LaPorte Torch Fund

2018 Period 1 Performance Report
Haslam College of Business

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Manager's Letter

Dear Mr. and Mrs. LaPorte,

We would like to express our most sincere gratitude for providing us the opportunity to serve on the LaPorte Torch Fund. During this period, our experiences on the fund granted us valuable knowledge that we could not have otherwise learned from a standard classroom. As we all progress in the realm of finance, the lessons learned from the fund will be foundational for our future endeavors. Thank you for your continuous generosity.

Our performance this period did not meet our overarching goals. We did not beat the S&P 500 and Barclays US Aggregate Bond weighted benchmark return of -9.62%, as our total return for the period was -10.77%. We did, however, beat the McClain Fund – losing to the Haslam and Carroll Funds. At the end of the period, your portfolio was comprised of 70.25% Equities, 18.42% Alternatives, and 11.33% Cash.

For the period, our primary focus was to poise the portfolio in a manner which best positioned the fund for the period's high market risk. For example, one of our first moves was the liquidation of AECOM and following investment in a floating rate ETF. Despite not beating our benchmarks, we believe the portfolio's position is one that still allows us to end our fiscal year with another top finish for the competition.

Again, we thank you for your continued support and generosity, not only to the University, but also to the fund. Your commitments have enhanced our collegiate experiences by bounds few, if any, programs could replicate, and we cannot thank you enough for this unique opportunity. We look forward to seeing you again soon!

Sincerely,

Eric Allen, Victoria Montefusco, Shannon Brooks, Noah Wessel, Matthew Norris, and Cameron Lipetz

Period 1 Performance Summary

GENERATE POSITIVE RETURN

- Generated a -10.77% total return from 10/01/18 to 12/31/18

BEAT THE BENCHMARK

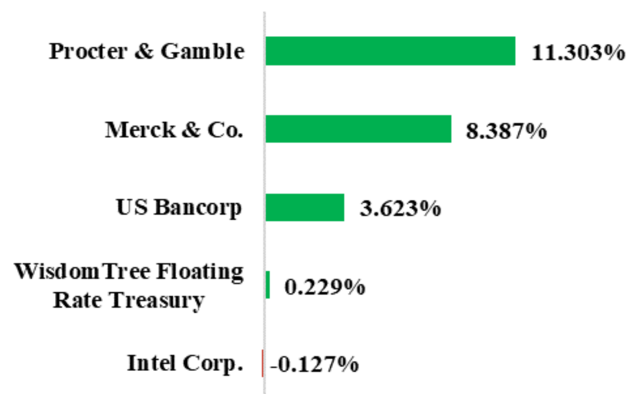
- Our weighted benchmark of the S&P 500 and Barclays US Aggregate Bond Index had a total return of -9.62%

OUTPERFORM OTHER FUNDS' RETURN SPREAD FROM BENCHMARK

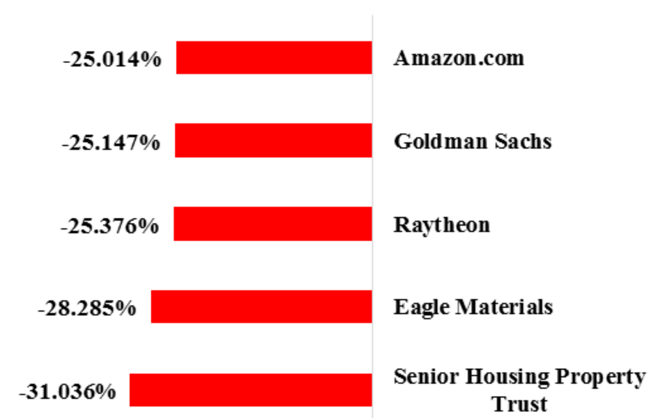
- Haslam Fund: -9.41% Return; -9.85% Benchmark; 0.44% Spread
- Carroll Fund: -10.51% Return; -10.18% Benchmark; -0.33% Spread
- **LaPorte Fund: -10.77% Return; -9.62% Benchmark; -1.15% Spread**
- McClain Fund: -13.58% Return; -12.20% Benchmark; -1.38% Spread

	Portfolio	Weighted Benchmark
Total Return	-10.770%	-9.620%
Beta	1.041	1.000
Standard Deviation	1.225%	1.140%
R-Squared	0.940	1.000
P1 Sharpe	-0.147	-0.140
P1 Treynor	-0.002	-0.002

Top 5 Performers



Bottom 5 Performers



***Our weighted benchmark is calculated by the weighted daily average of the S&P 500 total return index and the Barclays US Aggregate Bond total return index. We used the 90 Day T-Bill rate for the Sharpe and Treynor ratios.

