LaPorte Torch Fund
Period 2
01.01.21-03.31.21

Zach Adkisson
Caleigh Jacobs
Emma Lampson
Simon Nagy
Tihomir Nikolic
Emily van der Merwe
Devin Wilkinson
Dear Mr. and Mrs. LaPorte,

The analysts of the LaPorte Fund would like to express our gratitude for your contributions, and everything you do for us and the Fund. Your continued generosity enables us to experience portfolio management with real assets, which has been an extremely valuable opportunity that continually amplifies our learning experience. Complementing our formal education with the LaPorte Torch Fund enhances our ability to understand investments and the world of finance, and we are certain it will have a lasting impact on all of us and our future careers.

Through all the difficulties with the Covid-19 pandemic, our team is able to navigate the challenges and continue holding our weekly meetings in person. In these meetings, we discuss current economic and market conditions and make fund management decisions. Forces such as vaccine rollout, legislative changes, fiscal and monetary policy, and industry events all impact our outlook on the economy, our investment decisions, and other management decisions for the funds you have generously provided us to use and learn with.

During Period 2, we saw steady growth in the market. The S&P 500 saw returns of 6.15% while our benchmark increased by 2.34%. Our portfolio underperformed both the S&P 500 and our benchmark, as our portfolio had a total return of 0.90%. In Period 2, we have added the following holdings: Royal Dutch Shell ADR (RDSA), T Rowe Price Emerging Markets Corporate Bond Fund (TRECX), The Trade Desk Inc (TTD), and WP Carey Inc (WPC). As the world is recovering and looking to past the Covid-19 pandemic, we are looking for companies that can take advantage of the post-pandemic world. We are hoping to expand our portfolio in Period 3. We are searching for more opportunities in the Energy, Utilities, Telecommunications, and Financials sectors.

Thank you again for all of your support and your generosity to the LaPorte Torch Fund and to the students at University of Tennessee. We are very grateful for the opportunity to serve on the LaPorte Fund, to learn new and exciting financial concepts, and to grow the fund for future generations of students. We are greatly enjoying collaborating with each other while serving on the fund, and we are very grateful for everything we have learnt and experienced during this time. We will continue to do our best work to make good decisions for the future of the fund.

Sincerely,

The LaPorte Torch Fund Team
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**Performance Summary**

**Period 2**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Portfolio</th>
<th>Weighted Benchmark</th>
<th>S&amp;P 500</th>
<th>BETFXb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Return</td>
<td>0.90%</td>
<td>2.34%</td>
<td>6.15%</td>
<td>3.65%</td>
</tr>
<tr>
<td>Standard Deviation(^a)</td>
<td>11.78%</td>
<td>9.87%</td>
<td>15.86%</td>
<td>9.85%</td>
</tr>
<tr>
<td>Sharpe</td>
<td>0.37</td>
<td>1.01</td>
<td>1.64</td>
<td>1.55</td>
</tr>
<tr>
<td>Treynor</td>
<td>0.04</td>
<td>0.10</td>
<td>0.26</td>
<td>0.15</td>
</tr>
</tbody>
</table>

\(^a\) Metrics reported are annualized and calculated using daily returns over the reporting period.

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

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**P2 Portfolio Value**

**Period 2**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta vs Benchmark</td>
<td>1.07</td>
</tr>
<tr>
<td>R(^2) vs Benchmark</td>
<td>0.81</td>
</tr>
<tr>
<td>Beta vs S&amp;P 500</td>
<td>0.66</td>
</tr>
<tr>
<td>R(^2) vs S&amp;P 500</td>
<td>0.80</td>
</tr>
<tr>
<td>Tracking Error</td>
<td>0.0033</td>
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<tr>
<td>Information Ratio</td>
<td>-0.0670</td>
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</table>
## Portfolio Details

### Period 2

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Percentage</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td>79.90%</td>
<td>$485,376.93</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td>19.15%</td>
<td>$116,337.91</td>
</tr>
<tr>
<td><strong>Derivatives</strong></td>
<td>-0.12%</td>
<td>$(722.00)</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>1.07%</td>
<td>$6,520.15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.00%</td>
<td>$602,074.71</td>
</tr>
</tbody>
</table>

### Sector Allocation

- Communications: 2.90%
- Consumer Discretionary: 19.15%
- Consumer Staples: 9.17%
- Energy: 8.33%
- Financials: 1.40%
- Healthcare: 10.95%
- Industrials: 13.63%
- Information Technology: 1.07%
- Materials: 1.99%
- Real Estate: 2.03%
- Cash: 2.24%
- Fixed Income: 6.91%

---

2.90% 19.15% 9.17% 8.33% 1.40% 10.95% 13.63% 1.07% 1.99% 2.03% 2.24% 6.91%
## Portfolio Details

### Period 2

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Total Return</th>
<th>Weight</th>
<th>Total Weighted Return</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPAXX**</td>
<td></td>
<td>1.07%</td>
<td></td>
</tr>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACN</td>
<td>6.09%</td>
<td>5.23%</td>
<td>0.32%</td>
</tr>
<tr>
<td>ALXN</td>
<td>-2.13%</td>
<td>2.79%</td>
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<tr>
<td>AMGN</td>
<td>12.84%</td>
<td>3.40%</td>
<td>0.44%</td>
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<tr>
<td>AMZN</td>
<td>-7.72%</td>
<td>9.17%</td>
<td>-0.71%</td>
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<tr>
<td>CLDR</td>
<td>-12.51%</td>
<td>4.84%</td>
<td>-0.61%</td>
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<tr>
<td>CSGP</td>
<td>-11.08%</td>
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<td>-0.28%</td>
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<tr>
<td>CVS</td>
<td>10.88%</td>
<td>3.91%</td>
<td>0.43%</td>
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<tr>
<td>GD</td>
<td>22.74%</td>
<td>1.26%</td>
<td>0.29%</td>
</tr>
<tr>
<td>GIS</td>
<td>5.15%</td>
<td>0.44%</td>
<td>0.02%</td>
</tr>
<tr>
<td>IBM</td>
<td>7.16%</td>
<td>7.15%</td>
<td>0.51%</td>
</tr>
<tr>
<td>KO</td>
<td>-3.88%</td>
<td>1.66%</td>
<td>-0.06%</td>
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<td>MSFT</td>
<td>6.25%</td>
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<td>NDAQ</td>
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<td>0.87%</td>
</tr>
<tr>
<td>PG</td>
<td>-2.10%</td>
<td>1.83%</td>
<td>-0.04%</td>
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<tr>
<td>PRU</td>
<td>18.16%</td>
<td>3.33%</td>
<td>0.60%</td>
</tr>
<tr>
<td>RDSA</td>
<td>-10.17%</td>
<td>1.40%</td>
<td>-0.14%</td>
</tr>
<tr>
<td>RTX</td>
<td>8.72%</td>
<td>1.11%</td>
<td>0.10%</td>
</tr>
<tr>
<td>SON</td>
<td>7.59%</td>
<td>2.03%</td>
<td>0.15%</td>
</tr>
<tr>
<td>TMO</td>
<td>-1.97%</td>
<td>3.53%</td>
<td>-0.07%</td>
</tr>
<tr>
<td>TTD</td>
<td>-2.91%</td>
<td>2.90%</td>
<td>-0.08%</td>
</tr>
<tr>
<td>WM</td>
<td>9.89%</td>
<td>1.98%</td>
<td>0.20%</td>
</tr>
<tr>
<td>WMT</td>
<td>-5.06%</td>
<td>2.24%</td>
<td>-0.11%</td>
</tr>
<tr>
<td>WPC</td>
<td>-0.84%</td>
<td>1.99%</td>
<td>-0.02%</td>
</tr>
<tr>
<td>XLP</td>
<td>1.80%</td>
<td>2.17%</td>
<td>0.04%</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGG</td>
<td>-3.37%</td>
<td>4.78%</td>
<td>-0.16%</td>
</tr>
<tr>
<td>TRECX</td>
<td>-0.09%</td>
<td>2.95%</td>
<td>0.00%</td>
</tr>
<tr>
<td>USFR</td>
<td>0.00%</td>
<td>3.95%</td>
<td>0.00%</td>
</tr>
<tr>
<td>WFCPRL</td>
<td>-5.39%</td>
<td>7.47%</td>
<td>-0.40%</td>
</tr>
<tr>
<td><strong>Derivatives</strong></td>
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<td></td>
</tr>
<tr>
<td>-CVS 04/01/21 C76</td>
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</tr>
<tr>
<td>-IBM 04/01/21 C134</td>
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</tr>
<tr>
<td>-KO 04/01/21 C52.5</td>
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<td>0.00%</td>
</tr>
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<td>-IBM 04/23/21 C138</td>
<td>0.31%</td>
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<td>0.00%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>0.903%</td>
<td>100.00%</td>
<td></td>
</tr>
</tbody>
</table>
## Portfolio Highlights

### Period 2

<table>
<thead>
<tr>
<th>Fund</th>
<th>Benchmark</th>
<th>Actual</th>
<th>Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>LaPorte</td>
<td>2.34%</td>
<td>0.90%</td>
<td>-1.44%</td>
</tr>
<tr>
<td>Haslam</td>
<td>2.34%</td>
<td>4.98%</td>
<td>2.63%</td>
</tr>
<tr>
<td>Carroll</td>
<td>2.34%</td>
<td>1.89%</td>
<td>-0.45%</td>
</tr>
<tr>
<td>McClain</td>
<td>11.85%</td>
<td>12.53%</td>
<td>0.68%</td>
</tr>
</tbody>
</table>

