CARROLL FUND PERIOD 1 PERFORMANCE REPORT

HASLAM COLLEGE OF BUSINESS

Alyssa Thomas
Brennon Gessner
Eldon Lu
Gabrielle Cyr
Grant Kizer
Jeremy Meanwell
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</table>
Dear Mr. Larry and Mrs. Vivian Carroll,

Concluding another period full of invaluable experience, the managers recognize the unbelievable opportunity that you have given us and would like to thank you from the bottom of our hearts. Your generosity has given us the chance to significantly grow our skills which we will be able to carry over into our future endeavors. Being a successful manager requires detailed analysis, constant security monitoring, in-depth economic discussions, and optimizing our team dynamic to produce our desired outcome. As students with limited real-world experience, taking part in such a challenging yet rewarding program has been nothing short of amazing. We are extremely proud to be able to serve as managers of the Carroll Fund, and we can’t wait to carry the valuable lessons we have learned into our professional careers.

Over Period 1, October 1st through December 31st, the Carroll Fund returned 5.30%, missing our benchmark by 1.3%. Obviously, this is not our desired outcome, but it has been a learning experience to say the least. While remaining overweight equities compared to our 60/40 benchmark, our underperformance indicates that we were not optimally allocated to certain sectors as well as a few misjudgments on certain securities. As the economic picture began to change towards the end of the year, the topic of discussion quickly shifted to how we could better be allocated in a high inflation environment that will more than likely invite Fed policy changes over the course of the next year.

The Carroll Fund did make several changes to the portfolio over the period. New positions that were initiated include the Amplify Transformational Data Sharing ETF (BLOK), the Innovator S&P 500 Power Buffer ETF (PNOV), Welltower Inc. (WELL), PayPal Holdings Inc. (PYPL), and Organon & Co (OGN). We also added to our existing positions in Amazon.com, Inc. (AMZN), AMN Healthcare Services, Inc. (AMN), Merck & Co, Inc (MRK), and Taiwan Semiconductor Mfg. Co. Ltd. (TSM). These positions were funded by liquidating holdings in Verizon Communications, Inc. (VZ), PepsiCo, Inc. (PEP), Coca-Cola Co. (KO), Johnson & Johnson (JNJ), SPDR S&P Semiconductor ETF (XSD), Global X Fintech ETF (FINX), and Amgen Inc. (AMGN). We also reduced our exposure to PREF and AGG, two of our fixed income holdings.

Again, we would like to thank you for the opportunity to participate in such a unique, invaluable experience that is synonymous with being a Carroll Fund manager. Without your donation, none of this would be possible. We are extremely grateful for the learning experience you have provided us with, and we will carry the lessons learned with us for the rest of our lives.

Sincerely,

Alyssa Thomas, Brennon Gessner, Eldon Lu, Gabrielle Cyr, Grant Kizer, and Jeremy Meanwell
ECONOMIC OUTLOOK

Summary
Carroll Fund managers have kept a neutral to slightly pessimistic view over the total economic landscape. Main drivers for our stance included the Omicron variant, increasing inflationary pressures, rising supply chain issues, and late volatile market conditions as uncertainty grows. To contrast this, increasing vaccine adoption, softening COVID mandates, strong consumer spending, and upward trending labor markets all contributed to balancing our overall outlook.

Domestic Economy
The Carroll Fund firmly believes that vaccine and booster rollouts have greatly contributed to aiding many institutions and firms to lift mandates to continue to rebound from the major lockdowns a year before. In tandem with the holiday season, the labor force saw increases, which aided in increasing consumer spending and demand. However, when combined with decreasing supplies due to bottlenecks in the supply chain, inflation will likely continue to increase at an alarming rate. Additional intervention by the Federal Reserve is on the table as they announced tapering off the asset purchase stimulus program. A decreasing 2–10-year Treasury yield spread also strongly suggests that yield curves will flatten, which may set the stage to a recessionary period heading into the new year. Overall, our outlook remained neutral as a strong rebound was met with major economic overheating concerns.

Global Economy
As with the U.S., vaccine rollouts globally have eased many of the stricter mandates of foreign governments. However, incidental outbreaks that lead to temporary shutdowns have also been a factor in bottlenecking the supply chain, which further slows recovery efforts. Political tensions between Taiwan and China have also raised some concerns as Taiwan is a large exporter in electronic components. Worries of invasion by the Chinese government will be a detrimental blow to both domestic and global producers. Disruption in Taiwan’s exports will certainly only compound the already existent shortage of semiconductors that powers most technology today. Carroll Fund also holds a neutral view for the global economy but expects global performance to slightly lag the U.S. economy.

Outlook
With the domestic and global landscape, the Carroll Fund will continue to hold a neutral view. While COVID recovery is still strong, our most anticipated drivers for our decisions next period will be the CPI’s upward trajectory, fueled by both shortages from the supply chain disruption and the increased money supply through the Federal Reserve’s asset buying plan. Moving forward, we are prepared to update our outlook as we analyze expectations, particularly regarding actions by the Fed.
PERFORMANCE SUMMARY

Our Mission
To manage the funds provided to us by our benefactor in a way that displays fiduciary responsibility and intellectual curiosity with the goal of outperforming our benchmark.

<table>
<thead>
<tr>
<th>Period 1 Objectives</th>
<th>Period 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Achieve Positive Return</td>
<td>✔</td>
</tr>
<tr>
<td>2. Outperform Benchmark</td>
<td>✗</td>
</tr>
<tr>
<td>3. Outperform Competing Funds on Relative Basis</td>
<td>✗</td>
</tr>
<tr>
<td>4. Outperform Competing Funds on Absolute Basis</td>
<td>✗</td>
</tr>
</tbody>
</table>

- Period 1 (P1) date range is 10/01/2021 - 12/31/2021.
- Our benchmark is a weighted average of the S&P 500 Index and Bloomberg Barclays U.S. Aggregate Total Return Value Unhedged Index, weighted 60% and 40%, respectively.

BEST AND WORST PERFORMERS

<table>
<thead>
<tr>
<th>P1 Best &amp; Worst Performers</th>
<th>Holding</th>
<th>$ Return</th>
<th>% Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAPL</td>
<td>$ 9,751.01</td>
<td>24.10%</td>
<td></td>
</tr>
<tr>
<td>MSFT</td>
<td>$ 5,446.98</td>
<td>19.52%</td>
<td></td>
</tr>
<tr>
<td>PEP</td>
<td>$ 3,222.86</td>
<td>13.91%</td>
<td></td>
</tr>
<tr>
<td>PCH</td>
<td>$ 3,060.72</td>
<td>25.36%</td>
<td></td>
</tr>
<tr>
<td>CVS</td>
<td>$ 3,045.60</td>
<td>22.15%</td>
<td></td>
</tr>
<tr>
<td>ARKG</td>
<td>$(2,003.93)</td>
<td>-17.53%</td>
<td></td>
</tr>
<tr>
<td>FCOM</td>
<td>$(1,507.76)</td>
<td>-3.51%</td>
<td></td>
</tr>
<tr>
<td>BLOK</td>
<td>$(1,405.56)</td>
<td>-5.02%</td>
<td></td>
</tr>
<tr>
<td>PYPL</td>
<td>$(1,087.40)</td>
<td>-4.15%</td>
<td></td>
</tr>
<tr>
<td>OGN</td>
<td>$(859.40)</td>
<td>-5.41%</td>
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</table>
## PERIOD 3 RISK METRICS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Portfolio</th>
<th>Benchmark</th>
<th>S&amp;P 500</th>
<th>BETFX</th>
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<tbody>
<tr>
<td>Sharpe Ratio</td>
<td>2.00</td>
<td>3.19</td>
<td>3.03</td>
<td>0.89</td>
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<tr>
<td>Treynor Ratio</td>
<td>0.17</td>
<td>0.25</td>
<td>0.24</td>
<td>0.25</td>
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</table>

- All metrics reported are annualized and use daily returns for their calculation.
- BETFX is the Morningstar Balanced ETF Asset Allocation Portfolio.
CARROLL FUND RETURNS

<table>
<thead>
<tr>
<th>Date</th>
<th>Carroll</th>
<th>Haslam</th>
<th>LaPorte</th>
<th>McClain</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/7/2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/14/2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/21/2021</td>
<td></td>
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<tr>
<td>10/28/2021</td>
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<td>11/4/2021</td>
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<td>11/11/2021</td>
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<tr>
<td>11/18/2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/25/2021</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>12/2/2021</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>12/9/2021</td>
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<tr>
<td>12/16/2021</td>
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<tr>
<td>12/23/2021</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/30/2021</td>
<td></td>
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TORCH FUND RETURNS

<table>
<thead>
<tr>
<th>Torch Fund P1 Returns</th>
<th>Carroll</th>
<th>Haslam</th>
<th>LaPorte</th>
<th>McClain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carroll</td>
<td>5.30%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Haslam</td>
<td></td>
<td>7.28%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LaPorte</td>
<td></td>
<td></td>
<td>8.51%</td>
<td></td>
</tr>
<tr>
<td>McClain</td>
<td></td>
<td></td>
<td></td>
<td>3.59%</td>
</tr>
</tbody>
</table>
ALLOCATION OF FUNDS

Carroll Fund

- 24.17%
- 11.05%
- 6.93%
- 1.82%
- 1.53%
- 1.55%
- 0.96%
- 5.45%
- 8.04%
- 4.41%
- 1.29%
- 7.87%
- 23.63%

Benchmark

- 40.00%
- 16.84%
- 8.03%
- 4.76%
- 1.60%
- 1.55%
- 1.53%
- 5.77%
- 7.04%
- 3.77%
- 2.15%
- 6.97%
<table>
<thead>
<tr>
<th>Security</th>
<th>Value on 12/31/2021</th>
<th>% of Portfolio</th>
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<tbody>
<tr>
<td>SPAXX</td>
<td>$7,250.31</td>
<td>0.96%</td>
</tr>
<tr>
<td><strong>Equity Holdings</strong></td>
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<tr>
<td>AAPL</td>
<td>$44,214.93</td>
<td>5.83%</td>
</tr>
<tr>
<td>AMN</td>
<td>$21,285.42</td>
<td>2.81%</td>
</tr>
<tr>
<td>AMZN</td>
<td>$50,015.10</td>
<td>6.59%</td>
</tr>
<tr>
<td>ARKG</td>
<td>$9,369.72</td>
<td>1.23%</td>
</tr>
<tr>
<td>BLK</td>
<td>$20,142.32</td>
<td>2.65%</td>
</tr>
<tr>
<td>BLOK</td>
<td>$11,006.58</td>
<td>1.45%</td>
</tr>
<tr>
<td>CAT</td>
<td>$13,024.62</td>
<td>1.72%</td>
</tr>
<tr>
<td>CIBR</td>
<td>$31,040.52</td>
<td>4.09%</td>
</tr>
<tr>
<td>COP</td>
<td>$9,816.48</td>
<td>1.29%</td>
</tr>
<tr>
<td>CVS</td>
<td>$16,711.92</td>
<td>2.20%</td>
</tr>
<tr>
<td>FCOM</td>
<td>$41,344.80</td>
<td>5.45%</td>
</tr>
<tr>
<td>FDX</td>
<td>$12,932.00</td>
<td>1.70%</td>
</tr>
<tr>
<td>J</td>
<td>$13,505.31</td>
<td>1.78%</td>
</tr>
<tr>
<td>JPM</td>
<td>$14,093.15</td>
<td>1.86%</td>
</tr>
<tr>
<td>LMT</td>
<td>$13,150.17</td>
<td>1.73%</td>
</tr>
<tr>
<td>MRK</td>
<td>$21,535.84</td>
<td>2.84%</td>
</tr>
<tr>
<td>MSFT</td>
<td>$33,295.68</td>
<td>4.39%</td>
</tr>
<tr>
<td>NKE</td>
<td>$11,000.22</td>
<td>1.45%</td>
</tr>
<tr>
<td>OGN</td>
<td>$14,920.50</td>
<td>1.97%</td>
</tr>
<tr>
<td>PCH</td>
<td>$14,091.48</td>
<td>1.86%</td>
</tr>
<tr>
<td>PEP</td>
<td>$22,061.17</td>
<td>2.91%</td>
</tr>
<tr>
<td>PYPL</td>
<td>$15,086.40</td>
<td>1.99%</td>
</tr>
<tr>
<td>SPGI</td>
<td>$25,484.22</td>
<td>3.36%</td>
</tr>
<tr>
<td>TSM</td>
<td>$27,911.92</td>
<td>3.68%</td>
</tr>
<tr>
<td>V</td>
<td>$20,804.16</td>
<td>2.74%</td>
</tr>
<tr>
<td>WELL</td>
<td>$19,126.71</td>
<td>2.52%</td>
</tr>
<tr>
<td>WMT</td>
<td>$11,430.51</td>
<td>1.51%</td>
</tr>
<tr>
<td>XLU</td>
<td>$13,814.94</td>
<td>1.82%</td>
</tr>
<tr>
<td><strong>Fixed Income Holdings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGG</td>
<td>$41,525.12</td>
<td>5.47%</td>
</tr>
<tr>
<td>PNOV</td>
<td>$25,366.18</td>
<td>3.34%</td>
</tr>
<tr>
<td>PREF</td>
<td>$43,885.92</td>
<td>5.78%</td>
</tr>
<tr>
<td>SCHP</td>
<td>$14,087.36</td>
<td>1.86%</td>
</tr>
<tr>
<td>USFR</td>
<td>$54,395.12</td>
<td>7.17%</td>
</tr>
</tbody>
</table>
Sector Overview
The Communication Services sector has become increasingly important as the world has shifted to a lifestyle that is more reliant on communication, connectivity, and high-speed mobile services than ever before. The Communication Services sector makes communication possible on a global scale. The sector is made up of telephone, satellite, and cable companies, along with internet service providers. These companies are focused on connectivity, data services, audio, and video.¹

