHTING SCHEME</b>	EQUAL
<b>REBALANCING FREQUENCY</b>	Annually
<b>TIME FRAME</b>	10 YEARS
<b>CURRENCY</b>	USD



# Backtesting in Bloomberg

Selected Screening Criteria	
Security Universe	
51) ::	Trading Status: Active
52) ::	Security Attributes: Show Primary Security of company only
53) ::	Sectors (BICS): Energy
54) ::	Exchanges: New York; NASDAQ GS; NASDAQ GM; NASDAQ CM
55) ::	Current Market Cap > 300 Million
56) ::	LF Capital Expenditure to Sales < 15
57) ::	Latest Quarterly Revenue Sequential Growth >= Latest FY Revenue Seq...
58) ::	T12M Free Cash Flow > 0 Million
59) ::	Top 10 Sequential Rank - Higher is Better(Latest Quarterly Basic Earni...

Add Criteria

Market Cap	Current			Growth	Info
Greater than					
M 300				Bmrk	Info

Criteria Currency LCL

Add Criteria

Revenue Sequential Growth	Latest Quarter			Info
Greater than or equal to				
Revenue Sequential Growth	Latest Year			Info

Add Criteria

Capital Expenditure to Sale	Latest Filing			Growth	Info
Less than					
% 15				Bmrk	Info

Add Criteria

Basic Earnings per Share	Latest Quarter			Growth	Info
Rank	Sequential	Higher Value Is Better			
Top	10				

Add Criteria

Free Cash Flow	Trailing 12 Month			Growth	Info
Greater than					
M 0				Bmrk	Info



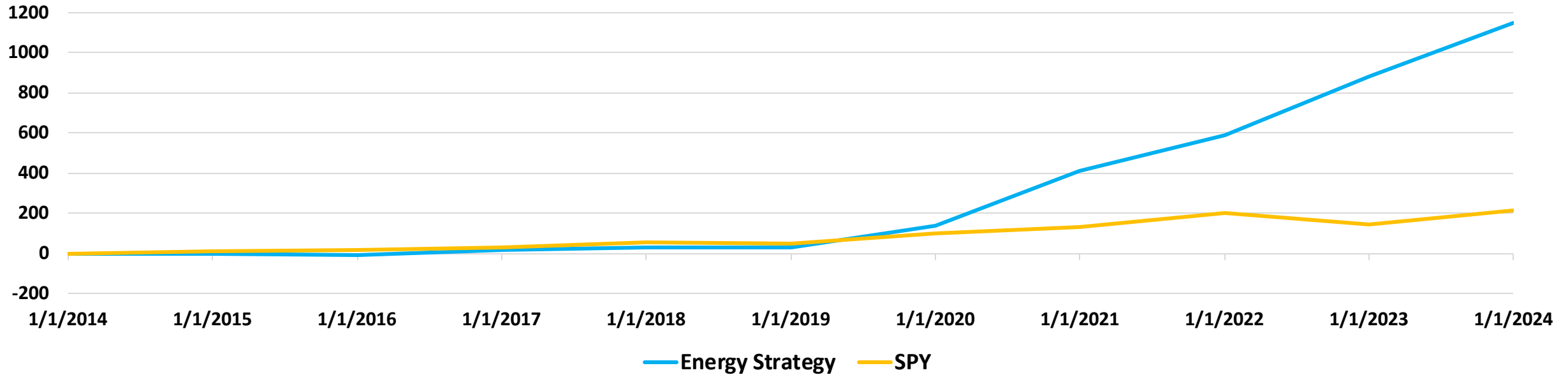
# Backtesting Results - Characteristics

<b><u>10-Year Analysis</u></b>	<b>Mean</b>	<b>Min</b>	<b>25%</b>	<b>Median</b>	<b>75%</b>	<b>Max</b>
<b>Market Cap (\$Millions)</b>	26,628	309	668	3,082	9,827	393,260
<b>P/E Ratio</b>	22.76	1.33	10.18	16.00	22.48	246.19
<b>Share Price (\$)</b>	71.68	0.60	19.86	45.84	82.70	1,010.76