### Top 5 Performers

<table>
<thead>
<tr>
<th>Stock</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>GD</td>
<td>22.74%</td>
</tr>
<tr>
<td>PRU</td>
<td>18.16%</td>
</tr>
<tr>
<td>AMGN</td>
<td>12.84%</td>
</tr>
<tr>
<td>NDAQ</td>
<td>11.46%</td>
</tr>
<tr>
<td>CVS</td>
<td>10.88%</td>
</tr>
</tbody>
</table>

### Bottom 5 Performers

<table>
<thead>
<tr>
<th>Stock</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLDR</td>
<td>-12.51%</td>
</tr>
<tr>
<td>CSGP</td>
<td>-11.08%</td>
</tr>
<tr>
<td>RDSA</td>
<td>-10.17%</td>
</tr>
<tr>
<td>AMZN</td>
<td>-7.72%</td>
</tr>
<tr>
<td>WFCPRL</td>
<td>-5.39%</td>
</tr>
</tbody>
</table>
Period Performance

The LaPorte Fund analysts held a positive outlook in Period 2, but the portfolio’s returns fell short of our expectations. We utilized a targeted strategy to capture gains from multiple economic stimulus packages and to avoid broad exposure to the risks of vaccination setbacks and the ongoing pandemic. The markets and economy did okay throughout Period 2, and we believe this is reflected in the fund’s returns.

Looking Ahead

The LaPorte Fund portfolio managers continue to hold a cautiously positive outlook for the United States economy for the next three to six months. We believe the widespread vaccination distributions and economic stimulus packages will increase economic growth and productivity. However, we are wary of potential virus mutations and rising interest rates that could stagnate economic recovery in the next six months. With our cautiously positive outlook, we must actively seek secure ways to achieve growth. We believe there is potential for strong returns, and we will use our knowledge of economic trends in unison with our targeted strategy.

In Period 2, interest rates were on the rise and are predicted to rise even more. This is one reason why we are cautious about our future economic outlook. Higher interest rates along with higher treasury yields may affect valuations in the market and may curb some of the economic optimism of recent months. The Fed is set on keeping its interest rates low through 2023. These low rates make the equities market more enticing compared to returns on fixed-income investments. Because of this, we are overweight in equities as compared to fixed income.

The vaccination rollout plan has had some disruptions but has mostly gone exceedingly well. Over 100 million Americans have had at least one dose of a vaccine, which is a promising statistic that points toward herd immunity and economic recovery. Along with the vaccine, millions of Americans received an economic stimulus package in March. A combination of stimulus and decreasing coronavirus restrictions should spur personal spending, especially discretionary spending. With warmer summer weather and relaxed travel restrictions, we predict there will be growth and much needed recovery in the travel and hospitality industries. We also expect to see growth in the U.S. GDP this year and a recovery in GDP by 2022.

With our positive outlook, we intend to move forward cautiously. We will look to find opportunities in the market that will persist through unsteady economic recovery and that align with the fund vision. Companies with strong financials and sight for the future will provide minimal risk while also giving space for growth.

We believe that there are many opportunities in sectors and industries like Financials, Communications, Real Estate, Renewable Energy, Mining, and Steel. However, we see many risks in industries like Consumer Retail, Forestry, Oil & Coal, Equipment and Services, and Information Technology as the future of these industries are very uncertain.
Period Performance

The Communications sector is one of the sectors of the S&P 500 that we did not have represented in our portfolio prior to the beginning of Period 2. We managed to purchase The Trade Desk during this period, but since Communications sector makes up approximately 11% of the S&P 500, we are still actively looking for other investment opportunities to gain more exposure in this sector.

Looking Ahead

The Communications sector has generally shown slow but steady growth, as communication companies are deemed essential in today’s society and are therefore more likely to avoid price fluctuations due to business cycles. Telecommunication companies have generally high startup costs, which prohibits new competitors from entering the market easily; however, we do not expect any substantial growth in the near future. Advertising companies have not performed well during the pandemic, but we expect this subsector to grow with the economic recovery when more companies will need to 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 most likely persist in the future; therefore, we believe there are many investment opportunities in this sector.
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. The Trade Desk serves customers worldwide, and 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, CBS.

Growth Drivers
The Trade Desk is positioned financially very well with steadily growing revenue, EPS and FCF. The company has a sufficient amount of cash and equivalents, and it did not need to take an excessive amount of debt during the pandemic. Therefore, it is positioned well to capitalize on the expected growth in advertising spending in 2021. There has also been a shift towards advertising through Connected TVs, and TTD is positioned well to capitalize on this market. The Trade Desk is the largest buyer of ad units in the open market. CTVs also have 4-10x higher CPMs than traditional ad units, so TTD likely to dominate this segment of the advertising industry.

Risks
The Trade Desk’s performance will strongly depend on the overall economic recovery after Covid-19. If the recovery takes longer than anticipated, the performance of TTD might be subpar, as its business depends on other companies’ demand for advertising. Google recently announced to stop using cookies and individual tracking of users for advertising, which might have a negative impact on TTD. Companies will not be willing to pay the same premiums for ads that do not target individuals and that do not 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. TTD could therefore capitalize on Google’s decision to shift from using cookies and individual tracking.
Period Performance

The entire Consumer Discretionary sector grew 2.94% over Period 2 while the S&P 500 grew 6.17%. Our single security in this sector is Amazon which lost -7.72%. The ending weight of the Consumer Discretionary sector (Amazon) within our portfolio was 8.91% while the S&P 500 weighted the sector at 12.45%.

Looking Ahead

In the coming months, vaccinations, consumer spending habits, employment, will be the three biggest influences on this sector. If the market begins to fall again, this will be one of the first areas where consumers will tighten their spending. Alternatively, as the pandemic rapidly begins to subside, this is the primary sector where consumer spending will occur. Amazon’s unique position gives them an advantage over many other companies in this sector due to its unmatched supply chain and millions of products. I would expect to continue to see an increase in sales throughout this sector and more specifically Amazon. Moving forward, I would like to invest in other companies within this sector which in turn increases diversification.
Description
Amazon is the world’s largest online retailer and offers over 12 million unique products. There are hundreds of product categories, and the company also sells its own electronic devices such as Alexa, Echo, and Ring doorbells to name a few. Amazon also offers the world’s largest cloud service provider through AWS. Amazon Prime is one of the keys to its rapid growth in the past decade by offering consumers a top-tier video streaming service, free two-day shipping, prime music, prime reading, “Prime Day” deals, etc. for $119 a year. The company also owns Whole Foods which has 500 grocery stores in Canada and the U.K. but primarily operates in the U.S.¹

Growth Drivers
Covid-19 drastically affected the way consumers shop in-person and online. Thus, it would be intuitive to assume that Amazon performed well in the previous period due to the ongoing pandemic. Two financial metrics that outline the company’s excellent growth are net income (up 84.10%) and free cash flow (up 20.10%). Amazon’s supply chain is second to none and this has allowed the company to fulfill orders and satisfy customers as fast as possible. Amazon’s big data collection is used to fine-tune recommendations to its millions of customers; thus, providing targeted advertisements to increase online traffic. The company’s Q1 earnings report is expected to be released on April 30th with analysts being extremely bullish over the next 12 months.

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.
Period Performance

In Period 2, the entire Consumer Staples sector grew 1.15% while the S&P 500 grew 6.15%. Our holdings in the Consumer Staples sector (Coke, P&G, Walmart, General Mills, and a Consumer Staples ETF XLP) collectively shrank -0.14%. This was the lowest growth of any sector that our portfolio held during period 2. General Mills experienced the largest growth in our sector (5.15%), even though it was the least weighted in our entire portfolio. Walmart fell -5.06% over the period and was the worst performer in this sector. The Consumer Staples sector has never been a rapid growth market due to the well-established nature of the large companies. The securities within the Consumer Staples sector accounted for 8.10% of our portfolio, while the entire sector made up 6.15% of the S&P 500.

Looking Ahead

The Consumer Staples sector does not have the same potential growth as the tech sector, per se, due to the majority of the companies being well established. However, the industry makes up for this relative lack of potential growth in its 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, I am confident in each of the companies moving forward.
Growth Drivers
Coke has an unmatched economies of scale due to the company being the largest non-tech firm in the world by brand equity. The company also has the largest beverage distribution system globally which leads to more products being consumed in more locations. The energy drink market is rapidly growing, and Monster is a close second to Red Bull as a percentage of total market share. Coke’s partnership with Monster gives them an excellent competitive advantage over PepsiCo’s Rockstar energy drink. The coffee industry is another industry that has seen remarkable growth in recent years. Therefore, Coke owning Costa Coffee, a strong brand that is in over 30 countries, gives them an excellent foothold as the market expands. Coke’s upcoming Q1 earnings report is expected to release on April 19th.