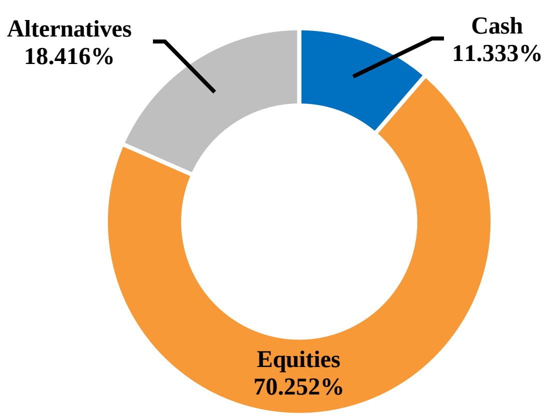
Holdings Overview

Ticker	Security	Quantity	Beginning Value	Ending Value	Ending Allocation in Portfolio	P1 Total Return	BUY/SOLD
Consumer Discretionary							
AMZN	Amazon.com, Inc.	15	$ 30,045.00	$ 22,529.55	4.934%	-25.014%	
Consumer Staples							
PG	The Procter & Gamble Co.	180	$ 14,981.40	$ 16,545.60	3.624%	11.303%	
Financials							
GS	The Goldman Sachs Group, Inc.	100	$ 22,424.00	$ 16,705.00	3.658%	-25.147%	
NDAQ	Nasdaq, Inc.	225	$ 19,305.00	$ 18,353.25	4.019%	-4.417%	
USB	US Bancorp	466	$ 24,609.46	$ 25,328.73	5.547%	3.623%	SOLD 12/04
Alternatives							
WFCPRL	Wells Fargo & Co. Preferred	25	$ 32,272.00	$ 31,547.50	6.909%	-0.792%	
USFR	WisdomTree Floating Rate Treasury ETF	1394	$ 35,001.32	$ 34,961.52	7.657%	0.229%	BUY 11/09
SNH	Senior Housing Property Trust	1500	$ 26,340.00	$ 17,580.00	3.850%	-31.036%	
Materials							
EXP	Eagle Materials Inc.	200	$ 17,048.00	$ 12,206.00	2.673%	-28.285%	
VMC	Vulcan Materials Company	121	$ 13,455.20	$ 11,954.80	2.618%	-10.899%	
Industrials							
ACM	AECOM	500	$ 16,330.00	$ 15,419.75	3.377%	-5.574%	SOLD 11/06
GD	General Dynamics Corp.	150	$ 30,708.00	$ 23,581.50	5.164%	-22.753%	
LLL	L3 Technologies, Inc.	105	$ 22,325.10	$ 19,046.00	4.171%	-14.312%	SOLD 12/04
RTN	Raytheon Co.	100	$ 20,666.00	$ 15,335.00	3.358%	-25.376%	
WM	Waste Management Inc.	250	$ 22,590.00	$ 22,247.50	4.872%	-1.002%	
Information Technology							
CSGP	CoStar Group, Inc.	50	$ 21,042.00	$ 16,867.00	3.694%	-19.841%	
INTC	Intel Corp.	700	$ 33,103.00	$ 32,851.00	7.194%	-0.127%	
V	Visa Inc.	225	$ 33,770.25	$ 29,686.50	6.501%	-11.926%	
Healthcare							
AMGN	Amgen Inc.	100	$ 20,729.00	$ 19,467.00	4.263%	-5.451%	
GILD	Gilead Sciences, Inc.	280	$ 21,618.80	$ 17,514.00	3.836%	-18.249%	
MDT	Medtronic PLC	200	$ 19,674.00	$ 18,192.00	3.984%	-7.024%	
MRK	Merck & Co., Inc.	350	$ 24,829.00	$ 26,743.50	5.857%	8.387%	
Cash			**$ 23,859.62**	**$ 51,747.02**	**11.333%**		
Total			**$ 511,724.83**	**$ 456,615.24**			

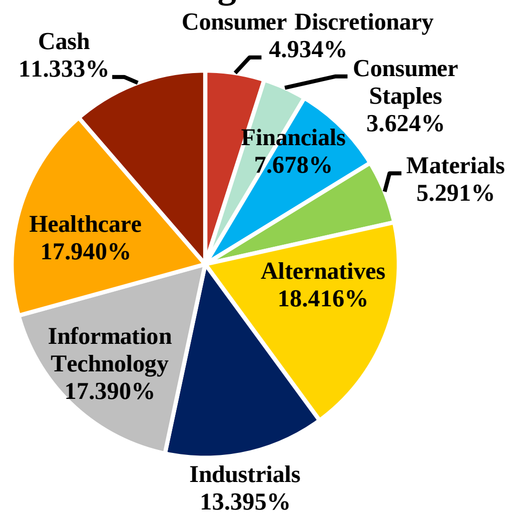
Asset Allocation

Asset	P1 Starting Value	P1 Starting Allocation	P1 Ending Value	P1 Ending Allocation
Cash	$ 23,859.62	4.663%	$ 51,747.02	11.333%
Equites	$ 429,253.21	83.884%	$ 320,779.20	70.252%
Alternatives	$ 58,612.00	11.454%	$ 84,089.02	18.416%
Total	$ 511,724.83	100%	$ 456,615.24	100%

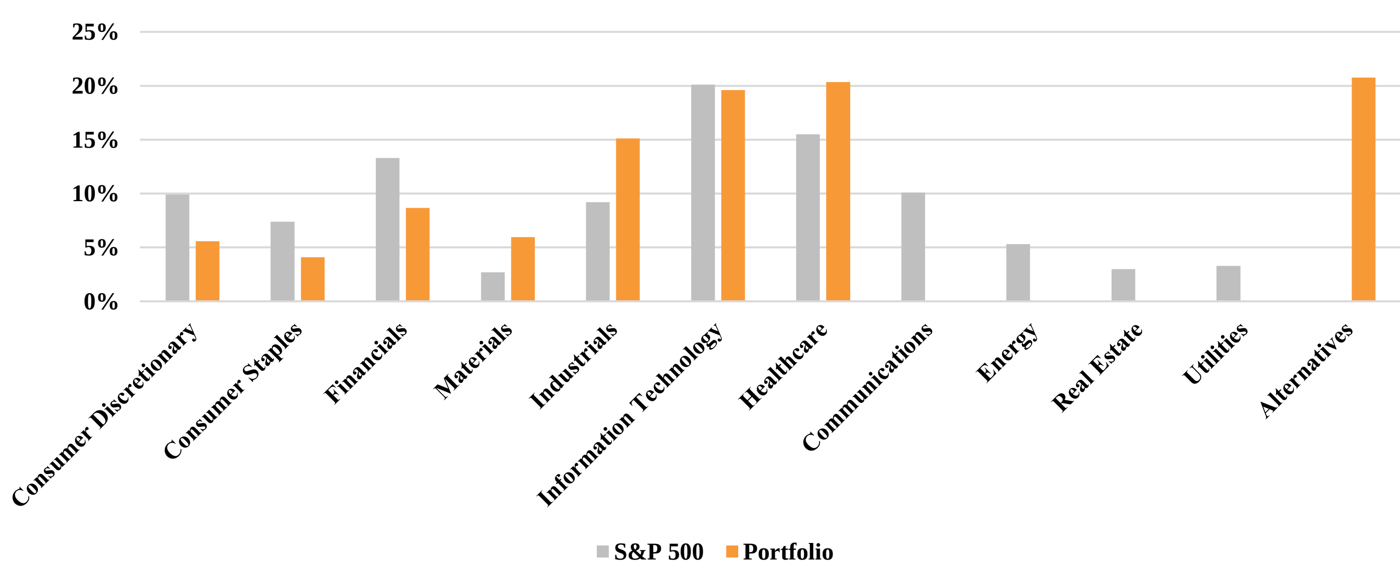
P1 Ending Allocation



P1 Ending Sector Allocation



Portfolio vs. S&P 500



10/1/2018 Economic Outlook

Our economic outlook moving into the first period was dependent on several key economic factors. These included the following:

