

AI-01851 FTEC Weekly Report-20250719

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Briefing Document: Review of FTEC ETF and its Top Holdings (NVDA, MSFT, AAPL)

Date: July 19, 2025

Sources:

- "FTEC-WeeklyReport-20250719.pdf"
- Apple Inc. Company in Context Report (2025-Jul-18)
- NVIDIA Corporation Company in Context Report (2025-Jul-18)
- Microsoft Corporation Company in Context Report (2025-Jul-18)

1. FTEC ETF Overview

FTEC (Fidelity MSCI Information Technology Index ETF) tracks a market-cap-weighted index of stocks in the broad US information technology sector, specifically the MSCI USA IMI Information Technology 25/50 Index. The fund provides exposure to US technology firms across all market caps and adheres to diversification limits set by the US Internal Revenue Code for RICs (Regulated Investment Companies).

Key Facts:

- **Price (as of 17 Jul 2025):** \$204.06
- **NAV (as of 17 Jul 2025):** \$203.92

- **AUM:** \$14 Billion
- **Launch Date:** October 21, 2013
- **Management Approach:** Passive
- **Fund Grade:** A
- **Top Holdings (as of 16 Jul 2025):** NVIDIA Corporation (NVDA): 17.86%
- Microsoft Corporation (MSFT): 14.88%
- Apple Inc. (AAPL): 13.09%
- Broadcom Inc. (AVGO): 4.58%
- Oracle Corporation (ORCL): 2.22%

Performance (as of 17 Jul 2025, NAV returns):

- **MTD:** 3.41%
- **1M:** 9.08%
- **QTD:** 3.41%
- **3M:** 35.83%
- **YTD:** 10.58%
- **1Y:** 18.38%
- **5Y (Ann):** 20.22%
- **First NAV Record (Ann):** 20.72%

Key Insights from FTEC Report:

- The fund has strong historical performance, with annualized returns over 20% for the 5-year and inception periods.
- It is highly concentrated in its top three holdings (NVDA, MSFT, AAPL), which collectively represent over 45% of the fund's total assets. This concentration is permitted under its index methodology, which stipulates "no more than 25% of the value of the RIC's assets may be invested in a single issuer and the sum of the weights of all issuers representing more than 5% of the fund should not exceed 50% of the funds total assets."

2. NVIDIA Corporation (NVDA) - Top Holding (17.86% of FTEC)

NVIDIA is a "full-stack computing infrastructure company" focused on "accelerated computing" and Artificial Intelligence (AI) solutions.

Key Facts (as of 2025-07-17):

- **Price:** \$173.00
- **Market Cap:** \$4.0 Trillion
- **Verus Opinion:** Hold
- **I/B/E/S Mean Recommendation:** Buy (66 analysts: 22 Strong Buy, 37 Buy, 6 Hold, 1 Sell, 0 Strong Sell)
- **12-Month Price Target (Mean):** \$183.00 (5.8% above current price)
- **Next Expected Report Date:** 2025-08-27

Performance & Momentum:

- **1-Month Return:** 20.0%
- **3-Month Return:** 70.5%
- **1-Year Return:** 46.6%
- **5-Year Return:** 1596% (significantly outperforming peers and market)
- NVDA's price momentum rating is at a "3-year high of 10."
- "NVDA shares are currently trading 18.6% above their 50-day moving average... and 30.4% above their 200-day moving average."

Earnings & Revenue:

- **Last Quarter Surprise (2025-04-30):** -13.2% negative surprise (Actual EPS \$0.81, Mean EPS \$0.933).
- **Surprise Summary (Last 12 Quarters):** 75.0% positive surprises, 25.0% negative surprises.
- **Annual Revenue Forecasted Growth:** 54.4% for 2026, 95.8% for 2027.

- "The company's gross margin has been higher than its industry average for each of the past five years."
- "Return on Equity 115.5%" and "Net Margin 51.7%" are substantially higher than industry averages (5.2% and 8.4% respectively).

Valuation:

- **Trailing PE:** 55.8 (6% Discount to Semiconductors industry peers, but historically traded at >100% Premium)
- **Forward PE:** 35.4 (15% Discount to its 5-year average of 41.6)
- **Forward PEG:** 0.8 (26% Discount to Semiconductors industry peers and 5-year average of 1.5)
- "NVDA's Trailing P/E and Forward PEG are both significantly below (less expensive than) their 5-year averages."