Risks
PepsiCo is more diversified than Coke by owning snack brands like Frito-Lay. Also, PepsiCo improved its quarterly financial metrics like revenue, EBITDA, net income, and free cash flow, while all of Coke’s metrics slumped except for free cash flow. This might suggest that PepsiCo is better positioned to come out of the pandemic than Coke. Recently, Coke released public statements regarding a controversial Georgia election law that may result in backlash over their political stance.
Consumer Staples Select SPDR Fund

XLP

P2 Total Return: 1.80%  Beta: 1.00
Beg. Shares: 193  End Shares: 193
Beg. Value: $13,017.85  End Value: $13,183.83
P2 Dividend Yield: 0.53%  P2 Action: Hold

Description
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&G, Walmart, PepsiCo, Coke, and Mondelez International. This specific ETF aims to minimize firm-specific risk within the consumer staples industry by targeting companies that are more resilient to economic uncertainty, like Covid-19.

Growth Drivers
Considering that the wide variety of products offered within the Consumer Staples industry are deemed ‘necessities’, demand will always exist, which translates to quasi-consistent revenue, even if it is lower than normal. Firm-specific risk is drastically diminished by holding this ETF due to the large number of diverse companies held. Covid-19 led many of these companies to have record years as people decided to continue their early-pandemic spending habits towards the end of 2020 and into the spring of 2021. Even though this is considered a defensive fund due to the nature of the well-established companies, the downsides to economic uncertainty are far less than that of a technology specific ETF, for example.

Risks
Exactly 99.82% of companies within the Consumer Staples sector make up the ETF; therefore, the performance of the overall sector will directly affect this ETF. Every company in the fund is in the U.S. and thus, is directly impacted by macro-economic events like Covid-19. A large portion of the risk is mitigated through diversification; however, the returns of individual companies will be greatly diminished due to the weighting of other firms in the fund.
General Mills Inc.

**GIS**

**P2 Total Return:** 5.15%  
**Beta:** 0.55  
**Beg. Shares:** 44  
**End Shares:** 44  
**Beg. Value:** $2,587.20  
**End Value:** $2,698.08  
**P2 Dividend Yield:** 0.87%  
**P2 Action:** Hold

**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 industries. A few industry-leading brands include Yoplait, Pillsbury, Gold Medal Flour, Betty Crocker, Chex, Cheerios, Lucky Charms, Wheaties, and Häagen-Dazs. Operations are divided into five segments: North America retail, convenience stores & food services, Europe and Australia, Asia and Latin America, and Pet. Sixty-one percent of total revenue is generated in the North America retail segment alone. Nestlé and General Mills partnered together in 1991 to market breakfast cereals to 130 countries excluding the U.S. and Canada. Seventy-five percent of sales are generated in the U.S., and Walmart is General Mills largest customer, accounting for 19.87% of sales.

**Growth Drivers**

General Mills had an excellent 2021 Q3. A few financial metrics to support this claim are net income (up 7.03% YoY) and cash from operating activities (up 11.08% YoY). The company also has outlined the importance of collecting customer data, transaction history, website traffic, social media, etc. to market specific products to specific consumers. The healthy snack market is currently growing 5.12% annually and General Mills is well positioned to capitalize on this market moving forward.

**Risks**

General Mills is highly dependent on the U.S. market for revenue. Furthermore, the company is dependent on Walmart as the retail giant is General Mills’ largest customer. The company might be stretching itself too thin with its product line when it should be focused on high-growth products. The food industry is extremely competitive with companies like Kellogg’s, Hormel, Kraft Heinz, and Post also offering hundreds of products. The wave of positive financial performance in 2021 Q3 might subside in the coming months as a return to normalcy is, hopefully, on the horizon.
The Procter and Gamble Co.

**PG**

**P2 Total Return:** -2.10%  
**Beta:** 0.57

**Beg. Shares:** 82  
**End Shares:** 82

**Beg. Value:** $11,409.80  
**End Value:** $11,105.26

**P2 Dividend Yield:** 0.57%  
**P2 Action:** Hold

### Description

P&G is the world’s largest maker of consumer-packaged goods. The company is extremely diversified by manufacturing and marketing over 300 products in over 180 countries. Walmart is the company’s largest customer with 15.86% of their revenue being generated from the retail titan. Global operations are divided into five segments: fabric & home care, baby feminine & family care, beauty, health care, and grooming. A few of the household brand names the company owns are Tide, Downy, Gain, Bounce, Pampers, Charmin, Head & Shoulders, Old Spice, Crest, Gillette, Oral-B, and Vicks.

### Growth Drivers

The company concluded Q2 of 2021 FY and experienced healthy growth throughout its segments. Two financial metrics that provide context to this growth are net income (up 16.48% YoY) and cash flow from operating activities (up 24.29% YoY). P&G spends billions of dollars annually on advertisements and specific campaigns, like Old Spice, have completely revitalized brands. The beauty industry is currently growing at 6.53% annually and P&G plans to capture this growth by investing in its current brands and potentially acquiring others. The eco-friendly product market, paper products, deodorant, make-up, etc., is also rapidly growing, and P&G is extremely well positioned to capitalize on this trend with its current product line. P&G has found success with company and/or product acquisitions in the past and might want to continue pursuing this avenue to further expand their long product line.

### Risks

Of the company’s revenue, 45.31% is generated in the U.S. and Canada alone which might be relatively concentrated in one market. The long list of products offered by the company could lead to wasteful spending if P&G is not careful, especially if a specific brand is dying. The CPG industry is extremely cutthroat with brands like Clorox, S.C. Johnson, Unilever, and J&J also offering hundreds of other products and brands. As the pandemic subsides, revenue growth might begin to slow due to less demand for household products.
Growth Drivers
Walmart had an excellent FY 2021 with growth in revenue (up 6.71% YoY), net income (up 10.66% YoY), and free cash flow (up 77.39% YoY). The company has been playing catch-up with Amazon in the e-commerce industry for the past couple of years, but it has experienced promising growth in this competitive market in 2020. Walmart is heavily investing in AI and data analytics to market specific merchandise to users based off of their shopping habits. The company recently hired two Goldman Sachs executives, one of which pioneered the company’s consumer-banking business, and the other brokered credit-card offerings with Apple and GM. This move by the retail giant, along with a partnership with the Fintech startup supporter Ribbit Capital, is an attempt to meet customers’ demands regarding financial service offerings. Also, the company is hinting towards entering the health care industry with the opening of Walmart primary care health clinics in Georgia.

Risks
Some customers consider Walmart to be a “bargain experience” instead of Target where middle-class and upper-middle-class shoppers tend to flock. The retail industry is fiercely competitive with companies like Costco, Target, Kroger, and Amazon constantly seeking a competitive edge. Costco has experienced excellent growth in recent years, taking a large amount of traffic from Sam’s club. Amazon acquiring Whole Foods allows the company to market its services like Amazon Prime in 500 stores while simultaneously capturing wealthy customers that Walmart struggles to capture.
Energy Sector

Tihomir Nikolic

**Period Performance**

The LaPorte Fund held a weight of 1.40% in the energy sector for Period 2 which resulted in a return of -9.59%. This significantly underperformed the Energy sector in the S&P 500. The Energy sector had a weight of 2.69% and saw significant returns of 29.27%.

**Looking Ahead**

Moving forward, we believe that the Energy sector may continue to grow. With signals for large governmental investment into energy infrastructure, we believe that there will be more opportunities for growth to continue. With the pandemic easing, demand for energy and fuel has recovered. We believe that positions in renewable fuel cells, large scale independent power companies and renewables have a lot of potential. The LaPorte fund will aim to be at market weight in the next period.
Royal Dutch Shell

RDS/a

P2 Total Return: -9.59%
Begin. Shares: 0
Begin. Value: $0.00
P2 Dividend Yield: 0.00%

Beta: 0.61
End Shares: 217
End Value: $8,508.57
P2 Action: Buy 217 shares

Description
Royal Dutch Shell, also known as Shell, is the second-largest oil company globally. Shell’s operations are split into three segments: Downstream, Integrated Gas and Upstream. They also produce fuels, chemicals, and lubricants. Shell runs the world’s deepest oil and gas project in the Gulf of Mexico, the world’s largest offshore liquified natural gas production plant and the world’s largest retail fuel network. Shell also transports natural gas, operates numerous refineries, and develops renewable energy.

Growth Drivers
The global demand for liquified natural gas (LNG) is expected to double by 2040. This is amazing news for Shell, as they are a world leader in LNG production. Shell owns 20% of the world’s LNG ships. Shell is profiting off of asset selloffs that have been executed to further fund their investment in renewables. This sets Shell up well for the global shift away from fossil fuels and towards renewables. Shell plans on investing $1-3 billion dollars annually in new renewable energy. They are aiming to expand their EV charging station network from 60,000 to 500,000 stations by 2025. This should prove profitable as the demand for EVs grows.

Risks
Shell still makes around 85% of their revenue in oil. As the volatility in oil prices continues, this may hurt Shell in the short term. Regulations on oil and gas from the new administration also pose a threat to Shell. As the shift to renewables quickens, Shell may struggle to adapt.
Financial Services Sector

Caleigh Jacobs

Period Performance

Financial Sector performance was a key growth driver for our portfolio during Period 2. Holdings included Nasdaq Inc. (NDAQ) and Prudential Financial (PRU). These positions contributed positive returns of 11.46% and 18.16% respectively. This growth increased the sector’s weighting in the portfolio from 9.5% to 10.95% over the period compared to the Financial sector’s weighting of 11.29% of the S&P 500¹. These positions far outperformed our benchmark. Given our outlook for the Financials sector and analysis of our holdings, we added no new holdings to this sector during the period.