# Backtesting Results - Performance

10 Year Performance



<u>Annualized</u>	Return	$\alpha^*$	$\beta^*$	$\sigma$	Sharpe	Treynor	Max DD	Info Ratio	Idio. Risk
<b>10 Year</b>	1,150.9%	20.23	1.05	31.4%	1.1	0.3	-22.9	0.72	25.3
<b>1 Year</b>	27.7%	3.55	0.74	23.8%	1.1	0.3	-16.96	0.14	21.9
<b>10 Year SPY</b>	221.0%	0	1.0	17.7%	0.72		-13.0		
<b>1 Year SPY</b>	22.5%	0	1.0	12.6%	1.5		-8.93		



# Company Overview



NuStar Energy  
(NS)

Midstream  
(Oil & Gas)

Involved in the transportation and storage of crude oil and refined products

Manages pipelines, terminals, and storage facilities



Hess Midstream  
Partners (HESM)

Midstream  
(Oil & Gas)

Focuses on the transportation and storage of oil and gas

Bridges the gap between production and refining segments



NGL Energy Partners  
(NGL)

Midstream &  
Downstream (Oil & Gas)

Involved in storing, marketing, and transporting oil and refined products within midstream and downstream segments.



Baker Hughes  
(BKR)

Oilfield Services

Oilfield services, technology, and systems.

Offers solutions across the entire oil and gas value chain.





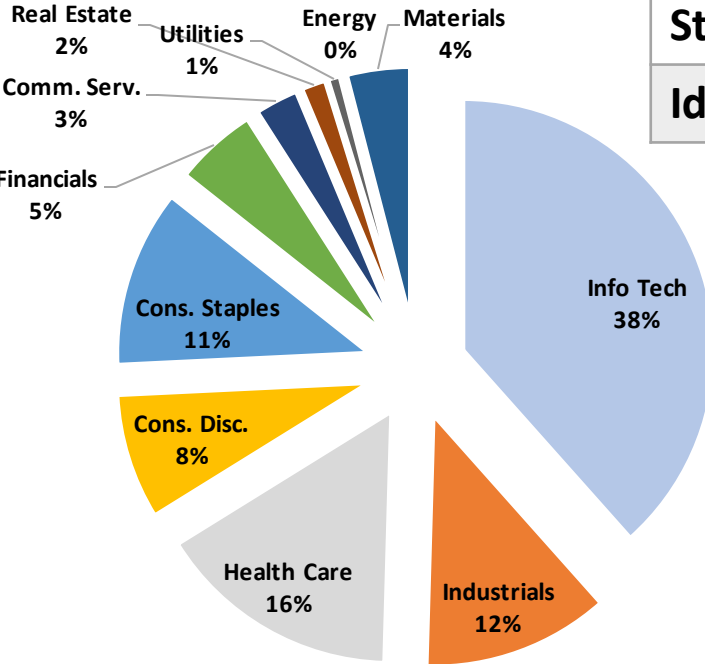
# Recommended Purchases

Name	Ticker	P/E Ratio	Monthly Trading Volume (\$M)	Market Cap (\$M)	Share Price	# of Shares	Total Value
NuStar Energy	NS	40.61	15.29	2684	21.32	469	10000
Hess Midstream	HESM	16.20	13.01	7517	32.73	306	10000
NGL Energy Partners	NGL	21.57	5.96	696	5.28	1894	10000
Baker Hughes	BKR	18.72	122.21	31,173	30.98	323	10000



