Dear Mr. and Mrs. LaPorte,

We wanted to begin by addressing what your magnanimous gift to us, allows us to do. Your gift allows us to gather weekly as a team to discuss and debate economic indicators, financial sectors, individual firms, and overall trends in the economy with the explicit goal of generating sound and successful investment ideas. Upon forming a thesis, you allow us to put our plan into action by using your gift to test our ideas in the market. We can evaluate our decisions in a real-world scenario and learn by doing in one of the most uncertain times in American and World history. Our focus is to be good stewards of this gift, managing it well and preserving it for those to come. We also expect to take measured chances, try new ideas, and acquire as much knowledge from every decision we make, improving upon the process continually. This program provides a rare and unique opportunity that few get the chance to take part in, and we are extremely fortunate for the opportunity.

With the addition of three new members this Spring, we have quickly gotten to work getting to know each other’s strengths and backgrounds, and we are confident we can continue the successful direction that our returning members previously experienced. Continuing success from the previous Period, we are excited to report we have contributed the highest return out of all other Funds during Period 1 (September 30th, 2021 – December 31st, 2021) and we look forward to continuing this winning tradition. We fully understand our fiduciary responsibility to manage this Fund to the best of our ability and take that very seriously. This Fund is a gift of endless learning opportunities; thus we try to achieve the greatest returns, all while immersed in the richest educational experience in the Haslam College of Business.

During Period 1, we began by purchasing 158 shares of Fiserv (FISV) and 115 shares of JPMorgan Chase (JPM) to further diversify our IT and Financial holdings. We took profits in Nasdaq (NDAQ) by selling 64 shares, and Prudential Financial (PRU) by selling 48 to help facilitate the purchase of JPM. Lastly, we Liquidated our Coke (KO) position by selling 100 shares. We continue to do weekly research on different firms across all industries to determine excellent opportunities, as well as identify macroeconomic indicators which may help to better understand future market moves.

We strive daily to put our best effort into our work, because we understand the incredible value of the knowledge we are receiving, and how it will translate to a work position when we graduate. We firmly believe that even years on from graduation, when we look back at this time, we will still be extremely proud to say: “I was a member of the LaPorte Torch Fund, and it helped to get me where I am today.”

Gratefully,

The LaPorte Torch Fund Team
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</table>
Performance Summary

**Period 1**

<table>
<thead>
<tr>
<th></th>
<th>Portfolio</th>
<th>Weighted Benchmark(^a)</th>
<th>S&amp;P 500</th>
<th>BETFX(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Return</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period 1</td>
<td>8.51%</td>
<td>6.61%</td>
<td>11.00%</td>
<td>3.22%</td>
</tr>
</tbody>
</table>

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard Deviation(^c)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period 1</td>
<td>10.91%</td>
<td>7.92%</td>
<td>13.89%</td>
<td>15.48%</td>
</tr>
</tbody>
</table>

\(^a\) Weighted Benchmark is composed of 60% S&P500 and 40% Bloomberg Barclays Aggregate Bond Portfolio.

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

\(^c\) Calculations are annualized from daily returns for the period.
## Performance Summary

### Period 1

<table>
<thead>
<tr>
<th>Sharpe Ratio(^a)</th>
<th>Portfolio</th>
<th>Weighted Benchmark</th>
<th>S&amp;P 500</th>
<th>BETFX(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>3.00</td>
<td>3.19</td>
<td>3.03</td>
<td>0.89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Treynor Ratio(^a)</th>
<th>Portfolio</th>
<th>Weighted Benchmark</th>
<th>S&amp;P 500</th>
<th>BETFX(^b)</th>
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</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>0.26</td>
<td>0.25</td>
<td>0.42</td>
<td>0.25</td>
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</table>

### Other Performance Metrics

<table>
<thead>
<tr>
<th></th>
<th>Period 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tracking Error</td>
<td>4.79%</td>
</tr>
<tr>
<td>Information Ratio</td>
<td>1.55</td>
</tr>
<tr>
<td>Beta vs. Benchmark</td>
<td>1.27</td>
</tr>
<tr>
<td>R(^2) vs. Benchmark</td>
<td>0.84</td>
</tr>
<tr>
<td>Beta vs. S&amp;P 500</td>
<td>0.73</td>
</tr>
<tr>
<td>R(^2) vs. S&amp;P 500</td>
<td>0.87</td>
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## Portfolio Details

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Percentage</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>79.87%</td>
<td>$582,389.96</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>16.27%</td>
<td>$118,606.69</td>
</tr>
<tr>
<td>Cash</td>
<td>3.86%</td>
<td>$28,116.38</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>$729,113.03</strong></td>
</tr>
</tbody>
</table>

![Portfolio Allocation Chart]

- **Equities:** 79.87% of the portfolio, valued at $582,389.96
- **Fixed Income:** 16.27% of the portfolio, valued at $118,606.69
- **Cash:** 3.86% of the portfolio, valued at $28,116.38
- **Total Portfolio Value:** $729,113.03
<table>
<thead>
<tr>
<th>Ticker</th>
<th>Period 1 % Return</th>
<th>Period 1 $ Return</th>
<th>Ending Weight as of 12/31/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPAXX**</td>
<td>0.00%</td>
<td>$0.00</td>
<td>3.86%</td>
</tr>
<tr>
<td>Equities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACN</td>
<td>29.88%</td>
<td>$10,994.00</td>
<td>6.54%</td>
</tr>
<tr>
<td>AMGN</td>
<td>6.62%</td>
<td>$1,168.64</td>
<td>2.56%</td>
</tr>
<tr>
<td>AMZN</td>
<td>1.50%</td>
<td>$887.40</td>
<td>8.23%</td>
</tr>
<tr>
<td>CSGP</td>
<td>-8.17%</td>
<td>-$1,335.70</td>
<td>2.06%</td>
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<tr>
<td>CVS</td>
<td>22.15%</td>
<td>$5,940.80</td>
<td>4.47%</td>
</tr>
<tr>
<td>FISV</td>
<td>-6.60%</td>
<td>-$1,159.72</td>
<td>2.25%</td>
</tr>
<tr>
<td>GD</td>
<td>6.95%</td>
<td>$572.46</td>
<td>1.20%</td>
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<tr>
<td>IBM</td>
<td>1.18%</td>
<td>$164.00</td>
<td>1.83%</td>
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<tr>
<td>JPM</td>
<td>-1.65%</td>
<td>-$305.90</td>
<td>2.50%</td>
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<tr>
<td>LOW</td>
<td>27.81%</td>
<td>$4,005.82</td>
<td>2.52%</td>
</tr>
<tr>
<td>MSFT</td>
<td>19.52%</td>
<td>$7,592.76</td>
<td>6.37%</td>
</tr>
<tr>
<td>NDAQ</td>
<td>7.17%</td>
<td>$5,028.95</td>
<td>6.62%</td>
</tr>
<tr>
<td>NEE</td>
<td>19.39%</td>
<td>$2,024.93</td>
<td>1.70%</td>
</tr>
<tr>
<td>OMC</td>
<td>2.08%</td>
<td>$332.30</td>
<td>2.21%</td>
</tr>
<tr>
<td>PEP</td>
<td>15.49%</td>
<td>$1,654.30</td>
<td>1.69%</td>
</tr>
<tr>
<td>PG</td>
<td>17.63%</td>
<td>$2,021.28</td>
<td>1.84%</td>
</tr>
<tr>
<td>PRU</td>
<td>2.76%</td>
<td>$786.63</td>
<td>2.58%</td>
</tr>
<tr>
<td>SHEL</td>
<td>-1.71%</td>
<td>-$165.35</td>
<td>1.29%</td>
</tr>
<tr>
<td>RTX</td>
<td>0.71%</td>
<td>$149.45</td>
<td>2.89%</td>
</tr>
<tr>
<td>SBUX</td>
<td>6.48%</td>
<td>$1,001.00</td>
<td>2.25%</td>
</tr>
<tr>
<td>SON</td>
<td>-2.08%</td>
<td>-$241.80</td>
<td>1.55%</td>
</tr>
<tr>
<td>TMO</td>
<td>16.83%</td>
<td>$4,519.99</td>
<td>4.30%</td>
</tr>
<tr>
<td>TTD</td>
<td>30.36%</td>
<td>$5,761.80</td>
<td>3.39%</td>
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<tr>
<td>VALE</td>
<td>11.30%</td>
<td>$810.30</td>
<td>0.99%</td>
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<tr>
<td>WM</td>
<td>12.13%</td>
<td>$1,684.70</td>
<td>2.13%</td>
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<tr>
<td>WMT</td>
<td>3.81%</td>
<td>$531.00</td>
<td>1.98%</td>
</tr>
<tr>
<td>WPC</td>
<td>13.78%</td>
<td>$1,720.60</td>
<td>1.92%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGG</td>
<td>0.06%</td>
<td>$17.23</td>
<td>3.99%</td>
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<tr>
<td>TRECX</td>
<td>-2.17%</td>
<td>-$395.39</td>
<td>2.44%</td>
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<tr>
<td>USFR</td>
<td>-0.03%</td>
<td>-$7.56</td>
<td>3.29%</td>
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<tr>
<td>WFCPRL</td>
<td>1.84%</td>
<td>$872.96</td>
<td>6.54%</td>
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## Portfolio Highlights