Risk:

- High correlation with S&P 500 (66% over 90 days and 60 months).
- High Beta vs. S&P 500 (1-Year Beta: 2.14). "On days when the market is up, NVDA shares tends to outperform the S&P 500 index. However, on days when the market is down, the shares generally decrease by more than the index."
- "More volatile than the overall market" with daily price fluctuations exceeding 77% of S&P 500 firms.

Insider Trading:

- Significant insider selling, particularly by CEO Jen Hsun Huang and Director A Brooke Seawell, in the last 90 days. "NVIDIA Corp's most recent quarterly sell total of \$80,142,013 represents the highest level of Q3 selling at the company over the past five years."

3. Microsoft Corporation (MSFT) - Second Top Holding (14.88% of FTEC)

Microsoft is a technology company developing and supporting software, services, devices, and solutions, with segments including Productivity and Business

Processes, Intelligent Cloud (Azure), and More Personal Computing (Windows, Gaming, Search).

Key Facts (as of 2025-07-17):

- **Price:** \$511.70
- **Market Cap:** \$3.7 Trillion
- **Verus Opinion:** Hold
- **I/B/E/S Mean Recommendation:** Buy (62 analysts: 22 Strong Buy, 34 Buy, 6 Hold, 0 Sell, 0 Strong Sell)
- **12-Month Price Target (Mean):** \$534.00 (4.4% above current price)
- **Next Expected Report Date:** 2025-07-30

Performance & Momentum:

- **1-Month Return:** 7.0%
- **3-Month Return:** 39.1%
- **1-Year Return:** 15.4%
- **5-Year Return:** 152.2%
- "The Price Momentum Rating for Microsoft Corp is at its 3-year high of 10."
- "MSFT shares are currently trading 7.4% above their 50-day moving average... and 19.5% above their 200-day moving average."

Earnings & Revenue:

- **Last Quarter Surprise (2025-03-31):** +7.5% positive surprise (Actual EPS \$3.46, Mean EPS \$3.22).
- **Surprise Summary (Last 12 Quarters):** 75.0% positive surprises, 8.3% negative surprises.
- **Annual Revenue Forecasted Growth:** 13.9% for 2025, 29.3% for 2026.
- "The company's gross margin has been higher than its industry average for each of the past five years."
- Strong profitability metrics: "Return on Equity 33.6%" (Industry Avg 1.0%), "Net Margin 35.8%" (Industry Avg 1.5%).

Valuation:

- **Trailing PE:** 39.5 (17% Premium to its 5-year average of 33.9)
- **Forward PE:** 35.4 (15% Premium to its 5-year average of 31.0)
- **Forward PEG:** 2.6 (24% Premium to its 5-year average of 2.1). "If the Forward PEG returned to historical form, the stock would trade at 414.00."
- "The company's Trailing P/E and Forward PEG are both currently at or near their 5-year highs."

Risk:

- High correlation with S&P 500 (63% over 90 days, 71% over 60 months).
- 1-Year Beta vs. S&P 500: 0.97, suggesting it "tends to perform in-line with the S&P 500 index."
- "Less volatile than the overall market," with daily price fluctuations less than 90% of S&P 500 index firms.

Insider Trading:

- Recent significant insider sales, including a "\$9,756,152 sale by KATHLEEN T. HOGAN" which "represents the largest sale at Microsoft Corp in five years."

4. Apple Inc. (AAPL) - Third Top Holding (13.09% of FTEC)

Apple Inc. designs, manufactures, and markets smartphones, personal computers, tablets, wearables, and accessories, along with various related services and software platforms.

Key Facts (as of 2025-07-17):

- **Price:** \$210.02
- **Market Cap:** \$3.2 Trillion
- **Verus Opinion:** Hold
- **I/B/E/S Mean Recommendation:** Buy (50 analysts: 12 Strong Buy, 21 Buy, 14 Hold, 3 Sell, 0 Strong Sell)

- **12-Month Price Target (Mean):** \$231.00 (10.0% above current price)
- **Next Expected Report Date:** 2025-07-31

Performance & Momentum:

- **1-Month Return:** 7.4%
- **3-Month Return:** 6.6%
- **1-Year Return:** -8.2% (underperforming the DJIA and its peers over this period)
- **5-Year Return:** 118.0%
- "The Price Momentum Rating of 4 for Apple Inc is its lowest value for the past year."
- "AAPL shares are currently trading... 5.6% below their 200-day moving average of 222.41."

