LaPorte Torch Fund
Period 3
04.01.21-09.30.21

Zach Adkisson
Caleigh Jacobs
Emma Lampson
Steven LoCascio Jr.
Simon Nagy
Tihomir Nikolic
Juan Soto Leon
Troy Tillman
Dear Mr. and Mrs. LaPorte,

Due to your generosity, you currently empower eight, unique individuals with the possibility to be more than just students. You create the opportunity for young adults to become practiced, focused, and tried portfolio managers. Moreover, you enable us to be impactful with our time, decision-making, and financial judgement. You create experiences for us to be personally impacted by remarkable faculty and by brilliant peers. For these and many more reasons, we feel immense respect and responsibility for the rare opportunity you grant. Your continued support has diametrically changed past, present, and future individuals’ college experiences, educations, career prospects, and friendships.

Our team’s culture is diligent and collaborative. Using diverse perspectives and skills, we compel high-quality research, portfolio monitoring, and constant questioning. The market’s challenges this period fostered deeper growth in macroeconomics, global dynamics, and consumer behavior, making economic outlooks a vibrant conversation. We are proud to have contributed the highest return out of the competing funds during Period 3 (March 31st, 2021 – September 30th, 2021) but look forward to continued learning and improvement.

During Period 3, we liquidated positions in Consumer Staples SPDR (XLP), General Mills (GIS), Alexion Pharmaceuticals Inc. (ALXN), and Cloudera (CLDR), to realize gains and fund better opportunities. We sold partial positions in Nasdaq Inc. (NDAQ) to rebalance our desired Financials sector weighting. Additionally, we sold partial positions of International Business Machines Corp. (IBM) and of The Coca-Cola Company (KO) during executed covered calls. This period we acquired 514 shares of Vale, 140 shares of Starbucks (SBUX), 71 shares of Lowe’s (LOW), 71 shares of PepsiCo Inc. (PEP) and additional shares of Raytheon Technologies (RTX) and International Business Machines Corp. (IBM), which enrich the LaPorte Fund’s diverse portfolio and provide careful exposures to preferred market segments and opportunities.

As we aspire to provide value above our stated benchmark, we are constantly grateful for the value the Torch Funds provide above our individual educations. Thank you for the opportunity to learn, compete, and collaborate. As many of us progress toward our intended career paths, we recognize the investment you’ve made in us and the extraordinary opportunity the LaPorte Fund provides. We deeply thank you and look forward to the continued success of current managers and the Torch Fund Program.

Gratefully,

The LaPorte Torch Fund Team
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Performance Summary

Period 3

Portfolio Performance Vs. Benchmarks

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Return</th>
<th>Weighted Benchmark (a)</th>
<th>S&amp;P 500</th>
<th>BETFX (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>7.17%</td>
<td>7.54%</td>
<td>12.12%</td>
<td>9.32%</td>
</tr>
<tr>
<td>Period 2</td>
<td>0.90%</td>
<td>2.34%</td>
<td>6.15%</td>
<td>3.65%</td>
</tr>
<tr>
<td>Period 3</td>
<td>10.61%</td>
<td>6.26%</td>
<td>9.17%</td>
<td>3.52%</td>
</tr>
<tr>
<td>Tenure</td>
<td>19.61%</td>
<td>17.54%</td>
<td>29.83%</td>
<td>17.14%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>Standard Deviation (c)</th>
<th>Weighted Benchmark (a)</th>
<th>S&amp;P 500</th>
<th>BETFX (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>12.04%</td>
<td>9.63%</td>
<td>16.28%</td>
<td>12.28%</td>
</tr>
<tr>
<td>Period 2</td>
<td>11.84%</td>
<td>9.87%</td>
<td>15.85%</td>
<td>9.85%</td>
</tr>
<tr>
<td>Period 3</td>
<td>7.98%</td>
<td>6.81%</td>
<td>11.16%</td>
<td>7.53%</td>
</tr>
<tr>
<td>Tenure</td>
<td>10.11%</td>
<td>8.37%</td>
<td>13.77%</td>
<td>9.49%</td>
</tr>
</tbody>
</table>

\(a\) The Weighted Benchmark is a 60% S&P 500, 40% Bloomberg Barclays U.S. Aggregate Bond portfolio.

\(b\) BETFX is the Morningstar Balanced ETF Asset Allocation Portfolio Fund.

\(c\) Metrics reported are annualized and calculated using daily returns during the period.
### Performance Summary

#### Period 3

<table>
<thead>
<tr>
<th>Sharpe Ratio</th>
<th>Portfolio</th>
<th>Weighted Benchmark&lt;sup&gt;a&lt;/sup&gt;</th>
<th>S&amp;P 500</th>
<th>BETFX&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>2.32</td>
<td>3.00</td>
<td>2.85</td>
<td>2.92</td>
</tr>
<tr>
<td>Period 2</td>
<td>0.37</td>
<td>1.00</td>
<td>1.64</td>
<td>1.55</td>
</tr>
<tr>
<td>Period 3</td>
<td>2.55</td>
<td>1.81</td>
<td>1.62</td>
<td>0.95</td>
</tr>
<tr>
<td>Tenure</td>
<td>1.82</td>
<td>1.91</td>
<td>1.97</td>
<td>1.73</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Treynor Ratio</th>
<th>Portfolio</th>
<th>Weighted Benchmark&lt;sup&gt;a&lt;/sup&gt;</th>
<th>S&amp;P 500</th>
<th>BETFX&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>0.24</td>
<td>0.29</td>
<td>0.46</td>
<td>0.41</td>
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<tr>
<td>Period 2</td>
<td>0.04</td>
<td>0.10</td>
<td>0.26</td>
<td>0.17</td>
</tr>
<tr>
<td>Period 3</td>
<td>0.19</td>
<td>0.12</td>
<td>0.18</td>
<td>0.07</td>
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<tr>
<td>Tenure</td>
<td>0.17</td>
<td>0.16</td>
<td>0.27</td>
<td>0.18</td>
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### Other Performance Metrics

<table>
<thead>
<tr>
<th></th>
<th>Period 1</th>
<th>Period 2</th>
<th>Period 3</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tracking Error</td>
<td>5.11%</td>
<td>5.23%</td>
<td>3.28%</td>
<td>4.32%</td>
</tr>
<tr>
<td>Information Ratio</td>
<td>-0.19</td>
<td>-1.06</td>
<td>2.44</td>
<td>0.57</td>
</tr>
<tr>
<td>Beta vs. Weighted Benchmark&lt;sup&gt;a&lt;/sup&gt;</td>
<td>1.14</td>
<td>1.08</td>
<td>1.07</td>
<td>1.10</td>
</tr>
<tr>
<td>R² vs. Weighted Benchmark&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.83</td>
<td>0.81</td>
<td>0.83</td>
<td>0.82</td>
</tr>
<tr>
<td>Beta vs. S&amp;P 500</td>
<td>0.67</td>
<td>0.67</td>
<td>0.65</td>
<td>0.66</td>
</tr>
<tr>
<td>R² vs. S&amp;P 500</td>
<td>0.81</td>
<td>0.80</td>
<td>0.82</td>
<td>0.81</td>
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## Portfolio Details

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Allocation</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>Equities</td>
<td>76.96%</td>
<td>$517,164.78</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>17.70%</td>
<td>$118,929.94</td>
</tr>
<tr>
<td>Derivatives</td>
<td>0.00%</td>
<td>$0.00</td>
</tr>
<tr>
<td>Cash</td>
<td>5.34%</td>
<td>$35,899.55</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>$671,994.27</strong></td>
</tr>
</tbody>
</table>

### Asset Allocation

- **Equities**: 76.96% of the portfolio, valued at $517,164.78
- **Fixed Income**: 17.70% of the portfolio, valued at $118,929.94
- **Derivatives**: 0.00% of the portfolio, valued at $0.00
- **Cash**: 5.34% of the portfolio, valued at $35,899.55

**Total**: 100.00% of the portfolio, valued at $671,994.27
# Portfolio Details

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Period 3 % Return</th>
<th>Period 3 Div. Yield</th>
<th>Period 3 $ Return</th>
<th>Tenure % Return</th>
<th>Tenure $ Return</th>
<th>Ending Weight as of 9/30/21</th>
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</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equities</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACN</td>
<td>16.48%</td>
<td>43.45%</td>
<td>0.64%</td>
<td>1.52%</td>
<td>$5,224.45</td>
<td>$10,977.99</td>
</tr>
<tr>
<td>ALXN</td>
<td>20.42%</td>
<td>50.42%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>$3,466.53</td>
<td>$6,065.79</td>
</tr>
<tr>
<td>AMGN</td>
<td>-13.12%</td>
<td>-14.26%</td>
<td>1.41%</td>
<td>3.13%</td>
<td>-$2,709.12</td>
<td>-$2,560.24</td>
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<tr>
<td>AMZN</td>
<td>6.17%</td>
<td>3.76%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>$3,437.28</td>
<td>$402.82</td>
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<td>CLDR</td>
<td>31.14%</td>
<td>61.56%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>$9,148.95</td>
<td>$11,772.07</td>
</tr>
<tr>
<td>CSGP</td>
<td>4.71%</td>
<td>1.18%</td>
<td>0.00%</td>
<td>0.00%</td>
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<td>$2,279.43</td>
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<tr>
<td>CVS</td>
<td>14.22%</td>
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<td>1.33%</td>
<td>2.53%</td>
<td>$3,359.08</td>
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<tr>
<td>GD</td>
<td>9.28%</td>
<td>44.95%</td>
<td>1.31%</td>
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<td>$707.70</td>
<td>$3,298.28</td>
</tr>
<tr>
<td>GIS</td>
<td>0.45%</td>
<td>1.54%</td>
<td>1.66%</td>
<td>3.29%</td>
<td>$11.88</td>
<td>-$406.20</td>
</tr>
<tr>
<td>IBM</td>
<td>2.99%</td>
<td>16.39%</td>
<td>0.73%</td>
<td>5.15%</td>
<td>$2,285.78</td>
<td>$6,514.40</td>
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<tr>
<td>KO</td>
<td>0.71%</td>
<td>8.35%</td>
<td>2.65%</td>
<td>3.07%</td>
<td>$262.19</td>
<td>$584.00</td>
</tr>
<tr>
<td>LOW</td>
<td>5.65%</td>
<td>5.65%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>$771.06</td>
<td>$771.06</td>
</tr>
<tr>
<td>MSFT</td>
<td>20.06%</td>
<td>35.32%</td>
<td>0.48%</td>
<td>1.00%</td>
<td>$6,523.26</td>
<td>$9,777.22</td>
</tr>
<tr>
<td>NDAQ</td>
<td>31.68%</td>
<td>59.28%</td>
<td>0.73%</td>
<td>1.60%</td>
<td>$13,905.02</td>
<td>$21,375.48</td>
</tr>
<tr>
<td>NEE</td>
<td>-2.16%</td>
<td>-2.16%</td>
<td>0.48%</td>
<td>0.48%</td>
<td>-$228.09</td>
<td>-$228.09</td>
</tr>
<tr>
<td>OMC</td>
<td>-1.75%</td>
<td>-1.75%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-$283.80</td>
<td>-$283.80</td>
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<tr>
<td>PEP</td>
<td>-2.25%</td>
<td>-2.25%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-$245.66</td>
<td>-$245.66</td>
</tr>
<tr>
<td>PG</td>
<td>4.50%</td>
<td>3.02%</td>
<td>1.28%</td>
<td>2.65%</td>
<td>$500.98</td>
<td>$346.74</td>
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<td>PRU</td>
<td>18.09%</td>
<td>47.82%</td>
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<td>$3,640.80</td>
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<td>RDS/A</td>
<td>15.68%</td>
<td>4.29%</td>
<td>1.79%</td>
<td>1.79%</td>
<td>$1,315.67</td>
<td>$386.74</td>
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<td>RTX</td>
<td>12.09%</td>
<td>51.87%</td>
<td>0.83%</td>
<td>2.21%</td>
<td>$855.83</td>
<td>$4,528.91</td>
</tr>
<tr>
<td>SBUX</td>
<td>-5.17%</td>
<td>-5.17%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-$841.40</td>
<td>-$841.40</td>
</tr>
<tr>
<td>SON</td>
<td>-4.56%</td>
<td>16.06%</td>
<td>1.42%</td>
<td>3.19%</td>
<td>-$549.90</td>
<td>$1,435.39</td>
</tr>
<tr>
<td>TMO</td>
<td>25.32%</td>
<td>30.51%</td>
<td>0.11%</td>
<td>0.16%</td>
<td>$5,427.09</td>
<td>$5,396.84</td>
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<tr>
<td>TTD</td>
<td>7.88%</td>
<td>6.03%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>$1,386.18</td>
<td>$1081.35</td>
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<tr>
<td>VALE</td>
<td>-22.23%</td>
<td>-22.23%</td>
<td>2.42%</td>
<td>2.42%</td>
<td>-$2,008.42</td>
<td>-$2,008.42</td>
</tr>
<tr>
<td>WM</td>
<td>16.69%</td>
<td>34.26%</td>
<td>0.89%</td>
<td>2.98%</td>
<td>$1,998.58</td>
<td>$4,238.55</td>
</tr>
<tr>
<td>WMT</td>
<td>3.80%</td>
<td>1.29%</td>
<td>1.21%</td>
<td>1.96%</td>
<td>$520.00</td>
<td>$556.60</td>
</tr>
<tr>
<td>WPC</td>
<td>6.11%</td>
<td>6.24%</td>
<td>2.96%</td>
<td>2.96%</td>
<td>$748.64</td>
<td>$764.03</td>
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<tr>
<td>XLP</td>
<td>4.62%</td>
<td>13.03%</td>
<td>2.66%</td>
<td>5.03%</td>
<td>$607.11</td>
<td>$2,061.36</td>
</tr>
</tbody>
</table>