### Period 1

<table>
<thead>
<tr>
<th>Torch Fund Performances</th>
<th>Carroll</th>
<th>Haslam</th>
<th>LaPorte</th>
<th>McClain</th>
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</thead>
<tbody>
<tr>
<td><strong>Period 1</strong></td>
<td>5.30%</td>
<td>7.28%</td>
<td>8.51%</td>
<td>3.59%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period 1</th>
<th>Top 5 Performers</th>
<th>Bottom 5 Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACN</strong></td>
<td>$10,994.00</td>
<td>CSGP</td>
</tr>
<tr>
<td><strong>MSFT</strong></td>
<td>$7,592.76</td>
<td>FISV</td>
</tr>
<tr>
<td><strong>CVS</strong></td>
<td>$5,940.80</td>
<td>TRECX</td>
</tr>
<tr>
<td><strong>TTD</strong></td>
<td>$5,761.80</td>
<td>JPM</td>
</tr>
<tr>
<td><strong>NDAQ</strong></td>
<td>$5,028.95</td>
<td>SON</td>
</tr>
</tbody>
</table>

|                  |                  | $1,335.70            |
|                  |                  | $1,159.72            |
|                  |                  | $395.39              |
|                  |                  | $305.90              |
|                  |                  | $241.80              |
**Economic Outlook**

**Period 1**

**Period Performance**

For Period 1, the LaPorte Fund had a moderately optimistic economic outlook. The team’s outlook was influenced by market trends and key economic indicators that affected both the local and global economies towards the end of the year. The Fund’s portfolio returns totaled 8.51% compared to 6.61% of our benchmark.

**Domestic Economy**

The Fund had a cautiously optimistic view of the US economy during Period 1. Several topics received special attention during the last months of 2021. We tracked government implemented COVID-19 regulations and the public response to these restrictions. We also expect the higher vaccination rate to have a positive impact in 2022, which would result in less restrictions for the public. The Fund expects rising inflation to be a problem that might last longer than what the Fed has predicted. Other topics of conversation included the current labor shortage and supply chain bottlenecks. The LaPorte team monitors key indicators such as consumer spending, unemployment figures, GDP, CPI, inflation, and home sales among others to understand the current US economy. The Fund expected the economy to grow in the last quarter of 2021.

**Global Economy**

The LaPorte team had a moderately optimistic outlook of the global economy for Period 1. Major global economies improved their vaccination rates in the second half of 2021, leading to a steady reopening of day-to-day activities. International trade and travel rebounded towards their pre-pandemic levels, and the Fund expected a strong finish for international trade in 2021. Notwithstanding, we paid close attention to the Omicron variant, which caused some countries to hold back easing their restrictions. The Fund expected major economies to see economic growth in the last quarter of 2021 and the beginning of 2022. The observed growing industrial production for major economies is a major indicator for the future expected growth in early 2022. The Fund anticipates rising inflation to be a global phenomenon. Therefore, the Fund expects to see increased volatility in the US dollar and other major currencies at the beginning of 2022.

**Looking Ahead**

The LaPorte team plans to cautiously monitor key economic indicators for 2022 as we enter the new year. The growing rates of vaccinations give us confidence that 2022 will likely be a better year regarding COVID cases and variants. However, the Fund is mindful of domestic issues that could take longer to be resolved. Rising inflation and labor shortages can last longer than initially expected from the Fed and other government authorities. The Fund is committed to find investment opportunities that match our economic outlooks. We believe that the financial, energy, and real estate sectors represent good opportunities going forward. The LaPorte team will continue to adjust our outlook as necessary, moving into 2022.
Period Performance

In Period 1, the Communication Services sector of the LaPorte portfolio grew 17.45% collectively, as compared to the S&P 500 index which grew 11.00%. Our holdings in this sector include The Trade Desk and Omnicom Group, who garnered 30.36% and 2.08% returns, respectively. Although we only have two holdings in this sector, we are only approximately 2.00% underweight compared to the proportion of Communication Services in the S&P 500.

Looking Ahead

Many services in this sector like streaming, cable television, and social media are viewed as optional. Alternatively, communication services like cell phone communication and internet access are typically viewed as essential with few substitutes. Because of this, the Communication Services sector is largely non-cyclical. With only two current holdings in this sector, adding more exposure could provide a source of stability for the portfolio. With recent inflationary pressures and the Federal Reserve announcing that they plan to raise interest rates in 2022, we could be moving into a later phase of the business cycle. Traditionally, this sector has underperformed in recessionary times, but the US doesn’t seem close to a recession, so we retain a cautious optimistic outlook for our current holdings. The new 5G mobile network, which is an improvement on the 4G LTE network of the 2010s provides greater reliability, with improved connectivity and capability for devices. This latest technology potentially paves the way for $13 trillion worth of goods in the next decade. However, there have been several bipartisan antitrust bills introduced in the House and Senate recently, targeting ‘Big Tech’ giants, which includes Meta (FB) and Alphabet, Inc. (GOOG). The Communication Services sector market capitalization is heavily weighted in both of these firms, so movement by these two stocks can significantly influence the market.
**Omnicom Group Inc.**

**OMC**

**P1 Total Return:** 2.08%

**Beta:** 1.000

**Beg. Shares:** 220

**End Shares:** 220

**Beg. Value:** $15,941.20

**End Value:** $16,119.40

**P1 Dividend Yield:** 0.97%

**P1 Action:** Hold

**Description**
The Omnicom Group, Inc. is one of the world’s largest marketing and corporate communications firms. It provides advertising, strategic media planning and buying, digital and interactive marketing, direct and promotional marketing, corporate social responsibility consulting and other specialized services to over 5000 clients across 70+ countries. The Omnicom Group’s client base is extremely diversified with every sector of the economy represented; clients include firms in the food, financial services, pharmaceutical, and auto industries.\(^1\)

**Growth Drivers**
The Omnicom Group, Inc. (OMC) seeks to strategically acquire developed, experienced workforces to expand upon the capabilities it offers to clients.\(^2\) Post-pandemic demand for advertising and public relations has increased, and we think it will continue to rise, assuming inflation does not become too severe in the US. OMC is looking to invest in areas they believe to show growth potential like e-commerce and digital transformation. They are also working to improve operational efficiencies in their information technology and accounting segments. Hopefully, these developments can drive more growth than the 2.08% we saw this period.\(^3\)

**Risks**
Omnicom is an advertising firm, thus their profitability is directly related to other companies doing well and having marketing budgets, which makes it susceptible to fluctuations in the business cycle. If inflation proves to not be transitory in 2022, this could negatively impact OMC’s profits as overall consumer confidence, consumer spending, income, or wholesale retail sales decrease. All these indicators will signal an aggregate decrease in ad spend.
**Description**

The Trade Desk, Inc. is a technology firm that focuses on leveraging their capabilities in the advertising space through primarily hiring software engineers. They provide services that assist ad-buyers in the creation and management of marketing campaigns through an omnichannel approach that includes display, video, and audio media. Their primary clients are advertising agencies who enter into Master Service Agreements (“MSA”). Clients upload their data which is then analyzed on the platform to form a digital advertising campaign strategy. TTD utilizes predictive models composed of user characteristics such as demographic or purchase intent.

**Growth Drivers**

Society has continued to trend toward heavy digitization. Maintaining a competitive edge by leveraging their superior technological and analytics capabilities is one of The Trade Desk’s core focuses in the advertising space. Constant innovation is a key growth driver, as seen in TTD’s revealing of Solimar, their trading platform that combines easy data onboarding, growth-based goal setting, and an advanced measurement marketplace. As an outlook, TTD forecasts an increase in ad-spend from existing clients, new client acquisition, and IT/omnichannel innovation. This strategy has worked citing Period 1 growth of 30.63%. Additionally, their FY 2021 EPS projects to be over 40%. TTD’s foray into the sports streaming space with partner fuboTV (FUBO), increased share of the connected TV (CTV) segment, and moves into retail media with giants like Walmart offer significant growth potential. As the pandemic comes to a close, TTD’s digitization shields it from variant-induced social distancing guidelines, so we are confident in TTD in the future.