The sector contains a mix between growth and value stocks, with the growth stocks typically being involved in new and innovative ways of communication and the value stocks often larger service providers with a steady income.² The sector was once defensive due to its steady demand, but with the introduction of media companies it has shifted to be more cyclical, therefore, it is expected to outperform during the mid-cycle and underperform during periods of recession.³

Impacts from Period 1
During Period 1, the rollout of 5G technology by major service providers such AT&T, Verizon, T-Mobile, etc. continued. This 5G technology is faster, has more capacity and network capability, and allows people to increase the number of connected devices.⁴ Another trend seen during the period was the cutback in forecasted ad revenue in social media and search engine companies, as Apple’s new ad blocking feature that was designed to increase user privacy, made it more difficult for companies to deliver targeted ads to individual consumers based on their browser history.⁵ This led to downwards price movements in certain companies within the sector, such as Snapchat.

Performance
**Holding Description**
FCOM is an ETF that targets the broad U.S. Communication Services sector, which includes Telecommunications, Media, and Entertainment companies. To ensure diversification, no entity exceeds 25% weight within the fund and the combined weight of issuers over 5% within the portfolio is capped at 50% of the portfolio. The index is rebalanced quarterly to ensure this holds true. This fund has an expense ratio of .084%. The holdings are weighted by market cap and largest holdings within the ETF are depicted below.¹

<table>
<thead>
<tr>
<th>Top 10 (67.4% of total holdings)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FB</td>
<td>Meta Platforms Inc Class A</td>
<td>17.33%</td>
</tr>
<tr>
<td>GOOGL</td>
<td>Alphabet Inc Class A</td>
<td>11.60%</td>
</tr>
<tr>
<td>GOOG</td>
<td>Alphabet Inc Class C</td>
<td>10.85%</td>
</tr>
<tr>
<td>DIS</td>
<td>The Walt Disney Co</td>
<td>5.66%</td>
</tr>
<tr>
<td>VZ</td>
<td>Verizon Communications Inc</td>
<td>5.16%</td>
</tr>
<tr>
<td>T</td>
<td>AT&amp;T Inc</td>
<td>4.78%</td>
</tr>
<tr>
<td>CMCSA</td>
<td>Comcast Corp Class A</td>
<td>4.72%</td>
</tr>
<tr>
<td>NFLX</td>
<td>Netflix Inc</td>
<td>3.12%</td>
</tr>
<tr>
<td>CHTR</td>
<td>Charter Communications Inc Class A</td>
<td>2.22%</td>
</tr>
<tr>
<td>TMUS</td>
<td>T-Mobile US Inc</td>
<td>1.96%</td>
</tr>
</tbody>
</table>

**Impacts from Period 1**
In April 2021, Apple released an update for iPhones that gave users the opportunity to opt out of targeted ads, and this was proven to be very impactful to some of the holdings within FCOM. The stock price of Snap and Facebook took a big hit once the impact of this new update was unveiled during earnings season. This is a potential headwind for any search engine and social media companies that rely on advertising for revenue.²

**Future Outlook**
This industry has become a necessity in today’s day and age. The combination of growth and value makes it an attractive ETF, as service providers such as AT&T and Verizon offer more stable income and social media and smaller cap holdings provide more growth potential. Nonetheless, the fund thinks the cyclical characteristics of the sector during current economic times along with headwinds from privacy changes could hinder overall ETF performance.

**New Transactions**
There were no transactions made involving FCOM during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$43,719.55</td>
<td>$41,344.80</td>
<td>-3.51%</td>
<td>$142.49</td>
</tr>
</tbody>
</table>
CONSUMER DISCRETIONARY
Manager: Eldon Lu

Sector Overview
The Consumer Discretionary sector includes industries that are not essential for consumer basic needs. High end goods, luxury products, apparel, and others all fall under the discretionary label. Because the sector depends mostly on consumers having the disposable income to afford these products, the sector performs best in economic expansion. In times of recession, discretionary goods are the first to be cut out of consumer’s budget when earnings slow, but when conditions are favorable, some firms are very capable of producing high returns. During the period, the Carroll Fund held Nike (NKE) and Amazon (AMZN) for Consumer Discretionary holdings.

Impacts from Period 1
Before COVID, the economic conditions were extremely favorable for discretionary, but with the current state of the supply chain, and shutdowns stopping wages, the sector may see considerable decline. Although entertainment and leisure industries have made a slow comeback due to vaccine rollouts and the decline in new cases, other industries, household durables for example, have suffered from worldwide semiconductor shortages. Other industries are maintaining their positions as investors are more forward-looking and banking on innovation into more environmentally friendly products, whether it be electric vehicles, sustainable attire, or decreased emissions. CPI, supply chain, and real consumer wage growth will be the key indicators for the future performance of the sector. The sector has benefited largely due to the stimulus programs, but with that coming to a slowdown, one can expect the same for the sector. Current goals for firms for the year and well into the next one will be to balance prices against rates, while maintaining their consumer base.

Performance
Holding Description
Mostly known for their e-commerce, Amazon is one of the most dominant firms in the market due to their reach into adjacent technology spaces. With e-commerce accounting for over 50% of their $469.8 billion revenue, Amazon also offers cloud computing services through AWS, which has seen increasingly higher YoY growth. Amazon also employs a membership service, Prime, that offers benefits from free priority shipping, streaming services, grocery delivery, and access to exclusive brands that is now used by over 200 million active members in 2021. While the discretionary sector will be more susceptible to upcoming market fluctuations, Amazon already has a large consumer base with diversified services to sustain them.

Impacts from Period 1
Although Amazon saw decreases throughout multiple metrics in the third quarter, they were able to end with a strong holiday season that has been able to keep Amazon’s momentum to cap off the period. Amazon has also been making more of a push to increase business outside of e-commerce by shifting focus onto their cloud computing platform, AWS, that has been a major factor in keeping business functioning during the pandemic. Due to some lingering fears over COVID and ease of use, many consumers still use Prime to have groceries delivered to them. Amazon also reports increases in Prime memberships as Amazon continues to add more content and benefits.

Future Outlook
AWS is becoming a prominent name in cloud computing as more and more businesses have turned and continued to use the service, with even Nasdaq moving to AWS. Amazon is also looking to open more Amazon Go and Amazon Fresh stores to increase their reach for same-day grocery shipping. Other projects include new developments on their streaming platforms and new devices. Because of their strong earnings and future prospects, the Carroll Fund believes that Amazon is still a safe holding as the discretionary sector may begin to lose momentum.

New Transactions
The Carroll Fund bought 3 shares of AMZN at $3,355.25/share on October 29th, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$39,399.12</td>
<td>$50,015.10</td>
<td>1.07%</td>
<td>$0</td>
</tr>
</tbody>
</table>
Holding Description
Nike is currently the largest sports apparel developer in the world, specializing in design and innovation. As the largest athletic shoe retailer in the world, Nike employs a unique production process that has been able to maximize profit margins. All production is outsourced through contracts with other companies. This method is now largely employed among their top competitors, Adidas and Reebok.

Impacts from Period 1
Overall, Nike posted decent earnings and some revenue growth over the period. Although Nike still commands the largest market share in the industry, Nike has begun seeing some large decreases in sales in the Greater China region. Earlier comments made in the year calling out China’s labor practices has drawn criticism and a boycott that has caused substantial losses in the region. Revenues reportedly fell some 20% in one period after Nike had reported the region as being fast growing the period prior to the comments made. Because of this, Nike also has been making a push to contract more production outside of China, such as Vietnam. However, multiple outbreaks in the area have bottlenecked their supply even further. To combat the rising costs and wait times, Nike has employed Nike Direct, a means of direct sales to consumers without going through a retailer. Strong sales growth in Nike Direct has increased gross margins by 280-basis points.

Future Outlook
The continued boycott in the Greater China region will be a key issue moving forward in their performance. Although Nike is still ahead, it remains to be seen how much longer sales drop before they begin to slow, especially in an area with high potential. Nike Direct looks like a promising strategy as they attempt to recoup these losses. Rising input costs, inventory level upkeep, and the sales in China will be the main drivers for any future decisions for the next period. As of now, the Carroll Fund will hold a cautious view of the holding.

New Transactions
There were no transactions made involving NKE during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$9,705.96</td>
<td>$11,000.22</td>
<td>15.16%</td>
<td>$38.28</td>
</tr>
</tbody>
</table>
**CONSUMER STAPLES**

Manager: Eldon Lu

**Sector Overview**
The Consumer Staples sector relates to all products deemed to be essential to consumers' well-being. Industries in the sector include Food, Beverages, Household, and Personal Products. Because of the importance of these products, the sector is non-cyclical in that the sector does not react to general market fluctuations. Consumers are willing to pay whatever price to obtain these products because of their essential nature and lack of substitutes because the consumer will be unable to find these products in other industries within the sector. However, consumers can modify their spending habits on varying degrees of quality and quantity as the economy fluctuates. Because of this, price elasticity remains constant, causing the sector to remain consistent. Market cap for the sector is listed at $4.2 trillion with a market weight of 6.18% in the S&P 500. During the period, the Carroll Fund held two Consumer Staples holdings, Walmart Inc. (WMT) and PepsiCo (PEP). Holding Consumer Staples becomes more important as economic uncertainty grows. However, in times of economic expansion, it is still wise to hold some weight in the sector to diversify against more volatile prospects.

**Impacts from Period 1**
Inflation and shortages brought on by COVID shutdowns has affected every sector. Despite this, across multiple firms, consumers are still paying the price offered by Consumer Staples firms. In the past few quarters, firms have seen a decrease in total sales volume, but revenues continually increased or stayed consistent with expectations. Inflationary pressures pushed onto consumers may cause them to downgrade or even cut spending on non-essential goods, thus making the sector look more attractive until the economy can stabilize. Returns for the sector remain mostly stable, but have had slight increases over the years, attributable to the low risk involved. However, many of the top firms within the sector compensate through moderate and consistent dividend payments.

**Performance**

![Performance Chart](chart.png)
Holding Description
PepsiCo specializes in the Food and Beverage industry as they have the second largest market share for soft drinks in the U.S., second only to Coca-Cola. However, they differ in their product line that reaches into the packaged goods industry as well. By diversifying their portfolio, PepsiCo has been able to explore many more opportunities than Coca-Cola and all other competitors.¹

Impacts from Period 1
Reported earnings for PepsiCo during the period were very strong despite rising costs towards the end of the year.² Despite this, PepsiCo was still able to manage increases in their revenues and earnings per share for both Periods 3 and 1. More importantly, PepsiCo has been able to report organic revenue growth of 9.0% and 11.9% respectively, on top of double-digit overall revenue growth. PepsiCo will also begin raising prices to combat the increases in production costs, which has already seen some success within their beverages division but will look to increase prices under packaged goods to buffer margins.⁴

Future Outlook
PepsiCo plans to develop and capitalize on emerging markets with the new generation of consumers. For the upcoming year, PepsiCo will transform their production process to be more sustainable and promote new product lines that will benefit environmentally, called “pep+”.⁵ Examples of this include new ventures with Beyond Meat and cutting down on plastic usage.⁶ Although the future may be marred with uncertainty, PepsiCo is still a valuable hold as they continue to successfully navigate the market.