| Fixed Income | | | | | | |
| AGG | 1.76% | -0.96% | 0.88% | 2.01% | $510.31 | -$223.93 | 4.36% |
| TRECX | 1.51% | 1.41% | 0.00% | 0.00% | $270.15 | $253.59 | 2.71% |
| USFR | 0.00% | -0.02% | 0.00% | 0.05% | $0.00 | -$1.79 | 3.57% |
| WFCPRL | 7.19% | 16.19% | 2.65% | 5.15% | $3,266.88 | $5,607.20 | 7.06% |
| **TOTAL** | 10.61% | 19.61% | 0.89% | 1.94% | $64,481.28 | $110,195.20 | 100.00% |
**Portfolio Highlights**

### Period 3

#### Torch Fund Performances

<table>
<thead>
<tr>
<th>Period</th>
<th>Carrol</th>
<th>Haslam</th>
<th>LaPorte</th>
<th>McClain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>10.22%</td>
<td>6.55%</td>
<td>7.17%</td>
<td>15.66%</td>
</tr>
<tr>
<td>Period 2</td>
<td>1.89%</td>
<td>4.98%</td>
<td>0.90%</td>
<td>12.53%</td>
</tr>
<tr>
<td>Period 3</td>
<td>6.17%</td>
<td>4.96%</td>
<td>10.61%</td>
<td>9.09%</td>
</tr>
<tr>
<td>Tenure</td>
<td>19.24%</td>
<td>17.41%</td>
<td>19.61%</td>
<td>41.98%</td>
</tr>
</tbody>
</table>

#### Period 3

<table>
<thead>
<tr>
<th>Top 5 Performers</th>
<th>Bottom 5 Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>NDAQ $13,905.02</td>
<td>AMGN -$2,709.12</td>
</tr>
<tr>
<td>CLDR $9,148.95</td>
<td>VALE -$2,008.42</td>
</tr>
<tr>
<td>MSFT $6,523.26</td>
<td>SBUX -$841.40</td>
</tr>
<tr>
<td>TMO $5,427.09</td>
<td>SON -$549.90</td>
</tr>
<tr>
<td>ACN $5,224.45</td>
<td>OMC -$283.80</td>
</tr>
</tbody>
</table>

#### Tenure

<table>
<thead>
<tr>
<th>Top 5 Performers</th>
<th>Bottom 5 Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>NDAQ $21,375.48</td>
<td>AMGN -$2,560.24</td>
</tr>
<tr>
<td>CLDR $11,772.07</td>
<td>VALE -$2,008.42</td>
</tr>
<tr>
<td>ACN $10,977.99</td>
<td>SBUX -$841.40</td>
</tr>
<tr>
<td>MSFT $9,777.22</td>
<td>GIS -$406.20</td>
</tr>
<tr>
<td>CVS $8,552.92</td>
<td>OMC -$283.80</td>
</tr>
</tbody>
</table>
**Economic Outlook**

**Period 3**

**Period Performance**

The Laporte Fund managers held a cautiously optimistic outlook for Period 3, and the portfolio’s returns (10.61%) exceeded not only our expectations, but also, the benchmark (6.26%). Our return represents a 4.36% spread versus our benchmark and a 1.44% spread above the S&P 500. Our outlook was influenced by changes in the state of the pandemic and responding to government intervention. We aimed to gain quality diversification, exposure to all sectors, and minimized risk resulting in the fund’s outperformance.

**Looking Ahead**

The LaPorte Fund portfolio managers maintain a cautiously optimistic outlook for both the domestic and global economies for Q4 2021 and Q1 2022. We monitor increasing vaccination rates and expect further vaccine production to create positive economic impacts as society returns to most pre-pandemic behaviors. We are cognizant that virus mutations can suppress economic activity and further global supply chain bottlenecks producing upward price pressures if labor shortages persist. We are confident in the demand recovery of the global economy, and we believe there are opportunities for strong returns in certain industries and sectors.

In Period 3, the Delta variant caused a spike in hospitalizations and the reoccurrence of city lockdowns which had an immediate and negative effect on consumer confidence. The ability of the COVID-19 virus to mutate is a primary reason we are cautious about the direction of the economy and market in the next six months. However, the Delta variant’s surge has generated at least one positive outcome as vaccine-hesitant citizens became motivated to receive their inoculations creating a healthier population. The increase in vaccinations and the gradual phase-out of pandemic-related government benefits is reducing some stress on the labor market as select individuals return to the workforce.

At the end of March, the Federal Open Market Committee decided not to increase interest rates until labor market conditions show considerable progress and the long-term inflation outlook increases. Low interest rates make equity returns more attractive than fixed income returns as low rates tend to be a catalyst for economic growth. On this basis, the LaPorte Fund continues to be overweight equities compared to fixed income for the near-term. As the year-end holiday season approaches, we forecast stronger than normal cyclical spending as American consumers release pent-up demand and pandemic-era savings. Moreover, as the end of 2021 draws near, we predict the bipartisan federal infrastructure bill will produce significant macroeconomic benefits.

Going forward, we look to capitalize on opportunities that are resistant to volatile behavior. We anticipate long term trends in Healthcare, Consumer Staples, residential Real Estate, and Renewable Energy. First, as individuals become increasingly health conscious, we anticipate opportunities in Healthcare and Consumer Staples. Second, as millennials become the prime home-buying age group, we anticipate opportunity in residential Real Estate sector as it maintains future growth with population. Finally, as environmentally conscious lifestyles become a new standard, the renewable Energy sector will create long-term gains. We see many risks in commercial Real Estate, commercial Retail, coal & oil, and insurance.
Period Performance

Our portfolio had only one holding, the Trade Desk, in the Communications sector at the beginning of Period 3. We managed to add a new holding, Omnicom Group, during Period 3 to increase our Communications sector weighting. The Trade Desk had a return of 7.88% during Period 3, while Omnicom remained fairly flat returning -1.75% since purchase near the end of the Period 3. The Communications sector makes up 11.04% of the S&P 500. The LaPorte managers are actively looking for other investment opportunities to gain more exposure to the sector.

Looking Ahead

The Communications sector has generally shown slow but steady growth as communication companies are deemed essential today and are, therefore, more likely to avoid price fluctuations due to business cycles. Telecommunication companies have generally high startup costs which prohibit new competitors from entering the market; however, we do not expect any substantial growth in the near future. Online advertising companies, like The Trade Desk, have performed very well during the pandemic, and we anticipate substantial future growth with current trends. Traditional advertising companies, like Omnicom Group, have not performed well during the pandemic, but we expect this subsector to grow with the economic recovery as companies advertise their post-pandemic businesses. In the Diversified Entertainment subsector, Netflix and other streaming platforms have performed very well during the COVID-19 pandemic. The shift from cable television and movie theaters to on-demand streaming services will likely persist; therefore, we believe there are many investment opportunities in this sector.
The Trade Desk

**P3 Total Return:** 7.88%
**Beta:** 1.87

**Beg. Shares:** 270
**End Shares:** 270

**Beg. Value:** $17,594.82
**End Value:** $18,981.00

**P3 Dividend Yield:** 0.00%
**P3 Action:** Hold

**Description**
The Trade Desk, Inc. operates as an advertising technology company that offers an online advertising platform for management of display, social, mobile, and video advertising campaigns. It is the largest independent demand-side platform (DSP) providing real-time ad pricing and placement for advertisers at agencies and brands. The company's self-service software platform includes integrations with data, inventory, and publisher partners, and the enterprise APIs facilitate custom development on the platform. Among TTD's major partners are ABC, Disney, ESPN, Hulu, WSJ, TikTok, Pandora, Spotify, MLB, Conde Nast, Discovery, BBC, and CBS.¹

**Growth Drivers**
The Trade Desk (TTD) is well-positioned financially with steadily growing revenue, earnings per share, and free cash flow. The company has sufficient cash and equivalents, and it did not require excessive debt increases during the pandemic. Therefore, TTD is positioned to capitalize on the expected growth in advertising spend in 2021 and beyond. There has also been a shift towards advertising through Connected TVs (CTV), and TTD is positioned to capitalize on this market as well. The Trade Desk is the largest buyer of ad units in the open market. CTVs also have 4-10x higher cost per thousand impressions (CPM) than traditional ad units, so TTD is likely to dominate this segment of the advertising industry.¹

**Risks**
The Trade Desk’s performance will strongly depend on the overall economic recovery following COVID-19. If the recovery takes longer than anticipated, the performance of TTD might be subpar over the near-term as its revenue depends on companies' demand for advertising. Google recently announced they would stop using cookies and individual user tracking for advertising which might have a negative impact on TTD.¹ Companies may not be willing to pay the same premiums for ads that do not target individuals or provide performance metrics. However, TTD is working on Universal ID 2.0 which will be a substitute for cookies and will allow tracking and targeting of individuals.¹ TTD could therefore capitalize on Google’s decision to shift from using cookies and individual tracking.
**Omnicom Group Inc.**

**OMC**

- **P3 Total Return:** -1.75%
- **Beta:** 1.05
- **Beg. Shares:** 0
- **End Shares:** 220
- **Beg. Value:** $0.00
- **End Value:** $15,941.20
- **P3 Dividend Yield:** 0.00%
- **P3 Action:** Buy 220 Shares

**Description**

Omnicom Group Inc. is one of the world’s largest advertising holding companies, and it provides advertising, marketing, and corporate communications services to over 5,000 clients in 70 countries. OMC’s agencies, which operate in major markets around the world, provide a comprehensive range of services including traditional media advertising, CRM customer experience, CRM execution & support, and healthcare-focused marketing. Omnicom’s major agencies include BBDO, The Das Group of Companies, DDB Worldwide, Omnicom Media Group, and TBWA Worldwide.¹

**Growth Drivers**

Omnicom Group Inc. is a large holding company with many agencies specializing in almost all segments of advertising and marketing. Their clients are in a large variety of industries that are all represented relatively evenly as no industry accounts for more than 15.00% of OMC’s revenues, and their top 100 clients account for only 55.00% of revenues. OMC’s geographic reach is also fairly diversified with 55.00% of revenues coming from the US, 30.00% from EMEA, and 10.00% from Asia. Their global reach, financial health, and service diversification position OMC very well to capitalize on the increased demand for advertising in the post-pandemic world. Omnicom is also implementing substantial changes to its organization to remain competitive with technology-driven online advertising companies such as its recent sale of ICON, its low-profit specialty media business.¹

**Risks**

Omnicom’s performance will depend on the overall economy and other companies’ growth. Advertising expenditures are higher during times of economic recovery, but stagnating vaccination rates and new COVID variants could prolong the recovery of the global economy and, therefore, harm Omnicom’s performance. Since the majority of Omnicom’s revenues comes from the U.S., it is likely that OMC will perform well, at least in the U.S., as we are optimistic about the recovery of the U.S. economy.¹
Looking Ahead

In the coming months, continued vaccinations, increasing consumer spending, and improving employment will be large influences on the Consumer Discretionary sector. Additionally, as the economy continues to grow post-COVID-19, we will continue to monitor inflation as an important factor for input costs. Months ago, inflation was expected to be largely transitory. Now, as the Federal Reserve begins tapering, we will closely monitor consumer spending for changes in expectations. This may influence consumers’ spending habits. Amazon’s unique and dominant position provides an advantage over many other companies in this sector. We expect to see continued sales increased for Consumer Discretionary and specifically, Amazon barring high inflationary effects, so long as inflation projections do not increase.