Looking Ahead

Our Financials sector outlook consists of continued economic growth, softening bankruptcy and default expectations, attractive sector valuations, and strong bank balance sheets. For these reasons, the Financials sector maintains a promising outlook for the future which we intend to pursue through. Risks to this sector include increased regulations and a potential surge in inflation. Our team will continue to monitor economic indicators and are hopeful that Financials will continue to outperform the S&P 500.
## Nasdaq Inc.

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Nasdaq Inc.</strong> 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 is well-known for its U.S.-based stock market. Nasdaq’s four main business segments are Market Services, Corporate Services, Information Services, and Market Technology.</td>
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### Growth Drivers

During Period 2, Nasdaq Inc. was one of Laporte Fund’s top performers, driven by positive ESP surprise, increased operating profits, net income, and sales growth. NDAQ’s performance results from continued market platform improvements, revenue growth in their Market Services segment, and increased trading volumes. In a recent report, Nasdaq reaffirmed a core growth objective as investment in emerging technologies, specifically in machine intelligence as it relates to their Trade Surveillance offering. On February 24, NDAQ submitted a revised proposal to the SEC to permit Primary Direct Listings, similar to the recently approved rules put forth by the NYSE. These rules aim to cut underwriting costs and provide wider initial market participation. NDAQ experienced regular all-time price highs and maintained a strong dividend this period, which is forecasted to increase next period. Given price performance, positive EPS changes, and likely cost reduction due to Primary Direct Listings, Nasdaq Inc. is expected to maintain more modest growth.

### Risks

Nasdaq Inc.’s most credible threat is regulation. The SEC announced a Market Data Infrastructure Rule that aims to change how exchanges consolidate and disseminate data. If continued, this rule expands publicly available market data at the expense of proprietary data. Nasdaq and competitors are fighting this rule as it could reduce net data revenues by 8%. Additionally, NDAQ experienced increasing price multiples and their P/E is slightly below the peer median. Along with record price highs this period, NDAQ is quickly approaching analysts’ best price estimate. Although, exchanges expect to win over recent regulation, a new SEC chairman and expectations for market performance warrant Nasdaq’s consideration for sale.

### Financial Data

<table>
<thead>
<tr>
<th>Period 2</th>
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<tbody>
<tr>
<td><strong>Total Return:</strong> 11.46%</td>
</tr>
<tr>
<td><strong>Beg. Shares:</strong> 314</td>
</tr>
<tr>
<td><strong>Beg. Value:</strong> $41,680.36</td>
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<tr>
<td><strong>P2 Dividend Yield:</strong> 0.37%</td>
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</table>
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 Financial Inc. performed exceptionally well and as expected during Period 2. During Period 2, PRU began its commitment to stock repurchases of $1.5 billion this year, surpassing peers in share buybacks. Implementing its 2020 expense reduction plan, PRU anticipates $400 million in cost-savings for 2021 compared to its $215 million from 2020. Finally, PRU paid its largest dividend to shareholders in the company’s history, representing a 4.5% increase over the prior year’s dividend. PRU continues its three-year initiatives to return $10 billion to shareholders, and becoming a higher growth, less market sensitive business. Over the same time horizon, Prudential plans to pursue growth through acquisition particularly abroad. PRU remains in a strong capital position with $5.6 billion of highly liquid assets.

Risks
Prudential faces multiple challenges in their Japanese market and regarding less favorable underwriting conditions globally. Ultra-low interest rate environments may cause lower benefit levels for consumers and discourage Prudential from selling certain products. Additionally, lower interest rates have encouraged U.S. insurance competition, increasing sales pressure and lower annuity fee rates. With Japanese sales constituting ~11% of sales revenue in 2020, 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 2, returning a total of 3.87%. During the period, we sold 31 shares of AMGN in order to fund other purchases in the portfolio. The healthcare securities we owned made up 14.77% of our equity holdings on average over the second period, slightly over the healthcare weight within the S&P 500. The healthcare sector portion within the SPY, a comparable ETF to the S&P 500, returned a total of 3.76% over the period representing an 11 basis point outperformance of our securities compared to the sector within our benchmark.

Looking Ahead

Moving into Q2 of 2021, the healthcare sector has many opportunities, but poses some valuation risk as the sector remains relatively crowded from the flock to healthcare during the pandemic, most notably companies working on vaccines that have become successful. There still lies opportunity in telemedicine, electronic health records, and cloud-based data systems that are changing and optimizing the way companies operate. 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 US will drive forward the growth in the industry with an increasing demand for services such as nursing homes and rehabilitation facilities. The industry is facing the potential for a tightening in regulation with the democratically controlled Washington and increasing disfavor for the inflated health care costs in the US with pharmaceutical companies as prime targets given the astronomical prices of prescription drugs in the country. Regulation tightening poses both margin compression risk and market share risk for US companies if they cannot continue to heavily invest in R&D.
Alexion Pharmaceuticals

**ALXN**

<table>
<thead>
<tr>
<th>Description</th>
<th>Beta: 0.75</th>
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<tbody>
<tr>
<td><strong>P2 Total Return:</strong> -2.13%</td>
<td><strong>End Shares:</strong> 111</td>
</tr>
<tr>
<td><strong>Beg. Shares:</strong> 111</td>
<td><strong>End Value:</strong> $16,973.01</td>
</tr>
<tr>
<td><strong>Beg. Value:</strong> $17,342.64</td>
<td><strong>P2 Action:</strong> Hold</td>
</tr>
<tr>
<td><strong>P2 Dividend Yield:</strong> 0.00%</td>
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**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.

**Growth Drivers**
The main growth driver for Alexion currently is its acquisition by AstraZeneca scheduled to close in the 3rd quarter at a premium to its current price. If the deal stays in place the share price of Alexion should converge with the takeover price of $175 per share. Outside of the acquisition Alexion has a strong development pipeline with nine products currently in the trial phase, including one in phase four and one in the final phase. Alexion dominates with their C5 franchise and is currently transitioning clients to the newer ULTOMORIS from SOLIRIS which will give them at least another five years of dominance. In addition, the company plans to expand the use of ULTOMIRIS into neurology applications in 2022 and 2023 which will open further market opportunity. The company is also growing its acute care presence with ANDEXXA, giving it further diversification in its product portfolio to grow from.

**Risks**
Like the main driver for growth, the acquisition is also a key area of risk for the company because of the negatives that could result if the acquisition is terminated, something that is increasingly less likely. Since Alexion focuses on rare diseases, they have a reduced addressable market to expand into, meaning if they fail to expand product applications, such as ULTOMORIS into neurology, the growth potential could be severely capped. Their C5 franchise dominates their revenue makeup at 85% which gives them severe downside risk if a competitor product were to enter this market and begin taking market share from them.
Amgen, Inc.

**AMGN**

**P2 Total Return:** 12.84%  
**Beta:** 0.55

**Beg. Shares:** 114  
**End Shares:** 83

**Beg. Value:** $26,210.88  
**End Value:** $20,651.23

**P2 Dividend Yield:** 1.09%  
**P2 Action:** Sell 31 Shares

**Description**

Amgen is an independent biotechnology company that discovers, develops, manufactures, and markets medicines for grievous illnesses worldwide. The company focuses solely on human therapeutics and concentrates on innovating novel medicines based on advances in cellular and molecular biology. One of the largest biotech companies in the world, Amgen focuses on 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 research & development.

**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 counter act 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 1 and phase 2 applications for Sotorasib. Ultimately though, the key growth drivers remain Otcza, a plaque psoriasis drug, and their biosimilar portfolio.

**Risks**

The major risk for Amgen continues to be the threat of biosimilar drugs on their star drugs such as Enbrel and continued decline in their base business. It is critical that they can maintain patent protection for drugs like Enbrel, which they were able to secure until 2028 in a legal battle win. The company’s revenues are concentrated meaning that if a competitor can enter the market on one of their top performers, revenue for the firm could quickly evaporate. On the pipeline front, there is increased competition for their migraine drug Aimovig, where five new drugs have been approved by the FDA. The new democratic control in Washington could also pose risk of legislation being passed that would limit the profit of biotechnology companies in an effort to decrease the cost of drugs, and issue that has been gaining steam steadily for years.
CVS Health Corporation

**P2 Total Return:** 10.88%  
**Beta:** 0.84  
**Beg. Shares:** 316  
**End Shares:** 316  
**Beg. Value:** $21,582.80  
**End Value:** $23,772.68  
**P2 Dividend Yield:** 0.73%  
**P2 Action:** Hold

**Description**
CVS is the largest pharmacy benefits manager (PBM) corporation in the country, with over 100 million plan members. CVS is one of three major PBM’s in the United States and comprise nearly 80% of the market along with UnitedHealth Group’s Optum Rx and Express Scripts. CVS also operates the largest drugstore chain in the country, giving them a significant retail presence as well. CVS operates their stores as standalone facilities, along with their partnership with Target, to put their drug stores inside. CVS also operates their MinuteClinic's in about 1,100 of their locations, which offers walk in healthcare services like a primary care physician’s office. Their prescription management company, Caremark Pharmacy Services, is also one of the largest in the United States.

**Growth Drivers**
CVS’s acquisition of Aetna in Q4 2018 is continuing to undergo integration with additional synergies expected to be realized in addition to the growth opportunity Aetna provides in the growing US private insurance industry. CVS has struck partnership agreements with the federal government to distribute the Covid-19 vaccines across the US with roll out currently underway that could increase foot traffic. The company’s telehealth offerings through the MinuteClinic are expected to continue growth as the underlying telehealth area sees accelerated growth from Covid-19. On the financial side, CVS has plans to deleverage their balance sheet over the next year and do billions in cost cuts which will allow them to grow EPS at low double digits beyond 2022.