New Transactions
The Carroll Fund sold 27 shares of PEP at $160.18/share on October 22nd, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$23,246.30</td>
<td>$22,061.17</td>
<td>13.91%</td>
<td>$0</td>
</tr>
</tbody>
</table>
Holding Description
Walmart is a retail corporation that specializes in general retail which spans across all industries and sectors. Walmart’s main advantages include cost-leadership and variety, which has led to their continued success despite economic fluctuations. The majority of sales come from traditional brick and mortar stores, but they also maintain a large presence in e-commerce.

Impacts from Period 1
As usual, Walmart continues to generate the highest revenue across any firm and has been able to maintain their position despite complications from COVID. Quarterly reports from the period all posted numbers that beat expectations and gave insight into plans to expand revenue streams. Period 3 revenues saw a 4.3% increase to $140.5 billion, with e-commerce and their Sam’s Club branch all seeing significant increases. Walmart also saw a slight .42% loss in gross profit as supply chain costs have increased and will most likely continue to do so. Strong and growing ecommerce sales also indicate that Walmart is the largest “in-store” pickup option.

Future Outlook
Walmart Connect will seek to leverage their vast amount of consumer data to contract more advertisement across all platforms. Mirroring Amazon’s digital advertisement platform, Walmart will begin to focus more on Walmart Connect as a new revenue stream. As for the coming months, Walmart will also seek to benefit from consumers downgrading their expenditures as costs continue to rise. The Carroll Fund believes that Walmart is still a safe hold to diversify risk, showing many opportunities to grow in the new year.

New Transactions
There were no transactions made involving WMT during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$10,826.95</td>
<td>$11,430.51</td>
<td>3.81%</td>
<td>$0</td>
</tr>
</tbody>
</table>
Sector Overview
The Energy sector of the economy comprises companies that are involved with producing and supplying energy.¹ These companies are dominated by activities such as exploration, extraction, refining, transporting, production, and distribution of energy. Energy companies are divided into upstream, midstream, and downstream based on the activities they are involved in. Energy is possibly the most important commodity, as it provides fuel to power all businesses around the world and proves to be essential to daily life. Non-renewable energy is the most globally consumed energy source.² However, within the last few decades there has been an evident, and continuously growing, trend of investing in renewable energy sources due to changing environmental policies/concerns. Energy companies’ profits are driven by the overall global demand and supply of oil. The Energy sector has a market weight of 3.27% and a market cap of $3.35 trillion.

Impacts from Period 1
As 2021 progressed and the economy continued to recover from the pandemic, the demand for energy rebounded while supply struggled to recover. Due to this imbalance in the oil market, the prices of oil surged. In 2021, Brent Crude averaged $71 per barrel, the highest in the past three years.³ In response to higher oil prices, production has been increasing as well, but remains below pre-pandemic production levels. Additionally, the Energy Information Administration data shows that natural gas prices rose to $3.92/MMBtu, an increase of more than 25% since 2020.⁴ The sector should continue to perform well as inflation is expected to stay heightened for much of 2022, thus keeping energy prices elevated. However, with current market volatility, the Energy sector may be at its peak performance.

Performance
Holding Description
ConocoPhillips is an independent exploration and production company. Based on reserves and oil production, ConocoPhillips is the world’s largest upstream company. It is involved with the exploration, production, transportation, and marketing of crude oil, natural gas, liquified natural gas, and bitumen globally. ConocoPhillips is focused on sustainably meeting energy demand. It has adopted strategies to become a net zero company by 2050. ConocoPhillips has six operating segments: Alaska, Asia Pacific, Canada, Europe, Middle East and North Africa, and Lower 48 (North American regions). ConocoPhillips' mission is to power civilization.

Impacts from Period 1
ConocoPhillips reported Period 1 earnings that beat analyst expectations and were much stronger than the previous year. ConocoPhillips reported net income of $2.63 billion or $2.27 per share, compared with a Period 1 2020 loss of $0.8 billion. Revenue was $15.96 billion, surpassing analyst expectations of $13.42 billion. The CEO, Ryan Lance, announced that they generated a 14% return on capital and distributed 38% of its cash from operations to shareholders. At the end of December, ConocoPhillips stock price was up about 79% from a year ago. This outstanding performance was mainly driven by heightened oil and natural gas prices, increased production levels, and sale of assets.

Future Outlook
We believe ConocoPhillips is positioned to potentially outperform the market in 2022. ConocoPhillips announced an increase in return of capital in 2022 to $8 billion, an increase of over 30% more than in 2021. The company is taking additional steps to become more sustainable as promised. They are planning on spending $0.2 billion on projects to reduce the company’s Scope 1 and 2 emissions intensity in 2022. Furthermore, inflation is expected to stay elevated for much of 2022; crude oil prices are reaching $100 per barrel, making energy stocks very attractive right now. The potential invasion of Ukraine would have many unknown complications for the Energy sector. Additionally, OPEC’s inability to increase production levels could put the supply of energy sources in danger. If oil prices get too high, they will eventually come crashing back down, and this will weaken ConocoPhillips' performance. With the uncertainty that lies ahead, the fund will continue to monitor relevant global and domestic news and make any necessary changes to this holding.

New Transactions
There were no transactions made involving COP during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$9,533.60</td>
<td>$9,816.48</td>
<td>7.19%</td>
<td>$62.56</td>
</tr>
</tbody>
</table>
Sector Overview

The Financials sector is a crucial part of the domestic and global economies. Making up about 11.4% of the S&P 500, the sector is comprised of a variety of financial services that it offers to institutional, corporate, and retail customers. The three primary industry groups within the Financials sector are Banks, Diversified Financials, and Insurance Companies. Diversified Financial companies could include traditional consumer finance, fintech companies, capital markets, card issuers, and other specialized financial services. Usually indicative of the health of the overall economy, the Financials sector facilitates growth and investment into the overall economy. Outside of investment banking and M&A, a large portion of the sector generates revenue from mortgages and loans, which grow inversely with interest rates. Meaning, if interest rates are low, customers can more easily borrow to grow their businesses, finance their homes, issue insurance policies, etc., implying economic growth. Conversely, if interest rates are rising moderately, financial service companies stand to earn more on the credit they issue to customers. The Carroll Fund currently holds three equities classified as financial companies. They are BlackRock Inc (BLK), JPMorgan Chase & Co (JPM), and S&P Global Inc (SPGI).

Impacts from Period 1

Over the course of Period 1, the bond market saw a flattening of the yield curve in anticipation of Fed tapering, rate hike expectations, and high inflation. The 2-year yield ended the period at 73 bps, while the 10-year yield remained at 150 bps. Meanwhile, the 30-year yield dropped below 200 bps. The spread between the two decreased by about 35%. A flattening of the yield curve indicates that the market is uncertain whether the Fed has a good grip on inflation or not. CPI came in at 6.8% YoY in November, the highest since 1982. Higher interest rates should allow banks to widen net interest margins to make up for the probable slowdown of investment banking revenue.

Performance

![Performance Chart]

- S&P 500
- Financials
**Holding Description**
BlackRock, Inc provides investment management services for institutional clients and to retail investors through various investment vehicles. The company manages funds, as well as offers risk management services serving governments, companies, and foundations worldwide. BlackRock is the world’s largest public investment management firm with $8 trillion in assets.\(^1\) Basically, BlackRock is the largest investment on-ramp for investors in the world. It is hard to imagine a product that they don’t offer or a market they don’t have access to.

**Impacts from Period 1**
BLK continued to push higher over Period 1 tapping a new all-time high, however, it did slightly underperform the S&P 500. Despite the positive performance, it did end the period on a downtrend along with the global market. The more significant downward drop can be attributed to their net ETP (Exchange-Traded Products) flows. In November, flows dropped to $86.5 billion from $114.2 billion in October. $14 billion was attributed to fixed income ETPs, their lowest levels since March of 2020. On the other hand, inflation-linked, rate oriented, gold, and emerging market ETPs saw an uptick in flows.\(^2\)

**Future Outlook**
Moving into 2022, markets are anticipating a higher rate environment based on the more hawkish stance that the Fed is taking. The real question is how many times and by how much the Fed will choose to raise rates. If inflation continues to rise above the 6.8% YoY level reported in November, more significant action will likely be warranted. Managers expect inflation to remain high over the course of 2022, making a continued sell-off of equities and fixed income products more likely. ETP flows will probably continue to decline throughout next year, as most BlackRock products are equity or fixed income products.\(^3\) BlackRock acknowledges these risks, stating that they will remain overweight equities and inflation-linked fixed income products as well as trimming their risk for the wide of range outcomes that may happen in 2022.\(^4\)

**New Transactions**
There were no transactions made involving BLK in Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$18,521.58</td>
<td>$20,142.32</td>
<td>9.66%</td>
<td>$90.86</td>
</tr>
</tbody>
</table>
Holding Description
JPMorgan Chase & Co. provides global financial services and retail banking. They provide services such as investment banking, treasury and security services, asset management, private banking, card member services, commercial banking, and home finance, serving business enterprises, institutions, and individuals. With $3.4 trillion in assets, it is the largest bank holding company in the U.S.\(^1\) JPM’s primary revenue segments are Corporate and Investment Banking, Consumer and Community Banking, asset and wealth management, and commercial banking.

Impact from Period 1
In October, JPM reported a $3.74 EPS versus a $3 estimate, and it reported revenues of $29.64 billion, which slightly missed estimates.\(^2\) Loan loss was less than expected which contributed to the gain in earnings, and JPM also released $2.1 billion in reserves that it had set aside as a credit allowance for bad loans. At the onset of COVID, many banks set aside billions of dollars in anticipation of heavy losses, but those losses never really came. JPM being one of them, they have been able to release reserves as charge-offs decrease. Note that while decreasing charge-offs and reserve releases are beneficial to the financial standing of the firm, these aren’t fundamental revenue sources, and most banks have exhausted this tool. The core business, however, did post a 50% increase in investment banking fees, a 21% increase in asset management revenue, and net interest income even beat estimates despite historically low rates.\(^3\) Despite all the boosts in core revenue segments, earnings did grow at a much slower pace than previous quarters.

Future Outlook
After a record year for investment banking and M&A, the fund expects those trends to slow down moving into 2022 in parallel with the reversion of Fed policy. All eyes will be on interest rate levels and how much JPM can widen their net interest margins that have been compressed over the last few years. Assuming that there are multiple rate hikes, trading levels would also take a slide, so JPM will have to capitalize on rising rates with continued loan growth.

Transactions
There were no transactions made involving JPM in Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$14,874.57</td>
<td>$14,093.15</td>
<td>-2.65%</td>
<td>$89.00</td>
</tr>
</tbody>
</table>
Holding Description
S&P Global Inc. provides clients with financial information services. The company offers information regarding ratings, benchmarks, and analytics in the global capital and commodity markets, operating worldwide. SPGI serves the entire financial world, including but not limited to institutional investors, investment banks, government agencies, exchanges, etc. SPGI’s four primary revenue segments are S&P Global Ratings, Market and Commodities Intelligence, S&P Dow Jones Indices, and S&P Global Platts. Most of these revenues are subscription-based.¹ The tools that SPGI offers are well known around the world and are used by a wide range of customers.

Impacts from Period 1
In Period 3 of last year, SPGI posted 13.1% YoY growth in revenue and a 27.1% YoY growth in EPS.² This revenue growth is mostly attributed to their subscription services that are a part of their market intelligence, indices, and Global Platts segments. The ratings segment, however, had a slight drop in revenues. Outside of the strong revenue and earnings growth, the biggest story of the period was that SPGI and IHS Markit (INFO) reached a proposed agreement with the DOJ for a merger worth $44 billion. However, they were required to sell off a few subsidiaries before the agreement. SPGI will be selling Cusip Global Services business for $1.93 billion, and IHS will sell their Base Chemicals business for $295 million.³ IHS posted over $4.5 billion in revenues last year compared to $8.3 billion from SPGI.⁴ Also note that this agreement was announced at the end of December, which initiated a skid in both stocks’ prices.