- Increased market volatility
- Trade wars
- More interest rate hikes
- Steady GDP increase of 3%
- Little change in unemployment and continuing claims, with some increases in wages
- New and continuing geopolitical conflicts
- Currency fluctuations
- Brexit
- Midterm elections

3 Month Economic Outlook as of 10/1/2018:

Moving forward, we believe the interest rate hikes, potential trade war, and continuing geopolitical conflicts are cause for concern. We also view economic problems in Turkey and Argentina as potential catalysts for downturns in other major economies, potentially affecting our stock market. Upcoming midterm elections are also a cause of uncertainty. We are worried about increases in tariffs between US and China. We plan to increase our exposure in high-dividend, low-beta stocks that will provide sources of income as well as decrease our overall exposure to the market. These areas include consumer staples, healthcare, utilities, and alternatives. We also plan to monitor high-beta sectors closely such as materials, discretionary, and technology. A change in consumer sentiment could have a negative impact on these sectors. Further increases in tariffs will increase risks in industrials and other industries such as aerospace and technology.

6 Month Economic Outlook as of 10/1/2018:

The current administration will continue to push its economic agenda to strengthen the economy and invest heavily in infrastructure; however, midterm elections could affect their abilities. Geopolitical risk will continue to drive volatility and uncertainty in several industries. The Federal Reserve has indicated that it will continue to raise interest rates. The rise in interest rates will also cause the dollar to strengthen; this paired with an increase in tariffs may hurt US exports. The continued rate hikes will increase the cost of borrowing money and may decrease the number of individual mortgages and personal loans. We see the defense sector remaining strong due to volatility in the Middle East. We expect to see unemployment remain low, wages to increase slightly, and consumer sentiment to remain confident.

Consumer Disc. – Matthew Norris

Amazon.com, Inc. (AMZN)

P1 Total Return: -25.014%
Beg. Shares: 15
Beg. Value: $30,045.00
Dividend Yield: ---
Std. Deviation: 1.709%

P1 Action: HOLD
End Shares: 15
End Value: $22,529.55
Annualized Beta: 1.306

Description:
Amazon laid its foundation of online retailing as a bookstore to rival the various brick and mortar bookstores which had captured the majority of the market. After seeing success in online book sales, Amazon pivoted their structure to incorporate products ranging from music to home and garden items. Amazon has recently been developing its own technology products, such as the Amazon Alexa which has seen great success and positively influenced the daily lives of users. This technology, paired with Amazon's ownership of the chain Whole Foods, has created a powerful relationship between online activity and grocery shopping. Amazon also provides web-based credit card payments and direct shipping to customers contributing to a truly unique online shopping experience. [1]

Positive Triggers:
Amazon is considered one of the most dominating forces in the online retail scene. Since 2013, the company's sales have increased close to 140%. Major contributing factors to this increase relate to Amazon's operational efficiency in warehouses and its fast, direct to customer, shipping. Amazon Web Services has been growing significantly more than expected over the last few years; notably, it brought $4.3 billion in operating income in 2017 which was used to cover a $3 billion loss in the international segment. The Amazon Web Services segment of Amazon.com continues to be a major talking point by striking up profitable deals with companies like Netflix and Hulu. [1]

Negative Triggers:
The competitive nature of online-retail has begun to threaten Amazon. Emerging companies like Alibaba have shown that Amazon does not have full control of the online market, and, as more online-retailers merge together, Amazon will continue to deal with intense competition. Because Amazon conducts business in many industries, it faces the risk of significantly underperforming in one industry and not being able to cover the costs with profits from other industries as seen in its highly volatile net income. Amazon also sells many products that are considered non-essentials, exposing the company to risk in the event of an economic downturn. [1]

Consumer Staples - Matthew Norris

The Procter & Gamble Co. (PG)

P1 Total Return: 11.303%
Beg. Shares: 180
Beg. Value: $14,981.40
Dividend Yield: 0.862%
Std. Deviation: 1.620%

P1 Action: HOLD
End Shares: 180
End Value: $16,545.60
Annualized Beta: 0.762

Description:
The Proctor and Gamble Company manufactures and markets consumer products on a global platform. P&G focuses on five product line segments: laundry and cleaning, paper, beauty care, food and beverage, and healthcare. Within these segments, P&G owns dozens of billion-dollar brands. Noteworthy brands include Crest, Gillette, Head and Shoulders, Oral-B, and Pantene. P&G products are sold through mass merchandisers, grocery stores, membership club stores, drug stores, and neighborhood stores. [1]

Positive Triggers:
Proctor and Gamble's diverse market saturation allows its products to remain in high demand through various market conditions. Because P&G has products in the same categories at different price levels, groups from all income levels can purchase P&G products. P&G's strategy is to allocate resources to the top 40 selling brands which collectively make up roughly 85% of total sales. Of these 40 brands, 21 of them generate more than $1 billion in annual global sales. In 2018, P&G engaged in one of the largest acquisitions in recent years by purchasing the Consumer Health unit of Merck KGaA for $4.2 billion, adding vitamins and supplements to the P&G lineup. [1, 2]

Negative Triggers:
The Proctor and Gamble Company is exposed to a significant amount of political, geopolitical, and currency risk due to 56% of their business taking place outside of the United States. Associated with this international risk, P&G also has a large amount invested into fixed assets abroad from owning and operating about 100 production facilities in 38 other countries. P&G faces regulatory risks, especially in the cosmetic industry, due to the frequency of lawsuits in this industry. The rise in popularity of grocery store brand products threatens P&G products by competitive low prices. [1]

Financials – Shannon Brooks

The Goldman Sachs Group, Inc. (GS)

P1 Total Return: -25.147%
Beg. Shares: 100
Beg. Value: $22,424.00
Dividend Yield: 0.357%
Std. Deviation: 1.349%

P1 Action: HOLD
End Shares: 100
End Value: $16,705.00
Annualized Beta: 1.118

Description:
Goldman Sachs Group Inc. is an investment banking firm that specializes in overseeing mergers and acquisitions and underwriting debt and equity offerings. Goldman Sachs has four main areas of business. These areas include Institutional Client Services, Investing and Lending, Investment Banking, and Investment Management, that account for 36.8%, 22.5%, 21.5%, and 19.2% of their revenues, respectively. [1]