**Risks**
CVS continues to see pressure on their margins from generic drugs and lower reimbursement rates from insurance companies. Pharmacies have been in the spotlight for being part of the rising health care costs in America for some time now which could be magnified by the new democratic control in Washington. The entrance of Amazon into the pharmacy poses a threat, but nothing that is of significant concern in the near term. Beyond the pharmacy threat lies the threat of the general e-commerce shift seen today which has been accelerated by Covid-19. This poses a threat to the retail portion of CVS’s revenue over both the near and long term.
**Description**

Thermo-Fisher Scientific Inc. is a life sciences solutions, analytical instruments, and diagnostics conglomerate from Waltham, MA. They design, manufacture, and deliver both specialty and everyday lab products and services for biotech, pharmaceutical, drug testing clinics, and other healthcare providers. They also offer life sciences solutions to biotechnical and pharmaceutical companies that help them in their development of new drugs and research. 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 a 26.1% YoY increase in revenue for 2020. This resulted in a large cash windfall for the firm, with cash increasing to $10 billion. This gives them a large war chest for capital deployment in business investments and acquisitions that can spur further growth. Despite the roll out of vaccines in countries like the US, the testing provided by the firm will likely continue to be in demand given the slow global roll out of the vaccine combined with vaccine hesitancy. The growth in the overall health care industry is the final key driver of growth for the firm because they supply products and services to companies within the health care industry. The health care industry naturally grows due to factors such as population growth, but Covid-19 has created a new sense of need for medical services, such as testing, which will further the growth of Thermo-Fisher Scientific Inc.

**Risks**

A key risk for Thermo-Fisher is under performance resulting from a quicker than expected decline in Covid-19 related revenue, a fear that likely contributed to some of the stock declines in the period. With vaccines already approved and being rolled out at an increasing rate the current benefits of the pandemic could be quickly declining, although rapid vaccine rollout appears to be concentrated in a few developed countries. Another key risk of the company is a softening in the health care sector from an economic downturn. This could result in reduced sales of their more expensive and higher margin items, resulting in a hit to top line revenue as well as current margins.
Period Performance

Our holdings in the Industrials sector underperformed the S&P 500, returning a total of 6.35% during Period 2. We began and ended the period with positions in CoStar Group, General Dynamics, Raytheon Technologies, and Waste Management. At the end of the period, our total position in the Industrials sector made up 4.96% of the portfolio, which is underweight compared to the S&P 500.

Looking Ahead

The Industrials sector continued to sustain returns during the beginning of 2021. Other than airlines and aerospace and defense, most of the transportation, construction and other industrial services were able to weather the storm of the pandemic. Given the remote work and integration of communication services into the workplace, Industrials serve to benefit even further, as the housing market is currently underserved. This macroeconomic effect will send ripples through multiple subsectors of the Industrials sector, allowing for further growth. With economic stimulus packages and an increase in manufacturing, there should be a higher demand for the Industrials sector regarding industrial manufacturing and construction. Also, as Covid-19 restrictions are lifted and people go back to traveling, the airlines industry should experience some growth. Given these positives, there is still a valuation risk that permeates the entirety of the market currently.
Description
CoStar Group provides commercial real estate information, analytics, and online marketplaces. The company offers commercial real estate research and real-time data, a mobile and online real estate marketplace, and rental home and comparative analytics to the hotel industry. The subscription-based online marketplace enables commercial property owners, landlords and real estate agents to list properties for sale/lease and to submit detailed information on properties for potential buyers to view. The company is based out of Washington, D.C. and mainly services customers in the United States.¹

Growth Drivers
As the Covid-19 pandemic seemed to cause financial turmoil for most companies, CoStar Group was able to remain profitable. One growth driver for CoStar Group during the pandemic was the ability for employees to relocate, due to the work from home policy. Given CoStar’s data driven distanced approach towards selling properties, they were able to monetize these movements of employees without being attached to the physical properties, which allowed them to operate in a safe haven environment. The housing market has been extremely hot the past couple of months, with low interest rates and high disposition prices. The Federal Reserve has agreed to maintain low interest rates, which stimulates buying in the housing market. This helps CoStar Group achieve a profitable market position.

Risks
Although the Federal Reserve is set to keep interest rates low through 2023, interest rates have been on the rise (along with treasury yields) in Period 2. This poses a risk for CoStar Group because the rising interest rates may stagnate the growth in the housing market and their target markets. There is also a risk in the current valuation, which may be inflated. Another risk to consider is the entrance of a new player in the market, which seems unlikely, given how much of a grasp CoStar Group has on the current market of housing data.
General Dynamics Corp.

**P2 Total Return:** 22.74%  
**Beta:** 0.37  
**Beg. Shares:** 42  
**End Shares:** 42  
**Beg. Value:** $6,250.44  
**End Value:** $7,625.52  
**P2 Dividend Yield:** 0.74%  
**P2 Action:** Hold

**Description**
General Dynamics is a diversified defense company that offers a broad portfolio of products and services in business aviation, combat vehicles, weapons systems, munitions, shipbuilding design and construction, information systems, and technologies. They are made up of five core business segments: marine systems, aerospace, information technology, combat systems, and mission systems. The company mainly interacts with civilian customers in their aerospace division where they produce and maintain large cabin business jet aircrafts.

**Growth Drivers**
General Dynamics is able to garner multi-year military contracts, which enables steady cash flow year over year. Considering that the United States has been at war for over 226 of the 244 years since inception, General Dynamics fits a never-ending need for military operations. Producing for every branch in the United States military, General Dynamics is able to leverage their defense and aerospace equipment to allow for the implementation of air, land, or sea operations. This effectively allows them to be a market competitor for every war time operation. Lastly, given General Dynamics’ repertoire within the aerospace and defense industry, their name is cemented in the minds of those in need of military equipment, effectively creating a higher level of economic moat. The current administration does not show plans of decreasing military operations in the middle east, which could increase growth in revenue.⁶

**Risks**
General Dynamics continues to face financial stagnation due to the lack of conflict in international areas. The drawing down of troops has led to a decrease in defense spending in the national budget, and with that, defense-oriented companies have underperformed. Simultaneously, as we enter into a more sophisticated digital age, more and more military effort is homed in on cyber security. The ramping up in cyber space is not all bad for General Dynamics, but it takes away revenue in the form of multi-billion-dollar weapons contracts for foreign conflicts. Lastly, the new generations that are taking positions of power are more concerned with government spending on issues such as healthcare and environmental changes, especially now given the Covid-19 pandemic. These societal changes and decreases in military spending pose long-term risk factors for General Dynamics.⁷
Raytheon Technologies Corporation operates through four business segments. Pratt & Whitney makes, sells, and performs maintenance on aircraft engines. Carrier makes HVAC, refrigeration, fire, security, and building automation products. Collins Aerospace Systems provides aerospace products and aftermarket services as well as provides information management services. OTIS designs, installs, and services a wide range of passenger and freight elevators. The company makes around 70% of total revenue in product sales and the remaining from service sales. It is headquartered in Farmington, CT, and operates in over 100 countries, with the majority of its business being in the United States.\(^1\)

**Growth Drivers**

After the merger with United Technologies, Raytheon was able to take their defense and mostly defense-based aerospace business segments. This came through the integration of Pratt & Whitney, and Collins Aerospace, and has allowed for Raytheon Technologies to encompass commercial, regional, corporate, and military aircraft. Simultaneously, with the United States being constantly at war, Raytheon Technologies has come to the forefront of military contracting and government dependability when sourcing defense-based projects. Another factor in favor of driving growth is the structure of government contracting, which allows for a set amount of capital inflow to projects and enables a steady stream of cash flows for Raytheon Technologies.

**Risks**

Given the past history of United States military conflicts, and the guaranteed government contract payouts, Raytheon Technologies faces risks attributed to the Covid-19 pandemic, societal pressures from younger generations, and a new president. Raytheon Technologies integrated a more widespread commercial aircraft approach with Pratt & Whitney and Collins Aerospace, but Covid-19 put a damper on commercial air travel, thus causing a significant drawdown in revenue for Raytheon Technologies in FY 2020 and in Q1 of FY 2021. Coupling this lack of commercial aircraft supplier needs with a dwindling presence in wartime activity under the Trump administration, and continuing into President Biden’s term, Raytheon Technologies needs to pivot its approach to future cash predictability. Capturing the cyber security aspect of warfare could prove beneficial, but it only has a small fragment of its overall business model dedicated to cyber defense and warfare. This ever-evolving wartime and administration changes could prove to challenge Raytheon Technologies moving forward.
Waste Management, Inc.

