

THE BIG BEAUTIFUL BILL'S WINNERS AND LOSERS

Defense, manufacturing and tech should prosper; health care and green names face hurdles.

BY ADAM SHELL

PRESIDENT Trump's 870-page tax-and-spending bill is as big as advertised. Whether it is a beautiful bill from an investment standpoint is in the eye of the beholder. Like most new legislation, the One Big Beautiful Bill Act (OBBBA) has winners and losers.

A larger tax credit, a bigger tax deduction, a more sizable write-off, a less-onerous regulation, or a booster shot from increased government spending can lift profits for companies that benefit. On the flip side, the end of a sizable subsidy, the phasing out of a tax break or major cuts to government programs can impair sales, resulting in earnings headwinds for negatively affected companies.

Below, we list some of the biggest investment beneficiaries of Trump's Big Beautiful Bill, and some of its victims, too. Prices and returns are as of July 31.

Play offense with defense.

Trump's signature legislation delivered on his promise to spend more to strengthen the military. OBBBA increases defense spending by \$150 billion, pushing the U.S. defense budget for fiscal year 2026 over \$1 trillion, the largest in U.S. history. A sizable chunk of the money will go toward priorities such as the Golden Dome missile defense shield. Other imperatives include building naval ships and developing next-generation



munitions and unmanned drone weaponry, as well as replenishing weapons stockpiles. Increased military spending by European allies and unstable geopolitics add to the case for the defense sector.

You don't have to be an army general to conclude that weapons-related companies have a tailwind. "The defense industry is an overwhelming winner," said Michael Arone, chief investment strategist at State Street Investment Management. Investors looking to boost exposure to the defense sector can mimic a precision-guided smart bomb and try to pinpoint individual stocks, or they can take a cluster-bomb approach and gain access to a wider array of munitions makers through a diversified exchange-traded fund that tracks the sector.

Industrial businesses such as Caterpillar should benefit from reshoring incentives.

Aniket Ullal, head of ETF research and analytics at CFRA Research, likes *iShares U.S. Aerospace & Defense* (symbol *ITA*, \$197), which is up 36% this year and holds about 40 stocks, including top holdings such as GE Aerospace, RTX, Northrop Grumman and Lockheed Martin. Another option is *Invesco Aerospace & Defense* (PPA, \$146), up 27% in 2025. Holdings include top defense contractors plus tech stocks with Pentagon ties, such as Palantir, a data analytics company that uses artificial intelligence to support military operations and intelligence gathering.

Huntington Ingalls Industries (HII, \$279), a leading shipbuilder that earns 80% of its revenue from the U.S. Navy, "stands to benefit from the Department of Defense's renewed focus on expanding the Navy's fleet size,"

says CFRA analyst Matthew Miller, who rates the stock a "buy." Seth Meyer, global head of client portfolio management at Janus Henderson Investors, is bullish on **Howmet Aerospace (HWM, \$180)**. Its specialized aircraft components get kudos for being lighter, faster, stronger and more cost-effective. Howmet's parts helped land the Apollo spacecraft on the moon and are used in military aircraft, such as Lockheed Martin's drones and F-35 fighter jet. The stock is a top-10 holding in the Janus Henderson Forty and Janus Henderson Contrarian funds.

Surf the reshoring wave. It's no secret that Trump wants companies to build their products on U.S. soil. The OBBBA offers tax incentives for firms to embrace the "Made in America" policy. "The bill is incentivizing behavior change," says Meyer.

Growth-friendly OBBBA provisions include making permanent a 100% bonus depreciation—a type of tax break that allows companies to deduct a percentage of the purchase price of eligible assets. Companies can now deduct the entire cost (up from 40% previously) of qualifying property, such as machinery and equipment, in the year it's put into service—no need to spread deductions over multiple years and wait to realize the tax benefits. The new law also allows full expensing of domestic research-and-development expenses in the year they occur, cutting corporate tax bills and boosting cash flow. Another perk aimed at encouraging investment in the homeland is 100% expensing, or immediate deductions, for certain manufacturing spending, such as upgrades to factories or assembly lines.

Manufacturing and heavy-machinery businesses such as **Deere (DE, \$524)** and **Caterpillar (CAT, \$438)** will benefit if customers spend more on capital equipment due to savings on taxes, says Paul Stanley, chief investment officer at Granite Bay Wealth Management. "If I need a new tractor, I'm going to invest while I know [the tax breaks] are on the books," he says. For broad exposure to the industrials sector, Stanley likes **iShares U.S. Industrials (IYJ, \$145)**, an ETF that owns about 200 stocks.

Among individual stocks, consider **Trane Technologies (TT, \$438)**, best known for its energy-efficient HVAC systems, says Eric Teal, chief investment officer at

intelligence business. "Getting semiconductor production on-shore is a key strategic focus of the Trump 2.0 administration," says Meyer. The OBBBA gives semiconductor makers incentives to break ground before 2026 on new plants to build high-powered chips. The carrot? Boosting the tax credit to 35% from 25%. Capital Group portfolio manager Matt Hochstetler says tech stocks that can benefit include **Micron Technology (MU, \$109)** and **Taiwan Semiconductor Manufacturing (TSM, \$242)**. (The latter is liable for U.S. corporate taxes and qualifies for the credit.)

There will be losers. Trump is not a big backer of clean energy.

THE NEW LEGISLATION IS AN ACCELERANT FOR ALREADY FAST-GROWING ARTIFICIAL INTELLIGENCE.

Comerica Wealth Management. Trane is likely to see higher demand from customers with more cash to plow into their business thanks to the OBBBA tax breaks, Teal says. Another plus: Trane has limited tariff risk, says Morningstar analyst Brian Bernard. (Trane is a member of the Kiplinger ESG 20, our favorite stocks and funds with an environmental, social or governance focus.)

Vulcan Materials (VMC, \$275), a producer of construction materials such as crushed stone, sand, gravel, asphalt and concrete, is a top pick of Sandy Villere, portfolio manager at wealth management firm Villere & Co. "There's going to be a big tailwind with all the incentives for U.S. manufacturing," he says.

Catch the AI train. The new law is a potential accelerant for the already fast-growing artificial

The OBBBA's December 31 phase-out of the tax credit allowing homeowners to deduct 30% of the cost of installing solar panels from federal taxes could lead to a 20% to 30% drop in home solar installations, denting the sales of U.S. solar panel makers, according to CPA firm Cerini & Associates. And the end of the \$7,500 tax credit on September 30 for the purchase of a new electric vehicle will cut into EV sales.

Sizable cuts to Medicaid are a negative for hospitals that treat low-income patients. Such hospitals may face lower revenues due to fewer patients, and they risk not getting paid by patients who lose coverage. The cuts will also harm health insurers that derive a large chunk of their revenue from Medicaid plans. ■

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