Future Outlook
As the premiere market intelligence provider, SPGI will have no shortage of customers, so it should be able to continue posting the same strong revenues. However, in the midst of a massive merger, it will be important to keep an eye on how profitable SPGI is throughout 2022, a year expected to be full of rate hikes. If a lack of new issues causes revenue to dip, SPGI could be forced to sell other subsidiaries. Despite these things, the fund trusts that SPGI will be able to perform on par with their historical standards and come out of the deal with a valuable new source of revenue.

New Transactions
There were no transactions made involving SPGI in Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$23,131.44</td>
<td>$25,484.22</td>
<td>11.25%</td>
<td>$41.58</td>
</tr>
</tbody>
</table>
HEALTHCARE
Manager: Gabrielle Cyr

Sector Overview
The Healthcare sector has a market cap of $7.73 trillion and a market weight of 13.22%. The sector is divided into two industry groups which are further divided into six industries.¹
- **Healthcare Equipment and Services:** Healthcare Equipment and Supplies, Healthcare Providers and Services, Healthcare Technology
- **Pharmaceuticals, Biotechnology, and Life Sciences:** Biotechnology, Life Sciences Tools and Services, Pharmaceuticals

The sector is known to be a defensive sector, is highly price inelastic, and extensive government regulation remains present.² Cash flows are metrics to look at when determining if companies can meet their debt obligations, given they generally have higher capital expenditures requiring higher use of debt.³ The Carroll Fund currently holds five Healthcare holdings: AMN Healthcare (AMN), ARK Genomic Revolution ETF (ARKG), CVS Health Corporation (CVS), Merck and Co. (MRK), and Organon and Co. (OGN).

Impacts from Period 1
Throughout Period 1, the sector began to stabilize as the vaccine and booster rollout remained, and many companies began to market antiviral pills. Continued research for COVID and flu vaccines (potentially combined) dominate the industry.⁴ Elective care procedures regained momentum as COVID started to level out with increased vaccination rates and a less threatening variant emerging.⁵ Additionally, the pandemic forced the industry to quickly digitize many of their processes which has rapidly increased technology use within the sector.⁶ Since elective care procedures are regaining momentum, medical device and equipment sales have also picked back up, but they still have further to go to reach pre-pandemic levels.⁷ Healthcare professional shortages, specifically nurses, hit the industry, causing many issues with patient–staff ratios in hospitals and driving wages upwards.⁸ Telehealth companies flourished as people steered away from hospitals and doctors’ offices with new variants circulating.⁹

Performance

![Performance Chart](image-url)
Holding Description
AMN (American Mobile Nurses) Healthcare is a healthcare staffing company that aims to reduce costs, streamline processes, improve efficiencies, and provide world-class patient care through their staffing solutions. They have the largest supply of healthcare professionals in the country. They offer a variety of staffing including nursing, allied health, physician and advanced practice staffing, language interpreters, and school healthcare staff. Medical coders, case managers, social workers, trauma registrars, oncology data managers, clinical documentation, and utilization review are also all available through AMN for revenue cycle solutions. Lastly, AMN offers leadership staffing in a variety of fashions.¹

Impacts from Period 1
Throughout Period 1, the industry was hit with healthcare professional shortages, specifically nurses, which one would have assumed to be a positive for AMN.² Although, they still underperformed the market. Despite underperforming the market, in their Period 1 earnings release, AMN beat expectations and released strong forward guidance. EPS beat by 9.72%, and revenues beat by 2.59%. The demand for travel nurses increased 2.5 times from Period 3 to Period 1, and the demand for international nurses, which AMN contracts out, was also at an all-time high. They also capitalized on technology to develop an app for healthcare professionals to find opportunities available in their respective fields.³ New variants emerging kept the demand for healthcare workers above pre-pandemic levels.⁴

Future Outlook
With rate hikes in the future, the debt usage and interest coverage ratio of AMN will be a crucial metric to monitor moving forward. With large amounts of debt coming due soon, the company will need to increase their EBIT to make up for the higher rates they will likely take on to pay off existing debt. Additionally, the company released strong guidance moving forward and is expecting demand for healthcare workers to remain high into 2022. Revenues are expected to rise 80% YoY in Period 2 of 2022.⁵ Rising wages due to the imbalance of supply and demand has influenced potential legislation to cap nursing wages, which could have an impact on nursing supply and AMN as well.⁶

New Transactions
The Carroll Fund bought 35 shares of AMN at $103.00/share on November 8th, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$15,976.66</td>
<td>$21,285.42</td>
<td>8.85%</td>
<td>$0</td>
</tr>
</tbody>
</table>
### Holding Description

ARK Genomic Revolution is an actively managed ETF that aims for long-term growth through investing in securities across multiple sectors that go along with the theme of genomics revolution. Companies within the fund should benefit from “extending and enhancing the quality of human and other life by incorporating technological and scientific developments and advancements in genomics into their business.”

<table>
<thead>
<tr>
<th>Top 10</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EXAS</td>
<td>Exact Sciences Corp</td>
</tr>
<tr>
<td>DOC</td>
<td>Teladoc Health Inc</td>
</tr>
<tr>
<td>IONS</td>
<td>Ionis Pharmaceuticals Inc</td>
</tr>
<tr>
<td>VRTX</td>
<td>Vertex Pharmaceuticals Inc</td>
</tr>
<tr>
<td>FATE</td>
<td>Fate Therapeutics Inc</td>
</tr>
<tr>
<td>NTLA</td>
<td>Intellia Therapeutics Inc</td>
</tr>
<tr>
<td>BEAM</td>
<td>Beam Therapeutics Inc</td>
</tr>
<tr>
<td>CDNA</td>
<td>CareDx Inc</td>
</tr>
<tr>
<td>PACB</td>
<td>Pacific Biosciences of California Inc</td>
</tr>
<tr>
<td>CRISPR Therapeutics AG</td>
<td>3.24%</td>
</tr>
</tbody>
</table>

### Impact from Period 1

The top two holdings in the ETF contribute to the performance of the fund over Period 1. Exact Sciences Corporation is a molecular diagnostics company that specializes in the detection of early-stage cancers, and they took hits over the period due to their negative cash flows. Many investors favored cash flow positive companies during more volatile times. Teladoc Health is a virtual telehealth company that became less popular over Period 1 as concerns about social distancing and COVID variants lessened, and vaccination rates increased. Overall, technology and digitization quickly advanced during the pandemic, which seemed to start to slow itself back down in Period 1. Even if this may be a new way of life, the Healthcare industry is leveling out.

### Future Outlook

Many of the companies in the top 10 holdings of the fund are technologically advanced. Artificial intelligence is the direction the Healthcare sector is moving to improve the way healthcare professionals diagnose, treat, and manage disease. Out of the top holdings, numerous are at the forefront of research for artificial intelligence in the industry, so strong returns are predicted in the next 5-10 years. For the time being, inflows and outflows of investors to the fund will be crucial to monitor while holding ARKG.

### New Transactions

There were no transactions made involving ARKG during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$11,453.58</td>
<td>$9,369.72</td>
<td>-17.53%</td>
<td>$58.51</td>
</tr>
</tbody>
</table>
**Holding Description**

CVS (Consumer Value Stores) Health Corporation is a healthcare solutions company that aims to assist people in navigating the healthcare system through improving access, lowering costs, and becoming a trusted partner for every moment in health. They do this through a local presence, digital channels, and colleagues such as physicians, pharmacists, nurses, and nurse practitioners.¹ Revenue segments include Pharmacy Services, Retail/LTC, Healthcare Benefits, and Corporate/Other. They earn most of their revenues from the pharmacy and retail segments of their business.² They have over 9,900 retail locations in 49 states, the District of Columbia, and Puerto Rico. They have had over 50 million visits to their minute clinics and have about 300,000 colleagues across all 50 states. CVS was also the first pharmacy retailer to stop selling tobacco, consistent with their shift to a strict healthcare focus.³

**Impacts from Period 1**

CVS released earnings in the period that beat earnings. They reported revenues of $76.6 billion and EPS of $1.98. They demonstrated strong client relationships with a 98% retention rate. The significant increase in retail revenues was attributed to at-home COVID test sales and vaccine demand. Of all vaccines given through CVS, 35% were during Period 1. They are currently focusing on returning capital to their shareholders, through a 10% dividend raise, advancing health services, and advancing primary care capabilities. They also benefitted from the growth of specialty pharmacy. Emerging variants and the need for COVID tests and vaccines was a huge contributor to the success of CVS throughout Period 1.⁴

**Future Outlook**

Over the next year, CVS plans to pivot their stores to only three formats, diversifying stores to fit specific customer needs in the area. They plan to close 9% of their stores in the next year to shift to a strict healthcare focus.⁵ CVS is forecasting a drop in vaccine sales of up to 80% in 2022. They also predict COVID test sales to drop 40-50% in the upcoming year.⁶ Additionally, CVS plans to raise wages to $15/hour increasing overhead costs for the company as these revenues also decrease. Because of these forecasts, the company offered dim guidance moving into 2022. They still expect growth, but the future of COVID variants and mandates will have a large impact on the company in the coming year.⁷

**New Transactions**

There were no transactions made involving CVS during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$13,619.34</td>
<td>$16,711.92</td>
<td>22.15%</td>
<td>$81.00</td>
</tr>
</tbody>
</table>
Holding Description
MRK (Merck and Co.) is a multinational pharmaceutical company that aims to be at the forefront of research to bring forward medicine and vaccines for the world’s most challenging diseases to save people’s lives and improve health care. They focus on people and animals, with a larger focus on their human health segment.¹ A key driver of Merck is the FDA approval process. The pipeline of approval directly correlates to their profits and points out where the company can monetize their new drugs/treatments. Research and development plays a key role in the success of the business. In 2020 alone, they invested $13.6 billion in research and development for their new products. In 2021, the Keytruda revenue segment, a skin cancer treatment drug, accounted for almost 45% of the company’s revenues.²

Impacts from Period 1
As of Period 1, the company currently has 71 products in phase two of the pipeline, 25 in phase three, and three under review. Of the three under review, which means they have been through numerous clinical trials and an application has been submitted to regulatory authorities for review, none of them are being developed in any sort of combination with Keytruda. One of the drugs under review is an anti-viral pill, which could foster significant revenue opportunities for MRK.³ Throughout Period 1, MRK released earnings which beat expectations. Revenues rose 24% YoY to $13.52 billion.⁴ The increase in revenues was attributed to increased sales of Keytruda, higher demand for MRK’s HPV vaccines, and higher sales in their Animal Health segment. Bridion, a drug used for adults after being under anesthesia in surgery, also saw tremendous growth globally over the period.⁵

Future Outlook
Since MRK currently has 71 products in phase two of the pipeline and 25 in phase three, there are many new drugs in circulation to be developed in the coming years. The problem is many of these drugs are developed in combination with Keytruda.⁶ The patent for Keytruda is set to expire in 2028, which creates potential concern for MRK and the pipeline of drugs they are developing.⁷ Additionally, MRK has a strong dependence on Keytruda, which means if negative news came out about the drug, they would not be in a good position. It will be crucial to monitor how the company positions itself as the patent expiration comes near.

New Transactions
The Carroll Fund bought 93 shares of MRK at $81.30/share on November 19th, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$15,303.20</td>
<td>$21,535.84</td>
<td>-0.11%</td>
<td>$122.20</td>
</tr>
</tbody>
</table>
Holding Description
OGN (Organon & Co.) is a healthcare company focusing on the care of women at every stage of their life. They spun off from Merck and Co. in June of 2021. OGN emphasizes reproductive health, heart disease, dermatology, allergies, and asthma. A large part of their business are biosimilars to treat disease.\(^1\) While they are a newer company, the FDA approval process will continue to be crucial to their revenues. As they develop new medicines and treatments, the pipeline of approval will determine how they are able to monetize their business. Revenues come from Established Brands, Women’s Health, Biosimilars, Other Organon Products, and Merck Retained Products. Established Brands accounts for almost 65% of revenues, Women’s Health comprises about 26%, and biosimilars almost 7%.\(^2\)

Impacts from Period 1
Over Period 1, OGN reported earnings that beat expectations. They reported revenues of $1.6 billion and EPS of $1.37. The strongest growth came from biosimilars, which are low-cost versions of drugs. Additionally, Nexplanon sales, a birth control implant, grew 37%. The increase was partially offset by losses from NuvaRing, another form of birth control. Biosimilars revenues grew 15%, due to increased demand for Renflexis and Ontruzant in the U.S. and other countries. Losses within the Established Brand segment moderated as the issues of exclusivity levelled out. OGN also paid $100 million in term loans.\(^3\)

Future Outlook
OGN is a steadily growing firm with strong prospects. They present a low multiple, and even with dim guidance offered for 2022, they were not penalized. They project revenues to be around $6 billion for 2022, with slim increases across all revenue segments. The stock price is expected to increase almost 7% in a 12-month period. Women’s Health will continuously be a necessity, which should continue to show strong demand and growth in the coming quarters. The fund is confident in the ability of this strong and resilient firm to generate strong future revenues and growth.