Period Performance

The Consumer Discretionary sector of the LaPorte portfolio grew 6.62% during Period 3 versus the S&P 500 which grew 9.17%. The LaPorte Fund added Starbucks (SBUX) this period on September 7th, which returned -5.17%. SBUX losses were offset by gains from Amazon and Lowe’s, returning 6.17% and 5.65% respectively. The ending weight for the Consumer Discretionary sector within the LaPorte portfolio’s equity holdings was 17.20% while the S&P 500 weighted the sector 12.29%
Amazon.com, Inc. (AMZN)

**P3 Total Return:** 6.17%  
**Beta:** 0.53

**Beg. Shares:** 18  
**End Shares:** 18

**Beg. Value:** $55,693.44  
**End Value:** $59,130.73

**P3 Dividend Yield:** 0.00%  
**P3 Action:** Sell 8 Shares

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**Description**

Amazon (AMZN) is the world’s largest online retailer and offers over 12 million unique products. Amazon categorizes hundreds of products while selling their own electronic devices such as Alexa, Echo, Ring Doorbells, and more. AMZN is also the world’s largest cloud service provider through Amazon Web Services or AWS. Amazon Prime provides rapid growth over the past decade, offering consumers video streaming, free two-day shipping, Prime music, Prime reading, “Prime Day” deals, and many other benefits for a $119 yearly subscription. Finally, Amazon owns Whole Foods which operates 500 grocery stores in the U.S., Canada, and the U.K.

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**Growth Drivers**

COVID-19 drastically affected the way consumers prefer shopping. This can be attributed to the fact that many people were in lockdown and were forced to shop online. Comparatively, for 12 months ending June 30th, the net cash provided from operations increased to 13.31%, illustrating consumer adoption of e-commerce. Amazon’s supply chain is a source of competitive advantage, enabling AMZN to fulfill orders and satisfy customers quickly. Amazon’s big data collection is used to fine-tune recommendations for millions of consumers thus providing targeted advertisements which, in turn, increases online traffic. Amazon’s Q2 earnings report will be released on October 30th. We hold an extremely positive outlook for AMZN and look forward to continued performance over coming periods. Amazon’s ad revenue is quietly becoming a powerhouse, growing revenues 83.00% YoY. Ad market share is scheduled to increase from 5.20% in 2020 to 7.10% in 2023.

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**Risks**

The Biden administration has signaled the pursuit of anti-trust regulations against tech giants such as Amazon. Furthermore, data privacy regulations from countries, including the U.S., might hinder the company’s ability to expertly market to individual consumers. Walmart, which dwarfs Amazon in annual revenue and physical store presence, is arguably the biggest competitor for the e-commerce king. Walmart is now offering its version of Amazon Prime, Walmart+, for $99, and the subscription service includes fuel discounts. Alibaba is also becoming a dominant force in the rapidly growing Asian market. Also, the labor market is proving to be a large challenge for Amazon. They continue to face unionization attempts, which will undoubtedly increase labor cost if they are successful.
Lowe’s Companies Inc. is the second largest home improvement retailer in the United States. The company distributes a complete line of products and services for home decorating, maintenance, repair, remodeling, and property insurance. The company offers a broad range of national brands throughout their 1,735 stores across the United States as well as 240 stores in Canada. Product sales account for 95.00% of total revenue while service and other sales account for the remaining revenue.

Growth Drivers
Lowe’s continues to capitalize on Americans spending more time at home. As more companies are announcing permanent work from home guidelines, individuals invest in home improvement projects which increase demand for Lowe’s supplies. Additionally, as more millennials enter the home buying market and look to purchase “fixer-uppers”, the demand for lumber, appliances, carpet, and building supplies will generate long-term growth. Lowe’s is placing focus on their social media presence which appeals to younger generations. 2021 was full of challenges, and natural disasters were a big part of it. Over the past year, Lowes ramped up their disaster response and deployed trailers and emergency centers to hard hit areas, providing relief and tools, and materials to rent for quick fix jobs, as well as shower stations and washer/dryer centers to help customers who have lost power and water.

Risks
Uncertainties in the global supply chain and shipping industry are creating upward pressure on prices. In addition, the supply of products is being negatively impacted by supply chain inefficiencies leading to more stockouts. Lowe’s still has not developed a mobile app to compete with Home Depot on the digital buying experience. Home Depot has developed a large gap on Lowe’s in the digital buying experience which will be tough for Lowe’s to close. This is a leading contributor to why Home Depot’s EV/EBITDA is 15.93 compared to Lowe’s 12.73.
Starbucks Corporation

SBUX

P3 Total Return: -5.17%
Beg. Shares: 0
Beg. Value: $0.00
P3 Dividend Yield: 0.00%

Beta: 1.13
End Shares: 140
End Value: $15,443.40
P3 Action: Buy 140 Shares

Description
Headquartered in Seattle, Washington, Starbucks Corporation retails, roasts, and provides its own brand of specialty coffee. Starbucks operates retail locations worldwide and sells whole bean coffees through its sales group, direct response business, supermarkets, and on the world wide web. Starbucks has approximately 55.00% of its stores located in the Americas and receives over 70.00% of revenue from US consumers. Starbucks also produces and sells bottled coffee drinks and a line of ice creams.

Growth Drivers
Starbucks had an excellent Period 3. On the company’s last report, revenue growth, gross profit margin, EBITDA, and net income margin each increased. SBUX’s resilience during the pandemic has illustrated the strength of their brand. The company has continued to solidify its hold as the market leader in specialty coffee, holding over 33,200 company operated and licensed stores which is an increase of 3.05% year over year. As the world transitions from the COVID-19 pandemic we expect Starbucks to continue their strong hold on the market. Starbucks fiscal year ended September 27th and next earnings are due October 28th. We are confident the results will be favorable based on all accessible information. The addition of the Starbucks loyalty card has further increased Starbucks’ financial position. Starbucks customers hold more cash in their personal loyalty card balances than most banks.

Risks
A large issue for Starbucks is the labor shortage we are experiencing post-COVID-19. Attracting and retaining talent is difficult, especially when many businesses are competing for limited employee supply. Undoubtedly, increasing wages will lead to increased labor costs, but we expect these effects to be minimal, offset by larger sales growth. Changing dynamics in the specialty coffee market are another significant risk factor. The rise in boutique and smaller cafes attract and fragment the industry. Starbucks must continue to innovate with new products to keep consumer loyalty. Weather can affect the price of bean sources in different places around the world. This summer there was a small frost that greatly affected the price and supply of beans for a short time. Starbucks must be able to anticipate demand and hold a supply buffer for adverse weather events to ensure they have adequate supply.
**Period Performance**

In Period 3, the entire Consumer Staples sector grew 4.36% while the S&P 500 grew 9.17%. Our holdings in the Consumer Staples sector (Coke, PepsiCo, P&G, Walmart, and Consumer Staples ETF XLP) collectively grew 3.08%. Consumer Staples provided the second lowest return of any sector of the LaPorte portfolio for Period 3. Proctor and Gamble exhibited the largest return at 4.50% while the worst performer, PepsiCo, returned -2.25%. We purchased PepsiCo on September 24, 2021 (one week before the end of Period 3); therefore, the negative return does not reflect the company’s true performance in comparison to Proctor and Gamble. Historically, the Consumer Staples sector is a low volatility sector with well-established companies comprising the sector. During Period 3, Consumer Staples accounted for 7.99% of the LaPorte portfolio while the sector made up 5.75% of the S&P 500.

**Looking Ahead**

Most companies in the Consumer Staples sector are well established offering more limited growth potential. However, the Consumer Staples sector boasts stability and resilience, even during a global pandemic. Each of the companies within this sector saw healthy growth during the prior period. After an analysis of each of the holdings within this sector, the LaPorte managers are confident in each of these companies' performances moving forward.
The Coca-Cola Company

KO

P3 Total Return: 0.71%
Beg. Shares: 191
Beg. Value: $10,474.44
P3 Dividend Yield: 2.65%

Beta: 1.01
End Shares: 100
End Value: $5,247.00

P3 Action: Sell 91 shares

Description
Coke is the largest beverage company in the world and manufactures over 200 brands that are distributed in more than 200 countries. The company has six distinct geographic operating segments (North America, Latin America, Europe, Middle East, Africa, (EMEA) and Asia Pacific). Coke generates 69.00% of their revenue outside of the U.S., and four of the top five soft drink brands in the world are owned by Coke (Coke, Diet Coke, Fanta, and Sprite). Coke also owns 19.40% of Monster Beverage Group and has partnered to distribute their products globally.

Growth Drivers
In a strategic effort to grow the business “through focused execution and targeted innovation”, Coca-Cola has dramatically slimmed down its global portfolio of brands from 400 to 200 brands. Coca-Cola has huge growth opportunities in emerging markets not only in beverage sales, but also in developing the industry in these untapped markets. The company has the largest beverage distribution channels globally which will enable them to expand into emerging markets. As society becomes more health-conscious, sparkling water and beverages look to be an avenue for growth and provide Coca-Cola an opportunity to expand their current market share. 6, 7

Risks
The COVID-19 virus still impacts our daily lives. Risk exists if global governments reinstitute lockdown measures by placing restrictions on businesses in response to an outbreak. The price of a 12-pack of Coca-Cola has increased by as much as $1.50 due to pressures created by supply chain bottlenecks.15 In addition, the price of corn, an input for corn syrup, has fluctuated throughout the last 18 months. Coca-Cola gets more than half of their sales overseas, so a rising dollar can prove disappointing for KO’s profits if the dollar strengthens significantly. During Period 3, one of our option contracts was exercised, forcing us to forfeit 100 shares of Coca-Cola.
### Consumer Staples Select SPDR Fund

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>This ETF encompasses a variety of different industries within the Consumer Staples sector including nondurable household goods, tobacco, personal products, beverages, and manufacturers and distributors of food. The top five weighted companies in the ETF are P&amp;G, Walmart, PepsiCo, Coke, and Mondelez International. This specific ETF aims to minimize firm-specific risk within the Consumer Staples sector by targeting companies that are resilient to economic uncertainty, such as COVID-19.</td>
</tr>
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</table>

#### Thesis For Liquidating

During Period 3, we liquidated our position in XLP. The thesis for the initial investment in the ETF was to purchase the entire sector to diversify our holdings in the customer staples sector during the second half of 2020. Our liquidation decision was because of our updated outlook, and we had the opportunity to realize capital gains. In addition, the cash generated from the sale was directed to fund the purchase of PepsiCo while refunding our cash position. Finally, by holding the shares in the ETF, we increased our risk as we held individual holdings in four of the companies within the fund.

### XLP

<table>
<thead>
<tr>
<th>P3 Total Return: 4.62%</th>
<th>Beta: 0.68</th>
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</thead>
<tbody>
<tr>
<td>Beg. Shares: 193</td>
<td>End Shares: 0</td>
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<tr>
<td>Beg. Value: $13,183.83</td>
<td>End Value: $0.00</td>
</tr>
<tr>
<td>P3 Dividend Yield: 2.66%</td>
<td>P3 Action: Sell 193 Shares</td>
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</tbody>
</table>
General Mills Inc.