Earnings & Revenue:

- **Last Quarter Surprise (2025-03-31):** +1.4% "In-Line" surprise (Actual EPS \$1.65, Mean EPS \$1.627).
- **Surprise Summary (Last 12 Quarters):** 66.7% positive surprises, 8.3% negative surprises, 25.0% in-line.
- **Current Quarter Consensus Estimate:** "decreased over the past 90 days from 1.47 to 1.43, a loss of -3.2%."
- **Annual Revenue Forecasted Growth:** 4.1% for 2025, 10.1% for 2026.
- "The gross margin of 46.6% for AAPL is the highest within its Phones & Handheld Devices industry."
- "Return on Equity 138.0%" is highlighted as the highest within its industry.

Valuation:

- **Trailing PE:** 32.7 (7% Premium to its 5-year average of 30.7)
- **Forward PE:** 28.8 (3% Premium to its 5-year average of 27.9)
- **Forward PEG:** 2.3 (12% Discount to its 5-year average of 2.6)

Risk:

- High correlation with S&P 500 (67% over 90 days and 60 months).
- 1-Year Beta vs. S&P 500: 1.23. "On days when the market is up, AAPL shares tends to outperform the S&P 500 index. However, on days when the market is down, the shares generally decrease by more than the index."
- Daily price fluctuations "in-line with the S&P 500 index firms."

Insider Trading:

- No purchases by executives in Q3 this quarter. Average Q3 sell total over the past five years is \$10,010,654.
- Most recent insider sell was by CFO Kevan Parekh on 2025-04-23 for \$941,420.

5. Summary and Interconnections

- **FTEC's Performance Driven by Top Holdings:** The strong performance of FTEC (e.g., 35.83% over 3 months, 18.38% over 1 year) is heavily influenced by the performance of its top holdings, particularly NVDA and MSFT, which have shown significant recent gains (NVDA +70.5% 3M, MSFT +39.1% 3M). Apple, despite its strong weighting, has seen a 1-year return of -8.2%, potentially dampening overall fund performance.
- **AI and Cloud Growth Drivers:** NVIDIA's business summary highlights its focus on "accelerated computing" and "artificial intelligence (AI) solutions," while Microsoft's "Intelligent Cloud" segment (Azure) is a key growth area. These sectors are currently experiencing high demand and investor interest, contributing to the strong performance and valuations of these companies.
- **Valuation Differences: NVDA:** Trades at a discount to its 5-year averages for Trailing PE, Forward PE, and Forward PEG, despite extremely high growth forecasts. This suggests it may be considered "less expensive" relative to its own historical valuation, especially given its projected growth.
- **MSFT:** Trades at a premium to its 5-year averages for Trailing PE, Forward PE, and Forward PEG, indicating it is currently valued higher than its historical trends. The report even suggests that if its Forward PEG reverted to its historical average, the stock price would be significantly lower (\$414.00 vs. current \$511.70).

- **AAPL:** Trades at a premium for Trailing and Forward PE, but a discount for Forward PEG, suggesting its valuation is mixed relative to its history and expected growth.
- **Insider Sentiment: NVDA & MSFT:** Both companies have seen significant insider selling recently, which could be a point of concern for investors. NVDA's recent quarterly sell total is its highest Q3 selling in five years, and MSFT saw its largest sale in five years by KATHLEEN T. HOGAN.
- **AAPL:** Less recent insider selling activity compared to NVDA and MSFT.
- **Risk Profile:** NVDA, MSFT, and AAPL all show high correlation with the S&P 500, indicating limited diversification benefits for a broader market portfolio. NVDA and AAPL tend to be more volatile than the S&P 500 on down days (higher negative beta), while MSFT tends to move in-line with the market. NVDA is explicitly noted as "more volatile" than the overall market, while MSFT is "less volatile."
- **Analyst Outlook:** All three top holdings have a consensus "Buy" rating from analysts. However, Verus Analytics provides a "Hold" opinion for all three, which is quantitatively derived and independent. This suggests a potential divergence between traditional analyst recommendations and a more quantitative, empirically-derived rating system.