**Risks**

The Trade Desk (TTD) is a digital demand-side platform, and customers are ad-buyers, i.e. providers of goods and services. In this way, they are indirectly impacted by consumer spending habits like inflation and seasonality. TTD may have to wait for payment from clients who must wait to sell products. As the end of the year saw the introduction of the Omicron variant, there might be decreased demand in the next period, but it’s unlikely to have a lasting impact. Additionally, if consumer spending is down overall because of future inflation expectations, clients may scale back how much ad spend they allocate to utilizing TTD’s platform.
Period Performance

In Period 1, the Consumer Discretionary sector of the LaPorte portfolio grew 6.62% collectively, as compared to the S&P 500 index which grew 11.00%. Our holdings in this sector include Amazon, Lowe’s, and Starbucks. Lowe’s was our top performer with a 27.81% return, while Amazon was our worst performer with a 1.50% period return. Starbucks performed moderately with a 6.48% return. Currently, we are approximately 4% overweight in this sector compared to the S&P 500, but since Amazon is characteristically different from the rest of the sector, this difference does not concern us much.

Looking Ahead

This sector encompasses all companies that are deemed not necessary to life, which are firms categorized as providing luxury/leisure goods and services. Because these items are nonessential, it makes this sector the most susceptible to business cycles. Consumers buy more of these goods when the economy is expanding, because they are confident and have more money to spend. As the effects of the Omicron variant dwindle, the overall economy remains open which is a good sign for some Consumer Discretionary firms such as traditional retailers and restaurants. Moving into 2022, this sector could provide some growth, but we do not foresee adding any holdings to this sector until the Fed’s announced rate hikes materialize. However, the recent increase in aggregate wages provide a boost for the big-name and market capitalization firms in this sector who are positively affected by an increase in consumer spending, such as Amazon.
Description
Amazon.com, Inc. is a global e-commerce retailer with smaller divisions in cloud computing and digital streaming. It also serves customers in select physical stores. What began as a bookstore, is now colloquially known as the ‘everything store.’ Amazon manufactures electronic devices like Kindle, Echo, Fire TV, etc. They serve retail customers, developers, enterprises, and content creators. Amazon Web Services (AWS) is their cloud computing platform, which operates on a pay-as-you-go basis that includes services such as APIs, storage, database management, analytics, and machine learning.

Growth Drivers
Amazon.com, Inc. (AMZN) did not provide a large return this period, but they continue to diversify with ventures into advertising and cloud-computing, so we remain positive in our outlook that AMZN still offers significant growth potential in 2022. AMZN has a growing digital advertising segment with it being the world’s third largest advertising company behind Alphabet, Inc. (GOOG) and Meta (FB). Amazon’s advertising revenue jumped $10 billion from 2020 to 2021 and apart from its cloud-computing, this seems to be the fastest growing area. The firm refuses to rest on its laurels and is constantly looking for new opportunities. From its recent acquisition of Zoox and its self-driving technology to development of its cloud-computing segment to the planned buyout of MGM Studios, Amazon continues to expand its reach.

Risks
Like other comparable retail firms, Amazon.com, Inc. (AMZN) is heavily impacted by consumer spending habits, so if the Fed is unable to stifle inflation as expected in 2022, this could signal trouble in AMZN’s future profits. Rising input costs and labor shortages continue to put AMZN at risk, as well. One thing to be watchful of is the new Federal Trade Commission Chair Lina Khan whose Yale Law research paper suggests she is averse to Amazon amidst new antitrust bills being introduced in the House and Senate.
Lowe’s Companies, Inc. is the world’s second largest home improvement retailer with 1,974 stores. They provide home decorating, maintenance, remodeling, and repair products and services. With over 40,000 products ranging from electrical supplies, paint, plumbing, gardening, flooring, and home furnishings, Lowe’s is typically the first stop for anything home related. These products include brand-names like GE, Whirlpool, Sherwin-Williams, Samsung appliances and Lowe’s own private labels. Their primary customers are homeowners, renters, and home-improvement professionals. Sales within the U.S. account for 94.00% of revenue.

**Growth Drivers**
This period, Lowe’s Companies, Inc. (LOW) elicited a substantial 27.81% return. This is largely due to the remaining pandemic consumer habits because more time and focus on the household prompts improvement ideas. Lowe’s has remained focused on growing market share. One recent initiative (introduced late 2020) to do such a thing is their Total Home Strategy, which aims to provide a full array of solutions for any need regarding home-improvement. Simply, this strategy equates to improving product quality and variety. Their adoption of omni-channel retailing capabilities such as curb-side delivery and touchless pick-up lockers in all U.S. stores make an even easier process for consumers. Through strategic acquisitions to enhance product lines and a customer service focus shift, Lowe’s will continue to reliably serve consumers as normalcy returns in 2022.

**Risks**
As a Consumer Discretionary stock, revenue is positively correlated with an increase in consumer spending and confidence regarding the overall economy. At the end of the year, The Fed signaled that they seek to raise the Fed Funds rate in 2022, which could stifle consumer confidence and negatively impact revenue and earnings. However, a portion of consumers will always need integral home repairs that Lowe’s can provide even during economic slowdown. Deficiencies in the supply chain that still linger are something to watch regarding Lowe’s, as well. Additionally, long-time competitor Home Depot continues to beat out Lowe’s in terms of revenue year after year.
Starbucks Corporation is a leading roaster and retailer of specialty-coffee and tea. They operate over 30,000 stores worldwide, and these stores offer ready-to-drink coffee and tea beverages, select food items, packaged whole bean or ground coffee bags, and other coffee-related accessories. Starbucks’ stores take one of two forms: company operated stand-alone stores and licensed stores. The company operated stores account for approximately 80% of revenue and seek to recreate an intimate atmosphere reminiscent of quaint Italian coffee shops.\(^1\)

**Growth Drivers**

As they look towards the future, Starbucks aims to strategically place new stores globally in new and existing markets. They are exploring increasing the number of licensed stores and alternate ways to provide their products, which includes continued investment in technology and partnerships in international markets. For example, ‘Starbucks Now’ is a store format in China that aligns with the increasingly digitized and streamlined experience that customers now prefer. In response to the pandemic, Starbucks has begun establishing an increasingly contact-less experience when purchasing these coffee beverages on-the-go. The successful Starbucks Rewards Program on their mobile application allows on-the-go ordering, which has a very large and loyal user base who hold a significant amount of funds and information in these accounts. As the pandemic slows down, Starbucks is expected to experience significant growth in fiscal year 2022 as consumers get out of the house more.\(^12\)

**Risks**

Prices of inputs are volatile. The *arabica* coffee plant, Starbucks’ preferred input, isn’t traded on the commodity market but on a negotiated basis at a premium. These premium contracts can still be influenced by a decrease in supply due to natural disasters, increase in farming supplies, and political unrest in the producing country.\(^13\) So, their supply remains a risk, along with retaining employees during this labor crisis. There have also been changing consumer habits of those who have been enticed by the rise of small, local coffee-shops for an even more intimate experience. Additionally, Starbucks’ EBITDA Margin is expected to drop 7% from 2021 to 2022.\(^1\)
Looking Ahead

As the Consumer Staples sector encompasses necessities of life, such as food, beverage, and household item providers (even including alcohol and tobacco), it generally enjoys stability i.e., constant demand and steady growth throughout all the varying phases of the business cycle and can be seen as a haven for investors in recessions. Items sold within this sector do not usually suffer from price elasticity, which means that consumer spending does not decrease as prices for these items rise in inflationary times. The Fed announced that they plan to raise rates in 2022, so this is something to be watchful of as our Consumer Staples sector will serve as a buffer in the case of economic slowdown.

Period Performance

In Period 1, the Consumer Staples sector of the LaPorte portfolio grew 10.00% collectively, as compared to the S&P 500 index which grew 11.00%. Our holdings in this sector include PepsiCo, Walmart, and Procter & Gamble. This period we decided to liquidate our remaining shares of Coca-Cola, due to us initiating a position in PepsiCo recently. Procter & Gamble was the top performer in this sector of our portfolio with a 17.63% return. PepsiCo was not far behind, however, returning 15.49% for Period 1. Walmart performed the worst with a 3.81% return.
Thesis for Liquidating

Supply chain disruptions impacted many companies in our portfolio, and this was no different for The Coca-Cola Company (KO). Bottlenecks in the supply chain and rising input costs were already affecting the price of beverages sold in stores. Additionally, end of the year inflation and the Fed’s announcement of future rate hikes provided an uncertain environment for Coke in 2022. As such, the LaPorte Fund managers decided to liquidate our remaining 91 shares of Coca-Cola after we forfeited 100 shares in the previous period when one of our options contracts was exercised. We also recently initiated a position in PepsiCo, Inc., one of Coca-Cola’s main competitors. We felt that Pepsi offered a stronger holding as their business model is more diversified, which includes their Frito-Lay snack division in addition to the beverages they manufacture.