GIS

**P3 Total Return:** 0.45%

**Beg. Shares:** 44

**Beg. Value:** $2,698.08

**P3 Dividend Yield:** 1.66%

**Beta:** 0.19

**End Shares:** 0

**End Value:** $0.00

**P3 Action:** Sell 44 Shares

Description

General Mills manufactures and markets branded and packaged consumer foods worldwide and supplies branded and unbranded food products to the foodservice and commercial baking segments. Industry-leading brands include Yoplait, Pillsbury, Gold Medal Flour, Betty Crocker, Chex, Cheerios, Lucky Charms, Wheaties, and Häagen-Dazs. General Mills’ operations are divided into five segments: North American retail, convenience stores & food services, Europe and Australia, Asia and Latin America, and Pet. North America generates 61.00% of total revenue in the retail segment alone. Nestlé and General Mills partnered together in 1991 to market breakfast cereals to 130 countries excluding the U.S. and Canada. Roughly 59.00% percent of sales are generated in the U.S.

Thesis For Liquidating

General Mills is highly dependent on the U.S. market for revenue. Furthermore, General Mills’ sales are dependent on Walmart, as the retail giant is General Mills’ largest customer, accounting for 13.47% of total revenue. GIS risks low profit margins with a high number of aged product lines. Focused production and investment in innovative products offer an only a marginal opportunity for competitive advantage. The food industry is highly competitive with companies such as Kellogg’s, Hormel, Kraft Heinz, and Post. The LaPorte Fund managers anticipated GIS’s lacking financial performance and innovation which contributed to our decision to sell all 44 shares on September 24th. General Mills lack of innovation was reflected in their Q3 results as net income dropped by 2.33% and cash flows from operations dropped a staggering 36.18%.
PepsiCo, Inc. (PEP) operates worldwide beverage, snack, and food businesses. PepsiCo’s beverage brands include Pepsi, Mountain Dew, Tropicana, and Gatorade. Further, PEP owns Frito-Lay, Quaker Foods, and Rice-A-Roni. They manufacture and use contract manufacturers to produce the variety of products offered to the market.

**Growth Drivers**
With the increase in the number of people working from home, Pepsi is targeting “at home” consumption which has potential to provide a strong increase in sales. PepsiCo has been engaging in strategic acquisitions for the past five years which has led to consistent sales increases since 2017. From 2019 to 2020 revenues increased 5.22%. PepsiCo is continuing to focus on sustainable long-term growth by acquiring Chinese online snack company Hangzhou Haomusi Food Co. in addition to Rockstar Energy, offering huge growth potential. In addition, PepsiCo has partnered with Beyond Meat and Boston Beer Co., both companies are in their growth stage.

**Risks**
Pepsi expects steep price hikes in early 2022 due to rising ingredient, shipping, and labor costs. A portion of these costs are expected to be passed onto consumers, which may slightly reduce demand for PepsiCo’s products. Most of PepsiCo’s beverages and snacks are not considered healthy alternatives. The increased focus on health-conscious food and beverage choices may negatively affect demand for PepsiCo’s current products unless the company can diversify their product portfolio with healthy alternatives.
**The Proctor and Gamble Co.**

**PG**

<table>
<thead>
<tr>
<th>P3 Total Return:</th>
<th>4.50%</th>
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<tr>
<td>Beta:</td>
<td>0.58</td>
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<tr>
<td>Beg. Shares:</td>
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<td>P3 Dividend Yield:</td>
<td>1.28%</td>
</tr>
<tr>
<td>P3 Action:</td>
<td>Hold</td>
</tr>
</tbody>
</table>

**Description**

Proctor & Gamble Corporation (PG) is the world’s largest maker of consumer-packaged goods and is extremely diversified through its manufacturing and marketing of over 300 products in more than 180 countries. Walmart is the company’s largest customer at 15.86% of revenue generated from the retail titan. Global operations are divided into five segments: fabric & home care, beauty, health care, grooming, and baby, feminine & family care. P&G owns many household brand names such as, Tide, Downy, Gain, Bounce, Pampers, Charmin, Head & Shoulders, Old Spice, Crest, Gillette, Oral-B, and Vicks.

**Growth Drivers**

Proctor and Gamble concluded its fiscal year 2021 on June 30th and reported healthy growth. Net earnings increased 9.09% YoY, and cash flow from operating activities grew 6.31% YoY. P&G spends billions annually on advertisements. Specific campaigns, such as Old Spice, have completely revitalized brands. The beauty industry is currently growing at 6.53% annually, and P&G plans to capture growth by investing in current brands and potentially acquiring others.\(^1\) The eco-friendly product market including paper products, deodorant, make-up, and more is rapidly growing. P&G is well positioned to capitalize on this trend with its current product lines. P&G has found success with company and product acquisitions in the past which are expected to further expand in coming periods.

**Risks**

As we look to exit the recovery phase of the pandemic, a risk to future revenue is decreased demand for healthcare and cleaning products. The healthcare line saw a 10.21% increase YoY during the pandemic which may indicate decreased sales for this segment in future periods if the trend does not make a lasting impact.\(^1\) P&G must continue to innovate and control costs as the economic environment battles higher and stabilizing inflation. Lastly, the consumer-packaged goods industry is extremely competitive with well-known substitute brands such as Clorox, S.C. Johnson, Unilever, and J&J offering hundreds of other products.
Walmart Inc.

**WMT**

**P3 Total Return:** 3.80%  
**Beta:** 0.32

**Beg. Shares:** 100  
**End Shares:** 100

**Beg. Value:** $13,562.00  
**End Value:** $13,938.00

**P3 Dividend Yield:** 1.21%  
**P3 Action:** Hold

**Description**

Walmart Inc. (WMT) is the largest company in the world by revenue. It operates roughly 10,500 stores globally including supercenters, neighborhood markets, and discount stores. WMT is also the largest employer in the U.S. and globally. Approximately 240 million customers visit Walmart stores and websites weekly to browse and buy the 140,000 unique products. More than 65.42% of sales are generated in the U.S., and the grocery segment is the largest driver of sales at 56.30%. Walmart is continuing to invest in diversifying its business model by enhancing its Walmart marketplace, financial services, data monetization, and health offerings.

**Growth Drivers**

Walmart had a positive Period 3, increasing revenues by 0.97% quarter over quarter.¹ Net income declined quarter over quarter, attributed to last year’s benefit from a gain in interest charges which greatly offset reductions in revenue. Walmart is continuing to improve the Walmart Marketplace experience to compete with Amazon Prime. Walmart continues to build its financial services arm as well. In January, Walmart hired two former-Goldman Sachs executives, one of which pioneered the company’s consumer-banking business while the other brokered credit-card offerings with Apple and GM. More information has been announced surrounding the venture which will create the new fintech startup, Hazel. Hazel will provide a broad ecosystem of financial services such as bank accounts, lending, digital payments, and more through one consolidated app. Finally, Walmart is currently operating brick and mortar medical clinics in Georgia, Arkansas, and Illinois, and plans to open additional clinics in Florida.¹¹

**Risks**

The main risks for WMT are changing interest rates, changing value in equity investments, and fierce retail competition with companies such as Costco, Target, Kroger, and Amazon which constantly innovate to maintain a competitive edge. Walmart must strive to maintain market share which they specifically state that consolidation of competitors through M&A can be a material risk to the company. Costco has experienced superior growth in recent years, taking large amounts of traffic from Walmart’s Sam’s Club. Additionally, Amazon’s acquisition of Whole Foods allows the company to market its services, like Amazon Prime, in 500 stores.
**Energy Sector**

**Zach Adkisson**

**Period Performance**

In Period 3, the S&P 500 Energy Index grew 9.25% while the S&P 500 grew 9.17%. Our single holding in the Energy sector (Shell) grew 15.68%. Between Shell and the closest competitors (Exxon, Chevron, and ConocoPhillips), ConocoPhillips appreciated 29.56% in price while Shell was second. Shell, our single holding within the Energy sector, accounted for 1.87% of equities in the LaPorte portfolio. The Energy sector is 2.95% of the S&P 500.

**Looking Ahead**

While owning Shell is an excellent foothold for the Energy sector, the LaPorte portfolio stands to realize opportunities in renewable, LNG-specific, and midstream oil companies. The pandemic shocked the Energy sector in early 2020. Demand dried up overnight which furthered Energy sector volatility now standing at a two-year Beta of 1.33. Volatility must be taken into consideration for future investment opportunities. After an analysis of Shell, LaPorte managers are confident in the company moving forward; however, we strongly believe that our Energy sector needs to further diversify with LNG and renewables companies. The LaPorte Fund aims to be at or 1.00-2.00% overweight in the Energy sector by next period.
Royal Dutch Shell

P3 Total Return: 15.68%  
Beta: 1.24
Beg. Shares: 217  
End Shares: 217
Beg. Value: $8,721.23  
End Value: $9,671.69
P3 Dividend Yield: 1.79%  
P3 Action: Hold

Description
Shell is the second largest oil company in the world and boasts the deepest and largest oil and gas project in the Gulf of Mexico. The company has over 44,000 fuel stations in 75 countries and 85.00% of total revenue is generated from downstream activities. Upstream activities make up 5.00% of the total revenue with activities like exploring and extracting crude oil, natural gas, and natural gas liquids. Integrated gas includes Shell’s liquified natural gas (LNG) operations and accounts for the remaining 10.00% of revenue. Over 75.00% of the company’s revenue is generated outside the U.S.

Growth Drivers
The LNG market is growing each year, and Shell has made the necessary investments to capitalize on the industry. The recent investors’ presentation included metrics that highlight the future financial decisions that Shell wants to make such as investing $19-22 billion per year in capital expenditure, growing dividends per share 4.00% annually and reducing net debt to $65 billion by 2022. Shell also has $400 billion in PP&E which is crucial for such an asset-intensive industry. Finally, the company has an excellent footing in renewables and clean energy with a recent announcement of $565 million in solar panels in Brazil. In late September 2021, Shell sold all Permian Basin assets to ConocoPhillips for $9.5 billion in cash which is estimated to be more than a decade’s worth of cash flows. This follows in the aftermath of a Dutch court order to slash emissions faster than previously anticipated. We are confident that this is a growth driver as it directly aligns with Shell’s promise to move towards net-zero emissions.

Risks
The oil industry is extremely competitive with companies like Exxon, Chevron, BP, Marathon, and more. Each consistently attempts to outmaneuver the others in any way possible. Shell is also extremely sensitive to oil and LNG prices in the commodities market. Social and governmental pressures have increased in the past two decades regarding climate change and environmental catastrophes like Deepwater Horizon which BP has yet to recover from. Shell’s massive supply chain is also susceptible to global instability and increased shipping costs.
Period Performance

The Financials sector made up 15.49% of the LaPorte portfolio’s equity weighting compared to 11.50% of the S&P 500. Our holdings for the Financials sector include Nasdaq Inc. (NDAQ) and Prudential Financial (PRU), with returns of 31.68% and 18.09% respectively. These positions outperformed our benchmark. Given our outlook for the Financials sector and analysis of our holdings, we added no new holdings to this sector during this period.

Looking Ahead

The Financials sector outlook consists of continued economic growth, low bankruptcy and default rates, attractive sector valuations, and strong bank performance. We expect the strong rebound in Financials to continue throughout the next year. Additionally, with rising interest rates, the Financials sector expects increasing profit margins. For these reasons, the Financials sector boasts a promising outlook for the future. Risks to this sector include increased regulations and a potential surge in inflation. Our team will continue to monitor economic indicators and investment opportunities for the Financials Sector. We are hopeful that the sector will continue to outperform the S&P 500.
Nasdaq Inc.