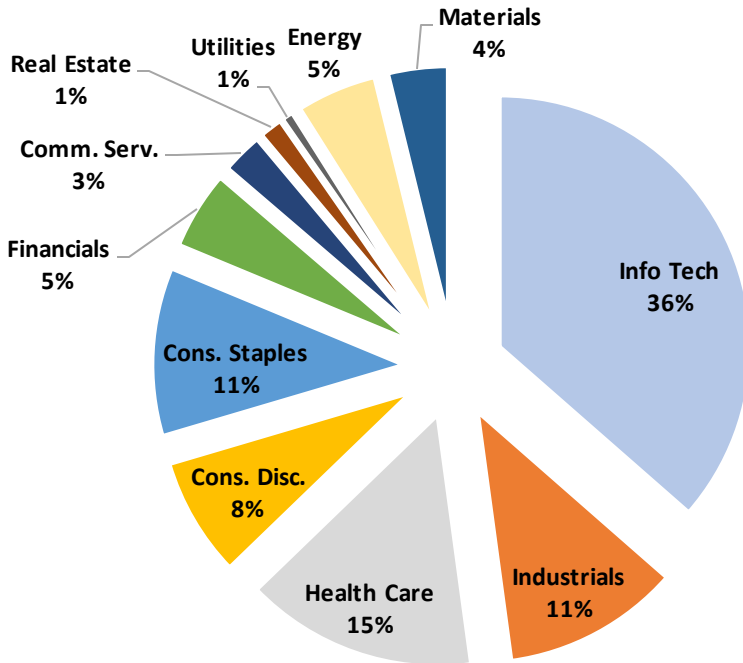
# Effect on the Portfolio

**Old Portfolio Breakdown**



	Existing Portfolio	New Portfolio
<b>Beta</b>	1.21	1.19
<b>SML</b>	1.0	1.1
<b>HMB</b>	0.9	1.0
<b>Standard Deviation</b>	16.3%	16.81%
<b>Idiosyncratic Risk</b>	0.4%	1.62%

**New Portfolio Breakdown**



# Recap

**Idea** – *Invest in the energy sector, but*

**Strategy** – *Invest in the energy sector by using max CapEx, minimum Market Cap, Quarterly earnings growth > yearly earnings growth %, Free Cash Flow > 0 and filtering by top 10 rank on EPS*

**Historical Performance** – *Outperformed SPY by 826% and Bloomberg's Energy Index by 1024% from 2014-2024+*

**Recommendation** – *Buy \$40k, in the School Fund*

**What to Sell** – *Sell SPY*

**Effect on Portfolio** – *Increase volatility and Idiosyncratic risk, but lowers beta*



# Decision

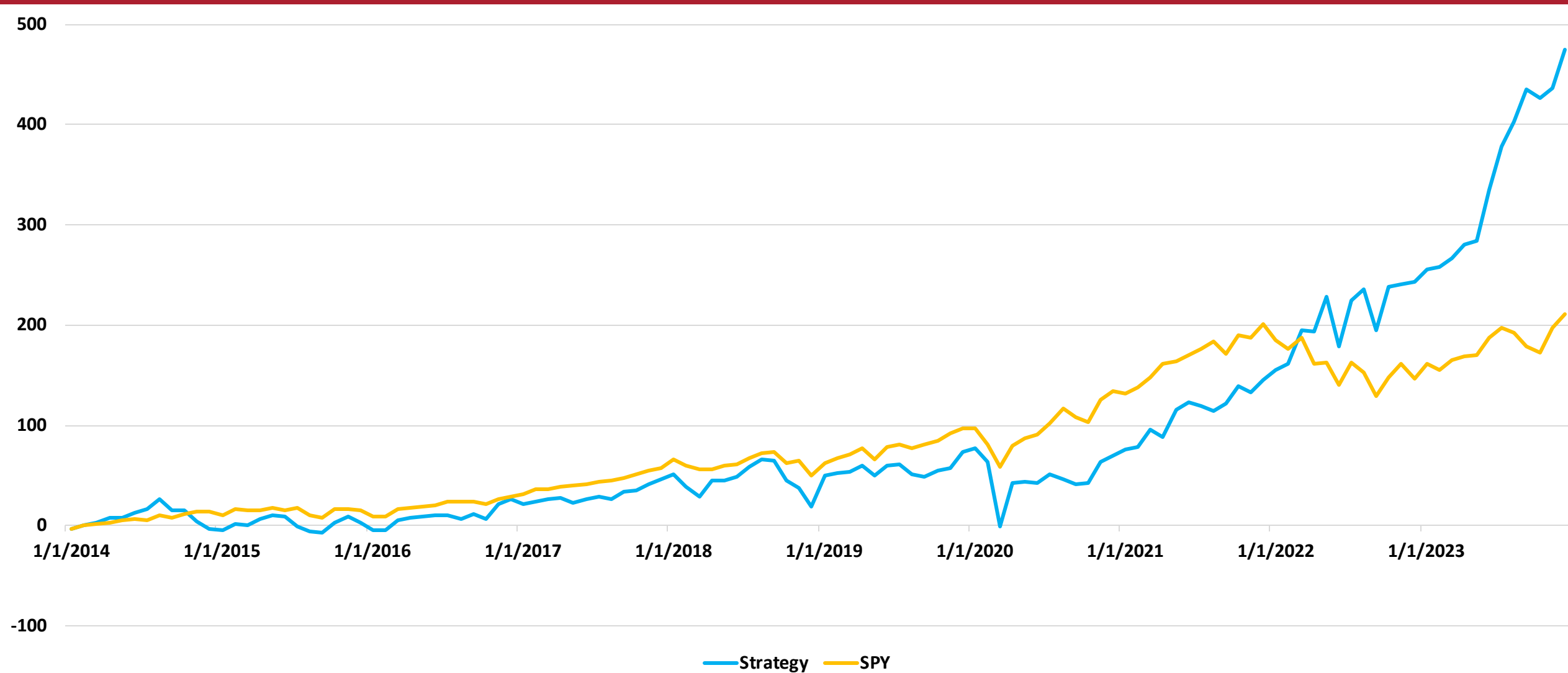
Proposal: \$40k in Energy Strategy into the School Fund