Positive Triggers:
Goldman Sachs recently hired a new CEO who has created a five-year plan to grow the company. The plan includes divesting less profitable ventures and capitalizing on higher profit margin segments, which includes the fee-based programs and the fixed income portions of their business. They are also targeting average consumers and young professionals, rather than the high income or commercial clients the company has targeted in the past. [1]

Negative Triggers:
The investment bank has faced considerable uncertainty over the last year. Revenues have failed to match pre-2008 levels and the bank has hired new management, who have changed the company’s strategy. Moreover, the company’s reputation has been affected by the ongoing Malaysian 1MDB scandal, for which the Malaysian government is seeking billions of dollars in compensation. [1]

Financials – Shannon Brooks

Nasdaq, Inc. (NDAQ)

P1 Total Return: -4.417%
Beg. Shares: 225
Beg. Value: $19,305.00
Dividend Yield: 0.513%
Std. Deviation: 0.946%

P1 Action: HOLD
End Shares: 225
End Value: $18,353.25
Annualized Beta: 0.941

Description:
Nasdaq Inc. is a holding company who operates an electronic stock exchange and provides business analytics and information technology services. The company receives 37.9% of its revenues from its Market Services division, which includes its stock exchange. Information Services, Corporate Services, and Market Technology account for a combined 59.9% of the company's revenues. These divisions have been a continued focus for the company, as they seek to capitalize on the increasing demand for technology, market data, and security. [1]

Positive Triggers:
To stabilize revenues and reduce dependency on Initial Public Offerings, Nasdaq has shifted to a fee-based approach. In 2017, this caused over 75% of the company's revenues to come from fees. This approach will reduce risk associated with the company, as it will decrease their dependence on the cyclical IPO market, resulting in reduced revenue variability. Additionally, the company has shifted its focus towards growing markets, such as analytics and data warehousing. These will continue to be sources of growth moving forward. [1]

Negative Triggers:
The company still somewhat relies on Initial Public Offerings for revenue. As the IPO market is expected to slow, the company's Market Services division will be affected. Also, there is uncertainty surrounding the company as it shifts its focus to providing technology services. [1]

Financials – Shannon Brooks

US Bancorp (USB)

P1 Total Return: 3.623%
Beg. Shares: 466
Beg. Value: $24,609.46
Dividend Yield: 0.701%
Std. Deviation: 1.073%

P1 Action: SOLD on 12/04
End Shares: 0
End Value: $25,328.73
Annualized Beta: 0.979

Description:
US Bancorp is a regional bank that operates in United States. The company services 25 different states in the West and Midwest. The bank owns US Bank and has $467 billion in assets, as of 12/31/2018. Most of US Bancorp's revenue (37.4%) comes from Consumer Banking. This includes providing checking and savings accounts, credit cards, mortgages, and loans to individuals. Furthermore, Payment Services, Wholesale Banking, and Wealth Management each account for over 10% of the company's revenues. The company uses acquisitions as a means for growth. Through acquisitions, US Bancorp seeks to grow their customer base and capture the fees incurred by those customers in the form of revenue. [1]

Sell Triggers:
The scope of the bank's operations is limited to the population in which is services. Overtime, the West and Midwest regions have seen decreases in their populations. This reduces the number of possible customers in those regions and will affect future growth. The company's largest market is the state of California, which has also seen a slowdown in population growth over the last several years. Furthermore, the company hopes to profit from new product offerings; however, the effectiveness of these offerings will be reduced due to the bank's limited market. Additionally, the number and size of the company's mergers and acquisitions has slowed in recent years. This does not bode well for future growth, as acquisitions are one of the company's main growth strategies. [2, 5]

Alternatives – Shannon Brooks

Wells Fargo & Co. Preferred (WFCPRL) [7]

P1 Total Return: -0.792%
Beg. Shares: 25
Beg. Value: $32,272.00
Dividend Yield: 1.452%
Std. Deviation: 0.455%

P1 Action: HOLD
End Shares: 25
End Value: $31,547.50
Annualized Beta: 1.09

Description:
Wells Fargo & Company is a well-known bank with almost 8,000 branches and locations in all 50 states. The company's main divisions include Community Banking, Wholesale Banking, and Wealth and Investment Management. Community Banking accounts for 51% of the company's revenues, while Wholesale Banking accounts for 31.2%. Recently, the company has continued its efforts to increase efficiency. The company has been closing many physical branches and laying off workers as they keep up with the demand for increased technology and switch to digital banking. [1]

Positive Triggers:
Interest income represents 55% of the banks total revenues, this figure includes the 45% of total revenues that come from loans. This has and will allow the company to benefit from higher interest rates. A high portion of interest income will also reduce the variability in revenues. Simultaneously, the company has been divesting less profitable areas and increasing investment in high growth areas. The move to online banking will allow the company to reduce costs while appealing to customer wants for convenience and ease of use. [1]

Negative Triggers:
As of late, Wells Fargo has faced several scandals that have impacted their credibility and reputation. The scandals include overcharging consumers for auto loans, selling bad mortgages pre-2009, and creating accounts without client's permission. These scandals have caused the company to pay over three billion dollars in fines. [1]

Alternatives – Shannon Brooks

WisdomTree Floating Rate Treasury ETF (USFR)

P1 Total Return: 0.229%
Beg. Shares: 1394
Beg. Value: $35,001.32
Dividend Yield: 0.343%
Std. Deviation: 0.053%

P1 Action: BUY on 11/09
End Shares: 1394
End Value: $34,961.52
Annualized Beta: 0.777

Description:
The WisdomTree Floating Rate Treasury Fund (USFR) is a United States based exchange traded fund that tracks the performance of the Bloomberg US Treasury Floating Rate Bond Index. The top three holdings are US Treasury floating rate notes of varying maturities throughout 2020. The maturities of these holdings include October 31st, July 31st, and April 30th. Each of these notes account for roughly 30% of the ETF's total holdings. The fund seeks treasuries with maturities of over a year to increase long term exposure, which brings higher yields, and decrease possible negative effects from short-term government fluctuations, like the government shutdown, for example. [1,4]

Positive Triggers:
Floating rate notes allow the coupon rate of the bonds to change with fluctuations in interest rates. This reduces the interest rate risk typically associated with holding fixed rate bonds, which lose value as interest rates rise. Additionally, floating rate notes tend to outperform Treasury Bills when interest rates are increasing quickly. [4]