New Transactions
The Carroll Fund bought 120 shares of OGN at $31.26/share on November 19\(^{th}\), 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$12,332.10</td>
<td>$14,920.50</td>
<td>-5.41%</td>
<td>$103.60</td>
</tr>
</tbody>
</table>
**INDUSTRIALS**
Manager: Jeremy Meanwell

**Sector Overview**
The Industrials sector has a market capitalization of $5.44 trillion and a market weight of 5.74%.\(^1\) It is comprised of companies whose business revenues are dominated by:  
- The fabrication and distribution of capital goods including Aerospace & Defense, Construction, Engineering & Building Products, Electrical Equipment, and Industrial Machinery.
- The provision of supplies and commercial services including Printing, Employment, Environmental, and Office Services.
- The provision of transportation services including Airlines, Couriers, Marine, Road & Rail, and Transportation Infrastructure.

The sector’s natural cyclicality favors the mid-to-late phases of the business cycle. Outside of its cyclical nature, the two major performance drivers are government spending and corporate contracts.

**Impacts from Period 1**
The $1.2 trillion bipartisan Infrastructure Investment and Jobs Act passed in November provided strong tailwinds for the Industrials sector resulting in an 8.15% increase over the period.\(^4\) The infrastructure bill’s contributions towards sustainability and environmental conservatism reiterate potential for new products and solutions within the Electrical Equipment, Construction & Engineering, and Transportation industries.\(^5\) Despite fears of the new COVID-19 variant, Omicron, GDP increased at an annual rate of 6.9% from September to December.\(^6\) Global supply chain issues - caused by COVID, labor shortages, and distorted typical consumer demand - persisted throughout the quarter. Regardless, Industrials saw strong demand demonstrated by a monthly average manufacturing PMI slightly above 59.\(^7\) The continued development in emerging and developing countries will require new infrastructure, machinery, transportation, and airlines. Towards the end of the quarter, growth saw slight headwinds due to the rise in global inflation as well as higher fuel costs, increasing costs of building materials and air freight & transportation services.\(^8\)

**Performance**

[Graph showing performance comparison between S&P 500 and Industrials from 9/30/21 to 12/31/21]
Holding Description
Caterpillar, Inc. (CAT) is the global leading manufacturer of construction and mining equipment. It performs business through three main segments and their financial services in a fourth:¹

- Construction Industries (~35% total sales): Includes machinery and equipment used in forestry, construction, and infrastructure (e.g., excavators, dozers, articulated trucks).
- Resource Industries (~15% total sales): Manufactures and sells resource machinery for waste, mining, quarry, and material storage applications. They also provide machinery systems, analytics, and autonomous equipment opportunities.
- Energy & Transportation (~40% total sales): Caterpillar’s energy focus surrounds manufacturing and selling turbines, gas engines, and locomotives as well as developing energy solution products. Their transportation industry is focused on manufactures, parts and machinery, and power generation.
- Financial Products (~5% total sales): Offers a variety of purchasing, financing, and protection options for customers and dealers throughout the entire equipment life cycle.

Impacts from Period 1
The news and signing of the $1.2 trillion bipartisan Infrastructure Investment and Jobs Act fueled Caterpillar’s growth for the quarter.² In November, Caterpillar teamed up with Microsoft to launch a new hydrogen fuel cell technology for data centers, reinforcing their commitments to sustainable solutions.³ The new COVID-19 variant Omicron reignited virus fears, but Caterpillar reported Period 1 revenues of $13.1 billion, beating expectations of $12.63 billion; however, supply chain issues, inflationary pressures, and rising fuel costs bled into their COGS, seeing a 16.2% increase from Period 3 to Period 1.⁴

Future Outlook
Caterpillar favors the mid-to-late phases of the business cycle; however, regardless of the current phase, the infrastructure bill will allow for a steadier and longer business opportunity. Caterpillar is putting a huge emphasis on service and declared this their biggest organic growth opportunity. Service revenues are less cyclical, and with $4.73 billion of free cash flow to pursue this, service could prove to be a good growth opportunity.⁵ Caterpillar is creating sustainable products and solutions for a variety of industries both independently and through cross-company partnerships with Chevron and Microsoft.⁵ Caterpillar operates in a capital-intensive industry and will see rising costs due to supply chain issues and inflationary pressures.

New Transactions
There were no transactions made involving CAT during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$12,242.79</td>
<td>$13,024.62</td>
<td>8.27%</td>
<td>$69.93</td>
</tr>
</tbody>
</table>
**FEDEX CORPORATION (FDX)**

**Holding Description**
FedEx has a market capitalization of $58.48 billion and operates through three main business segments:

- FedEx Express (~50% total sales): The world’s largest express transportation provider, delivering packages and freight in a timely manner.
- FedEx Ground (~35% total sales): Primarily in North America, FedEx ground provides ground delivery services for small-package items. FedEx SmartPost falls under this business segment and enables businesses and customers to have a smoothly operating delivery system.
- FedEx Freight (~10% total sales): Shipping and logistics services for items over 150lbs, commonly the transportation of goods, commodities, and cargo.

**Impacts from Period 1**
Over Period 1, FedEx experienced headwinds from labor shortage constraints; however, the pandemic surge in e-commerce and holiday shopping provided strong demand for FedEx Express and FedEx Ground throughout the quarter. Better-than-expected Period 2 earnings increased future guidance and resulted in a buyback program representing roughly 7.5% of shares. Their earnings report showed a 14% revenue per shipment for FedEx Freight but noted the current labor shortages and supply chain bottlenecks going forward. Global supply chain issues persisted, causing headwinds for all FedEx business segments. FedEx struggled with increasing their prices to keep up with increased materials and fuel costs.

**Future Outlook**
Inflationary pressures and Federal Reserve rate hikes may slow economic growth resulting in lower demand for transportation services. Additionally, the post-COVID-19 shopping surge may begin easing, further slowing demand for FedEx delivery services. Rising fuel costs and inflation will continue impacting business, and FedEx will continue increasing their prices to combat this; however, they have had limited success with this so far. FedEx may see easing in supply chain and labor shortage issues towards the second half of 2022 allowing them to better meet their transportation demands. In December, FedEx received 500 electric Light Commercial Vehicles from General Motors. This shows one of the first steps towards FedEx fleet’s goal of being carbon neutral by 2040.

**New Transactions**
There were no transactions made involving FDX during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$11,126.50</td>
<td>$12,932.00</td>
<td>18.29%</td>
<td>$37.50</td>
</tr>
</tbody>
</table>
Holding Description

Jacobs Engineering operates in two main business segments:¹

- **People & Places Solutions (~65% total sales):** Creator of a vast variety of end-to-end project solutions for its clients. This process involves advanced analytics, artificial intelligence, visualization & simulation software, architectural & engineering tools, consulting, design implementation, and long-term facility & infrastructure operation services.

- **Critical Mission Solutions (~35% total sales):** Provides a range of products and systems to government agencies and commercial customers. These solutions include software applications, cybersecurity, data analytics, mission information technology and systems integration.

The U.S. (primarily U.S. federal agencies) represents ~75% total sales, with the remaining sales accounted for in Europe (~15%), Australia & New Zealand (~5%), and Canada (less than 5%).

Impacts from Period 1

The $1.2 trillion U.S. Infrastructure Investment and Jobs Act provided multiple benefits but some disappointment for Jacobs.² The benefits come from increased demand for construction services, engineering tools, and infrastructure operation services. Disappointment resulted from the government rules regarding project assignments and smaller-than-expected contributions towards clean energy and electric-vehicle charging. On November 1st, Jacobs announced the acquisition of Blacklynx Inc. to further develop their cyber and digital solutions portfolio.³

Headwinds from inflationary pressures, supply chain disruptions, and rising costs will continue into 2022.

Future Outlook

The diversity of Jacobs business portfolio allows for unique competitiveness compared to traditional Engineering & Construction companies.⁴ Their frequent company acquisitions allow them to constantly develop and acquire new technologies. Regardless of the infrastructure bill’s lack of heavy sustainability contribution, Jacobs’s December investor presentation laid out plans to capitalize on global climate response through energy transition, decarbonization solutions, and sustainable solution resistance.⁵ The critical mission solutions business segment will continue to see stability through multi-year contracts and plans on adapting their cost structure based on economic inflationary pressures.⁶

New Transactions

There were no transactions made involving J during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$13,062.02</td>
<td>$13,505.31</td>
<td>5.21%</td>
<td>$20.37</td>
</tr>
</tbody>
</table>
Holding Description
Lockheed Martin performs business through four segments:

- Aeronautics (~40% total sales): Manufactures advanced combat & air mobility aircraft, military aircraft, and remotely operated air vehicles.
- Rotary & Mission Systems (~25% total sales): Manufacturer’s rotary products such as Seahawk and Black hawk helicopters, and mission & combat systems for military and commercial use focused on ships and helicopters. Other systems include radar & simulation, missile defense, and training services.
- Space Systems (~20% sales): Provides space systems including defense missiles, satellites, strategic advanced strike, and space transportation.
- Missiles & Fire Control (~15% sales): Supports and manufacturers manned and unmanned systems for missile, rocket, and advanced combat.

Nearly 75% of all sales come from the different U.S. military branches, followed by the Asian Pacific and Europe each generating roughly 10%. Product sales account for roughly 85% revenue and service account for the remaining 15%.1

Impacts from Period 1
In Period 1, Lockheed Martin saw various net sales increases over all business segments excluding space systems. They discontinued incorporating their Atomic Weapons Establishment Program in the company’s financial results beginning in Period 1 of 2021 resulting in a 10% YoY sales decrease in the space systems segment. The three other segment net sales increases came from various products and systems such as: the F-35 program, a variety of missile defense & strike programs, warfare programs, and training programs.2 Lockheed Martin reported a year-end backlog of $135.36 billion, down 8% from 2020.3

Future Outlook
Lockheed Martin predicts that before January 27th the Federal Trade Commission will vote to sue to block the acquisition of Aerojet Rocketdyne.4 The potential block comes from the claim Lockheed Martin would have a dominant force in the missile business. This will further prolong the acquisition process and possibly result in a discontinued acquisition. In the event of an escalation regarding the buildup of Russian troops along the Ukrainian border, Lockheed Martin may see increased demand for missile & combat systems, military aircraft, and training systems.

New Transactions
There were no transactions made involving LMT during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$12,688.60</td>
<td>$13,150.17</td>
<td>3.80%</td>
<td>$103.60</td>
</tr>
</tbody>
</table>
Sector Overview
The Information Technology sector makes up about 28% of the market cap within the S&P 500, making it the largest sector within the index. The Information Technology sector can be divided into three main industries. The Software and Services industry contains companies providing software, internet services, and IT services. The Technology Hardware and Equipment industry contains companies involved in the production of various technological equipment. The Semiconductors and Semiconductor Equipment industry contains producers of semiconductors that are used for controlling electrical currents and therefore, are needed for production of many electronic devices.

This sector is constantly evolving. The increased use and reliance on big data, cloud computing and AI demonstrate just a few of the many changes happening within the sector. Because of this rapid innovation and adoption, the Information Technology sector contains lots of high growth stocks, which typically perform better during times of economic growth and low interest rates. Therefore, the Information Technology sector tends to outperform during the early and mid-cycle phases of the business cycle and underperform during the late cycle and recession phase.

Impacts from Period 1
The global semiconductor chip shortage was one of the biggest pieces of news impacting the sector. Surging demand for chips due to the digital transformation and high consumer spending during 2021, along with supply chain bottlenecks and labor shortages created an imbalance between supply and demand for semiconductors. During Apple’s 2021 fiscal Period 1, they claimed to have lost $6 billion in sales due to this semiconductor shortage. The Fed announced they were going to start tapering bond purchases. While the magnitude is unknown, it is expected that they are going to raise interest rates in the near future, which will be important news to monitor for the Information Technology sector due to its cyclical characteristics.