WM

P2 Total Return: 9.89%  
Beta: 0.35

Beg. Shares: 93  
End Shares: 93

Beg. Value: $10,967.49  
End Value: $11,998.86

P2 Dividend Yield: 0.49%  
P2 Action: Hold

Description
Waste Management Inc. does exactly what its name indicates: provides waste management services to individual, commercial, and government customers. Their primary business consists of collection, transfer, and disposal of solid waste. Waste Management has a strong focus on sustainability, as some segments of their business include recycling services, hazardous waste disposal, and waste-to-energy services. The company is based out of Houston, Texas.¹

Growth Drivers
Waste Management drives its growth by having a wide economic moat, an endless supply of business, and internal integration of business processes. From beginning to end of the waste collection, disposal and recycling cycle, Waste Management operates in all aspects. This allows for the internal, or vertical integration, allowing their entire business to operate fluidly without relying on external contracting and hold ups from legal disputes over suppliers. Simultaneously, Waste Management has the largest trucking fleet of waste removal in the country, which aides in its superior presence and high barriers to entry. Another growth driver is the endless supply of waste; America is a consumer society, which inevitably leads to higher levels of waste and a steady stream of cash flows.⁸

Risks
Given that Waste Management operates in the waste disposal industry, certain environmental programs pose risks. Programs like UN Agenda 2030, or the UN’s Sustainable Development Goals require the reduction of non-renewable waste disposal. In the long term, Waste Management will need to adapt its business model to find profits in recycling and other environmentally friendly waste disposals. In response to this, Waste Management has increased their recyclable business as a portion of their overall business, along with the “Waste to Energy” business approach. Currently, they have over 100 projects dedicated to renewable energy and renewable fuel, such as moving towards renewable natural gas trucking fleets. In the short term, it does not seem that Waste Management needs to tweak its business model, because the U.S. and other countries still produce a lot of waste that needs to be managed.⁹,¹⁰
Period Performance

The Information Technology sector had a weight of 22.57% in our portfolio at the end of Period 2, which made it the highest weighted sector. We have holdings in Cloudera, Microsoft, Accenture, and IBM, and we did not make any transactions in the IT sector during this period. The IT sector of our portfolio had a contribution of 0.56% to our portfolio. IBM is the highest weighted, and it performed the best with a 7.16% return. Microsoft and Accenture also performed well with returns of 6.25% and 6.09% respectively, however, Cloudera was the only company with a negative return of -12.51% during this period, which diminished IT’s overall contribution to the portfolio.

Looking Ahead

The Information Technology sector performed relatively well during the pandemic, as it led the market out of the economic downturn. Many technology companies have been able to capitalize on the shifts to remote workplaces and people generally staying at home, which led to an increase in demand for cloud computing and consumer electronics. Remote workplaces are likely going to persist even with Covid-19 infections and deaths in decline; therefore, we believe that companies providing cloud software and infrastructure will continue to see high growth. We also believe that due to the high demand of consumer electronics like laptops and video game consoles, semiconductor companies will likely continue seeing high growth as well. Our general outlook on the Information Technology sector is optimistic. However, we are aware and cautious about overvaluation, as P/E ratios have been rapidly increasing during the market rebound.
<table>
<thead>
<tr>
<th><strong>Accenture Plc</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACN</strong></td>
<td></td>
</tr>
<tr>
<td><strong>P2 Total Return:</strong> 6.09%</td>
<td><strong>Beta:</strong> 0.96</td>
</tr>
<tr>
<td><strong>Beg. Shares:</strong> 115</td>
<td><strong>End Shares:</strong> 115</td>
</tr>
<tr>
<td><strong>Beg. Value:</strong> $30,039.15</td>
<td><strong>End Value:</strong> $31,768.75</td>
</tr>
<tr>
<td><strong>P2 Dividend Yield:</strong> 0.34%</td>
<td><strong>P2 Action:</strong> Hold</td>
</tr>
</tbody>
</table>

**Description**

Based out of Dublin, Ireland, Accenture Plc. provides management and technology consulting services to some of the largest corporations and governments around the world. Accenture operates offices in over 200 major business centers in North America, Europe, and the Asia/Pacific region, providing solutions for clients in more than 40 types of industries. Accenture has partnerships with leading tech companies such as SAP, Microsoft, Oracle, Salesforce, and Workday in order to execute their strategy of being the top consultant in areas of new technologies that are changing the way companies across the world do business.

**Growth Drivers**

Accenture offers a variety of different services such as data analytics, AI, cloud, finance consulting, SCM, automation, business process outsourcing and many more, and it is also involved in a variety of sectors including aerospace and defense, automotive, natural resources, banking, consumer goods and services. This makes the company well-diversified across many services and industries. Accenture also made a number of acquisitions in cloud-native and agile development companies in 2020, which indicates that it has positioned itself well for future growth in its cloud computing division. In September 2020, Accenture created a new division “Accenture Cloud First” to help business with their digital transformations, which is expected to be in high demand with the general shift to remote workplace.

**Risks**

Accenture is trading at a much higher P/E multiple than its close competitors (28.8x vs 14.3x), but we are confident that Accenture has positioned itself well for future growth. The market segment that is expected to fuel its growth is its new cloud computing division; however, this may be a market that will quickly become oversaturated as many companies are rapidly entering the cloud computing market. ¹
### Cloudera, INC

**CLDR**

<table>
<thead>
<tr>
<th>Description</th>
<th>Beta: 0.77</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Return:</strong> -12.51%</td>
<td><strong>End Shares:</strong> 2,417</td>
</tr>
<tr>
<td><strong>Beg. Shares:</strong> 2,417</td>
<td><strong>End Value:</strong> $29,414.89</td>
</tr>
<tr>
<td><strong>Beg. Value:</strong> $33,620.47</td>
<td><strong>P2 Action:</strong> Hold</td>
</tr>
<tr>
<td><strong>P2 Dividend Yield:</strong> 0.00%</td>
<td><strong>End Value:</strong> $29,414.89</td>
</tr>
</tbody>
</table>

**Description**

Cloudera is a software company that provides a platform for data engineering, data warehousing, machine learning and analytics that is both cloud-based and run-on premises (hybrid). The software transforms complex data into clear and usable information, and it is sold on subscription-based model, which creates a continuous stream of revenues. Cloudera has customers from a variety of different sectors and industries including GlaxoSmithKline in healthcare, Intel in technology, John Hopkins University in education, Deutsche Telekom in telecommunications or Equifax in financial services.

**Growth Drivers**

Cloudera is a rapidly growing company with a strong customer base, and its subscription-based model will likely provide the company with a steady stream of revenue for the foreseeable future. Cloudera’s product will most certainly be in high demand as many businesses are switching to remote workplace and cloud-based computing. Its strong growth over the past two years and increasing profitability metrics show that Cloudera will have a presence in the future. It is also a potential target for acquisition, so it would be beneficial for us to maintain our position.

**Risks**

The market that Cloudera operates in seems to be fairly saturated with a number of large companies’ presence. Many technology companies are also joining the hybrid cloud computing market with a variety of different alternatives to solve the remote workplace issue that many companies face.¹
IBM is heavily betting on their hybrid cloud platform and AI in the upcoming future. They have announced several acquisitions in these markets since the end of last year, and they have also increased their investments in R&D and CAPEX to become the leader in hybrid cloud computing. This market segment is rapidly growing, and if IBM succeeds to position itself as the market leader, it could most likely help IBM grow its revenues. IBM’s Cloud and Data Platforms segment, which includes Red Hat, Cognitive Applications and Transaction Processing Platforms, showed revenue growth in the previous quarter, and with the newest acquisitions, is likely to maintain its growth in the near future.

**Description**

IBM is a global technology company that provides hardware, software, cloud-based services, and cognitive computing. The company shifted their strategy away from hardware dependence and have placed a big bet on the future growth of their cognitive computer systems division, which includes IBM Watson, their artificial intelligence, and Internet of Things platform. The company derives 45% of its revenue from its technology services and cloud division, which includes outsourcing and cloud services, as well as maintenance for their IBM products. Their global business services segment covers their growing technology consulting arm which helps with digital workplace, process design, and application support.

**Growth Drivers**

IBM is heavily betting on their hybrid cloud platform and AI in the upcoming future. They have announced several acquisitions in these markets since the end of last year, and they have also increased their investments in R&D and CAPEX to become the leader in hybrid cloud computing. This market segment is rapidly growing, and if IBM succeeds to position itself as the market leader, it could most likely help IBM grow its revenues. IBM’s Cloud and Data Platforms segment, which includes Red Hat, Cognitive Applications and Transaction Processing Platforms, showed revenue growth in the previous quarter, and with the newest acquisitions, is likely to maintain its growth in the near future.

**Risks**

IBM is expected to see weak sales across most of its business segments in the upcoming period. During the last quarter, IBM saw a decline in the majority of their business, specifically in Global Business Services (includes Consulting, Application Management and Global Process Services), Global Technology Services, Systems (includes Systems Hardware and Operating Systems Software) and in Global Financing (includes financing and used equipment sales). IBM’s growth in the close future seems to heavily depend on its hybrid cloud-based platform.1
Microsoft Corporation

**MSFT**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P2 Total Return</strong></td>
<td>6.25%</td>
</tr>
<tr>
<td><strong>Beg. Shares</strong></td>
<td>138</td>
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<tr>
<td><strong>Beg. Value</strong></td>
<td>$30,693.96</td>
</tr>
<tr>
<td><strong>P2 Dividend Yield</strong></td>
<td>0.25%</td>
</tr>
<tr>
<td><strong>End Shares</strong></td>
<td>138</td>
</tr>
<tr>
<td><strong>End Value</strong></td>
<td>$32,536.26</td>
</tr>
<tr>
<td><strong>Beta</strong></td>
<td>0.89</td>
</tr>
<tr>
<td><strong>P2 Action</strong></td>
<td>Hold</td>
</tr>
</tbody>
</table>

**Description**

Microsoft Corporation develops, manufactures, licenses, and supports software products worldwide. Best known for its Windows operating system and Microsoft Office productivity applications that have been around for decades, Microsoft operates a rapidly growing cloud services segment called Azure. The company has developed the second most popular gaming system in the world, being Xbox, and also owns the social media site LinkedIn. The company generates about half of its revenue outside of the United States and is one of the market leaders in artificial intelligence.