Results: Yes: 15

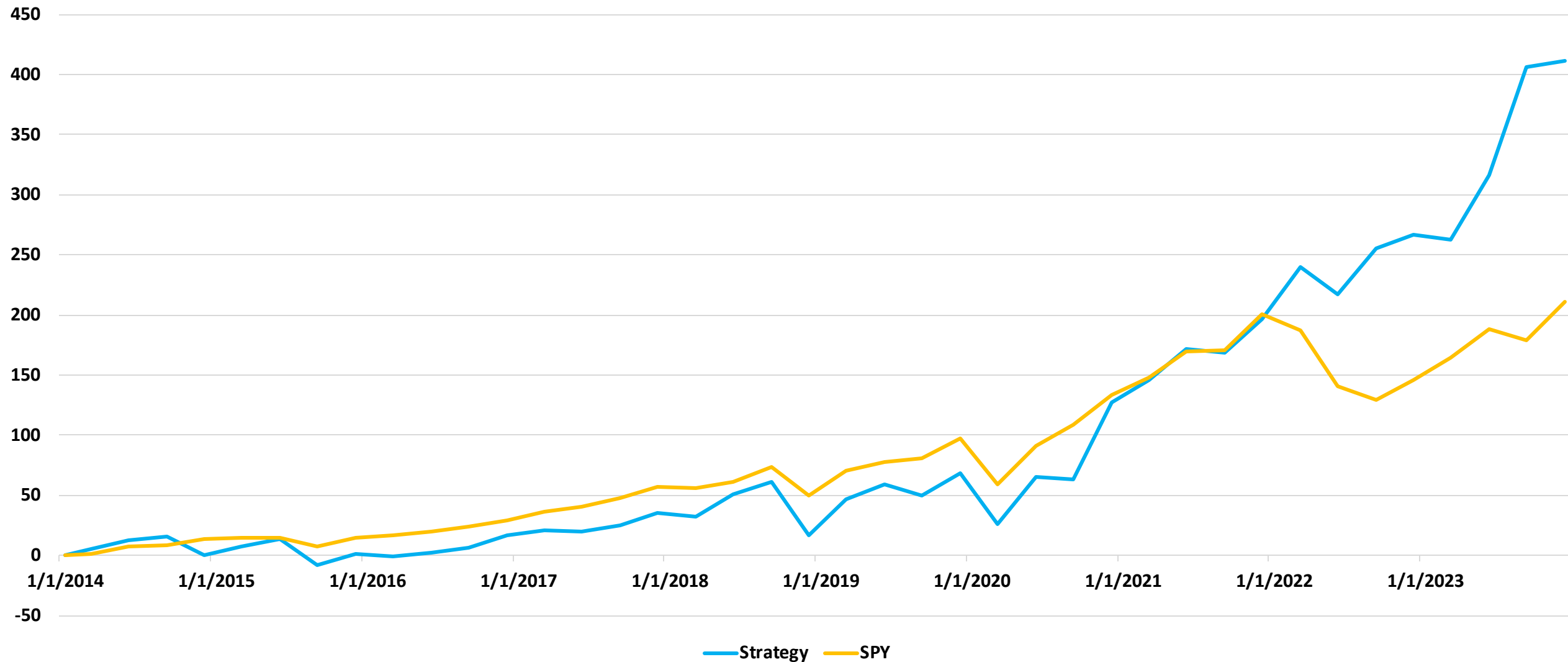
No: 0