Performance
Holding Description
Apple is an industry leading tech company that designs, manufactures, and markets personal computers and related computing devices, phones, and a variety of related software and services. Its revenue can be broken down into two segments, Products and Services.¹

The Products segment of Apple can be broken down into four segments: iPhone, Wearables, Mac, and iPad. The iPhone is Apple’s biggest source of revenue, as it accounted for 52.5% of the company’s revenue in 2021. The wearables segment consists of the Apple Watch and HomePod and accounts for about 10.5% of Apple’s revenue. The Mac segment consists of the Mac desktop and laptop and accounts for about 9.6% of Apple’s revenue. Lastly, the iPad segment, which accounts for about 8.7% of revenue. The Services division of Apple is the more profitable of the two segments. This segment consists of the App Store, iCloud, Apple Music, and Apple Pay. This division accounted for 18.7% of Apple’s 2021 revenue.²

Impacts from Period 1
Apple released their FY 2022 Period 2 earnings that covered the quarter ending December 25th. Apple was able to report its best period ever in terms of revenue, as revenue was up 11% YoY. They were able to overcome ongoing supply chain issues and exceed sales estimates in every product category except for iPads.³ This led to movement in Apple’s stock price, as it was up about 7% the day after earnings were released.⁴ Apple is also looking to reduce its reliance on certain suppliers, as it is building a new office focused on in house chip production that would replace chips currently supplied by Skyworks and Broadcom.⁵

Future Outlook
In their latest earnings release, Apple’s CEO, Tim Cook, seemed optimistic that the ongoing supply challenges will improve as the Carroll Fund heads into the next quarter.⁶ Optimism regarding future supply challenges, along with Apple’s market share, continued innovation, and strong brand loyalty make me bullish on Apple’s future performance.

New Transactions
The Carroll Fund sold 37 shares of AAPL at $160.60/share on November 19th, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$40,797.90</td>
<td>$44,214.93</td>
<td>24.10%</td>
<td>$62.92</td>
</tr>
</tbody>
</table>
Holding Description
BLOK is an actively managed exchange-traded fund. The fund is a thematic ETF that seeks to invest in companies actively involved in blockchain technology. These companies include mining companies like HUT Mining, transactional companies like Coinbase, venture capital firms, semiconductor companies, etc. As a result, it is heavily correlated to the price of bitcoin and other major cryptocurrencies. The industry has shown extreme growth, which exactly what the ETF is invested in. Industry growth along with the pace of adoption, institutional investment, and its value proposition, all point to an industry that is becoming too large to ignore.

Impact from Period 1
After initially buying the ETF in October, the price of BLOK quickly made a new ATH at $61.76 before following the rest of the market lower, ending up around $40. Initially, this was pitched as an uncorrelated asset in anticipation of high inflation and Fed tightening. However, while price movements are historically uncorrelated to other asset classes, the fund underestimated the impact that Fed decisions could have on a more speculative asset class especially since many of the companies in the ETF are high growth firms.

Future Outlook
Despite macro implications like rate hikes and quantitative tightening, the fund believes that BLOK has far more tailwinds than headwinds compared to your average high-growth company. On-chain indicators, or public transaction data inherent with blockchains, imply that the asset class is poised to grow significantly in 2022. Managers also expect the pace of regulation to speed up, inviting more development in the space. This is a long-term investment strategy for us, and the short-term price movement hasn’t swayed the fund’s confidence.

New Transactions
The Carroll Fund bought 274 shares of BLOK at $51.05/share on October 26th, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$0</td>
<td>$11,006.58</td>
<td>-5.02%</td>
<td>$1,575.56</td>
</tr>
</tbody>
</table>
Holding Description
CIBR is an ETF that tracks the Nasdaq CTA Cybersecurity Index. CIBR holds companies of small, medium, and large market cap. It primarily holds Software and Networking companies, but also branches out into other industries such as Aerospace & Defense. This is considered a high-growth ETF as it has an average P/E of around 89. It caps the weight of the five most liquid securities within the fund at 6% and caps the remaining companies at 3%. Depicted below are the top holdings within the ETF.1

<table>
<thead>
<tr>
<th>Top 10 (45.67% of total holdings)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSCO Cisco Systems Inc</td>
</tr>
<tr>
<td>Accenture PLC Class A</td>
</tr>
<tr>
<td>PANW Palo Alto Networks Inc</td>
</tr>
<tr>
<td>CRWD CrowdStrike Holdings Inc Class A</td>
</tr>
<tr>
<td>JNPR Juniper Networks Inc</td>
</tr>
<tr>
<td>VMW VMware Inc Class A</td>
</tr>
<tr>
<td>CHKP Check Point Software Technologies Ltd</td>
</tr>
<tr>
<td>TENB Tenable Holdings Inc</td>
</tr>
<tr>
<td>NET Cloudflare Inc</td>
</tr>
<tr>
<td>SPLK Splunk Inc</td>
</tr>
</tbody>
</table>

Impacts from Period 1
As technology advances, more data is being transferred across more networks than ever before. Because of this, cybersecurity spending has been steadily increasing, and this trend is expected to continue.2 The need for cybersecurity was accelerated by the increase in remote work due to the pandemic. The increasing use of Internet of Things devices creates more networks for data to be transferred and therefore increases the need for cybersecurity demand as well since these devices are particularly vulnerable to attack. 3

Future Outlook
The fund’s outlook for CIBR is somewhat bullish. The managers think the cybersecurity industry will continue to grow as the world continues to increase the amount of data being transferred. One potential tailwind for the industry is global tensions arising in the U.S., as cybersecurity becomes increasingly important during times of global conflict. The expected upcoming rate hikes in 2022 are a headwind for CIBR due to its high-growth prospects.

New Transactions
There were no transactions made involving CIBR during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$29,053.08</td>
<td>$31,040.52</td>
<td>8.93%</td>
<td>$165.05</td>
</tr>
</tbody>
</table>
Holding Description
Microsoft is the second largest Information Technology holding by market cap. Its revenue can be broken down into three segments: Intelligent Cloud, More Personal Computing, Productivity and Business Processes. These segments accounted for 35.4%, 33.8%, and 30.8% of Microsoft’s revenue, respectively.¹

The Intelligent Cloud division of Microsoft is led by the Azure cloud computing service. It also consists of other products and services such as SQL server, Visual Studio, Windows Server, and System Center. This portion of Microsoft has been the fastest growing of the three segments. The More Personal Computing Division sells various products such as Microsoft Surfaces, phones, gaming, and PC accessories. The Productivity and Business Processes segment includes Office and Office 365, SharePoint, Exchange, Dynamics ERP and CRM products, LinkedIn, and Skype.²

Impacts from Period 1
Microsoft beat EPS and revenue expectations in quarterly results covering the last calendar quarter of 2021. Revenue and net income increased 20% and 21% YoY, respectively. Microsoft has been able to capitalize on the transformation towards cloud computing, as long-term Azure commitments were a catalyst for 32% YoY growth for Microsoft Cloud revenue.³

Future Outlook
Microsoft has been able to consistently generate strong revenue growth and position itself for future success. The Carroll Fund is particularly bullish on the continued growth of the cloud industry, as cloud computing offers efficiency and flexibility that could be essential in helping a business develop a strategic edge over its competition.⁴ While Microsoft is not the market share leader within the cloud market, they were able to capture 21% of cloud infrastructure revenues in Period 1 2021, which is second in the industry behind only Amazon.⁵ Its position within the growing cloud industry, along with Microsoft’s innovation, vast range of products, and substantial amounts of recurring revenue from subscriptions make the Carroll Fund optimistic about future performance.

New Transactions
There were no transactions made involving MSFT during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$28,620.90</td>
<td>$33,295.68</td>
<td>19.52%</td>
<td>$61.38</td>
</tr>
</tbody>
</table>
Holding Description
PayPal Holdings, Inc. operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants. The company offers online payment solutions and serves customers all over the world. PayPal is a major player in the online payments industry. The company has approximately 348 million active accounts and almost 30 million merchant accounts across more than 200 markets. PayPal’s legacy revenue segment as a payment processor has grown consistently for the last several years, targeting a 20% YoY revenue growth. However, the tech platform has been more ambitious as of late, making acquisitions that may better position them to become an all-in-one super app for financial services. Venmo, a peer-to-peer mobile wallet service, is also owned by PayPal.

Impact from Period 1
Last period, PayPal did implement some new aspects of their business model. For example, they launched their Zettle all-in-one PoS solution for merchants, along with increasing engagement from users of the QR code touchless payments and shopping incentivization through their acquisition, Honey. It was also announced that Venmo would be integrating with Amazon as an online payment option for users. While the high growth nature of the company was certainly attractive, it was cause for extreme valuations over the course of last year, trading as high as 71.09 P/E in 2021. As inflation and rate expectations shifted, the market began to show a preference for value stocks over high growth stocks like PayPal. This triggered a sell-off of PayPal in November, and it unfortunately was not able to make any kind of recovery over the period.

Future Outlook
As the fund realizes a poor judgement regarding the timing of investment was made, managers have also reassessed extensively. Moving into 2022, PYPL is now trading at valuations that are less than their historical levels, pre-high growth status. The managers are comfortable with PayPal’s ability to produce revenue as a payment processor, making its’ current valuation a much more attractive investment. However, the Carroll Fund will be watching PayPal closely, as it is a highly competitive field that is constantly changing.

New Transactions

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$0</td>
<td>$15,086.40</td>
<td>-4.15%</td>
<td>$0</td>
</tr>
</tbody>
</table>
Holding Description
Taiwan Semiconductor Manufacturing Co. (TSM) is the largest contract semiconductor manufacturer in the world, with market share around 50%. Although, their headquarters are in Taiwan, along with most of their production capacity, most of their revenue comes from the U.S and China, at about 60% and 20%, respectively.¹

TSM receives about 85% of its sales from wafer manufacturing. The rest of their revenue comes from fabricating masks and services such as design, probing, testing, and assembly. In 2021, chips used for smartphones were the biggest source of TSM’s revenue at 44%. Chips used for high-power computing was 37% of their revenue. Chips used for IoT devices, automotive, data computing devices, and other various products make up the rest of their revenue.²

Impacts from Period 1
It is safe to say TSM has not been experiencing any shortage of demand. Due to the COVID-19 pandemic, a lot of chip plants were shut down. This combined with labor shortages, supply chain bottlenecks, and logistic issues all hindered production capacity of these chips.³ While the supply of chips decreased, the demand for them was increasing. Stimulus packages increased consumer spending and lockdowns made people more reliant on technology to communicate and work. All these factors combined to create the global semiconductor shortage. This shortage allowed TSM to raise prices and maintain demand, leading to YoY revenue growth and strong margins.

Future Outlook
The outlook for TSM is optimistic, as it is a market share leader in an industry with strong demand that is expected to continue its growth. Managers expect the supply of these chips to increase as many semiconductor producers are ramping up investment in hopes of gaining market share. TSM set its capital spending budget at $40 billion for 2022, in comparison to $30 billion last year.⁴

New Transactions
The Carroll Fund bought 74 shares of TSM at $113.41/share on November 3rd, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$17,626.48</td>
<td>$27,911.92</td>
<td>7.45%</td>
<td>$61.32</td>
</tr>
</tbody>
</table>
Holding Description
Visa Inc. operates a retail electronic payments network and manages global financial services. The company offers global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses, and government entities. One of the world’s leaders in digital payments, Visa also has around 3.7 billion credit and other payment cards in circulation across more than 20 countries. VisaNet, its transaction processing network, authorizes, clears, and settles payments. It also offers multiple products, payment platforms, and value-added services and has the capacity to process an average of over 635 million transactions per day. Visa’s three strategic areas of focus include investing and growing card-based payments, accelerating its efforts in non-card, cross-border payments and digitizing domestic accounts payable and receivable along with new flows and value-added services.

Impact from Period 1
Being the largest payment processor in the world, Visa continues to post more consistent earnings and revenue growth compared to most competitors. As a result, Visa was less susceptible to the deteriorating macro-outlook associated with high growth stocks. In the face of hot inflation and rising yields, investors are still comfortable with the world’s leader in transaction processing, especially coming off the backs of record stimulus.

Future Outlook
The payments space is currently one of the most innovative and rapidly changing industries in the technology sector. There are multiple companies that are trying to implement changes in the space that could affect Visa’s dominant market share. However, Visa has the resources to combat this and evolve along with broader payment landscape. Also worth noting is the effect that rising rates could have on consumer spending. If the Fed begins quantitative tightening, then consumer spending trends could decline over 2022, but the fund expects Visa to be much more resilient regarding this risk compared with competitors.