Negative Triggers:
As interest rates decrease quickly, floating rate notes tend to underperform compared to Treasury Bills. Similarly, floating rate notes with decreasing interest rates will result in lower coupon rates and returns. Furthermore, due to the floating rate, investors will not profit from a lower interest rate environment like typical fixed rate bond holder would. [4]

Alternatives – Noah Wessel

Senior Housing Property Trust (SNH)

P1 Total Return: -31.036%
Beg. Shares: 1500
Beg. Value: $26,340.00
Dividend Yield: 2.221%
Std. Deviation: 1.908%

P1 Action: HOLD
End Shares: 1500
End Value: $17,580.00
Annualized Beta: 0.824

Description:
Senior Housing Properties Trust is a real estate investment trust specializing in properties related to senior care. Its property mix includes nursing homes, assisted living facilities, medical office buildings, and other senior care centered spaces. Its properties are spread across 40 of the 50 states, and it is headquartered in Newton, MA. The value of their holdings is $5.3 billion. [1]

Positive Triggers:
SNH is poised for strong earnings as the United States has an aging population. The “Baby Boomer” population group will all be in retirement age by 2029. This population group, as well as senior citizens currently receiving medical care, will place a large burden on the medical infrastructure. SNH has one of the largest portfolios of senior care assets, so it is in the perfect position to continue to grow revenues during the oncoming demographic shift of the aging population. Even in the short term, senior housing spending is expected to rise by 14% by 2020. [2]

Negative Triggers:
Like most businesses that deal with healthcare, the uncertainty with insurance and social security can affect future revenue growth. Ambiguity in Washington and potential spending alterations could change funding for Medicare. Additionally, the potential merger of insurer Aetna and drugstore chain CVS could see unprecedented changes to the way Americans receive care as well as future reimbursement structures for medical services. [2]

Materials – Noah Wessel

Eagle Materials Inc. (EXP)

P1 Total Return: -28.285%
Beg. Shares: 200
Beg. Value: $17,048.00
Dividend Yield: 0.117%
Std. Deviation: 2.029%

P1 Action: HOLD
End Shares: 200
End Value: $12,206.00
Annualized Beta: 1.005

Description:
Eagle Materials Inc. is a manufacturer of products used for construction, such as gypsum wallboard, concrete, and aggregates. These products are used in construction in most facets of the real estate industry. It is headquartered in Dallas, Texas. In 2018, it had revenues of $1.4B, up from $1.2B in 2017. [1]

Positive Triggers:
Public infrastructure drives 50% of its cement sales demand, and cement sales account for 40% of EXP's total revenue. With the growing number of infrastructure concerns, spending is projected to increase. Additionally, Texas, as a state, has a large infrastructure spending plan, and EXP operates one of its six cement sales operations in Texas. New home sales have been trending upward, which benefits the gypsum wallboard revenue segment. [2, 3]

Negative Triggers:
Companies in the materials sector are subject to public infrastructure spending budgets, and EXP has a noteworthy exposure to this fluctuation. The current setting in Washington is such that funding might be taken from public infrastructure budgets, or, perhaps, the priority of infrastructure repair could be slowed due to other priorities. Also, growing economic uncertainty could result in a slowdown of home sales, especially new home sales and production. EXP derives 75% of its revenues from wallboard and cement, which would be affected tremendously if a slowdown in construction ensued. [2, 3]

Materials – Noah Wessel

Vulcan Materials Company (VMC)

P1 Total Return: -10.899%
Beg. Shares: 121
Beg. Value: $13,455.20
Dividend Yield: 0.252%
Std. Deviation: 2.517%

P1 Action: HOLD
End Shares: 121
End Value: $11,954.80
Annualized Beta: 0.959

Description:
Vulcan Materials Company is a Birmingham, AL based producer of construction aggregates - the largest such producer in the United States. They primarily serve customers in the United States but have a few operations in Mexico. [1]

Positive Triggers:
Vulcan is poised for positive growth due to expectations that public infrastructure spending in the United States will increase in 2019. Some of the states where Vulcan has a larger revenue presence, such as Florida and Texas, have considerable road improvement needs. Additionally, Vulcan is geographically positioned such that there are very few competitors. The Southeastern United States has few natural aggregate deposits, so a shipping network is required to bring in the materials. Vulcan has been doing this for some time and has been able to capitalize on the recent growth in the Southeast region. [2]

Negative Triggers:
Despite the public construction strength, Vulcan's operations in the private construction side are tightly connected with economic activity. Recent volatility in the markets, as well as persistent economic uncertainty, could damage this arm of the business for Vulcan. Additionally, the political ambiguity that currently exists in the United States could result in a change to the budgeting and allocation of road improvement projects. Most of Vulcan's revenue streams depend on external factors, many of which currently face unique uncertainties. [2]

Industrials – Victoria Montefusco

AECOM (ACM)

P1 Total Return: -5.574%
Beg. Shares: 500
Beg. Value: $16,330.00
Dividend Yield: ---
Std. Deviation: 1.249%

P1 Action: SOLD on 11/06
End Shares: 0
End Value: $15,419.75
Annualized Beta: 1.063

Description:
AECOM provides technical services to the United States government, state and local governments, non-US governments, and commercial customers. Its revenue is split about half-and-half between private sector clients and government entities. The company's services include consulting, planning, architecture, engineering, construction management, project management, asset management, environmental services, and design-build services. AECOM serves several sectors, such as transportation, facilities, environmental, energy, water, and government. [1]

Sell Triggers:
AECOM was purchased under the assumption that a major US infrastructure plan was imminent. Considering the government's focus on immigration, continuing geopolitical tensions, and the divided Congress, this no longer seems to be the case. Furthermore, three-quarters of the company's revenue is from the Unites States – half from government clients and half from private sector clients. Combined with the fact that much of its revenue comes from "mega-projects" like skyscrapers and superdomes, this makes AECOM vulnerable to downturns in the United States economy and changes to government spending, particularly in infrastructure. In light of current conditions in the US public sector, the company's recent push to expand growth in the government segment of its business is short-sighted. At the time of liquidation, AECOM only had one large contract reported, with various smaller contracts also reported. Finally, AECOM has a very small dividend, which does not align with the Fund's focus on lower-risk, higher-dividend holdings. [1]

Industrials – Victoria Montefusco

General Dynamics Corp. (GD)