The Coca-Cola Company

KO

**P1 Total Return:** 9.41%  
**Beta:** 1.002

**Beg. Shares:** 100  
**End Shares:** 0

**Beg. Value:** $5,247.00  
**End Value:** $0.00

**P1 Dividend Yield:** 0.80%  
**P1 Action:** Sell 100

**Description**

The Coca-Cola Company is the leading carbonated soft-drink manufacturer in the United States. They produce more than 200 brands in over 200 countries and territories, which includes manufacturing top non-alcoholic beverages such as Coca-Cola, Diet Coke, Fanta, and Sprite. Coca-Cola also owns other brands that make sports drinks, coffee, tea, and juice. They have a network of independent bottling partners, distributors, wholesalers, and retailers that aid in putting products in consumers’ hands.¹
**Description**

PepsiCo, Inc. is a global snack and beverage corporation that owns many different brands, in which they oversee the manufacturing and distribution of these items. Other than producing their famous Pepsi-Cola, they produce Gatorade, Mountain Dew, Tropicana, and many more. PepsiCo’s portfolio of assets also includes brands in the consumer-packaged industry such as Quaker Oats, Rice-A-Roni, and Frito-Lay. Their food and snack division accounts for more than half of revenue. PepsiCo ships to main customers such as wholesale distributors, grocery stores, convenience stores, mass merchandisers, membership stores, e-commerce retailers, and independent bottlers.¹

**Growth Drivers**

This period saw PepsiCo, Inc. (PEP) return 15.49%. Their growth and return has undoubtedly been aided by aggregate consumer demand bounding as the peak of the pandemic is in the past. Through acquiring profitable companies that increase market share, forming strong global alliances, and dominating emerging markets, PEP has a strong grip on how to continue driving growth.¹⁴ Using celebrities to appeal to the younger population and modifying taglines to fit cultural markets better are a few of their many advertising campaigns. PepsiCo has partnered with many other big-name brands like Starbucks to distribute on-the-go coffee beverages in convenience stores. Recently, they have partnered with Beyond Meat to offer plant-based protein which meets rising demand for accommodation to modern diets.¹ In September 2021, they announced a strategic end-to-end transformation titled *PepsiCo Positive* towards more sustainable methods. As of December 2021, this includes significant investment to spread regenerative farming, replenish watersheds, and increase renewable energy efforts in northern Central America, where PEP has a notable presence.¹⁵

**Risks**

An increase in price of the numerous ingredients for any of PepsiCo’s products or rising shipping costs because of supply chain issues or inflation will increase the price of items for customers. In fact, CFO Hugh Johnston revealed that consumers should expect a rise in drink prices in the first quarter of 2022.¹ Once the Fed’s rate hikes are implemented, this could slow inflation, which will hopefully help PEP keep their prices down so consumers don’t switch to cheaper substitutes.
**Description**
Procter & Gamble is the world’s largest consumer packaged-goods company and offers a variety of products in the health care, grooming, fabric & home care, beauty, and baby, feminine & family care. These business segments boast over 65 household brand names, like Tide, Downey, Gillette, Febreze, Crest, Head & Shoulders, Pepto Bismol, Pampers, Charmin, and many more. P&G sells over 300 individual products in over 170 countries. This firm strives to be a market leader in each of their segments. They generate revenue when they sell products to mass merchandisers, grocery stores, membership club stores, medication stores, department stores, salons, distributors, and high-frequency stores.¹

**Growth Drivers**
Procter & Gamble Co. (PG) saw significant growth of 17.63% in Period 1, which is reflective of consumer’s unwavering need for household items. In recent years, P&G has scaled back on its numerous brands to focus on its most profitable 65 brand names.¹⁹ They are the world’s largest spender on advertising, so this consolidation effort will promote efficiency. Through increasing research and development each year, amounting to $1,900 million in 2021, this company is committed to innovation and maintaining their market share.¹⁷ Recently, P&G has applied for patents of a multitude of items like recyclable paper barrier laminate, a floor cleaning article with a differential bond pattern, and natural fiber-containing packages for absorbent articles. Innovative products include Oral-B’s iO power toothbrush that features a smart pressure sensor that comes with an app with artificial intelligence brushing recognition technology.¹⁸ Their commitment to innovation will continue in 2022.

**Risks**
Procter & Gamble is still plagued by the supply chain defects that remain as a result of the pandemic. The labor shortage that persists, especially in retailers, can have some effect on getting P&G products from the shelf into consumer hands. While topline revenue decreased from 2012-2017, that was during their restructuring period as they were selling off ancillary brands to consolidate and focus on the most profitable brands in their portfolio, and revenue has increased consistently since.¹ Keeping their prices low to retain consumers will be an ongoing challenge, especially since at the end of the year the Fed announced rate hikes in 2022 to battle inflation.¹⁶
Walmart, Inc. (WMT) saw a moderate return this period, characteristic of a Consumer Staples stock, and expects positive earnings growth next year as they continue to digitally adapt and expand their business portfolio. WMT has tried to be careful with expansion and instead acquire locally relevant discount stores that stay true to the culture where it operates like its 2011 acquisition of a 51% stake in South African retailer Massmart (MSM) that owns almost 300 stores across Sub-Saharan Africa. WMT has begun its venture into healthcare services by opening small care clinics in select southeastern states and plans to open 4,000 healthcare supercenters that will include clinical laboratory testing options. They are also currently developing a Fintech startup as a joint venture with Ribbit Capital with potential to become a neobank.

**Growth Drivers**

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**Risks**

Walmart, Inc.’s biggest risk of this period and moving forward is strong competition in the e-commerce and membership retail space from big-name adversaries like Amazon, Target, Costco, etc. WMT’s cost leadership may not help retain market share as 2022’s expected revenue growth is only 2.2%, and their 2021 net income was down 10%. It’s unclear if its Walmart Plus initiative, which is their version of an Amazon Prime subscription, will be able to beat out competition. Walmart is vulnerable to rising labor costs since they employ 1.6 million associates in the US alone and is the world’s largest private sector retailer. If inflation in 2022 proves to not be transitory, this could drive up labor costs, thus forcing WMT to pass these prices down to consumers.
Period Performance

In Period 1, the S&P 500 Energy Index grew 6.78% while the S&P 500 grew 11.00%. Our single holding in the Energy sector (Shell) lost 1.71%. Between Shell and the closest competitors (Exxon, Chevron, and ConocoPhillips), Chevron appreciated 15.67% in price while Shell was the worst performer. Shell, our single holding within the Energy sector, accounted for 1.29% of equities in the LaPorte portfolio. The Energy sector is 2.67% of the S&P 500.

Looking Ahead

Shell is an excellent company to start with, but we believe we should be more exposed to the energy sector than we have been in the past. In pursuing this goal, we must be mindful of the volatility of the prices for Crude and LNG (Liquified Natural Gas). It is our opinion that firms that are midstream, or downstream oil and gas companies will be the safest bet, as they will be less affected by the volatility of the commodity market than pure upstream companies. Shell has upstream and downstream operations, but its downstream revenues account for 80% of its business. Considering these ideas, we feel we should add more down and midstream firms to our energy holdings, and we will be actively looking for those opportunities. We will also continue to monitor the sentiment on renewable energy, as firms continue to innovate and make more efficient fuels and energies.
## Royal Dutch Shell

**SHEL**

<table>
<thead>
<tr>
<th>Description</th>
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<tr>
<td>Shell has a crude oil distillation capacity of 2.8 million barrels per day. Operating in over 99 countries, the British-Dutch company pumps out 3.6 million barrels of crude oil, liquefied natural gas (LNG), natural gas, synthetic crude oil, and bitumen. Shell divides its operations into 5 segments: Integrated Gas, Upstream, Oil Products, Chemicals, and Corporate. It has some of the largest operations in the world among its peers. Furthermore, Royal Dutch Shell also runs over 35 refineries, transports natural gas, trades gas and electricity, and develops renewable energy, which is an important aspect to SHEL's future.¹</td>
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<thead>
<tr>
<th>Growth Drivers</th>
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<tbody>
<tr>
<td>Powering Progress sets out Shell's strategy to accelerate the transition of its business to net-zero emissions, in step with society. It is designed to deliver value for its shareholders, for its customers and for wider society. Powering Progress serves four main goals: generating shareholder value, achieving net-zero emissions, powering lives and respecting nature. Shell envisions roughly doubling its power sold to 560 terawatt-hours per year by 2030, though the company declined to elaborate on its 5-gigawatt target by 2025, the smallest of EU peers. ² This is an acknowledgment by management that Shell's transition strategy centers on generating growth from its customer-facing businesses, which has been reflected in the company's bias toward power utilities, electricity, battery-storage and EV-charging M&amp;A deal flow.</td>
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<tr>
<th>Risks</th>
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<tr>
<td>The oil industry is composed of companies that all produce a homogenized product and little differentiation is possible, thus they can only compete on price. In our opinion, the entire sector will move more closely together than others. We have determined that the energy sector will continue to benefit from the continued reopening of the world, but we must continue to monitor global sentiment. Supply chain issues have not fully resolved themselves yet, as they are still fragile from the shock the pandemic put on the system. Lastly, the new developments on the Russia-Ukraine border have created some uneasiness, as a majority of European countries rely on natural gas and crude oil from Russia.</td>
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<table>
<thead>
<tr>
<th>P1 Total Return: -1.71%</th>
<th>Beta: 1.202</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. Shares: 217</td>
<td>End Shares: 217</td>
</tr>
<tr>
<td>Beg. Value: $9,671.69</td>
<td>End Value: $9,417.80</td>
</tr>
<tr>
<td>P1 Dividend Yield: 0.92%</td>
<td>P1 Action: Hold</td>
</tr>
</tbody>
</table>
Period Performance

The Financial Services sector composed roughly 12.00% of LaPorte’s total equity and returned 5.66% by the end of Period 1. We held Nasdaq Inc. and Prudential Financial which were partially liquidated to facilitate the purchase of JPMorgan Chase & Co. shares. Our new position allowed for further diversification, and a better position given current analysis. Nasdaq Inc. had a return of 7.17% outperforming our weighted benchmark however remained under the S&P 500. Prudential Financial and JPMorgan Chase & Co saw returns of 2.76% and -1.65% respectively.