**Growth Drivers**

Microsoft has a well-diversified product line in Personal computing (35% of revenue), Productivity and business processes (33% of revenues), and Intelligent cloud (30% of revenues). This even diversification positions Microsoft well to maintain its current growth. Its newly released Xbox console is expected to outsell the previous generation of consoles, and its continuously evolving line of Surface personal computers is also expected to maintain its growth. Microsoft’s cloud computing business segment is also expected to grow, as the demand for solutions to remote workplace are likely to persist in the near future.

**Risks**

Microsoft’s stock price has recently reached an all-time high, and it is trading at a higher P/E multiple as its closest competitors. With P/E ratios at generally very high levels, there is the risk of overvaluation. However, we believe that Microsoft has positioned itself very well for future growth across different business segments, which is why we intend to maintain our current position in Microsoft.¹
Period Performance

The LaPorte Fund had only one security in the Basic Materials sector as of Period 2, the Sonoco Products Company, of which we have 195 shares. The fund is slightly underweight in this sector at 2.49% (2.03% of the portfolio) compared to the S&P 500 at 2.72%. The Sonoco Products Company performed well over the period with a return of 7.59%.

Looking Ahead

The Basic Materials sector experienced some growth this period, which is promising for future growth opportunities in this sector. The Basic Materials sector has been aligned with the market recently and has market performed. The economy is slowly recovering, and historically, the materials sector has done well during these times. With the expansion of the global economy post-Covid-19, there might be an opportunity for further investment in the basic materials sector. An ETF might be an acceptable way to invest in the materials sector, either as a whole or maybe just in a single industry, like Chemicals or Construction Materials. Also, the outlook for the Steel industry (and Manufacturing) in 2021 is optimistic, an investment which could provide another opportunity to generate positive returns. The chemicals, construction materials, mining, and container and packaging industries have growth opportunities and can be further explored. Industries such as paper and forest products are best to be avoided because of the decrease in use of paper products and the potential increase in environmental regulations from the new administration. The LaPorte Fund is bullish on the chemicals, construction materials, mining, and container and packaging industries. The LaPorte Fund is bearish with the paper and forest products industry.
The Sonoco Products Company

**SON**

<table>
<thead>
<tr>
<th>Total Return: 7.59%</th>
<th>Beta: 0.59</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. Shares: 195</td>
<td>End Shares: 195</td>
</tr>
<tr>
<td>Beg. Value: $11,553.75</td>
<td>End Value: $12,343.50</td>
</tr>
<tr>
<td>P2 Dividend Yield: 0.76%</td>
<td>P2 Action: Hold</td>
</tr>
</tbody>
</table>

**Description**

The Sonoco Products Company is an American packaging company headquartered in Hartsville, South Carolina; this company is worldwide with 320 locations in 36 countries and employs around 23,000 people. The Sonoco Products Company is in the materials sector, specifically, the consumer packaging industry within the materials sector. Sonoco Products can be divided into four main segments: consumer packaging, display and packaging, paper and industrial converted products, and protective solutions.

**Growth Drivers**

Sonoco Products Company has a competitive advantage due to being the largest producer of composite cans, tubes, and cores. There are a lot of opportunities for Sonoco, especially in healthcare packaging and industrial packaging. With economic stimulus and recovery, there is an increasing trend in manufacturing and personal spending, which will increase the demand for all packaging in general, business-to-business, business-to-customer, etc. There has also been an increase in e-commerce and delivery which is a long-term trend Sonoco can capitalize on. Also, Sonoco’s revenue outside of the United States, EU, and Canada, has grown by about 13.63% over the past 3 years; further globalization of Sonoco’s products and brand is another driver of growth for this company.

**Risks**

Sonoco is a global company headquartered in the U.S.; therefore, the ability of Sonoco to do business in other countries is affected by U.S. trade agreements and policies. Brexit and trade tensions between China and the United States are possible dangers for Sonoco. Potential risks for Sonoco also include environmental, manufacturing, and trade regulations along with other executive orders and laws passed by the new administration. With the pandemic, stagnation of vaccine rollouts may negatively affect Sonoco’s business and demand for packaging, especially if consumers are saving more.
Period Performance

In Period 2, we started out with no holdings within Real Estate and ended the period by purchasing W.P. Carey. We ended the period holding a 2.52% of our equity portfolio in WPC. This puts us at about the same weight of the real estate sector within the S&P 500, which is at 2.46%. We bought WPC at the very end of the period and expect to see good returns for this sector looking forward.

Looking Ahead

Overall, our team is optimistic for the real estate sector and sees many different opportunities within it. Office and retail were two industries that were the most affected by the pandemic. As vaccines continue to be distributed, we expect to see improvements in the demand for these areas. There is still some uncertainty to whether these areas will make a full recovery, as many businesses are pushing towards a “new normal” where there will be more of a blend between physical and online spaces. However, with vaccine distribution we still expect to see improvements in demand within these areas. The growing use of e-commerce has also been a significant driver for the growth of industrial and warehouse spaces in recent years. Outlook for these areas is very strong as rates rise to an all time high within these industries. (1) Besides specific areas of growth within real estate, our optimistic outlook for real estate is also largely based on that the overall tenant quality will follow economy improvements. As tenant quality increases, this poses less risk and more overall growth for many REITs as well.
Description
W.P. Carey is a REIT that specializes in the acquisition and management in single-tenant industrial warehouse, office, retail, and self-storage facilities in the terms of net-leases. They own 1,243 properties and have 61% of revenue generated from the United States and 37% from North and Western Europe. WPC is one of the largest owners of net lease back assets and among the top 25 of the MSCI US REIT Index, which is based off market cap. WPC has a strong revenue stream with an ABR of $1.2 billion per year with 100% of leases including a contractual rent escalation. They have 350 different tenants with their top 10 tenants only making up 21.8% of total ABR.

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 lower risk income stream. Industrial, warehouse, and self-storage properties have been very successful in recent years and are expected to see continued growth. WPC currently has 52% of their ABR being generated by these three property types. Apart from being one of the largest REITs and being very diversified, another one of their strengths is having one of the lowest WACCs in their peer group as well. All of this puts them in a strong financial position to see future growth.

Risks
Their main risk factors come from their investment in office and retail properties. Over the course of the pandemic, we have seen the demand for these types of spaces sharply decrease. Even though demand is expected to rise with the rollout of more vaccines, there is still uncertainties about how these areas will recover. E-commerce threatens the future demand for retail spaces, while potentially adapting to a more hybrid office space would reduce demand for offices as well. However, these spaces have not posed a serious threat to WPC’s current operations as they were still able to collect 99% of their rents in the previous quarter.
Period Performance

The LaPorte Fund underweighted the Utilities sector in Period 2 and did not have any holdings in this sector. The Utilities sector had a weight of 2.62% in the S&P 500 and saw returns of 1.92% in Period 2.

Looking Ahead

The Utilities sector usually performs well when volatility in other sectors, or during economic downturn. 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.
Period Performance

Fixed income holdings over Period 2 include AGG, USFR, WFC pfd, and recently acquired TRECX. At the end of Period 2, these positions and our cash balance equaled 20.22% of the Laporte portfolio compared to 40% in the benchmark portfolio and 17.07% in Period 1. Given ultra-low U.S. interest rates, the Federal Reserve’s continued quantitative easing, and underlying price declines due to generally rising yields and firm-specific factors, fixed income provided a total loss of 0.57% to the LaPorte portfolio this period. As the team monitored an improving economic outlook during Period 2, pessimistic fixed income returns drove investors toward equities. We pursued opportunity in higher yielding debt and protection against a declining U.S. dollar for the fund’s fixed income strategy.

Looking Ahead

Given the team’s optimistic economic outlook we intend to maintain or decrease our current portfolio weight in fixed income given the ultra-low interest rate environment that will persist for the next 2-5 years. We see opportunity for fixed income in emerging market debt and high-quality fixed income. For these reasons, we aim to maintain our holdings in Wells Fargo’s preferred stock and T. Rowe Price’s Emerging Market Corporate Debt Fund. Additionally, AGG and USFR may serve as funding sources for future purchases as this outlook and the steepening yield curve persist.
**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**
Like other fixed income holdings, AGG serves both as an alternative to cash and to decrease our portfolio’s volatility with a beta of -0.04 during Period 2. Also serving as a fixed income benchmark, this position offers low credit risk, a low expense ratio of 0.04%, and diversification from various issuers and maturities.