P1 Total Return: -22.753%
Beg. Shares: 150
Beg. Value: $30,708.00
Dividend Yield: 0.454%
Std. Deviation: 1.240%

P1 Action: HOLD
End Shares: 150
End Value: $23,581.50
Annualized Beta: 1.122

Description:
General Dynamics is a diversified defense company that offers products and services in business aviation, combat vehicles, weapons systems, munitions, shipbuilding design and construction, information systems, and technologies. It is a prime military contractor to the Pentagon (the US government accounts for about 60% of sales). Unlike some of its rivals who cater only to the military market, which is at the mercy of government budgetary fluctuations, General Dynamics caters to military and civilian sectors, with each side buffering the other in times of market downturn. [1]

Positive Triggers:
Growing geopolitical conflicts, a defense-focused White House, and a steadily increasing defense budget over the next few years coupled with large contracts from the United States' Navy spell good news for General Dynamics. GD also has a large backlog of longer-term contracts, providing some stability and certainty to its profitability. Furthermore, the company caters to both military and civilian sectors, meaning any decreases in defense spending can be buffered by the civilian part of its business. Additionally, the predicted market for federal contractor supplied cyber security is $3-5 billion per year over the next five years. It is likely that arms makers will be required to embed cybersecurity into weapons systems, and this should result in added Pentagon dollars to support these efforts. GD's completed acquisition of CSRA, a government IT services firm, could give the company a competitive advantage in this emerging defense trend. [1]

Negative Triggers:
Because the United States government accounts for 60% of sales, General Dynamics is more sensitive to changes in the military budget than some of its peers. Additionally, the newly split Congress could cause roadblocks to defense funding. Furthermore, a likely change in the way the government pays federal contractors could result in difficulties for the defense subsector. Currently, defense contractors are required to self-finance a project until the contract is completed, but the US government eases this by providing reimbursements along the way through performance- and progress-based payments. The proposed cut is from 80% of costs incurred to 50%. The added costs might require additional leverage and could eat into free cash flow, which could make it harder for General Dynamics to pay dividends and fund its ongoing businesses. [1]

Industrials – Victoria Montefusco

L3 Technologies, Inc. (LLL)

P1 Total Return: -14.312%
Beg. Shares: 105
Beg. Value: $22,325.10
Dividend Yield: 0.376%
Std. Deviation: 2.737%

P1 Action: SOLD on 12/04
End Shares: 0
End Value: $19,046.00
Annualized Beta: 0.955

Description:
L3 Technologies offers surveillance, antenna, aircraft simulation, laser range finding, modification, and image intensification equipment. It provides products and services to the government based on intelligence, surveillance, and reconnaissance, including systems for satellite, avionics, and marine communications. Products and services include simulation, training, and night vision equipment, as well as aircraft maintenance and modernization. The United States government, primarily the Department of Defense, accounts for nearly 70% of its business, but L3 is expanding its commercial offerings. [1]

Sell Triggers:
About 77% of L3's revenue comes from the US, with 70% of that coming from the US government. As a result, L3 would be heavily impacted by decreases in defense spending and any changes in progress-based payment rates. Unlike some of its peers, L3 does not have as great of a chance to increase international or commercial sales if US defense spending stalls. Additionally, its proposed merger with Harris Corporation would result in about the same US government exposure. Also relating to the proposal, L3 may overpay and destroy shareholder value through poor integration of the businesses. Finally, L3 does not possess the number of longer-term contracts that its competitors have, which makes its profitability less stable and certain. [1, 2]

Industrials – Victoria Montefusco

Raytheon Co. (RTN)

P1 Total Return: -25.376%
Beg. Shares: 100
Beg. Value: $20,666.00
Dividend Yield: 0.420%
Std. Deviation: 1.414%

P1 Action: HOLD
End Shares: 100
End Value: $15,335.00
Annualized Beta: 0.926

Description:
Raytheon is a technology company specializing in defense, homeland security, and other government markets throughout the world. It provides electronics and mission systems integration in the areas of sensing, effects and command, control, communications, and intelligence systems capabilities. Additionally, Raytheon makes systems for satellite communications and intelligence, radios, cybersecurity, and air traffic control as well as commercial electronics products and services. As the world's top missile maker, Raytheon is a key player in US efforts to construct a comprehensive missile defense system. Its diverse product lineup and focus on growing its international business puts it in a better position to weather budget cuts than some of its competitors. [1]

Positive Triggers:
The increase in worldwide geopolitical conflicts and a defense-focused White House are positives for Raytheon. Raytheon also has a large backlog of longer-term projects, and, during the third quarter of 2018, the company was awarded more contracts than it worked off. Additionally, because the predicted market for federal contractor supplied cyber security is $3-5 billion per year over the next five years, it is likely that arms makers will be required to embed cybersecurity into weapons systems. This should result in added Pentagon dollars in support of these efforts. This presents an opportunity for Raytheon, which is already dipping its toes into cybersecurity through its Forcepoint subsidiary. Raytheon is also expanding its international exposure (especially in the Middle East) to reduce its exposure to fluctuations in US defense spending. This, combined with its varied product lineup and high switching costs associated with its products, are all positives for Raytheon. [1, 2]

Negative Triggers:
Despite international expansion efforts, Raytheon still has a high exposure to the United States, especially the Pentagon, with 68% of its revenues coming from the United States. Its international growth has been primarily in the Middle East – an area composed of oil-producing countries – which exposes Raytheon's growth in the region to the decline in oil prices. Furthermore, a likely cut to progress-based payment rates could result in difficulties for the defense subsector, especially companies with higher Pentagon exposure. The added costs might require additional leverage and could eat into free cash flow, which could make it harder for Raytheon to pay dividends and fund its ongoing businesses. [1]

Industrials – Victoria Montefusco

Waste Management, Inc. (WM)

P1 Total Return: -1.002%
Beg. Shares: 250
Beg. Value: $22,590.00
Dividend Yield: 0.515%
Std. Deviation: 1.066%

P1 Action: HOLD
End Shares: 250
End Value: $22,247.50
Annualized Beta: 0.812

Description:
Waste Management provides waste management services including collection (which accounts for nearly two-thirds of sales), transfer, recycling, resource recovery, disposal services, and operates waste-to-energy facilities. It serves municipal, commercial, industrial, and residential customers throughout North America. Waste Management ranks as the largest integrated provider of traditional solid waste services in the United States, operating roughly 250 active landfills and more than 300 transfer stations. Through subsidiaries, the company serves over 20 million customers in the US and Canada. Its sites include more than 250 owned or operated landfills (the industry's largest network), more than 300 transfer stations, and around 100 material recovery facilities. [1]