Looking Ahead

The Financial Services sector is well in tune with the health and growth of the economy. As the economy recovers, financial institutions benefit from increased economic activity in the form of spending, borrowing, higher fees, lower defaults, and more. In the recent months there has been a significant spike in inflation that requires special attention going forward. Different policies could be enacted to tighten the money supply that could raise interest rates and can directly affect the valuation of securities and businesses. Financial institutions are positioned to gain from a raise in interest rates by increasing the net interest margin if borrowers continue to borrow near the rates they have been in the recent past. Separately, there is an expectation that the SEC and FINRA will further scrutinize topics around market data, new generation of retail investors, gamification of trading, payment for order flow, and impose more regulations. These all will create a need for financial institutions to adapt and potentially even change the way they conduct business.
<table>
<thead>
<tr>
<th><strong>P1 Total Return:</strong></th>
<th>-1.65%</th>
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<tbody>
<tr>
<td><strong>Beta:</strong></td>
<td>1.180</td>
</tr>
<tr>
<td><strong>Beg. Shares:</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>End Shares:</strong></td>
<td>115</td>
</tr>
<tr>
<td><strong>Beg. Value:</strong></td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>End Value:</strong></td>
<td>$18,210.25</td>
</tr>
<tr>
<td><strong>P1 Dividend Yield:</strong></td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>P1 Action:</strong></td>
<td>Buy 115 Shares</td>
</tr>
</tbody>
</table>

**Description**
JPMorgan Chase & Co. is amongst the largest firms in the Financial Service industry that operates in the U.S. and abroad. Their main business segments include Consumer & Community Banking, Corporate & Investment Banking, Asset & Wealth Management, and Commercial Banking all which are offered to individuals and businesses. Consumer and community banking makes up 40% of revenue, and it offers individuals and businesses banking services. Other services include advising corporate strategy, raising capital, risk management, derivatives, research, home lending, debit and credit cards, investment banking services, and securities.¹

**Growth Drivers**
The firm has continued to invest in new technologies, products, and locations that have been successful. JPM has had consistently strong returns on capital expenditures and has been able to generate new sources of income. In the corporate & investment banking segment growth has been driven by increased volume, high fees, and strong products. Focusing on long term growth has led them to hire and attract a talented workforce that is dedicated, and able to achieve high customer satisfaction. They have expanded within 48 states in the U.S, have now expanded to China, and 13 other international places. Part of their long-term global expansion plan is to reach new clients and markets such as South Korea. They have expanded commercial banking for midcap companies that want to grow outside domestic boundaries by providing treasury management, credit, and investment banking services.²⁷ Also, anticipated increases in interest rates and continued borrowing will benefit JPMorgan Chase & Co. as they increase the price of borrowing, and since 55% of their revenue comes from interest income.

**Risks**
As inflation hits a relative high and a climbing number towards the end of the period, the Fed has signaled to slow down the purchases of assets and increase interest rates. If interest rates are too high, borrowers may be discouraged and borrow less, decreasing profits. If inflation continues to rise lenders will be on the losing side as longer-term borrowing becomes less attractive, and they begin to limit credit.
Nasdaq, Inc.

**Description**

Nasdaq, Inc. (NDAQ) pioneered the first electronic stock market, and now powers +70 marketplaces and 1 in 10 of the world’s securities transactions. The firm provides a variety of services encompassed in four main business segments being market technology, investment intelligence, market services, corporate services, and other. Some of the specific services include equity and derivative trading, clearing, exchange markets, security listings, market data and other services.

**Growth Drivers**

Nasdaq Inc. should continue to see growth through their acquisition of Verafin, an anti-fraud company. The acquisition allows Nasdaq to further fill in the roles of a technological and data provider leader. NDAQ increases its competitiveness by becoming a more all-inclusive business. The service is offered to many clients that seek to reduce the cost of regulatory and safety measures by streamlining compliance and monitoring duties. As a leading U.S. exchange Nasdaq helped in the initial public offering of many companies, 743 IPOS, which make up about 76% of all U.S. IPOs in 2021. NDAQ continuously seeks to grow and innovate their businesses by creating and offering new or better products. NDAQ and AWS have partnered to further innovate the operation and benefits of the world’s capital markets in areas such as anti-financial crime, data, software solutions, latency for trading, and cloud base opportunities.

**Risks**

The firm has proposed new changes to their all-inclusive annual listing fee structure, mainly increasing them across domestic and foreign companies that operate on the exchange market. However, the firm operates in a competitive market putting them at risk of losing customers who can easily switch. Also, Nasdaq the exchange market can take part in payment for order flow, in which they benefit from an increase in share volume and market data. This practice has been criticized as some brokerage firms may send their customers’ orders to the commission paying third party for execution. The executing party benefits from price discrepancies which is done through market data from exchange markets. However, proposed data fees on core data, depth of book data, and auction information may negatively impact NDAQ’s revenue.
**Prudential Financial, Inc.**

**PRU**

**P1 Total Return:** 2.76%

**Beta:** 1.622

**Beg. Shares:** 222

**End Shares:** 174

**Beg. Value:** $23,354.40

**End Value:** $18,833.76

**P1 Dividend Yield:** 0.86%

**P1 Action:** Sell 48 Shares

---

**Description**

Prudential Financial, Inc. (PRU) is a multinational financial services provider that operates in the U.S. and over 40 countries serving about 50 million customers. The company is divided into global investment management, U.S. businesses, international business, and corporate finance. The firm's wide range of products and services include life insurance, pensions, retirement services, mutual funds, in addition to other financial management and administrative services.¹

**Growth Drivers**

Prudential Financial Inc. continues to seek to become a high growing and less market sensitive company. As they become more centered around their goals it will allow them to maximize efficiency and reduce issues. The firm has made several divestitures like full-service retirement and PALAC a block of legacy variable annuities.³² This will allow the repositioning of the company and focus on meaningful relationships amongst specific markets like Japan. Business in Japan has continuously created strong cash flows, and PRU will continue to grow and invest in Japan as they see bigger potential.³³ The company has now reached $590 million in savings cutting costs in areas where it’s possible to allow a better usage of funds and growth of the firm. The firm has reinvested some of the savings for future growth, and some to offset low interest.

**Risks**

The firm had to issue more life insurance payments and change how they do business as Covid-19 devastated the population, especially older populations who are more likely to have life insurance. Prudential Financial conducted business face to face, but sales and marketing campaigns had to be performed through different means. The firm found it more difficult to attract new customers during this time. Also, Japan’s solvency regime seeks to implement new changes to how the insurance business is conducted by 2025. New changes would be such that it gives consumers more protection among insurers, increasing buyers’ powers.
Period Performance

Our Healthcare holdings made up 10.75% of our portfolio weight on average during Period 1. The S&P had a 12.90% average weight during the same period. Our three holdings had a total return of 16.31% compared to 11.00% of the S&P 500. CVS Health was our biggest gainer in the sector with a period return of 22.15%. We made no changes to our Healthcare holdings during Period 1.