P3 Total Return: 31.68%  
Beg. Shares: 314  
Beg. Value: $46,302.44  
P3 Dividend Yield: 0.73%  
Beta: 0.99  
End Shares: 294  
End Value: $56,747.88  
P3 Action: Sell 20 Shares

Description
Nasdaq Inc. is a holding company that operates as a stock exchange. The company provides trading, clearing, exchange technology, regulatory, security listings, analysis, investing tools and guides, financial and information services. Nasdaq offers its services worldwide, but it’s well-known for its U.S.-based stock market. About 85.00% of revenue comes from the U.S. and 15.00% from the rest of the world. Nasdaq’s four main business segments are market services, corporate services, information services, and market technology.1

Growth Drivers
Nasdaq has invested $1.2 billion in growth platforms and holds a significant market share of more than $22 billion. NDAQ’s diverse business model has provided a healthy balance sheet and cash position along with modest operating cash flow.2 The company remains focused on maximizing opportunities as a technology and analytics provider. Additionally, Nasdaq has increased focus on their market technology and information services businesses, supporting future growth opportunities.

Risks
Nasdaq’s recent increasing debt levels are a main source of risk. NDAQ’s debt increased by $1.97 billion in Q4 of 2020.13 When comparing Nasdaq’s relative balance sheet metrics, it also has a lower EBITDA coverage ratio and a higher debt to asset ratio than the median among relevant peers, indicating a lower ability to cover debt expenses.
**Description**

Prudential Financial Inc. (PRU) has more than 140 years of financial services industry experience. They provide financial services throughout the United States and in over 40 countries worldwide. The company offers a variety of products and services including life insurance, mutual funds, annuities, pensions, and retirement related services, as well as administration and asset management. They currently hold over $1.7 trillion in assets under management (AUM). PRU is one of the largest life insurance companies in the world, serving more than 50 million customers, and offering a robust line of investment products and services.

**Growth Drivers**

Prudential is growing fast in Japan and in high growth emerging markets. Prudential recently sold their Taiwan and Korea financial services providers. These sales support their strategy of concentrating in the U.S. and high growth emerging markets. One of Prudential's biggest initiatives is their run-rate cost savings target of $750 million by the end of 2023. Last year, Prudential exceeded their original run-rate savings target of $500 million. They performed well in Period 3, and their current positions promote positive signals for next year.

**Risks**

Regulatory changes due to the pandemic could affect Prudential Financial negatively. Prudential has ambitious goals. Not meeting their cost-saving goals could have a negative impact on their company or stock price. The stagnating life premiums trend in Japan may also negatively impact profits.
Period Performance

Our holdings in the Healthcare sector underperformed the S&P 500 in Period 3, returning a total of 9.17%. During Period 3, we sold 111 shares of Alexion, as they were acquired by AstraZeneca. The fund recognized better pharma opportunities elsewhere. The LaPorte Fund’s Healthcare holdings made up 12.30% of our equity holdings on average over Period 3, under the Healthcare weight within the S&P 500. The Healthcare sector within the SPY, a comparable ETF to the S&P 500, returned a total of 10.08% over the period which is about 180 basis points below the performance of our securities in this sector.¹

Looking Ahead

Moving into the end of 2021 and into 2022, the Healthcare sector has many opportunities, but poses some valuation risk as the sector remains crowded from the influx of investor flows into healthcare during the pandemic. Most notably, companies working on vaccines gained investor attention and have become successful. There are opportunities in telemedicine, electronic health records, and cloud-based data systems that are changing and optimizing the way healthcare companies operate. Another opportunity is in COVID-19 booster shots; companies that can exploit this need may be profitable, especially if the world population needs COVID-19 booster shots every year. This trend is being accelerated by an increasing number of mergers and private equity deals, where optimization is aggressively pursued after the transaction creating demand in these areas beyond the general drift in technological advancement seen in every industry. The aging and growing population of the U.S. will drive forward growth for the industry with increasing demand for services such as nursing homes and rehabilitation facilities. As population shifts occur, the locations of hospitals and healthcare facilities will change. The industry is facing the potential for regulation tightening, with democratically controlled Washington, and is increasing disdain for inflated healthcare costs in the U.S. Specifically, pharmaceutical companies face threatened regulation given astronomical prescription drug prices. This threat is already being realized as seen by Executive Order 14036 which describes plans to back legislation that will regulate drug prices in Medicare packages.¹⁵ Regulation tightening poses both margin compression risk and market share risk for U.S. companies as they cannot maintain heavy R&D investment.
Alexion Pharmaceuticals

Description
Alexion Pharmaceuticals is a global biopharmaceutical company that specializes in discovery, development, and commercialization of medicine to treat rare diseases and conditions. The company has developed drugs to treat the overreaction of one’s immune system, metabolic disorders, and medicine for the reversal of uncontrolled bleeding. In addition to its existing therapies, the company has a pipeline of therapies from internal research and business development. The company has a focus on novel molecules and targets in the immune system with development efforts on the core therapeutic areas of hematology, nephrology, neurology, metabolic disorders, cardiology, ophthalmology, and acute care.

Thesis For Liquidating
The AstraZeneca acquisition was completed on July 22, 2021 with Alexion’s final share price at $182.50. However, we liquidated our position on June 25, 2021 for $183.95 per share. As a team, we agreed to realize our capital gains and refund our cash position instead of owning AstraZeneca shares per the agreement. This liquidation fueled the purchase of Lowe’s, NextEra Energy, and increased our position in Raytheon.
Growth Drivers

While Amgen has been fighting biosimilars on many of its star drugs, the company is making its own biosimilar portfolio of products which should serve as a key growth driver to counteract the decline in their base business, as biosimilars continue to grow market share. From its drug pipeline, Amgen has the promising KRAS inhibitor Sotorasib, which is expected to have a regulatory decision in 1H21 in regard to monotherapy KRAS-mutant NSCLC approval. The company has also released guidance for initial data release for separate phase one and phase two applications for Sotorasib. Ultimately though, the key growth drivers remain Otezla, a plaque psoriasis drug, and their biosimilar portfolio.

Risks

The major risk for Amgen is the continued threat of biosimilar drugs which detract from their star drugs, such as Enbrel, and the declines in their base business. It is critical that AMGN maintains patent protection which they were able to secure until 2028 for Enbrel in a recent legal battle. AMGN’s revenues are concentrated, creating a risk that competitors could enter their top-performing markets and significantly impact revenue. Additionally, there is increased competition for their migraine drug Aimovig, where five new drugs have received FDA approval. The democratic control in Washington could also pose a legislative risk that would limit profits for biotechnology companies to decrease the cost of drugs. Further possibility exists for legislation that would regulate drug prices in Medicare packages and increase introduction of biosimilars and generic drugs into the market. If enacted, legislation poses a direct and negative impact on Amgen’s revenues. 

Description

Headquartered in Thousand Oaks, California, Amgen Inc. (AMGN) is a biotechnology company creating healthcare solutions through research on living organisms. One of Amgen’s more popular products is Enbrel which is used to treat plaque psoriasis. Amgen focuses solely on human therapeutics, concentrating on innovation through novel medicines and advances in cellular and molecular biology. As one of the largest biotech companies in the world, Amgen segments into six major therapeutic areas: oncology/hematology, inflammation, bone health, cardiovascular disease, neuroscience, and biosimilars (generic drugs). Amgen’s top priority is the development of new drugs, as they spend over $4 billion each year on R&D.

Growth Drivers

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Growth Drivers
CVS’s acquisition of Aetna in Q4 2018 continues to undergo integration. Additional synergies are expected to be realized while opportunities with Aetna provide growth in the U.S. private insurance industry. CVS, through Aetna, has recently announced a new telehealth platform which will help satisfy the growing demand for online healthcare solutions. CVS has also struck partnership agreements with the federal government to distribute COVID-19 vaccines across the U.S. with roll out underway, increasing retail foot traffic. This increase is expected to continue through administering COVID-19 booster shots pending FDA approval. CVS’s health offerings, through the MinuteClinic, are expecting continued growth as underlying telehealth areas see accelerated growth from COVID-19. CVS has plans to deleverage their balance sheet over the next year and realize billions in cost reductions which will grow earnings per share at low double digits beyond 2022.

Risks
CVS continues to see margin pressure from generic drugs and lower reimbursement rates from insurance companies. Pharmacies have received attention for aiding rising healthcare costs in America which can be magnified by the new democratic administration. Possibility of legislation which would regulate drug prices in Medicare packages would place further pressure on CVS’s low drug margins. Additionally, Amazon’s entrance into the pharmacy industry poses a long-term threat as Amazon could gain traction. Beyond pharmacy threats, the looming e-commerce shift has been accelerated by COVID-19. E-commerce poses a threat to CVS’s retail revenues over both the near and long-term.
Description
Thermo Fisher Scientific Inc. (TMO) is a company within the Healthcare sector and medical equipment and services subsector. They are headquartered in Waltham, Massachusetts. TMO was formed through a merger between Thermo Electron and Fisher Scientific in 2006. They provide equipment, services, products, and developed processes to assist in scientific research, industrial research, and clinical trials. Thermo Fisher designs, manufactures, and delivers both specialty and everyday lab products and services for biotech, pharmaceutical, drug testing clinics, and other healthcare providers. Their specialty diagnostics unit offers multiple different types of test kits, instruments, software, and services for labs such as blood-test and antibodies systems, collection and transport systems, instruments, and consumables.

Growth Drivers
Thermo Fisher has been a beneficiary of the COVID-19 pandemic with an increased demand for their products and services, driving an expected 45.73% YoY increase in revenue for 2021. At the end of 2020, cash increased to $10 billion for Thermo Fisher, giving them a large war chest for capital deployment, which they are using in increased capacity investments for their pipette and pipette tip manufacturing. Despite the rollout of vaccines in countries like the U.S., the testing provided by the firm will likely continue to be in demand given vaccine hesitancy as well as new virus mutations. The Healthcare industry naturally grows due to factors such as population growth, but COVID-19 has created an increased need for medical services, such as testing, which furthers the growth of Thermo-Fisher Scientific Inc.

Risks
A key risk for Thermo Fisher is underperformance resulting from a quicker than expected decline in COVID-19 related revenue, a fear that likely contributed to some of the stock declines for the period. With vaccines already approved and being rolled out at an increasing rate, the current benefits of the pandemic could be quickly declining. However, vaccine hesitancy and COVID-19 variants will offer sustained income into 2022. Another key risk is a softening in the Healthcare sector from economic downturns. This could result in reduced sales of TMO’s more expensive and higher margin items, reducing top line revenue as well as current margins.
**Period Performance**

The LaPorte Fund’s Industrial holdings experienced tremendous growth during Period 3, returning 34.85%. Our holdings outperformed the benchmark S&P 500 which returned 9.17% during Period 3. Additionally, the relevant S&P 500’s Industrials sector had a loss of -1.01%. The LaPorte Fund’s Industrials holdings include Costar Group Inc (CGSP), General Dynamics (GD), Raytheon Technologies (RTX), and Waste Management (WM) contributing a combined $4,297.60 return. Dividends constituted a combined $322.76 return. During the period, we added 158 shares of Raytheon Technologies (RTX) to capture benefits from merger synergies, decreasing costs, alignment with political priorities, returns to travel, and consumer demand. Industrials account for 8.35% of the LaPorte Fund’s equity holdings.

**Looking Ahead**

Moving out of Period 3, the Industrials sector faces key challenges in supply chains, inflation, and fuel costs. Conversely, Industrial companies benefit in economic recovery with rising demand and corporate spending. Inflationary pressures on building materials and machinery may tamper income boosted by consumer demand while higher fuel costs may decrease profits expected in transportation from global trade and online shopping trends. While we monitor shifts in monetary policy, we note large deposit to loan ratios for banks making for accommodative lending policies if Industrial companies require lending in the near-term.