New Transactions
There were no transactions involving V during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$22,124.16</td>
<td>$20,804.16</td>
<td>-2.54%</td>
<td>$36.00</td>
</tr>
</tbody>
</table>
Sector Overview
The Materials sector has a market capitalization of $2.53 trillion and a market weight of 7.76%. It is made up of five industries which manufacture and/or refine:
- Chemicals
- Construction Materials
- Containers & Packaging
- Metals & Mining
- Paper & Forest Products

The Materials sector is cyclical in nature and is sensitive to the health of the global economy as well as inflationary pressure. Government contracts and regulations provide sector tailwinds and headwinds, respectfully. Additionally, the Materials sector experiences positive Metals & Mining growth as demand for industrial metals increases, and constrained Chemicals growth with higher energy prices.

Impacts from Period 1
Signed in November, The Infrastructure Investment and Jobs Act provides $1.2 trillion in government spending. The large contribution towards construction will surge demand for steel, sand, gravel, and stone, largely benefitting miners and aggregate producers. Additionally, smaller contributions towards new internet and electric vehicles will require large quantities of copper and aluminum. As a result, the Materials sector saw a 14% increase over Period 1.

China’s slowing growth, as well as global COVID-19 variant Omicron fears, may moderate this impact in the near-future. The current and future sustainability-related regulations may harm demand for materials across all industries. Global supply chain bottlenecks persisted throughout the period but slowing economic growth and inflationary pressures may begin to relieve supply chains towards the later-half of 2022. Lastly, the Materials sector has seen recent tailwinds from strong rises in agriculture prices which will likely continue throughout Period 2 of 2022.

Performance
REAL ESTATE
Manager: Alyssa Thomas

**Sector Overview**
The Real Estate sector of the economy includes all different types of REITs and Real Estate Management and Development companies. REITs specialize in specific types of properties including retail, office buildings, casinos, healthcare facilities, residencies, etc. The Real Estate sector tends to perform well when the economy is in a period of economic growth and interest rates are low. This sector typically offers higher returns at a lower risk, making it attractive to investors. Additionally, REITs are popular with investors because they offer a liquid alternative to buying real estate without buying the physical property. The sector is benefiting from increased digitization trends, specifically data center and cell tower REITs are becoming more popular. This sector has a market weight of 2.67% and a market cap of $1.75 trillion.

**Impacts from Period 1**
The Real Estate sector outperformed the S&P 500 in Period 1 and was a top performer across all sectors. The performance was driven by increased occupancy rates and the market investing in real estate to hedge against expected rises in inflation. In 2021, the 30-year mortgage rate hit a record low of about 3%, driving investments high. Surprisingly, the Real Estate Management and Development sub-sector has outperformed the S&P 500 by nearly 45% in the past year. This is potentially because of emerging trends in new real estate technology that has made it easier and more efficient for customers and brokers in the industry. Due to pandemic induced working habits, the commercial Real Estate sector has been suffering. Additionally, interest rate hikes are expected to be implemented in March, and this could have a negative impact on the sector overall.

**Performance**

![Graph showing performance comparison between S&P 500 and Real Estate sectors for different quarters of 2021-2022](image_url)
Holding Description
PotlatchDeltic (PCH) is a real estate investment trust (REIT) harvesting timber from nearly 1.8 million acres of forestry. Their company is divided into three main business segments:1

- Wood products (~60% total sales): Produces and distributes plywood, lumber, and other residual products.
- Timberlands (~30% total sales): Owns, manages, and leases timberlands for recreation, carbon sequestration, and mineral rights.
- Real estate (~10% total sales): Sells land holdings for recreational and low-revenue generation.

PotlatchDeltic has large reach and distribution opportunities across multiple states in the Southeast U.S. and claims to be the largest private landowner in Idaho.2 They operate a commercial & residential real estate business as well as six sawmills, a plywood mill, and provide land leasing for recreation.

Impacts from Period 1
Lumber prices shot up throughout the quarter, with December 31st lumber futures reaching $1147.90 per thousand board feet. This is more than twice the price compared to mid-November and may continue to increase with inflationary pressures.3 Pricing increases are mainly derived from demand that can’t be met. PotlatchDeltic saw a Period 1 decrease in Total Adjusted EBITDA, primarily from Timberlands Adjusted EBITDA falling due to the Idaho harvest’s seasonality volume drop.4 Consequently, they missed Period 1 EPS estimates by a slim 1.67% but did report higher Real Estate Adjusted EBITDA from rural land sales.5

Future Outlook
The recent rise in lumber prices could help PotlatchDeltic keep current margins against higher freight and transportation costs.6 Sawmills lack of meeting demand, primarily due to labor shortages, will likely continue throughout the first half of 2022. Increasing inflationary pressures and Federal Reserve rate hikes will likely cool the strong U.S housing market throughout 2022. Supply chain bottlenecks continue to constrain business but may ease up from slowed global growth. PotlatchDeltic’s sustainability commitment will continue to benefit them as countries move towards a more environmentally friendly world.

New Transactions
There were no transactions made involving PCH during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$12,053.34</td>
<td>$14,091.48</td>
<td>25.36%</td>
<td>$1,038.96</td>
</tr>
</tbody>
</table>
Holding Description
Welltower Inc. is a REIT that invests in senior housing and healthcare real estate properties. It leases more than 1,500 properties to healthcare companies within 45 states. The company holds most of its properties in joint ventures with Sunrise Senior Living, its largest operating partner/customer. Welltower believes their healthcare infrastructure enables companies to provide better care to their patients. Welltower’s main objective is to protect shareholder value while also increasing shareholder value. Its strategy to achieve this goal is to diversify its portfolio by investing in a variety of property types, specifically within senior housing and healthcare, in different geographic regions. Welltower operates through three business segments: Seniors Housing Operating, Triple-Net, and Outpatient Medical. Its operations are in three different geographic regions: the U.S., the UK, Canada, and Luxembourg.

Impacts from Period 1
Welltower reported excellent Period 1 results. Welltower reported FFO (funds from operations) of $0.83 per share, beating estimates of $0.81 per share. Although FFO this period is lower compared to a year ago of $0.84 per share, over the last 4 quarters they have surpassed FFO estimates. They reported revenues of $1.31 billion surpassing estimates by 3.58%. Revenues a year ago were $1.12 billion. Additionally, they formed 19 new and proprietary long-term growth relationships with best-in-class developers and operators. However, the pandemic has still been negatively affecting Welltower’s operations and has kept their costs heightened. Overall, Welltower has strong growth potential with the aging population.

Future Outlook
Welltower reported that they expect same-store net operating income growth of 7% in 2022. Senior housing operations will contribute to most of this growth. They also expect pro rata disposition proceeds of $220 million. Furthermore, they expect to report FFO attributable to common stockholders in a range of $0.79 to $0.84 per diluted share. Welltower can maintain growth throughout 2022, but economic conditions may negatively impact their ability. With interest rates approaching, Welltower’s profit margins could be at risk. However, with inflation expected to stay elevated, investors could continue to use Welltower as an inflation hedge.

New Transactions
The Carroll Fund bought 223 shares of WELL at $85.15/share on November 5th, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$0</td>
<td>$19,126.71</td>
<td>0.73%</td>
<td>$136.03</td>
</tr>
</tbody>
</table>
Sector Overview
The Utilities sector is vital to the economy. The sector is composed of companies that provide utility services such as electricity, water, natural gas, steam supply, and sewage removal.¹ The Energy and Utilities sectors are interconnected. The Energy sector supplies energy sources for utility companies to then distribute to society. Many of the companies within the Utilities sector are part of the public service landscape and are therefore highly regulated.² Conservative investors are drawn to the Utilities sector due to the sector's low beta, high dividend yields, and stable/safer returns.³ The Utilities sector has a market weight of 2.6% and a market cap of $1.66 trillion.

Impacts from Period 1
The Utilities sector is a defensive sector due to the constant demand of its services. Defensive sectors tend to have stable returns throughout all the economic cycles; they typically outperform the broader market in times of economic downturn.⁴ For example, in 2020 the Utilities sector outperformed the S&P 500, as the country was in a recession. As 2021 progressed with the economy reopening and production levels normalizing, the Utilities sector underperformed the S&P 500. However, looking forward into 2022, the state of the economy is very volatile and interest rate hikes are approaching, which is an important driver of the Utilities sector performance. The sector is known to be subject to interest rate risk due to the high debt levels utility companies carry. Therefore, the sector could experience lower returns and lose investors to the bond market, as higher interest rates make the bond market more attractive. This uncertainty leads the fund to believe that the Utilities sector could either underperform or outperform the S&P 500.

Performance

![Graph showing performance of S&P 500 and Utilities sector from 9/30/21 to 12/31/21]
Holding Description
The Utilities Select Sector SPDR is a U.S. exchange-traded fund that seeks to provide investment results that replicate the performance of the Utilities Select Sector Index. The index includes companies from the following industries: Water Utilities, Electric Utilities, Multi-Utilities, Gas Utilities, and Independent Power and Renewable Electricity Producers. XLU has an expense ratio of 0.10%, raw beta of 0.405, and a dividend yield of 2.97%. Below is a chart that shows XLU’s top 10 holdings, making up 63.67% of their total assets:

<table>
<thead>
<tr>
<th>Top 10 (63.76% of total holdings)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NEE NextEra Energy Inc</td>
<td>15.73%</td>
</tr>
<tr>
<td>DUK Duke Energy Corp</td>
<td>8.29%</td>
</tr>
<tr>
<td>SO Southern Co</td>
<td>7.56%</td>
</tr>
<tr>
<td>D Dominion Energy Inc</td>
<td>6.70%</td>
</tr>
<tr>
<td>EXC Exelon Corp</td>
<td>5.82%</td>
</tr>
<tr>
<td>AEP American Electric Power Co Inc</td>
<td>4.67%</td>
</tr>
<tr>
<td>SRE Sempra Energy</td>
<td>4.53%</td>
</tr>
<tr>
<td>XEL Xcel Energy Inc</td>
<td>3.85%</td>
</tr>
<tr>
<td>PEG Public Service Enterprise Group Inc</td>
<td>3.45%</td>
</tr>
<tr>
<td>ES Eversource Energy</td>
<td>3.16%</td>
</tr>
</tbody>
</table>

Impacts from Period 1
XLU has underperformed the S&P 500 this year, which is a usual trend, as it is a defensive sector. However, the fund did manage to closely match its performance to the Utilities Select Sector Index. Within the last year, XLU returned 12.63% while the index returned 12.68%. Despite the progression of the economy, XLU provided the fund with stable returns and constant dividends, due to its ability to generate constant demand for its services.

Future Outlook
Rising geopolitical tensions between Russia and Ukraine combined with interest rates hikes approaching indicates a high chance of the U.S. economy falling into a recession. Utility sector stocks typically outperform during a recession, but they are subject to interest rate risk as well. The holdings within this fund do have high debt levels, and therefore, their profitability could be at risk. The fund will conduct research to be certain that it should continue to hold XLU.

New Transactions
There were no transactions made involving XLU during Period 1.
Overview
Fixed Income refers to the class of assets that are mostly debt instruments used by governments and corporations. Composed of bonds, notes, T-bills, commercial paper, etc., all involve the transfer of principal and interest to investors from issuers. This provides investors with a safe, steady stream of income over various maturities. The rate at which investors are compensated is known as the coupon rate. Bond yields are extremely sensitive to interest rates and are directly correlated. In contrast, bond prices are inversely correlated to interest rates, so it would make sense to be underweight Fixed Income products in a rising rate environment. Inflation is also a big risk when investing in debt securities. For the issuer of debt, inflation is great because the original loan amount becomes less valuable as currency is debased. However, for the investor, it is important to be able to secure a yield that beats inflation. The U.S. is currently seeing the highest levels of inflation in four decades, and there is a fair chance that it will continue to run higher than initially reported. As central banks engage in quantitative tightening, inflation risk may ease, but there is a good chance it will remain high. The Carroll Fund’s current Fixed Income allocation consists of five different ETFs.

Impacts from Period 1
After a period of unprecedented stimulus from the Federal Government, historically low yields and interest rates, and high economic growth, the Fed finally began to shift their stance from dovish to hawkish over Period 1. As tapering began and the Fed began to hint at rate hikes in 2022, Fixed Income yields began to rise, specifically the short-to-medium-term yields. This flattening of the yield curve is indicative of economic uncertainty in the market. The uncertainty revolves around the magnitude and quantity of interest rate hikes that the Fed will make and estimating how high inflation is. Inflation readings will be important to watch for the fund’s Fixed Income holdings, so that the fund can better position themselves in terms of duration and inflation risk. There are many creative products within the asset class that can shield the portfolio from the effects that the rest of the Fixed Income market will feel.