Looking Ahead

After an uncertain 2021, we realized the importance of having medical products and services that are easily accessible. Investment opportunities can come from companies that develop new medical technology, such as biomarkers, software development, and robotic assistance. An aging population has an increased need to keep track of their health in a convenient way. New medical technology can help us keep track of our health and determine if something is wrong early on. The use of this technology is becoming popular in devices, such as Apple watches and Fit bands. People enjoy tracking their health in a convenient and accessible manner. In a market that will be worth around $208 billion by 2023, companies that develop this type of technology seem promising in 2022. Additionally, we will continue to monitor government legislation and COVID trends that might present risks for the industry.
Amgen Inc. is a company headquartered in Thousand Oaks, California. The company has over 22,000 employees, which makes it one of the largest biotechnology companies in the world. The company develops, manufactures, and markets its own biologic medicines. With the help of tools like advanced human genetics, the company targets diseases with limited treatment options. The company has a presence in over 100 countries, with the US accounting for about 70% of their total sales. Amgen focuses in six major therapeutic areas: oncology, cardiovascular, inflammation, bone health, nephrology, and neuroscience.¹

**Growth Drivers**
Amgen has grown its sales by approximately 10% globally in the last ten years. The company is likely to continue growing internationally due to the high demand of their products. Asia-Pacific has shown the most potential for sales growth. Additionally, Amgen is making the reduction of cycle times one of their priorities. Reducing cycle times would cut significant costs from the product development process.³⁹ Finally, Amgen products’ popularity has grown for cancer treatment. In the US, 1 in 5 cancer patients will receive Amgen medicine. Amgen recently secured a patent for cancer treatment drug Enbrel until 2029, which is a popular drug used in the US and likely to be popular overseas.⁴⁰

**Risks**
Patents and investing in R&D are key for Amgen profits, but current patents may not have long enough protections to make up for the cost of developing new drugs. Additionally, developing drugs that target specific diseases is expensive.³⁹ Insurance companies can decide not to cover target drugs, which would outprice consumers that will look for other options. Another risk is the political environment of other major markets. Generic drugs are more commonly accelerated through legislation in other countries than in the US. Finally, the concern over how drugs are developed and evaluated prior to being fully approved, can influence new legislation with the goal of slowing down cycle times.
Growth Drivers
CVS Health has promising initiatives that were fueled by the environment created during the pandemic. They provide access to records and services for their customers/patients. Their main online platforms receive over one million visits per month. The pandemic was an opportunity for CVS to improve their virtual experience. Efficient digital platforms are a great way to attract new consumers. CVS Health recently acquired Aetna Insurance for $70 billion. This massive acquisition will provide CVS with a strong arm of healthcare benefits. In 2021, this segment outperformed its expectations. Strong performance in healthcare benefits will allow CVS to reduce risks by making them less dependent on their pharmaceutical services.

Risks
The industry has many well-established competitors, such as Anthem, Walgreens, and Healthesystems. Even with a growing demand, there are companies ready to take a fair share of the demand. Additionally, concern from the public due to high healthcare costs can lead to new legislation, which would regulate the price of medical drugs and services. Finally, CVS Health’s ability to sell their healthcare benefits from recent acquisitions will play an important role in the upcoming years. It might take some time to get well established in the healthcare benefits segment, slowing growth, and eating into profits as money is used to help integrate systems.
Thermo Fisher Scientific, Inc.

TMO

**P1 Total Return:** 16.83%

**Beta:** 0.648

**Beg. Shares:** 47

**End Shares:** 47

**Beg. Value:** $26,852.51

**End Value:** $31,360.28

**P1 Dividend Yield:** 0.05%

**P1 Action:** Hold

**Description**

Thermo Fisher Scientific, Inc. makes and distributes scientific equipment, laboratory supplies, consumables, and other analytical instruments. It also offers manufacturing of drugs and specialty diagnostic testing. The company has over 13,000 employees and has presence in over 50 countries. The company focuses in four major segments: Laboratory product and services unit, life sciences solutions, analytical instruments, and specialty diagnostics.¹

**Growth Drivers**

Thermo Fisher Scientific is looking to expand their existing businesses by making key acquisitions that will make them leaders in the manufacturing and research services of the medical industry. The company has seen some major acquisitions in the last two years. They acquired PPD, which is a global provider of research services to the biotech and pharma industry. Another acquisition was Qiagen, leader provider of insight molecular diagnostics and sample preparation technologies. They also acquired Henogen, which expands TMO exposure to pharmaceutical services in Belgium and the US. Most recently they acquired Propel Labs to benefit from their cell sorting assets, which increases their molecular diagnostic capabilities. All of these acquisitions give TMO new ways to make and distribute scientific equipment, representing and opportunity to increase market share.⁴³

**Risks**

Change in policies that affect regulations of products Thermo Fisher Scientific produces is a risk the company faces. Developing new technologies and products is expensive and price regulations can significantly decrease sales revenue. Additionally, long-term debt and additional lines of credit make the company vulnerable to economic changes.⁴⁴ Multiple acquisitions in the last two years create vulnerability to economic changes especially in the short run.

¹
**Period Performance**

At the conclusion of Period 1, the Industrials sector accounted for 7.9% of the S&P 500 and had an overall return of 6.73%. The LaPorte Fund holds four industrial firms, General Dynamics, Raytheon, Waste Management and CoStar Group, for an overall weight in the sector of 8.28%. We have remained steady in our positioning, mainly citing the diversity of our holdings within the sector and having exposure to many different sub industries. We have been fairly content with maintaining a similar weighting in Industrials as our benchmarks, and consider the Fund to be generally at weight.

**Looking Ahead**

The Industrials sector is likely to face more difficult times than in previous periods. High inflation rates can cause large scale production and capital expenditures to cost considerably more, pushing prices up as well. In addition, with multiple Federal Reserve rate hikes looming soon, large capital expenditures are not going to be as affordable as they once were, adding in higher interest payments. There will be some resiliency in areas like waste management and defense, as these firms tend to have more elastic levels of demand. The situation between Russia and Ukraine is to be closely monitored, as military escalation could lead to increased activity in Aerospace & Defense. Additionally, supply chain constraints will continue to be a hindrance for large-scale production as a wide variety of input materials are needed and the cost to ensure or accelerate delivery time increases. Monitoring the current employment figures in key areas such as transportation, will give us a better idea as to how long to project continued issues.
CoStar Group, Incorporated is a firm that provides information, analytics, and online marketplace services to commercial real estate, professional, hospitality and residential industries. In addition, they own and operate a wide variety of consumer facing real estate online domains, with individual focuses on specific markets including residential, farmland, commercial properties, etc. Originally purely an analytical firm, their expanded portfolio has been able to seamlessly integrate using their industry leading information to better sell to consumers, and to better understand the market in a self-feeding loop.\(^1\)

**Growth Drivers**

CoStar has diversified their portfolio to encompass the entire spectrum of real estate properties. There is very little competition in the specific niche CoStar resides, and a majority of their revenue comes from subscriptions to their services for commercial real estate firms. By having such a strong hold on the overall real estate market, CoStar and their properties have been able to become synonymous with the home buying process, giving them a strong presence going forward. Additionally, commercial real estate firms continue activity and are especially interested in strong market data when profits are harder to find. With this, the subscription side of their revenue stream should continue to stay moderately resilient which will help provide funding as they build out their residential operations.\(^2\)

**Risks**

CoStar Group has been the beneficiary of very strong real estate markets for an extended time. High materials costs, high prices, and incoming interest rate hikes spell a much more unstable future for the market, and additionally the firm. Commercial real estate firms do better when the velocity of the real estate market is high, and a slowdown could prove to trickle down to CoStar. Ultimately, CSGP should move as the housing market does therefore, we will need to continue to closely monitor.
General Dynamics saw Period 1 returns of 6.95%. Due to their government contracts, incredibly stable dividend yields, and innovation, General Dynamics has been able to keep themselves positioned well coming out of such an uncertain time in the market and in history.

Their Gulfstream revenues should look to continue increasing as Covid becomes less of a factor in travel and business traveling should see a rebound. They have also started to lead the charge in creating cleaner burning fuel for aircraft. Because GD is such a large well-established company, even in times of economic uncertainty their need for large capital expenditures is lower than others and will allow them more flexibility with profits.

Risks
As with all other firms in the sector, General Dynamics is facing supply chain issues, high inflation, ever growing concerns on environmental sustainability, and an unstable economic future with regards to interest rates domestically. Because they are positioned so closely with the US government and governments abroad, they face a more certain customer base. Regardless, as inflation continues to rise and the cost of materials continues alongside, a slowdown in demand and a decrease in the demand for large capital expenditures is to be expected.
Raytheon Company

Raytheon is an Industrials firm in the aerospace and defense subsector, serving commercial, government, and military customers globally. Their four main business segments are: Collins Aerospace Systems, Pratt & Whitney (Aircraft engines and servicing), Raytheon Intelligence & Space, and Raytheon Missiles & Defense. In missile defense systems, they have become an industry leader selling these products to the US government, as well as governments across Europe. This strong international presence has allowed Raytheon to grow tremendously in recent years, largely from an expansion of customers.49

Growth Drivers
Raytheon has earned themselves very constant and steady cash flows through sales with governments domestically and abroad. These constant payments allow leadership to know they have a solid funding base upon which they can continue to innovate and delegate funds toward perfecting their goods and services. Defense products tend to perform best in times of economic downturn, and as interest rates increase this will be something to monitor. Additionally, if there is any escalation in Eastern Europe, the Fund will have to pay close attention to what specific countries continue relationships with Raytheon and potentially place new orders with.47

Risks
The main source of concern for Raytheon is competition. Military and Defense is a large market/industry with very safe prospects due to large government contracts which are viewed as safe as any other asset. Being able to consistently innovate and provide a superior product is key, but there are strict limitations in place as new tech must come from within or purchased due to trademark laws. Beyond that, with rising interest rates looming, and high costs of materials, large capital expenditures are expected to slow down. Additionally, increased costs of inputs and supply chain bottlenecks will continue to inhibit large scale production such as that typically done for the goods Raytheon manufactures and develops.49
Waste Management, Inc.