The Industrials sector boasts strong balance sheets, and ample opportunity exists for firms that can reduce costs, invest in automation, benefit from global conflict, and capitalize on global recovery tailwinds or infrastructure stimulus. Given macroeconomic trends including returning consumer travel demand, online shopping and global trade, defense spending, and infrastructure and energy stimulus, we expect above-market to market-performance for this sector. The LaPorte managers look forward to Q3 earnings while continuously monitoring COVID-19 and variants, supply chain costs, personal and purchasing managers spending, and global tensions.
CoStar Group, Inc. (CSGP) aims to create efficiency and transparency in commercial real estate. CoStar Group provides commercial real estate information, analytics, and online marketplace services such as real-time data, mobile and online real estate marketplaces, comparative analytics, and advertising services. CSGP’s clients include real estate brokerages, REITs, property owners and managers across commercial, hospitality, residential, and related professional industries in the United States, Canada, Europe, the Asian Pacific, and Latin America. CoStar Group’s databases are proprietary and online marketplaces generate revenue through a subscription model.

Growth Drivers
CoStar Group Inc. has experienced extensive growth in revenues, subscribers, net new bookings, and marketplace traffic through organic growth and acquisition. CSGP has remarkable digital and traditional advertising and capitalizes on cross-platform synergies. Impressive consumer demand for real estate, business demand for advertising, and low interest rate environments have further boosted use of CSGP’s platforms. GSGP is a high growth company, acquiring Homes.com and COMREAL INFO (owner and operator of BureauxLocaux.com) in Period 3 as well as multiple other acquisitions over the last four years. Throughout, CSGP has grown profit margins, free cash flow, and revenue while benefiting from economies of scale and diverse marketplaces. In September, CSGP planned to raise prices for users which is expected to reflect further profits in Q3 earnings. Finally, CSGP is competitively positioned with proprietary databases and market concentration.

Risks
Despite positioning in the Industrials sector, CoStar Group Inc. derives risk exposures from the related Real Estate and Communications Services sectors. Key risks include the potentials for commercial real estate delinquencies, the work from home trend, unemployment, and rising interest rates. Decreased demand for CSGP’s platforms would result in decreased advertising revenues and declining subscription renewal rates. The LaPorte managers are confident in CSGP’s diverse offerings, consumer base, and growth. We continue close monitoring for rising interest rates, resistance for employees to return to office, and delinquencies in commercial real estate.
General Dynamics Corporation (GD) is a diversified, global defense company, offering a broad portfolio of products and services in business aviation, combat vehicles, weapons systems, munitions, ship building design and construction, information systems, and technologies in more than 70 countries. GD operates in four segments: Marine Systems, Aerospace, Technologies, and Combat Systems. GD’s revenue is attributed to the U.S. Government (69.00%), international customers (18.00%), and U.S. commercial customers (13.00%).

**Growth Drivers**
General Dynamics experienced a 7.97% capital gains yield during Period 3 and continued strong dividend payments. Performance is attributable to improved cost savings, increased margins, high-dollar contracts with the U.S. Government and classified customers, and extensive firm backlogs exceeding $89.2 billion, a 7.93% increase YoY. Additionally, GD has continued product developments, recently announcing two, new gulf-stream business jets to capture rebounding business demand that will be delivered in 2023 and 2025. Moving forward, the LaPorte Fund anticipates strong returns from GD’s cyclical strength in Q4, continued innovation, realization of funded backlogs, and growing dividend.

**Risks**
Given concentrated aerospace and U.S. exposures, General Dynamics faces risks due to COVID-19 and variants, rising supply chain costs, inflation, fuel costs, and labor shortages. As the pandemic continues to effect commercial air travel, new variants or decreased demand for business travel can affect new jet sales. Additionally, GD faces likely cost increases in inputs from inflation and supply chain bottlenecks. Further, fuel costs and labor shortages beg increasing wages and production costs. Together, these risks threaten profit margins and demand. The LaPorte managers anticipate GD’s continued success but closely monitor these threats for declining profit margins and orders.
Raytheon Technologies Corporation (RTX) operates as an aircraft manufacturing company providing technology offerings and engineering teams to deliver innovative solutions such as aero structures, avionics, interiors, mechanical systems, mission systems, aircraft engines, power and control systems, radars, software, and other products. RTX operates in four segments: Raytheon Missiles & Defense, Raytheon Intelligence & Space (RIS), Collins Aerospace, and Pratt & Whitney. Raytheon receives 75.00% of revenue from product sales and 25.00% from services.¹

Growth Drivers
RTX continues to benefit from merger synergies between former United Technologies and Raytheon Company. During Period 3, RTX benefited from trends in global conflict while being well-positioned with administrative priorities including hyper sonics and long-range standoff weaponry. Further, Raytheon improves sales with the return to global travel and increased demand for air freight due to online shopping. RTX boasts increased free cash flow, earnings per share, sales growth, and has been hosting lean events to decrease costs and improve margins under new leadership. RTX has also won lucrative and long-term awards in classified bookings and innovative technologies, building out future revenue.²³ All the while, Raytheon supplies a stable dividend at $0.51 per share.

Risks
Raytheon’s key risks come in the form of competition, costs, and COVID-19. Supply chain bottlenecks and increasing fuel costs affect not only production, but also, profits. Within consumer demand, COVID-19 and variants can negatively impact the return to commercial air travel which impacts revenues from maintenance and service. Finally, competition for government contracts is concentrated with large firms such as Lockheed Martin which recently acquired Aerojet Rocketdyne, RTX’s seventh largest supplier.¹ That said, Laporte managers are confident in RTX’s continued growth in consumer demand, government contracts, the Industrials sector, and cost reductions from lean events.
Waste Management, Inc.

**Description**
Waste Management, Inc. (WM) is the largest holding company controlling the US solid-waste industry. Founded in 1968, the company serves residential, industrial, municipal, and commercial customers across the US and Canada. Waste management provides waste collection, transfer, recycling, resource recovery, and disposal services. WM functions through the industry’s largest network of landfills, owning or operating about 270 landfills, about 350 transfer stations, and 100 material recovery facilities.\(^1\)

**Growth Drivers**
Population growth precedes waste growth. As U.S. consumers increase contributions to landfills and recycling plants, Waste Management benefits from collection, transport, and related revenues. WM experiences growing market share, currently around 35.40% compared to competing service providers and much higher in specific segments such as transfer, at 61.31% market share.\(^2^4\) Waste management contributed a 16.42% return to LaPorte portfolio during Period 3 given increasing revenue, volume, operating margin, and labor cost reduction by automation. Finally, WM benefits from trends in increased commodity prices for recycled material. LaPorte managers look forward to WM’s continued growth and cost reduction strategy in providing capital appreciation and dividend growth.

**Risks**
Waste Management’s risks are largely subject to facility closings, labor shortages, and fuel costs. In the event of further COVID-19 shutdowns, facilities lose operating capacity including transfer and collection processes. WM is mitigating this risk by investment in automation.\(^2^5\) Fuel costs may also serve to restrict WM’s profit margins. Overall, WM provides a necessary service and a long history of dividend growth. LaPorte managers look forward to WM’s organic growth, low beta, and stable dividend.
Period Performance

At the end of Period 3, Information Technology holdings accounted for 17.32% of the LaPorte portfolio’s equity holdings while the sector made up 24.22% of the S&P 500. Our largest holding in this sector is Microsoft, and Accenture is close behind. We have reduced our holding in IBM but are optimistic for its future. Each of our holdings performed extremely well. Namely, Cloudera returned 31.14% as we exited the position. Microsoft returned 20.06%; IBM returned 2.99%, and Accenture returned 16.48%. The LaPorte Fund managers have been effective in selecting holdings in this sector.

Looking Ahead

The Information Technology sector is likely to continue to do well moving forward. Many companies will continue to capitalize on the digital revolution. The LaPorte Fund is confident that organizations will continue to adopt more and more enterprise software. This makes the software industry within this sector very promising. The LaPorte Fund will target holdings that show promise in this area. Cloud computing and cloud-based data processing may become one of the fastest growing sub-industries. There is a lot of potential for smaller companies who may get acquired and for high growth for larger players. A downturn in the economy or increases in interest rates may hurt equity holdings, and this is a risk that the LaPorte managers will manage.
Accenture Plc

ACN

<table>
<thead>
<tr>
<th>P3 Total Return: 16.48%</th>
<th>Beta: 0.97</th>
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</thead>
<tbody>
<tr>
<td>Beg. Shares: 115</td>
<td>End Shares: 115</td>
</tr>
<tr>
<td>Beg. Value: $31,768.75</td>
<td>End Value: $36,790.80</td>
</tr>
<tr>
<td>P3 Dividend Yield: 0.64%</td>
<td>P3 Action: Hold</td>
</tr>
</tbody>
</table>

Description
Accenture (ACN) is one of the largest management and technology consulting firms in the world. Accenture offers digital, technology, and business operations services to the largest companies and governments. ACN serves over 40 industries. Accenture reports 55.00% of revenue from consulting and 45.00% of revenue from outsourcing. Over 45.00% of revenues come from North America and nearly 35.00% come from Europe.¹

Growth Drivers
Accenture’s main growth comes from acquisitions. As of July, Accenture acquired over 39 companies in 2021 allowing ACN to offer greater services to larger markets. The pandemic has accelerated the digital revolution, and companies across the world are adopting more technology for their businesses. ACN is capitalizing on technological opportunities as they are broadly positioned in the space. Additionally, content moderation continues to become a more important part of the digital space. Recently, Accenture revealed a $500 million annual contract with Facebook for content moderation.²⁶

Risks
Accenture faces challenges from increased competition. Large accounting firms, such as Deloitte and EY, have been acquiring both management and technology consulting firms to grow their footprints in the industry. These companies are giants in the professional services space and may begin to gain further market share. Acquisition activity may be under more regulation in the future as governments globally increase scrutiny.
**Description**

Cloudera, Inc. develops and distributes software for business data that includes storage, access, management, analysis, security, search, processing, and analysis applications. This software helps companies take complex data and create meaningful interpretations and insights. Cloudera offers a graphical user interface for applications that helps analysts, developers, and administration to submit jobs, monitor cluster health, and view data. CLDR was recently acquired and taken private by Clayton, Dubilier & Rice and KKR. The deal is expected to close in the second half of 2021 at $16 per share.

**Thesis for Liquidating**

From the initial purchase on November 10, 2020 at $10.05 per share to our liquidation on September 29, 2021 at $15.96 per share, Cloudera experienced a 61.56% price appreciation. We exited a week before the acquisition completed and thus, forfeited $67.41 in potential capital gains. This acquisition refunded our cash position by nearly $39,000 and will fund future investments.
Growth Drivers
As companies continue adopting more technologies for their business, IBM’s consulting business will continue to grow. IBM is making large investments in cloud computing, as they have decided to shift their business towards a cloud and cognitive computing focus. IBM is aggressively making this change, highlighted by the $34 billion acquisition of Red Hat. IBM’s cloud revenue has grown 13.00% in the last quarter. As a part of the shift, the spinoff of Kyndryl will allow IBM to become much more profitable. Kyndryl was generating a pre-tax loss of $1.8 billion and negative Free Cash Flow. However, executives as IBM report that Kyndryl is Free Cash Flow positive after some necessary adjustments. Kyndryl may prove to become a successful company, but IBM is better off without it.28

Risks
IBM is undergoing a fundamental change in their business. This move comes with risk as there has been multiple examples of companies failing to succeed after such a change. IBM is also going into a space that has two dominant incumbents, Microsoft Azure and Amazon Web Services. IBM has taken on more debt as they transform their business. Their acquisition activity is also a cause of debt. IBM’s debt-to-equity increased from 2.10 in 2018 to 2.62 in 2020. These rising debt levels increase risk for IBM, but they shouldn’t be at too high of a risk for insolvency.
Description
Microsoft (MSFT) develops, sells, and provides support for software products and hard equipment. MSFT offers personal computers, video game consoles, operating systems, cloud hosting, and business & consumer applications. Microsoft is one of the world’s leading technology companies and boasts products such as Windows OS, Microsoft Office, Azure cloud services, LinkedIn, and Xbox. Revenues are split almost evenly amongst three business segments: Personal Computing, Productivity & Business Processes, and Intelligent Cloud.