**Risks**
With a significant negative return this period, AGG is much lower than our benchmark and can limit our fund’s potential returns in the future if corporations, asset-backed securities, and other issuers are unable to complete bond payments. Additionally, the Federal Reserve’s QE policy and eventual rising interest rates will decrease AGG’s value. At this time, we believe the decreased dividends to be temporary; however, our team will continue to assess the changing economic outlook.
### T. Rowe Price Emerging Market Corporate Debt Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Beta: 0.03</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P2 Total Return:</strong> -0.09%</td>
<td><strong>End Shares:</strong> 1,655.90</td>
</tr>
<tr>
<td><strong>Beg. Shares:</strong> 0</td>
<td><strong>End Value:</strong> $17,933.44</td>
</tr>
<tr>
<td><strong>Beg. Value:</strong> $0.00</td>
<td><strong>P2 Action:</strong> Buy 1655.90 shares</td>
</tr>
<tr>
<td><strong>P2 Dividend Yield:</strong> 0.00%</td>
<td></td>
</tr>
</tbody>
</table>

**Description**
The T. Rowe Price Emerging Market Corporate Bond Fund (TRECX) seeks to provide high current income and, secondarily, capital appreciation by investing at least 80% of the fund’s net assets in corporate bonds that are issued by companies located in, listed in, or conduct the predominant part of their business activities in emerging markets. There are no restrictions on individual securities or maturities although managers generally maintain an intermediate-term, weighted, average maturity. TRECX pays monthly dividends.

### Growth Drivers
TRECX was a new addition to the LaPorte Fund on March 16. Given the fund’s previous exposures, TRECX is the first holding to provide access to emerging markets’ share of global GDP and population. Further, TRECX serves to bolster the fund’s fixed income returns to our portfolio as emerging markets experience rolling economic recoveries and improving credit qualities. Expectations for U.S. inflation or a weakening dollar would make servicing emerging market debt cheaper as it is often denominated in USD. There is positive sentiment for emerging market commodity demand as global efforts return to recovery and growth. Finally, TRECX provides geographic portfolio diversification.

### Risks
Emerging market investments carry unique risk in volatility given less mature economic structures and potentially lower liquidity, however, the corporate debt nature of this fund reduces these uncertainties by investing across industries and countries. Currency exposure and interest rate risk exist; the LaPorte team is committed to continued vigilance for broad interest rate increases or currency weakness in emerging markets.
**Wells Fargo & Co. Preferred**

**WFCPRL**

- **P2 Total Return:** -5.93%
- **Beta:** 0.13
- **Beg. Shares:** 32
- **End Shares:** 32
- **Beg. Value:** $48,572.80
- **End Value:** $45,357.12
- **P2 Dividend Yield:** 1.24%
- **P2 Action:** Hold

**Description**

Wells Fargo & Company (WFC) is classified in the financial sector and banking sub-sector. WFC operates as a diversified financial services firm, providing banking, insurance, investments, mortgage, leasing, credit cards, and consumer finance in physical stores, on the internet, and through other distribution channels worldwide. 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.

**Growth Drivers**

Wells Fargo & Co. Preferred Stock has maintained its 7.5% coupon rate throughout the pandemic and Period 2. Given continued low interest rates, WFC’s consistent, $600 quarterly dividend provides a steady stream of income for the fixed income allocation of our portfolio. This position weights 7.47% of our portfolio and offers potential for stock price appreciation in the future. Finally, WFC positively impacts the sensitivity of our portfolio.

**Risks**

Wells Fargo Preferred maintained a BBB- credit rating during Period 2; this is not concerning at this time given sentiment for improved economic conditions and WFC’s strong coupon payment history. WFC recently announced a 20-year solar energy purchase agreement. This large investment was Wells Fargo’s largest transaction to date but does not suggest WFC’s inability to repay outstanding debts. The fund will continue to monitor this position’s credit rating, free cash flow, and operating revenues to ensure the optimal weighting in our fixed income holdings.
WisdomTree Floating Rate Treasury Fund

**USFR**

- **P2 Total Return:** 0.00%
- **Beg. Shares:** 957
- **Beg. Value:** $24,020.70
- **P2 Dividend Yield:** 0.00%
- **Beta:** 0.00
- **End Shares:** 957
- **End Value:** $24,020.70
- **P2 Action:** Hold

**Description**

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.

**Growth Drivers**

USFR supports our portfolio in lowering volatility. Additionally, the low-risk nature of Treasuries, enables this position to serve as preservation of capital. Previously, this holding offered the potential to earn modest returns rather than allocating to a cash position. USFR contributed no return this Period.

**Risks**

USFR serves as a cash alternative; however, it did not earn a return during period two and decreases our portfolio’s potential returns. With interest rates expected to stay between 0-0.25% until 2023, this position can expect similar returns and volatility over the next two years. We will continue to pursue research to ensure this position is our best alternative to cash.
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% 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>Stock</th>
<th>Number of Contracts</th>
<th>P2 P/L</th>
<th>P2 Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>KO</td>
<td>1</td>
<td>-$27.60</td>
<td>-0.52%</td>
</tr>
<tr>
<td>IBM</td>
<td>3</td>
<td>-$312.20</td>
<td>-0.78%</td>
</tr>
<tr>
<td>CVS</td>
<td>3</td>
<td>$3.93</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

Looking Ahead

We plan to continue the strategy despite its poor performance during period two. The strategy is most effective over longer time horizons, where the probability and time decay become more effective. The strategy was implemented in the final two weeks of the period and made a significant recovery in the two weeks following the close of period two, a direction we believe will continue. The environment we are currently in is ideal for covered call options because they not only produce dividend like returns, but also act as a partial hedge against a down-turn. We believe this will be an advantage going into period three, as valuation risk from rock bottom interest rates remains in focus.
Biographies

Period 2

Zach Adkisson

Zach is currently a junior majoring in Finance with a collateral in Entrepreneurship at the University of Tennessee, Knoxville. He joined the LaPorte Fund in January 2021 and covers the Consumer Staples and Consumer Discretionary sectors. Zach was recently selected by Haslam College of Business faculty to join the International Business Case Team that competes against some of the best business schools globally. On campus, he is a 1794 scholar, Business Administration 100 Peer Mentor, and future Bloomberg Analyst in the Masters Investment Learning Center. Zach is currently seeking opportunities in wealth management and plans to pursue this career upon graduation in 2022.

Caleigh Jacobs

Caleigh is in her third year at the University of Tennessee, graduating early in December of 2021. She is passionate about personal financial literacy and is pursuing a bachelor’s degree in Finance with a collateral in Economics. Caleigh joined the LaPorte Fund in January of 2021 and is covering the Financials and Fixed Income. During her time at UT, Caleigh has spent each semester on the Dean’s list while serving as a Bloomberg Analyst in the Masters Investment Learning Center, a Peer Mentor for first-year business students, the VP of operations for the Financial Management Association, a member of Kappa Kappa Gamma Sorority, and an Academic Tutor in the Thornton Athletics Center. Professionally, Caleigh has worked with Skylight Financial in financial planning and will be working with Fidelity Investments this summer. After graduation, she will pursue a career in financial planning and work toward gaining a CFP certification.

Emma Lampson

Emma Lampson is currently in her third year at the University of Tennessee, Knoxville and is working towards a bachelor’s degree in Finance with a minor in Economics. 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 program and will be completing an undergraduate thesis her senior year. In the summer of 2020, Emma worked at Tennessee Valley Authority as an intern on the Financial Planning team. This spring is Emma’s first semester on the LaPorte Fund, and she is responsible for the Materials and Industrials sectors. In the future, Emma hopes to get her CFA certification and pursue a career in corporate finance as a financial analyst.
Simon Nagy

Simon is a first year full-time MBA candidate with a concentration in Finance. He is also serving as a Graduate Teaching Assistant for undergraduate finance courses. Simon joined the LaPorte Torch Fund in September 2020 to cover Healthcare sector, and he transitioned to IT and Communications 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 establishing and leading a student-led finance organization and interning as a financial analyst at a wealth management company.

Tiho Nikolic

Tiho is a junior, 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 Energy and Utilities sectors. On campus, Tiho is a member of the 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, Emerald Strategy Group, and heads the development of their flagship product, BusiCard. He interned with TEMI Trockenbau GmbH, a commercial real estate construction company, in Berlin, Germany as a financial analyst. Tiho plans to work in Commercial Real Estate after undergraduate school before returning to school to receive his MBA.

Emily van der Merwe

Emily graduated high school from Clarksville, Tennessee and is now a senior studying to receive her undergraduate degree in Finance with a collateral in Economics. This spring is her second semester on the LaPorte Fund, and she is responsible for the Real Estate Sector. She currently works with a bankruptcy law firm called Freedom Law, P.C., where she reviews clients’ financial documents to prepare court petitions. She also works at the Allan Jones Aquatic Center on campus as an Operations Manager and is responsible for overview of budget controls and daily activities. This past winter break, Emily spent her time working for CapWealth doing research and equity valuation for new investments along with market analysis. After graduation, Emily wants to pursue a career in corporate finance as a financial analyst.
Devin Wilkinson

Devin is currently a junior majoring in Finance at the University of Tennessee. He joined the LaPorte Fund in August 2020 and covered the Information Technology sector in the fall before moving to the Health Care sector for spring 2021. Professionally, Devin has interned with Knox Wealth Partners as an equity analyst, U.S. Bank as a summer analyst, and Broadtree Partners as a private equity analyst. On campus, he serves as the VP for the Tennessee Capital Markets Society and the VP of Development for the Financial Management association in addition to serving as the Director of Trading for the University of Tennessee Investment Group. He is a member of the 2022 cohort of the Heath Integrated Business and Engineering Program and hosts the podcast Project Inspire: A Haslam Interview Series, which is a collaboration with the Haslam College of Business. Devin will be working as an Investment Banking Summer Analyst with Lazard Middle Market this summer and plans to pursue investment banking full time after graduation.


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