WM

P1 Total Return: 12.13%
Beg. Shares: 93
Beg. Value: $13,890.48
P1 Dividend Yield: 0.39%

Beta: 0.733
End Shares: 93
End Value: $15,521.70
P1 Action: Hold

Description
Waste Management is an Industrials firm which services and oversees the collection, treatment, and disposal of waste from commercial or residential customers. WM is paid by municipalities, schools, businesses, or individuals, to collect their waste which is then either properly disposed of or separated and sent to be recycled. Waste Management is an industry leader in sustainability, currently having 20-year goals ongoing with the hope of reducing emissions. Waste Management has waste collection and treatment facilities across the country and have also begun to enter the recycling market, feeding those processes with byproducts from their core operations.

Growth Drivers
Waste Management faces very little competition in a macro view, and their plants are set up to be both sustainable and to produce revenue streams for the firm. Through innovation, WM has been able to produce natural fuels for their trucks which comes as a byproduct from their methods of disposing waste. Additionally, their recycling operations have become very profitable by increasing the usage life of their landfills as recyclable materials come out, and either using or selling the recycled material after production. High materials costs make it more likely that recycled products rise in popularity, due to their relative price as substitutes for traditional materials become more common. Waste Management has also recently heavily invested into their innovation campaigns and infrastructure, allowing them to be more cautious with earnings in the coming quarters as the economic environment is anticipated to go through major changes.

Risks
Increasing energy prices and demands for sustainability are the two main areas of risk for Waste Management. Although they face little competition, their transportation fleet is large to cover the area they service. These costs are required, and the required supply is very sticky in the short term. As inflation continues to rise, labor costs will rise which also threatens the firm by cutting into margins which are crucial for a company which relies on labor as opposed to capital.
Period Performance

At the end of Period 1, Information Technology holdings accounted for 16.99% of the LaPorte portfolio’s equity holdings while the sector made up 29.17% of the S&P 500. We added FISV to our IT holdings this period to further diversify in the subsectors of IT, exposing ourselves to Fintech and the payments industry. Our largest holding in this sector is Microsoft, and Accenture is close behind. Most of our holdings performed well except for FISV, which is the only firm that recorded losses. Microsoft returned 19.52%, Accenture returned 29.88%, IBM returned 1.18%, and FISV returned -6.60%. Despite this loss, we believe the investment thesis for FISV remains sound, however we will continue to monitor for changes in the business climate.

Looking Ahead

The Information Technology sector is likely continue to experience headwinds and volatility as we had seen at the end of the period. As the Fed announced multiple rate hikes this year, this may cause investors to escape high growth and low profit firms. This will result in near term volatility in the sector, as we have begun to see. The LaPorte Fund is confident that firms with strong balance sheets will ultimately continue to increase in value over the long term, so this moment may present unique opportunities to purchase strong firms at a discount. Furthermore, the announcement of Meta’s name change and focus on the future of VR and the ‘Metaverse’ will be an interesting focal point in the sector, as multiple other firms move to capitalize on ideas in that space.
Accenture PLC

**P1 Total Return:** 29.88%  
**Beta:** 0.971

**Beg. Shares:** 115  
**End Shares:** 115

**Beg. Value:** $36,790.80  
**End Value:** $47,673.25

**P1 Dividend Yield:** 0.30%  
**P1 Action:** Hold

**Description**

Accenture is one of the world's largest consulting firms offering a portfolio of management consulting, strategy, digital technology, interactive, and business operations services to some of the top companies and government organizations in the world. The company's corporate clients span a broad spectrum of more than 40 industries -- from retail to communications. Clients use Accenture's services to improve decision-making, mitigating risk and enhancing security, implementing modern change management programs, shaping, and delivering value from large scale cloud migrations, building more resilient supply chains, and reinventing manufacturing and operations with smart, connected products and platforms. Accenture has its North America head office in New York and gets over 65% of sales outside Europe.¹

**Growth Drivers**

Accenture growth strategy begins with a focus on what its clients need. Regardless of industry, the company's clients must transform every aspect of their business to meet the needs of today's digital world. Their increased digital spend over the past few years will continue to fuel growth and continue to book sales. Accenture’s decision to embrace the cloud came at the right place and right time, while they plan to spend $3 billion to expand their expertise in the cloud computing space, consistent increases and advancement of the product mix through innovation and M&A. Lastly Accenture has a solid base of large loyal clients. Of the 100 largest clients, 98 of them have been with Accenture for over a decade.

**Risks**

Accenture continues to face challenges from increased competition and new players entering the market. As Accenture continues to pursue its M&A goals, regulators may look at any business combinations with more scrutiny as regulators are scrutinizing potential deals more and more. Accenture is a high growth firm at this moment and in the future the Fed recently announced a number of rate hikes beginning early 2022. This will have a large influence on investor perception of all high growth firms, including Accenture.
Fiserv, Inc. is a leading global provider of payments and financial services technology solutions. The company provides account processing and digital banking solutions, card issuer processing and network services, payments, e-commerce, merchant acquiring and processing, and the Clover cloud-based point-of-sale (POS) solution. Through its Fiserv Clearing Network, the company provides check clearing and image exchange services. Fiserv serves customers of all sizes, including banks, credit unions, other financial institutions and merchants across US and Canada, Europe, Middle East and Africa, Latin America, and Asia Pacific.

**Growth Drivers**
The company plans to increase the number and breadth of its client relationships by, among other actions: continuing to integrate its products and services; introducing new products and services that are aligned with market needs; combining products and services to deliver enhanced, integrated value propositions; and improving the quality of its client service and support. Small to midsize banks are in the middle of transforming their legacy payment systems with new agile digital solutions, and FISV’s unique position between legacy solutions and cloud services will help these institutions pivot more seamlessly. Further shifts away from cash and to contactless solutions will further benefit FISV and their Clover POS platform, which directly competes with Square and Paypal.

**Risks**
Neo banks and P2P finance apps are a direct competition to FISV, as they can move consumers’ money with no physical locations. Through Zelle, FISV can compete in this area, but it is still relatively inferior to the main players like Venmo. Even though FISV’s Clover uses cloud technology, they are not the leader in cloud technology, only in Fintech. Lastly, technological innovation continues to change how we move money, Bitcoin, and Cryptocurrency. This must be closely monitored as the popularity of different apps and services increases, so will the dynamic of how money is spent and transferred around the world.
**Description**

International Business Machines (IBM) provides integrated solutions and products that leverage data, information technology, deep expertise in industries and business processes. The company is investing in what it calls cognitive computing systems, led by the Watson artificial intelligence platform, that help customers analyze massive amounts of data to make better decisions. Among other areas the company is innovating in are artificial intelligence, security, cloud, systems, quantum computing, and more. IBM's information technology, business services, and software units are among the largest in the world. While IBM has placed less emphasis on hardware, the company maintains enterprise server and data storage product lines that are among industry leaders. The company generates about 35% of sales from the US.¹

**Growth Drivers**

IBM is redefining its future as a hybrid cloud platform and AI company. The October 8, 2020, announcement of its plan to separate the managed infrastructure services unit of its GTS segment into a newly public company will create two industry-leading companies, each with strategic focus and flexibility to capitalize on their respective missions and drive client and shareholder value. IBM will focus on its open hybrid cloud platform and AI capabilities to accelerate clients' digital transformations. Since Kyndryl has been separated, Both IBM and the spinoff company will have greater ability to focus on their operating and financial models, have more freedom to partner with others and both will align their investments and capital structure to their strategic focus areas.

**Risks**

Now that the spin off has been completed, they can firmly set their sights on Azure and AWS. The problem is that IBM is considerably behind competition when it comes to cloud and AI solutions. Lastly, now that the company is a primarily cloud computing firm, its future product portfolio looks weaker than before in competition with peers. IBM will need to develop a strong core competency to keep up with competing firms.
### Kyndryl Holdings, Inc.

<table>
<thead>
<tr>
<th>Description</th>
<th>P1 Total Return: 0.00%</th>
<th>Beta: -1.129</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Beg. Shares: 0</td>
<td>End Shares: 0</td>
</tr>
<tr>
<td></td>
<td>Beg. Value: $0.00</td>
<td>End Value: $0.00</td>
</tr>
<tr>
<td></td>
<td>P1 Dividend Yield: 0.00%</td>
<td>P1 Action: Sell 20 Shares</td>
</tr>
</tbody>
</table>

**Description**
The former Global Technology Services arm of IBM was spun off into Kyndryl Holdings, Inc. They operate as a holding company. The Company, through its subsidiaries, provides applications, data, cloud, AI, core enterprise, digital workplace, security, and other related services. Kyndryl operates in 63 countries, and they manage 750,000 virtual servers, 270,000 network devices, and 25,000 SAP and Oracle systems. Kyndryl was spun off from IBM which was completed in the beginning of November.