Positive Triggers:
Because of its dominance in the United States' waste management market, as well as its extensive network of landfills, WM has a comfortably wide moat for its subsector. As a fully-integrated provider, its permits, approvals, and zoning regulations provide a valuable competitive advantage for WM. In the current economy, companies focusing on industrial waste are doing the best, and specialty waste companies are lagging. WM gets 14.9% of its revenue from industrial waste, with more of a focus on commercial waste, which is not expected to slow down, and an insignificant focus on specialty waste. [1, 2]

Negative Triggers:
China's crackdown on scrap-material imports suggests the downturn in recycling will be more severe and longer than initially expected. WM gets 11.7% of its revenue from recycling, with its recycling revenue down 22.5% year over year. When these recycling issues became evident, Waste Management started introducing new fees into renewing recycling contracts to offset this. Furthermore, a strong labor market is not ideal for WM's labor force, as demand for its positions decline as the economy strengthens. As a result of this, by quarter three of 2018, its overall labor costs increased by more than its tax savings for the year. [1]

Info. Technology – Cameron Lipetz

CoStar Group, Inc. (CSGP)

P1 Total Return: -19.841%
Beg. Shares: 50
Beg. Value: $21,042.00
Dividend Yield: ---
Std. Deviation: 1.711%

P1 Action: HOLD
End Shares: 50
End Value: $16,867.00
Annualized Beta: 0.984

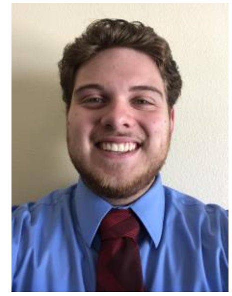
Description:
CoStar Group, Inc. is part of the commercial real estate industry that strives to deliver building-specific information to people in the United States and has recently started to expand into other countries. The company is a commercial real estate information provider servicing offices and industrial spaces through digitized photographs and floor plan images complied in its real estate database. [1]

Positive Triggers:
CoStar has put a lot of blood, sweat, and tears in building its proprietary database for commercial real estate, allowing it to have a competitive advantage over its competitors. Because of this advantage, it has allowed CoStar to have a wide economic moat. Furthermore, they assist a wide range of clients ranging from government agencies all the way to the everyday citizen. CoStar's platform can be a little tricky to use; which is why they provide training sessions to help keep a high retention rate of its customers. [1, 2]

Negative Triggers:
For a company that is "alone" in its field, the US Government has constantly been looking at CoStar's business under a microscope. In order for CoStar to have this big of a database and be able to sell on a bigger scale, a majority of information comes from property owners and brokers. In the event of a slowdown of information that is provided by property owners or broker, CoStar would become just another company on a smaller scale like its competitors. In addition, the overall economy will help determine the overall usefulness of a database like CoStar's. [2]

Info. Technology – Cameron Lipetz

Intel Corp. (INTC)



P1 Total Return: -0.127%
Beg. Shares: 700
Beg. Value: $33,103.00
Dividend Yield: 0.634%
Std. Deviation: 1.556%

P1 Action: HOLD
End Shares: 700
End Value: $32,851.00
Annualized Beta: 1.047

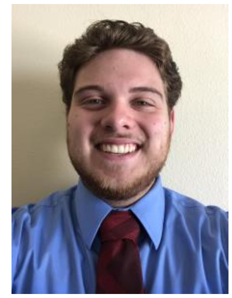
Description:
Intel is a semiconductor company that designs, manufactures and sells computer components and similar products for personal computers and data centers. It operates under Moore's Law which says that the computing power doubles every two years and the cost is reduced by half. Also, recently, Intel has been entering the market of artificial intelligence and cloud computing. [1]

Positive Triggers:
Intel has the ability to develop and produce its own chips which allows for the company to better price its products compared to any other competitor. They are constantly spending about 20% of revenues on research and development in order to provide a product that is smaller, cheaper, and faster. With the latest acquisition of Mobileye, Intel will be providing the technology needed for self-driving cars as it has teamed up with a couple automotive companies. [1, 2]

Negative Triggers:
Being in a cyclical industry, when the economy is booming, Intel is booming, but when the economy is busting, Intel is in that same boat leading to fluctuations in profits. When it comes to the overall market for PC's, there has been a decline in sales due to smartphones and tablets being more popular. A big problem that the company has is making sure these new and better chips roll out in time, which can lead to competitors taking over market share if they are able to put their product in the market before Intel. With increased competition in this market, the pressures to not make a mistake and miss a step have increased. [2]

Info. Technology – Cameron Lipetz

Visa Inc. (V)



P1 Total Return: -11.926%
Beg. Shares: 225
Beg. Value: $33,770.25
Dividend Yield: 0.167%
Std. Deviation: 1.056%

P1 Action: HOLD
End Shares: 225
End Value: $29,686.50
Annualized Beta: 1.058

Description:
Visa Inc. is a fast, secure and reliable global electronic payments technology company that connects consumers, businesses, financial institutions and governments. Visa is able to process 65,000 transaction messages a second. The way that Visa collects its revenue is from charging fees for each swipe of a Visa card. They do not issue the card, they provide an electronic service. [1]

Positive Triggers:
With a presence in more than 200 countries, Visa is the world's largest global consumer payment system. They currently have more than 3.3 billion credit and other payment cards in circulation. Visa is well-known and trusted by the people that use its services. Being accepted by around 44 million merchants worldwide and 16,800 financial institutions, the Visa network has a wide economic moat. If a new company wants to compete with Visa's global level, it will be a hard thing to do. [1, 2]

Negative Triggers:
The most known and largest risk to Visa, is that it is constantly under the eye of regulation and litigation. Being an extremely profitable company, lawyers and politicians are constantly trying to paint Visa with a big red target on its back. The focus of these issues are the interchange fees where other countries have attempted to provide a lower cost alternative. Furthermore, merchants' voices have become stronger in the recent years over the fee-setting practices from Visa. [2]

Healthcare – Eric Allen

Amgen Inc. (AMGN)