Performance
Holding Description
The iShares Core U.S. Aggregate Bond ETF is an exchange-traded fund that tracks the Bloomberg U.S. Aggregate Bond Index by investing in securities within the total U.S. investment-grade bond market. This includes treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities.¹ The fund provides a broad exposure to U.S. investment grade bonds, a low-cost way to diversify the portfolio, and a way to seek stability and income for your portfolio. Because AGG is an ETF that tracks the broader fixed income market, for the most part, it is evenly allocated across all maturities that are more than one year. However, the largest allocation is to the 3-5-year maturities at 23.28% AUM. 49.17% of holdings are AAA rated, while 43.94% is invested in sovereign debt.²

Impacts from Period 1
Over the last period, AGG did not make any meaningful gains or losses for the Carroll Fund, with a negative 10 basis point return. However, as the market began to anticipate Fed tapering and the expectation of rate hikes in 2022, short-to-medium term yields did begin to rise amid the uncertainty. Conversely, rising yields are synonymous with bond selloffs and decreasing bond prices. On top of rising yields, inflation was being reported higher and higher with each survey release. With that in mind, the fund decided to liquidate some of the AGG holding as it expected the bond market to begin a downward skid.

Future Outlook
Looking forward to 2022, the fund expects the rising rate picture to keep gaining momentum. With that in mind, managers want to remain overweight equities and look for more creative products that provide a steady stream of income. For example, because the U.S. is seeing the highest inflation in decades, inflation-linked securities would be a much better investment than AGG, a fund made up of securities that are currently paying a real negative yield. The Carroll Fund will continue to monitor the inflation and rate backdrop regarding the AGG holding.

New Transactions
The Carroll Fund sold 142 shares of AGG at $144.63/share on October 29th, 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$58,190.00</td>
<td>$41,525.12</td>
<td>-0.08%</td>
<td>$257.58</td>
</tr>
</tbody>
</table>
INNOVATOR S&P 500 POWER BUFFER ETF (PNOV)

Holding Description
The Innovator S&P 500 Power Buffer ETF is an exchange-traded fund incorporated in the U.S. It is designed to track the return of the S&P 500 to a predetermined cap of 8.33%. At the same time, the fund buffers investors against the first 15% of losses over the outcome period that is approximately one year.\(^1\) The outcome period began in November, so the outcome period will end next November, hence the name PNOV. The return cap and downside buffer are reset after each outcome period. The fund is actively managed and uses in-kind trading of options to keep the outcomes of the fund defined. The idea is to be able to give investors a safety net but also keep them exposed to positive S&P 500 returns.\(^2\)

Impact from Period 1
Because PNOV tracks the return of the S&P 500, the performance is solely dependent on the return of the S&P 500. However, the structure of calls and puts that PNOV utilizes creates a dampening effect on both positive and negative returns. From the beginning of November to the end of the year, the S&P returned a positive 3.31% while PNOV returned 1.44%, so ultimately, the largest benefits of PNOV are felt during a down market.

Future Outlook
Looking forward to 2022, the fund views PNOV as one of the most valuable holdings in the portfolio as it provides perfect protection when there is a wide range of outcomes. After inflation came in at the highest YoY growth in decades, it became clear that the Fed will have to raise rates quicker than originally anticipated. With that in mind, 2022 does not look like a promising year for equities. Despite what the equities market does over the coming year, the mechanics that PNOV implements indicate that it will outperform the U.S. Bond Index.

New Transactions
The Carroll Fund bought 818 shares of PNOV at $30.54/share on November 1\(^{st}\), 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$0</td>
<td>$25,366.18</td>
<td>0.77%</td>
<td>$0</td>
</tr>
</tbody>
</table>
**Holding Description**
The Principal Spectrum Securities Active ETF is an actively managed exchange-traded fund. The fund targets a benchmark that is the Bank of America Merrill Lynch U.S. Investment Grade Institutional Capital Securities Index (CIPS). With a 55-basis point expense ratio, PREF seeks to provide current income through active security selection, exclusively in the $1,000 par institutional preferred securities sector.\(^1\) Preferred securities are equities with fixed income-like features. For example, they are perpetual and callable, they pay dividends instead of coupons, and they often have floating rate structures. Preferred securities are institutional grade issues and offer an attractive risk/return profile for investors seeking low interest rate risk and default risk.\(^2\) As of period end, PREF was trading at a 40-basis point premium, only trading at a discount one day in 2021.\(^3\)

**Impact from Period 1**
The story from Period 1 regarding PREF was rising yields. As anticipation grew for tapering in November and as Fed Chairman, Jerome Powell, transitioned from dovish to hawkish, yields began to rise after a period of historically low yields on debt. This is what most contributed to PREF’s negative return over the period, as preferred securities are still susceptible to the same risks as the broader fixed income market.

**Future Outlook**
The Carroll Fund expects more of the same in 2022 regarding rising yields and interest rates. The backdrop for the next year is extremely uncertain, however, the one thing that is certain is that rates are going to have to go up to cool off the economy. The only question is how much they will be raised. Regarding preferred securities, it is important to determine whether funds are trading at discounts or premiums. PREF ended the period at a 0.4% premium, so it will be important to monitor this.\(^4\) The managers will be looking towards fixed income products that are more advantageous in a high inflation and rising rate environment.

**New Transactions**
The Carroll Fund sold 426 shares of PREF at $20.54/share on October 29\(^{th}\), 2021.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$53,483.50</td>
<td>$43,885.92</td>
<td>-1.17%</td>
<td>$452.61</td>
</tr>
</tbody>
</table>
Holding Description
The Schwab U.S. TIPS ETF, founded in 2010, is an exchange-traded fund incorporated in the U.S. It seeks to track the investment results of the Bloomberg U.S. Treasury Inflation Protected Securities Index or TIPS. First auctioned in 1997, TIPS are securities that provide a fixed rate of interest that is paid twice a year. However, the principal amount of the loan increases or decreases with inflation as measured by the Consumer Price Index. For this reason, it is good security for hedging against high inflation, but the principal amount also decreases in periods of deflation and is paid at maturity.

Impacts from Period 1
One of the biggest headlines during the period was increasingly hot inflation coming off the backs of QE and supply chain issues. November’s inflation reading showed an increase of 6.81% YoY and moved up to 7.04% in December. Moving towards the end of the year, SCHP benefited from the higher interest payments associated with the higher CPI. Unfortunately, SCHP is the smallest holdings within the fund’s fixed income allocation, currently at 1.96% AUM. While the Fed did begin to taper their bond buying, they still did not definitively lay out a plan for when or how much they would raise rates.

Future Outlook
After startlingly high inflation readings in the last two months of the year, all eyes are on the Fed in 2022. If the Fed response is more hawkish than originally anticipated, the value of TIPS principals could be cut in half in a relatively short amount of time. On the other hand, if the Fed does not have a good grip on inflation, then it could remain at higher levels and persist into 2023. The Carroll Fund will be carefully monitoring CPI readings, wage inflation, labor market readings, and Fed decision making to produce the best course of action regarding the SCHP holding.

New Transactions
There were no transactions made involving SCHP during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$14,000.00</td>
<td>$14,087.36</td>
<td>2.31%</td>
<td>$253.95</td>
</tr>
</tbody>
</table>
Holding Description
The WisdomTree Floating Rate Treasury Fund is an exchange-traded fund incorporated in the USA. The fund seeks to track the performance and characteristics of the Bloomberg U.S. Treasury Floating Rate Bond Index. The fund provides cost-effective access to newly issued U.S. government floating rate notes. It is designed to fluctuate with short-term rates and priced at a spread over 3-month T-Bills. In other words, it is a floating rate fund that focuses on short-term maturity securities. The treasury sought to create demand for floating-rate notes (FRN’s) by first issuing this new class of securities in 2014. It was the first new asset issuance since the issuance of TIPS.

Impact from Period 1
While interest rates did not move up in the period, expectations that they would rise became evident. As a result, yields did rise and most of the bond market suffered as a result. However, due to the short-term nature of floating rate notes, USFR’s duration risk is lower than the rest of the broader asset class and USFR was not as negatively affected as the broader bond market. On the expectations of a rising rate environment, the fund ended the period on a new 52-week high.

Future Outlook
Moving into 2022, the macro environment is relatively uncertain. High inflation would point to the Fed raising rates more in 2022 instead of 2023. If this were the case, USFR would be an excellent product to be allocated to as rates are likely to rise for the first time in several years. This would allow USFR to take advantage of the higher, short-term yields in terms of generating income.

New Transactions
There were no transactions made involving USFR during Period 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>$54,438.48</td>
<td>$54,395.12</td>
<td>-0.03%</td>
<td>$4.55</td>
</tr>
</tbody>
</table>
FUND MANAGERS

Alyssa Thomas is a senior from West Chester, PA, majoring in finance with a collateral in business analytics. She is in her second semester on the Carroll Fund, managing the Energy, Utilities, and Real Estate sectors. She is a member of the Financial Management Association and the University of Tennessee Investment Group. She is also a member of the sorority Alpha Omicron Pi. She enjoys playing intramural sports, spending quality time with friends and family, shopping, and traveling. After graduation in May of 2022, Alyssa will consider pursuing a career in corporate finance or investments.

Brennon Gessner is a senior from Mount Juliet, TN. He is majoring in finance with a collateral in business analytics. He is in his second semester of the Torch Fund Program and oversees the Information Technology and Communication Services sectors. Brennon is a member of the University of Tennessee Investment Group. Outside of school, he is a front-end floor supervisor at Kroger. He spent last summer as an accounting/business analytics intern at Enovate Medical in Murfreesboro, TN. In his free time, Brennon likes to play basketball, golf, kayak, and read. After graduating in the spring, he plans to pursue his master’s degree in business analytics.

Eldon Lu is a junior originally from Orange County, CA majoring in finance with a collateral in accounting. This is his first semester on the Carroll Fund, and he is overseeing the Consumer Staples and Consumer Discretionary sectors of the portfolio. Last year, Eldon worked as a bookkeeper for Ingles Markets and was a member in the Deloitte Audit Innovation Challenge for Fall 2021. Eldon is currently on track to graduate by December of 2022 and is looking into either a corporate finance or wealth management role. Outside of school-related activities, Eldon has been a part of the Financial Management Association and the University of Tennessee Investment Group.
**Gabrielle Cyr** is a senior from Peoria, IL majoring in finance with a collateral in entrepreneurship. This is her second semester on the Carroll Fund, and she is managing the Healthcare sector. Around campus, she is involved with Phi Mu Fraternity where she served as the chapter’s philanthropy chairman. She is also a member of the 1794 Scholars Program. Outside of school, she works part-time as a competitive gymnastics coach at GymTek Academy. She spent last summer interning in the Global Leasing department at Caterpillar Financial in Nashville, TN. Upon graduation in May of 2022, she plans to begin a career in wealth management or investment banking.

**Grant Kizer** is a senior from Union City, TN, majoring in finance with a collateral in business analytics. As a second semester manager for the Carroll Fund, he oversees the Fixed Income and Financials sectors. Outside of the Torch Fund, Grant is an Endowment Intern at the University of Tennessee System, Investment Office. In his free time, Grant enjoys golfing, reading, fishing, playing the guitar, and studying Bitcoin. After graduation in May of 2022, he will be pursuing a career in investment management.

**Jeremy Meanwell** is a junior from Memphis, TN, majoring in finance with a concentration in business and engineering. He currently manages the Industrials and Materials sectors in his first semester on the Carroll Fund. Jeremy enjoys teaching students about finance by serving as the President of the University of Tennessee Investment Group and working as a Senior Analyst and TA in the Masters Investment Learning Center. He is also a member of the Heath Integrated Business and Engineering Program, and he mentors underclassmen business students as a VENTURE Peer Mentor. Jeremy values serving his community, working as the Treasurer of UT Helping Hands and being an active member of the St. Jude Walk/Run Committee. In his free time, he enjoys hiking, photography, fitness, traveling, and playing poker with friends. This summer he will be interning with Caterpillar Financial in Nashville, TN, and is pursuing a career in wealth management after he graduates in May of 2023.
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