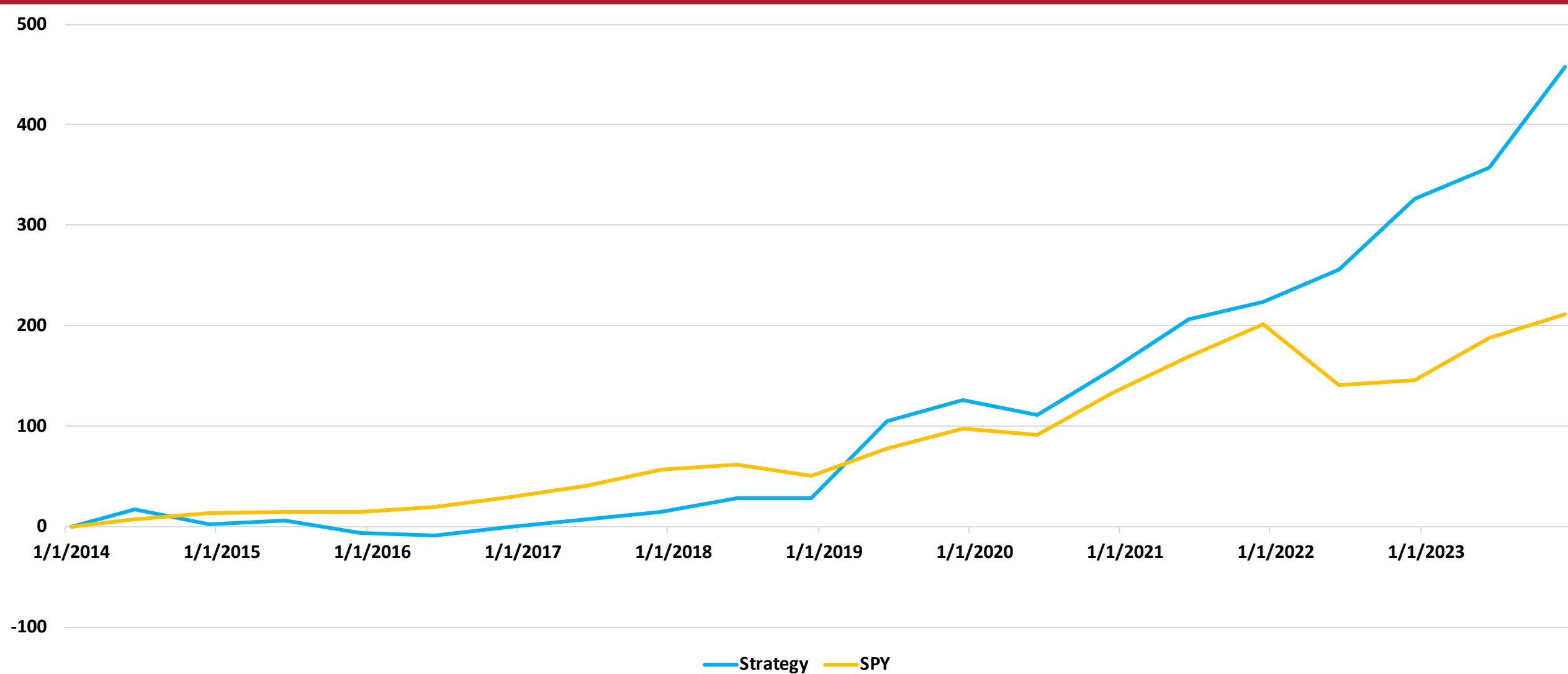
# 10 Year Performance Monthly Rebalancing