P1 Total Return: -5.451%
Beg. Shares: 100
Beg. Value: $20,729.00
Dividend Yield: 0.637%
Std. Deviation: 1.208%

P1 Action: HOLD
End Shares: 100
End Value: $19,467.00
Annualized Beta: 1.176

Description:
Amgen Inc. is a US based biotechnology company that discovers, develops, manufactures, and delivers human therapeutic drugs worldwide. The firm specializes in six areas: oncology, hematology, cardiovascular disease, inflammation, bone health, nephrology, and neuroscience. Amgen's top two drugs are Enbrel and Neulasta. Enbrel treats rheumatoid arthritis and 4 other related diseases. Neulasta prevents infection after chemotherapy. [1]

Positive Triggers:
Amgen's pipeline is its primary source of growth. Currently, the firm has eight phase three drugs including Evenity – a drug that just received approval by the European Medicines Agency for the treatment of osteoporosis in postmenopausal women. Additionally, Amgen has five phase two drugs. Recently, a migraine drug from Amgen was just listed as the preferred treatment option for OptumRx, which is the pharmacy benefit manager for the US's largest health insurer (United Health). [1]

Negative Triggers:
Amgen faces industry wide threats for the upcoming year and onwards into 2020. Continued drug price pressures and proposed drug price cuts by the Trump administration pose as the largest industry-wide threats for 2019. Amgen's biosimilar exposure will continue into 2019, especially if Novartis's Erelzi is cleared for the US market, which would compete directly with Enbrel. Recently, the firm took a large hit as its 2019 guidance was lower than expected. [1]

Healthcare – Eric Allen

Gilead Sciences, Inc. (GILD)

P1 Total Return: -18.249%
Beg. Shares: 280
Beg. Value: $21,618.80
Dividend Yield: 0.738%
Std. Deviation: 1.458%

P1 Action: HOLD
End Shares: 280
End Value: $17,514.00
Annualized Beta: 1.030

Description:
Gilead Sciences, Inc. discovers, develops, and commercializes therapeutics worldwide for serious diseases. The firm targets areas including AIDS, liver disease, HIV, respiratory, and cardiovascular diseases. Gilead's largest revenue stream comes from its antiviral products with Genvoya and Truvada accounting for nearly 35% of total revenues. [1]

Positive Triggers:
Gilead's antiviral segments have historically seen great success from the opioid crisis which increased Hepatitis C cases in younger generations, but the growth has fluctuated. Recently, the firm took on a new CEO with a background in running oncology companies, and, additionally, Gilead has begun selling its premium level drugs at the generic level. The firm also has six drugs in its pipeline at phase 3 status. [1]

Negative Triggers:
Gilead faces the same price pressures and potential drug price legislation from the Trump administration as the rest of the industry. The firm also faces biosimilar threats from competing firms such as AbbVie – a biotech firm who recently cut their price on their drug Mavyret. FDA pressures to allow generic drug firms to acquire samples and reengineer their own versions of high-end drug products poses as another threat to Gilead. Additionally, the nature of Gilead's two major revenue streams – HIV and Hepatitis C – generates uncertainty for the firm's future as HIV infections are decreasing, and, once Hepatitis C is treated in a person, they do not need the treatment again. [1]

Healthcare – Eric Allen

Medtronic PLC (MDT)

P1 Total Return: -7.024%
Beg. Shares: 200
Beg. Value: $19,674.00
Dividend Yield: 0.508%
Std. Deviation: 0.908%

P1 Action: HOLD
End Shares: 200
End Value: $18,192.00
Annualized Beta: 0.987

Description:
Medtronic PLC develops and sells implantable biomedical devices for both therapeutic and diagnostic purposes worldwide. The firm creates devices such as pacemakers, defibrillators, catheters, stents, valves, and brain and nerve stimulation devices. Medtronic operates under four segments: Cardiac and Vascular, Restorative Therapies, Minimally Invasive Therapies, and Diabetes. They market their products to over 160 countries. [1]

Positive Triggers:
Medtronic has a very diverse product range and will continue to see growth in its cardiovascular segment as Baby Boomers continue to age. Additionally, Medtronic is releasing a pacemaker that can communicate with a phone app indicating the firm's continued innovation within its existing product lines. Medtronic is well established in the cardiovascular and spinal segments and is currently breaking into robotic surgery with its recent acquisition of Mazor. [1]

Negative Triggers:
Medtronic's global exposure is an uncertainty as global outlook is becoming increasing unstable with Brexit, trade wars, and the Chinese economy posing as global threats. While it is entering the robotic surgery, the industry is crowded, and Medtronic will face strong competition, such as Zimmer Biomet, in 2019. Medtronic's products are also under the umbrella for healthcare price reduction efforts. [1]

Healthcare – Eric Allen

Merck & Co., Inc. (MRK)

P1 Total Return: 8.387%
Beg. Shares: 350
Beg. Value: $24,829.00
Dividend Yield: 0.677%
Std. Deviation: 0.884%

P1 Action: HOLD
End Shares: 350
End Value: $26,743.50
Annualized Beta: 0.934

Description:
Merck & Co is a global healthcare company that delivers health solutions through prescription medicines, vaccines, biologic therapies, animal health, and consumer care products. The firm's pharmaceutical segment accounts for approximately 75% of its revenues and produces drugs for respiratory health, metabolism, infectious disease, cardiovascular, immunology, oncology, women's health, and endocrinology. A few of Merck's main products are Januvia, Janumet, Keytruda, and Gardasil. [1]

Positive Triggers:
Merck & Co's diverse product line and strong presence in diabetes and cancer treatment stage it well for the aging Baby Boomer generation. The firm's cancer drug Keytruda has been on the rise and will continue to be an area of growth for 2019. Januvia and Janument's patents expire in 2022 leaving Merck with three years to find a replacement. Merck's expansive pipeline, which is composed of 20 drugs currently in phase three trials and three more additional drugs under further review for FDA approval, is another trigger for continued growth. [1]

Negative Triggers:
Merck & Co's pipeline needs more diversification as it is highly concentrated on Keytruda drug variants. The firm is also exposed to headwinds from government price pressures and regulation over the coming year. Merck's globalization is also a risk with Brexit, trade wars, and the Chinese economy creating uncertainty in foreign markets. [1]

Sources

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[2] http://www.morningstar.com/

[3] Bloomberg "New Home Sales"

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