Growth Drivers
Microsoft’s largest growth driver is the growing cloud computing industry. This is one of the most exciting trends in Information Technology, and Microsoft wants to lead the way. MSFT is shifting many of its products towards the cloud. Azure, Office 365 Commercial, LinkedIn’s commercial aspect and Dynamics 365 all fall under the Intelligent cloud business, and this segment makes up for 73.00% of revenue growth.¹ Microsoft is also looking to expand their footprint in the cybersecurity space.

Risks
Microsoft has to pay attention to the government’s focus on regulation of Big Tech. Although Microsoft seems to have steered clear of the government’s attention, some rulings could have large implications on Microsoft’s business. Microsoft also has to keep ahead of its competitors as there are many threats in the cloud computing space. Amazon Web Services is currently the dominant vendor of cloud hosting, and companies like Google and IBM are quickly growing. While Microsoft seems to be impenetrable, they have failed to meet consumers’ demand before. Apple and Google have both bettered Microsoft in the user platform and mobile phone industries.
Period Performance

Before the purchase of Vale SA, the LaPorte Fund had one holding in this sector: Sonoco Product Company. The fund purchased Vale to increase exposure to different industries within the Materials sector. Vale is a producer of iron and iron pellets. We believe exposure to ferrous metals will provide strong returns as global steel and iron demand grows post-pandemic. The LaPorte fund is slightly overweight Materials at 3.63% of our equity holdings compared to the S&P 500’s Materials weight of 2.27%. The Materials sector of the S&P 500 returned -0.05% which is well below the entire S&P 500’s performance of 9.17%. The sector’s underperformance is attributable to strained supply chains, inflationary pressures, and global policy changes. The LaPorte Fund’s performance in this sector was heavily affected by Vale’s decline. Vale was subject to falling iron prices which were a result of China’s announcement to curb steel production.

Looking Ahead

There is looming pressure for a reduction in environmental impact, and this heavily affects companies within the Materials sector. Many firms are forced to reform their product lines or production processes to meet standards. We have seen this impact steel companies in China as the country mandated lower steel production to improve air quality. Firms may pass inflationary costs onto buyers helping Materials companies to expand margins. This sector is expected to stabilize which we will use to hedge risk. Additionally, increasing consumer demand will drive industries such as chemicals and forestry. These industries produce inputs that are used in many consumer products. Finally, U.S. tariffs on steel have forced increased domestic steel production and, subsequently, raised steel prices. The Biden administration now considers removing tariffs to decrease prices. This may affect steel producers and steel input producers as their margins fall.
The Sonoco Products Company

Description
Sonoco Products Company manufactures industrial and consumer packaging solutions. Their products include flexible packaging, high density film products, and folding cartons. Sonoco Products has large investments in materials science, packaging engineering and process improvement. Consumer Packaging makes up 45.00% of Sonoco’s revenues. This segment serves some of the largest Consumer-Packaged Goods companies in the world, such as PepsiCo, Dole Food Co Inc, and Unilever PLC. Sonoco’s next most important segment is its Paper and Industrial Covered Products segment which produces 35.00% of sales.

Growth Drivers
Sonoco Products Company can continue to grow as consumer spending continues. As manufacturing and production increases, the demand for Sonoco’s consumer packaging products will keep growing. Sonoco has a large opportunity in healthcare packaging and industrial packaging as well. Sonoco is the largest producer of composite cans, tubes and cores which allows Sonoco to best capitalize on business-to-business packaging needs. Sonoco also has growth potential overseas. Its ability to grow overseas will be dependent on the continued recovery of international economies.

Risks
Sonoco faces risk from pressures to make more sustainable packaging. There is a large global movement for waste reduction, so Sonoco will have to figure out how to adapt their product offerings to be less wasteful and more environmentally friendly. Otherwise, Sonoco will be burned by other competitors who are able to do so. Slower international recovery may also harm Sonoco’s ability to compete overseas. Trade regulations and other legislation may also make trading internationally more difficult. Inflation may also cause a decrease in margin, as Sonoco’s buyers may not be willing to pay more due to their large bargaining power.
Description
Vale is a raw materials company that mines for earth metals such as iron, manganese, gold, nickel, bauxite, and alumina. They also process pellets, alloys, and aluminum. Vale owns its railroads and maritime terminals in Brazil. Vale is the world’s top producer of the key raw materials for steelmaking: iron and nickel. Its Cajarás mine has the highest-grade iron ore in the world, and they do mineral exploration in five countries. Vale also operates a sustainable energy project in Brazil and has hydroelectric plants in several countries. Ferrous minerals make up the vast majority of Vale’s revenue at 80.00%.\(^1\)

Growth Drivers
Vale’s growth is heavily reliant on global demand for iron. As demand for steel continues to increase, demand for iron will follow, as iron is a major component in steel production. The development of nickel-iron batteries will also create an increased demand for iron. Nickel-iron batteries are becoming more popular because of their ability to store energy for longer periods of time. They are also becoming more commonly used in solar power and renewable energy storage. As more countries begin to invest in infrastructure, iron prices should go up. This allows Vale to capture higher margins on their mining business.

Risks
Around 80.00% of Vale’s revenue comes from ferrous minerals. Because of this, Vale’s stock is very sensitive to the price of iron, and a drop in iron prices correlates to a drop in stock price, as we saw late in this period. Vale also has a large reliance on China, and as the biggest steel producer in the world, China has a lot of influence over Vale. If China sticks to lowered steel production, Vale may take longer to recover. Vale also faces criticism over ESG issues, as their mines have been a topic of debate in Brazil for years. Vale has seen crises in their mines before but is working to reduce these risks. Vale is the largest producer of iron in the world and has access to the most iron mines, so they do not face large levels of competition globally.
Period Performance

We made no changes to our Real Estate holdings during Period 3 as we maintained our position in W.P. Carey. We ended the period with 5.58% of our equity portfolio in Real Estate which is overweight the S&P 500’s weight for this sector at 2.59%. WPC had a return of 6.11%, including two dividend payments.

Looking Ahead

We are optimistic about the overall Real Estate sector over the long term. Office and retail real estate were the most affected by the pandemic, and there is still significant uncertainty whether they make a full recovery with many businesses making the shift towards e-commerce and hybrid workspaces. However, the growth of e-commerce has also been a significant contributor to the increase in demand for industrial and warehouse spaces. We are optimistic about healthcare real estate, as the rising vaccination rates will lead to reopening of hospitals for non-essential procedures. Senior housing is also expected to recover in the near term, as occupancy rates are likely to increase post pandemic. We are confident that telehealth will not play a significant role in the future, and that the demand for physical healthcare facilities will persist.
Description
W.P. Carey is a REIT that specializes in the acquisition and management of single-tenant industrial warehouse, office, retail, and self-storage facilities. It is based in New York with offices in Dallas, Hong Kong, London, Amsterdam, and Shanghai. WPC owns 1,266 properties with 69.00% of revenue generated from the United States and 31.00% from North and Western Europe. It is one of the largest owners of net lease back assets and it is among the top 25 of the MSCI US REIT Index, which is based on market cap.¹

Growth Drivers
WPC mainly operates with the use of net leases, and most of their leases are in the form of sale leasebacks, allowing for a low-risk income stream.¹ It also has a strong revenue stream with $1.2 billion per year with 100.00% of leases including a contractual rent escalation.¹ Industrial, warehouse, and self-storage properties have been very successful in recent years and are expected to see continued growth.¹ WPC currently has 52.00% of their annualized base rent being generated by these three property types.¹ Apart from being one of the largest REITs and being very diversified, another one of their strengths is having one of the lowest WACCs among their competitors which puts them in a strong financial position.¹

Risks
WPC risks arise mainly from the investments in office and retail properties. The pandemic caused a decrease in demand for office spaces with the shift to remote workspace as well as a decrease in demand for retail spaces with the shift towards e-commerce.¹ The demand is expected to rise with higher vaccination rates, however, there are still uncertainties about the future of workspace and retail stores. This, however, leads to an increase in demand for industrial and commercial real estate with the need for warehouses.¹ We are optimistic about W.P. Carey and its future growth.
**Period Performance**

Prior to the LaPorte Fund’s purchase of NextEra (NEE) on August 9th, 2021, the LaPorte Fund was void of any utility companies. Since purchase, the S&P 500 Utilities Index fell -4.56% while NEE fell -2.16%. Further, since the beginning of Period 3, the same index grew 1.41% while NextEra grew 4.87%. Among Dominion, Xcel, Duke, The Southern Company, and NextEra, NEE experienced the lowest price depreciation since August 9th. The single security within the Utilities sector accounted for 2.02% of equity holdings. Conversely, the Utilities sector is 2.44% of the S&P 500.

**Looking Ahead**

The Utilities sector usually performs in volatile markets, or during economic downturns. Investors tend to value the stable demand and returns in the sector and turn to these companies as markets become less stable. However, in more favorable market conditions, we see the Utilities sector slightly underperform compared to the market. The LaPorte Fund sees the Utilities sector as a potential way to mitigate risk in the portfolio. There may be large opportunities for growth in the Electrical Utilities, Natural Gas Utilities and Independent Power and Renewable industries. As the world moves towards renewable energy, the providers and distributors of renewables and natural gas stand to see large growth. This is an area worth researching. Utility companies are PP&E intensive and thus require large amounts of debt. With the inevitable interest rate hikes in the near future, the cost of borrowing will increase which could stunt the growth of the sector.
Description
NextEra Energy (NEE) provides sustainable energy generation and distribution services through wind, solar, natural gas, and nuclear. The company currently operates 58 gigawatts with assets in 40 states and four Canadian provinces. NEE has one of the largest nuclear power fleets in the U.S. Florida Power & Light (FPL), accounts for 65.00% of total revenue, and generates 28,000 Megawatts that is delivered to nearly 6 million residential customers. Over 30.00% of the company’s revenue is from NextEra Energy Resources (NEER) which owns, develops, constructs, manages, and operates electric generating facilities in wholesale energy markets in the U.S. and Canada. Nearly 65.00% of the energy from this segment is generated from wind, 25.00% is generated from nuclear, and the remaining 10.00% is from gas and oil.

Growth Drivers
NextEra leads the Utilities sector in numerous categories but specifically in asset size. Like the Energy sector, utility companies are dependent on large PP&E due to the nature of energy generation and transmission. NextEra is the leader in electricity generation from wind and solar which is crucial as the world continues the transition to renewable energy. The company also controls 31.00% of the battery storage market and recently entered contracts through 2033 for the purchase of wind turbines, wind towers, and solar modules. NextEra is currently building the U.S.’s largest renewables-battery project in Oklahoma that will distribute energy to the power grid during peak demand. NextEra almost has a monopoly on Florida's entire utilities business, and regarding population, is one of the fastest growing states in the U.S.

Risks
The Utilities sector has a unique competitive landscape because companies like Duke, Dominion, and The Southern Company have specific geographic dominance. The Utilities industry is sensitive to weather events that are relatively unpredictable.
Period Performance

Fixed Income holdings over Period 3 include AGG, WFC pdf, TRECX, and USFR. Fixed Income positions and cash balance equaled 23.04% at the end of Period 3. These positions provided a total gain of 0.33% to the LaPorte portfolio during Period 3. Low interest rates and the governmental priority to boost employment over inflation contributed to the poor performance of Fixed Income.

Looking Ahead

The Fed is willing to tolerate higher inflation to boost employment. This could mean that interest rates will remain low in the next one to three years. We expect to maintain our Fixed Income weight, as long as interest rates remain low. Additionally, AGG and USFR may serve as funding sources for future purchases as this outlook and the steepening yield curve persist. Wells Fargo’s preferred stock and T. Rowe Price’s Emerging Market Corporate Debt Fund can provide opportunities in emerging markets. Finally, with the expected FED bond purchase tapering, the LaPorte managers will continue to monitor for rate hikes and asset prices.
**Description**

The iShares Core US Aggregate Bond ETF (AGG) is an exchange-traded fund (ETF) that seeks to track an index composed of the total U.S. investment-grade bond market, including treasuries, government-related and corporate securities, MBS, ABS, and CMBS. AGG provides broad exposure to U.S. investment grade bonds and pays monthly dividends.