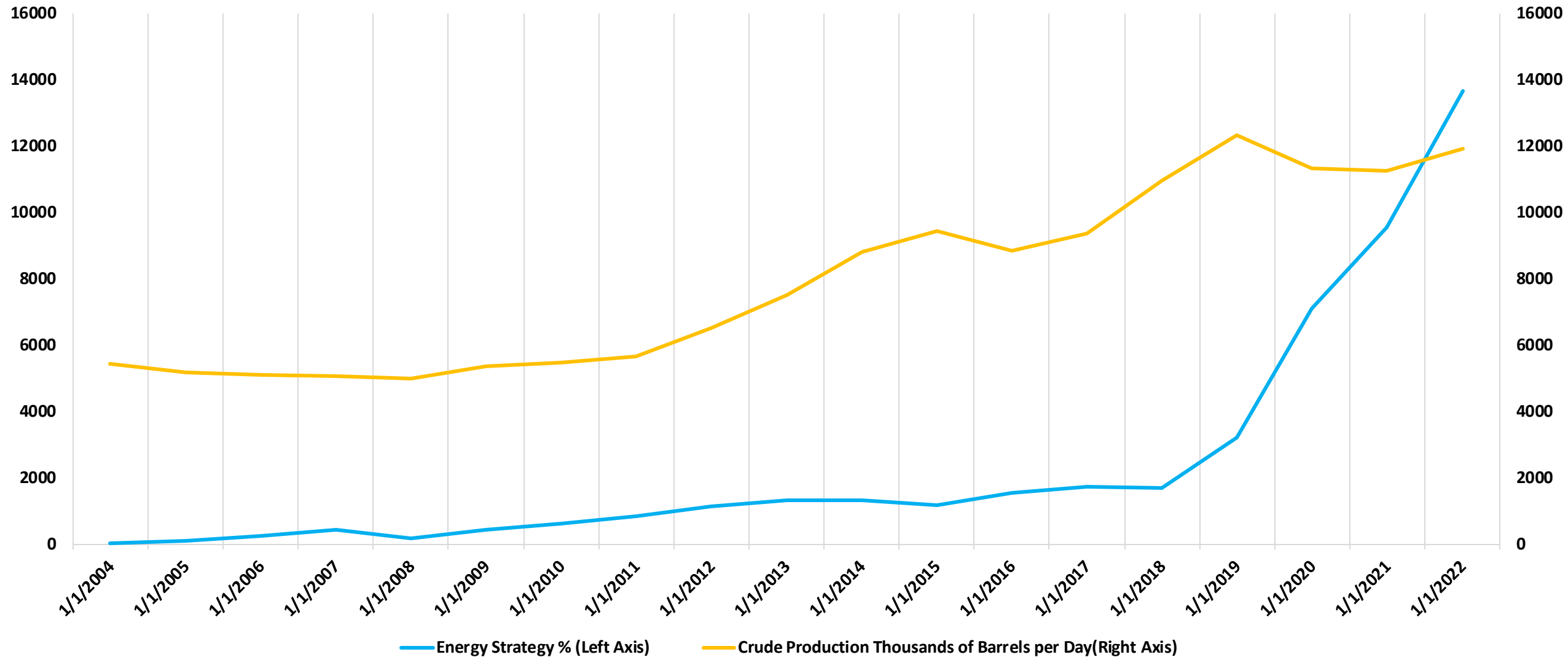
# 10 Year Performance Quarterly Rebalancing



# 10 Year Performance Semi-Annual Rebalancing



# Energy Strategy Referenced to U.S Crude Production





# Energy Strategy Referenced to OPEC Production