**Growth Drivers**

AGG performance significantly improved during Period 3. Like other Fixed Income holdings, AGG serves both as an alternative to cash and to decrease our portfolio’s volatility with a beta of 0.11. Also serving as the Fixed Income benchmark, AGG offers low credit risk, a low expense ratio of 0.04%, and diversification from various issuers and maturities.\(^{32}\)

**Risks**

AGG’s performance is contingent on corporations’, asset-backed securities’, and other issuers’ ability to complete bond payments. In the event of likely interest rate increases given the Federal Reserve’s decreased quantitative easing policy, AGG is at risk of losing value due to duration risk.
**Description**
The Emerging Markets Corporate Bond Fund (TRECX) aims to provide high current income by investing in bonds that are issued by companies in emerging market countries around the world. About 80.00% of the bonds in TRECX are issued by companies conducting predominant business activities in emerging markets. Latin America, Asia, and the Middle East are home to most companies’ bonds that compose TRECX.¹ This is the only holding in which dividends are reinvested.

**Growth Drivers**
TRECX provides geographic portfolio diversification. In addition, TRECX serves to bolster the fund’s Fixed Income returns to our portfolio as emerging markets experience alternative economic recovery cycles and improving credit qualities. Emerging markets Fixed Income also generate higher yields. There is positive sentiment for emerging market commodity demand as global efforts return to recovery and growth.

**Risks**
Funds that invest overseas generally carry more risk than funds that invest strictly in the U.S.³³ Unpredictable changes in currency values are also a risk especially if the U.S. strengthens significantly. Developing nations can also experience strong governmental interference in markets, which can affect TRECX’s performance. Inflation is also a major risk as emerging markets are more likely to lack a central banking system with adequate controls when high inflation occurs.
Wells Fargo & Co. Preferred

**WFCPRL**

| Description | Wells Fargo & Co. 7.50% Non-Cum. Perp. Conv. Cl A Pfd. Series L operates as a diversified financial services company providing banking, insurance, investments, mortgage, leasing, credit cards, and consumer finance. It has many distribution channels worldwide, including physical stores and internet web pages. Wells Fargo & Company’s perpetual preferred stock (CUSIP: 949746804) has a BBB- composite rating and a 7.50% coupon, or a quarterly $18.75 dividend per share.¹ |

**Growth Drivers**

Wells Fargo’s $600 quarterly dividend provides a steady stream of income for the Fixed Income allocation of our portfolio. Wells Fargo generates significant annual revenue and maintains adequate levels of liquidity and capital. It’s growing presence in international markets, such as China and India, represent opportunities for future capital appreciation.¹

**Risks**

Community banking is the firm’s largest segment. If interest rates go up in the near future, small business owners and customers may decrease willingness to borrow loans. With preferred stock there is limited upside potential and no dividend growth. WFCPRL’s strong payment history and liquidity are positive factors for this holding.
WisdomTree Floating Rate Treasury Fund

USFR

<table>
<thead>
<tr>
<th>Description</th>
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| The WisdomTree Floating Rate Treasury Fund (USFR) is an exchange-traded fund (ETF) that aims to track the Bloomberg U.S. Treasury Floating Rate Bond Index. USFR provides access to newly issued U.S. government floating rate notes and is a short-term bond solution. It is classified as an ultra-short-maturity-focused, government, fixed income vehicle.  

<table>
<thead>
<tr>
<th>Growth Drivers</th>
</tr>
</thead>
</table>
| WisdomTree’s Fixed Income model portfolio intends to provide the right balance of income, credit opportunities, and some protection against Federal Reserve tapering. USFR provides cost-effective access to newly issued U.S. government floating rate notes, and it has an expense ratio of 0.15%. Additionally, USFR can help lower a portfolio’s sensitivity to interest rate changes.  

<table>
<thead>
<tr>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>USFR serves as a cash alternative; however, with no return in Period 3, USFR has opportunity cost at the Expense of potential portfolio returns in other areas. As interest rate uncertainty has increased for 2022, USFR can expect slightly better returns and more volatility over the next year. We will continue to pursue research to ensure this position is our best alternative to cash.</td>
</tr>
</tbody>
</table>
**Covered Call Options**

**Period 3**

**Strategy**

The covered call strategy is designed to generate income for our portfolio by writing call options on securities we already own to collect the premium. Our strategy is to sell call options on stocks we view as having long term potential, but little price action in the near term. We aim for a strike that has approximately an 80.00% probability of expiring out of the money with an expiration term of 1-4 weeks to maximize time value decay.

**Performance**

<table>
<thead>
<tr>
<th>Security</th>
<th>Date</th>
<th>Strike Price</th>
<th>Number of Contracts</th>
<th>Profit &amp; Loss</th>
<th>Contract Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>CVS</td>
<td>4/16/21</td>
<td>$77</td>
<td>-3</td>
<td>$102.00</td>
<td>89.47%</td>
</tr>
<tr>
<td>CVS</td>
<td>4/30/21</td>
<td>$78.5</td>
<td>-3</td>
<td>$39.00</td>
<td>86.67%</td>
</tr>
<tr>
<td>KO</td>
<td>4/23/21</td>
<td>$52.5</td>
<td>-1</td>
<td>-$59.00</td>
<td>-46.09%</td>
</tr>
<tr>
<td>KO</td>
<td>5/7/21</td>
<td>$54.5</td>
<td>-1</td>
<td>$8.00*</td>
<td>27.59%*</td>
</tr>
<tr>
<td>KO</td>
<td>5/28/21</td>
<td>$54</td>
<td>-1</td>
<td>$19.00</td>
<td>14.96%</td>
</tr>
<tr>
<td>IBM</td>
<td>4/23/21</td>
<td>$138</td>
<td>-3</td>
<td>-$330.00</td>
<td>-44.00%</td>
</tr>
<tr>
<td>IBM</td>
<td>5/28/21</td>
<td>$140</td>
<td>-3</td>
<td>-$930.00*</td>
<td>-57.41%*</td>
</tr>
</tbody>
</table>

* Contracts exercised

**Reflection and Looking Forward**

The covered call strategy is a great way to generate cash because if the contracts quickly approach the strike price, the seller can ‘roll’ the contracts before they expire in the money. This can theoretically continue indefinitely until the seller nets positive after collecting numerous premiums. As a team, we acknowledged the exercise risk, and thus were comfortable with the idea of selling 100 shares of our underlying position per contract. However, this comfort does not mean that we preferred to sell our shares. As a team, we sadly did not pay close enough attention to two of our contracts: KO 5/7/21 Call $54.5 and IBM 5/28/21 Call $140. These contracts were exercised; thus, we were credited, gross, $5,450 and $42,000 in cash respectively. Dr. Farley then bought to close the KO 5/28/21 Call $54, and as a team, we acknowledged our shortcomings and decided to shelve the strategy. In hindsight, we would have preferred to roll the options to a higher strike price or close the positions and realize a loss. We now fully understand the time commitment of the strategy, and if we decided to begin again, each team member must hold each other accountable for any news, price jumps/drops, earnings, upgrades/downgrades, etc. for the underlying security, and the designated sector manager of the underlying security must monitor the price as frequently as possible to determine if a roll is necessary.
Zach Adkisson

Zach is currently a senior majoring in Finance with a minor in Entrepreneurship at the University of Tennessee. He joined the LaPorte Fund in January 2021 and covers both the Energy and Utilities sectors. Zach was selected by the Haslam College of Business faculty to join the UTK case team which competes in case competitions globally. He also currently works at The Mentzer Group and assists in the financial planning process. On campus, he is a member of the UT Investment Group, a Bloomberg Senior Analyst in the Masters Investment Learning Center, a 1794 scholar, and a Peer Mentor for first-year business students. Zach is currently seeking opportunities in wealth management and plans to pursue this career upon graduation in May of 2022.

Caleigh Jacobs

Caleigh is completing her fourth year at the University of Tennessee, Haslam College of Business pursuing a bachelor’s degree in Finance with a collateral in Economics. Caleigh joined the LaPorte Fund in January 2021 and is covering the Industrials sector. Previously, she covered the Financials sector and Fixed Income. During her time at UT, Caleigh has served as a Bloomberg Senior Analyst in the Masters Investment Learning Center, President of the Financial Management Association, Peer Mentor for first-year business students, Academic Tutor in the Thornton Athletics Center, and as a member of the Haslam College of Business Presidents’ Council, University of Tennessee Investment Group and Kappa Kappa Gamma sorority. Caleigh will be joining Fidelity Investments following graduation where she will pursue a career in financial planning and work toward gaining a CFP certification.

Emma Lampson

Emma Lampson is currently in her fourth year at the University of Tennessee, Knoxville and is working towards a bachelor’s degree in Finance with a collateral in International Business. She is from Johnson City, Tennessee and graduated from Science Hill High School. At the University of Tennessee, Emma is a part of the Global Leadership Scholars (GLS) program and will be completing an undergraduate thesis during her senior year. In the summer of 2021, Emma worked at Mars Petcare as an intern on the Financial Planning and Analysis team. This fall is Emma’s second semester on the LaPorte Fund, and she is responsible for the Healthcare sector. After graduation in May 2022, Emma hopes to pursue a career in corporate finance as a financial analyst.
Steven LoCascio

Steven is currently a first year MBA candidate with a focus in Finance. He joined the LaPorte Fund in September of 2021 and covers the Consumer Staples and Consumer Discretionary sectors. Prior to pursuing his MBA and serving on the Fund, he spent the last five years working for companies in different industries such as Enterprise Rent-a-Car, 21st Mortgage Corporation, and Fiserv. Steven's experiences bring unique insight to the LaPorte Fund. He is currently seeking wealth management opportunities and plans to pursue this career upon graduation in December of 2022.

Simon Nagy

Simon is a second year full-time MBA candidate with a concentration in Finance. He also served as a Graduate Teaching Assistant for undergraduate finance courses. Simon joined the LaPorte Fund in September 2020 to cover Healthcare and IT sectors, and then he transitioned into Communications and Real Estate this semester. Before starting his studies at HCB, he graduated from Tennessee Wesleyan University with a BS degree in Business Administration with concentrations in Finance and Marketing. During his studies, Simon was receiving an athletic scholarship for the university’s golf team. His most recent experiences include interning at ESET as a financial analyst, establishing and leading a student-led finance organization at TWU, and interning as a financial analyst at a wealth management company.

Tiho Nikolic

Tiho is a senior, double majoring in Finance and Marketing at the University of Tennessee. Tiho began working with the LaPorte Fund in January 2021 and is responsible for the Information Technology and Materials sectors. On campus, Tiho is a member of the Tennessee Capital Markets Society. He also has served as the Director of Membership for the Organization Resource Group and the Treasurer for the Clement Hall Residents’ Association. Professionally, Tiho has founded his own start-up, BusiCard and heads product development. He interned with TEMI Trockenbau GmbH, a commercial real estate construction company in Berlin, Germany, FCA Venture Partners, and Truist Financial Corporation. Tiho plans to work in financial consulting after graduation in May 2021 before returning to school to receive his MBA.
Juan Soto Leon

Juan is in his fourth year at the University of Tennessee. He joined the LaPorte Fund in August of 2021 and covers the Financials sector and Fixed Income. Juan was born in Guanajuato, Mexico and lived there until the age of 12. He is pursuing a bachelor’s degree in Finance with a minor in Economics. Juan is a member of the Global Leadership Scholars (GLS) honors program at UT. In the past, Juan has completed internships with Northwestern Mutual and at CAT Financial. He is also the director of data tracking and analysis for VOLthon. After graduation, Juan plans to pursue a career in corporate finance.

Troy Tillman

Troy is currently a first year full-time MBA candidate with a concentration in Finance. He joined the LaPorte Fund in September 2021 and covers the Real Estate and Communications sectors. Prior to graduate school, Troy worked for Norfolk Southern Railway for five years in multiple roles throughout the company. Troy’s return to Rocky Top has been very exciting and full of new experiences. As a former University of Tennessee Varsity Athlete and Haslam College of Business graduate, he has a special appreciation for the University. Troy plans to work in corporate finance upon completion of his MBA in December 2022.
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