**Thesis for Liquidating**
When the spinoff was announced we were slightly concerned with the low levels of free cash flow and high debt they would be saddled with. Also, this was the worst performing arm of IBM. We were not comfortable with taking the risk of holding and we decided the best path forward would be to liquidate Kyndryl when we were issued the spun off shares. Our thesis was proven correct rather quickly, as Kyndryl is down 55.58% from spin off.
Microsoft Corporation

**Description**
Microsoft is one of the world's leading technology companies with products that include the Windows operating system, Office productivity applications, and Azure cloud services. LinkedIn, its business-oriented social network, is used by millions to make connections. Outside the office, Microsoft's Xbox gaming system is second only to Sony's PlayStation. Microsoft's customers range from consumers and small businesses to the world's biggest companies and government agencies. Geographically, Microsoft's revenue is evenly split between the US and the other countries. Microsoft was founded in 1975.¹

**Growth Drivers**
Microsoft’s vast software portfolio will be a large benefit to the growing digital shift in landscape for businesses and consumers. Microsoft’s greatest growth driver continues to be the growing cloud computing industry. This is one of the largest ongoing trends in IT and Microsoft is well positioned to be the industry leader. An example of this is the fact that they have been selling legacy solutions to firms for decades, so switching to the cloud version is seamless. Infrastructure as a service (IaaS) spending could top $230 billion by 2025, which would firmly benefit Microsoft. Currently Microsoft has a $120 billion reserve of cash and equivalents to give them a lot of latitude for acquisitions or large projects. Lastly, greater AR and VR adoption will further drive cloud growth, as well as create additional streams of revenue if Microsoft if successful in popularizing their AR and VR offerings they are evolving.

**Risks**
Data security and privacy continues to be of increased risk for companies that provide cloud services and infrastructures for large and small firms. A minor breach could have catastrophic consequences on company perception. An example of this risk was in 2019, Facebook had 540 million user records exposed on the Amazon cloud server.²³ Lastly the macroeconomic environment must be monitored, as we are exiting a phase of high growth. Due to announced rate hikes by the Fed, all high growth stocks may see weakness in the coming period.

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¹ Microsoft was founded in 1975.
²³ Facebook had 540 million user records exposed on the Amazon cloud server.
Period Performance

The Materials Sector is the second lowest weighted sector in the S&P 500, at 2.60%. During Period 1, the Materials sector of the S&P 500 saw a 12.89% return. The LaPorte Fund closely matches the weighting of the sector, at 2.54%. Our current holdings are Vale S.A. and Sonoco, which give us exposure to mining and extraction as well as manufacturing of materials. Although Sonoco underperformed in the period, we continue to feel confident in our position and have a strong desire to maintain a level of exposure to consumer packaging firms due to the scope of operations and steady demand.

Looking Ahead

Increasing costs due to inflation will continue to impact all parties involved in the Materials Sector. As costs of materials increase, the firms will make more profit per unit of output but as price increases demand decreases. With Materials in particular, the winners and losers from higher prices are fickle as there will always be a price where demand is massively impacted. We will have to continue to monitor the market and do our best to identify warning signs of a crash in demand. In addition, the firms best able to manage cash flows and assets, properly dispense excess funds from artificially (inflation driven) high profits, will be best suited to take advantage of an uncertain future. The Federal Reserve has announced plans to perform open market operations to get control of inflation rates, which likely means interest rate hikes are on the horizon. In addition, supply chain issues continue to make it harder for materials to go from supplier to buyer, making operations less efficient and more costly to ensure delivery. Considering that some materials are only naturally found in specific geographic locations, high transportation costs are harder to avoid or find a substitute for.
### Sonoco Products Company

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Sonoco Products Company is a Materials firm involved in the manufacturing and selling of industrial and consumer packaging products. Their production includes paper &amp; packaging plastics, as well as other polymers. Sonoco products range from reusable food storage containers to single use plastics for healthcare, and commercial paper packaging. The firm has routinely been praised for the sustainability efforts and strong leadership, adding an intangible element to their arsenal. Sonoco has recognized the current environment and is currently making significant strides to make their products more sustainable.</td>
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<thead>
<tr>
<th>Growth Drivers</th>
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<tbody>
<tr>
<td>Sonoco has recently acquired a paper recycling plant, going right alongside their firm commitment to sustainability. Sonoco has been repositioning themselves to focus on what they do best and trying to innovate their processes to be as efficient and environmentally conscious as possible. By adding a recycling plant to their portfolio, Sonoco will be able to produce their own materials more cheaply by producing in-house, and they look to profit if the cost of materials continues to rise making substitute recycled products more desired. The medical and food-grade products that Sonoco manufactures should remain fairly resilient as these are areas with constant demand.</td>
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<thead>
<tr>
<th>Risks</th>
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<tbody>
<tr>
<td>The Materials sector is persistently under close watch of environmental groups and governments due to the wasteful nature of the products. Sonoco has a significant portion of their product line that is single use packaging, and particularly single use plastics, which are often criticized for their lack of sustainability and other environmental concerns from the production side. Additionally, as Sonoco transitions to producing more sustainable products, the investitures towards research and development as well as production overhaul will be very costly, cutting into short term revenues with the hope of long-term growth. Growth, especially when making dramatic changes to production processes, is extremely uncertain and difficult to forecast.</td>
</tr>
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</table>

### Stock Performance

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Return</th>
<th>Beta</th>
<th>Beginning Shares</th>
<th>End Shares</th>
<th>Beginning Value</th>
<th>End Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>-2.08%</td>
<td>0.876</td>
<td>195</td>
<td>195</td>
<td>$11,618.10</td>
<td>$11,288.55</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>0.76%</td>
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<tr>
<td>Action</td>
<td>Hold</td>
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</table>
Vale S.A.

**Description**

Vale S.A. is a mining company based out of Brazil and is one of the world leading providers of iron ore and iron pellets for use in steelmaking. Beyond solely ferrous metals, Vale also is an extractor of Cobalt and Copper, as well as precious metals such as gold and silver. Vale was formerly a state-owned entity, creating a strong tie not only with the Brazilian government but also a very solid foundation within the country. Their production is sold off for further development or manufacturing. Vale is one of the largest employers in Brazil, with mining operations across the country. Through the distribution of raw materials, Vale generates their revenue while also having substantial real estate holding at the sites of their operations.

**Growth Drivers**

Precious metals are vital in the production of today’s most current technology, from cars to smartphones to TVs, and Vale has Cobalt within its extraction sites. As inflation continues to rise, commonly metals such as gold and silver rise in price because they are viewed as a hedge. Vale has a strong base in Brazil, and they are committed to sustainable mining practices which will allow them to be a leg ahead when restrictions come. Alongside their physical characteristics, Vale has continually paid a very strong dividend providing constant cash flows while the company still grows in their operations and revenues.54

**Risks**

Rising prices for metals can dissuade spending in non-essential fields, or cause firms to look for substitutes. Instability in Brazil poses a constant risk as their governments lack of power compared to more developed countries can allow for inconsistencies in regulation and punishments. Additionally, the current infrastructure in Brazil for Vale mining sites has some flaws, which will require either large capital expenditures to fix, or potentially face government consequences as one area of concern affects public water supplies. The backlash from failure to take care of these problems could be enough to significantly impact revenue streams. Mining is a major industry in Brazil, and although ties are currently good, an issue could sway the local government into supporting another mining company.57

**P1 Total Return:** 11.30%

**Beta:** 1.222

**Beg. Shares:** 514

**End Shares:** 514

**Beg. Value:** $7,170.30

**End Value:** $7,206.28

**P1 Dividend Yield:** 10.80%

**P1 Action:** Hold
Period Performance

Our Real estate holding made up 1.89% of our portfolio weight on average during Period 1. The S&P had a 2.62% average weight during the same period. Our portfolio total return for real estate was 13.78% compared to 17.59% of the S&P 500. We held W.P. Carey as our only holding for Period 1. We made no changes to our Real Estate holdings during Period 1.

Looking Ahead

COVID treatments have helped us return to a world with less restrictions. Our team is optimistic that commercial real estate will perform better in 2022. We expect the storage and industrial sectors to be good performers in the upcoming years. The demand for storage and warehouses continues to increase as more businesses move online. Additionally, sectors that were impacted the most during the pandemic, such as lodging, are likely to see a better year in 2022. More people are starting to travel, and cities are starting to lift COVID restrictions. On the other hand, it is important to monitor interest rates. High inflation is likely to cause the government to raise interest rates. The real estate sector could see slowdowns if interest rates get too high. The LaPorte team will continue to look for investment opportunities and we are likely to increase our average holdings weight to match our benchmark.
W.P. Carey is a net leasing REIT that operates in North America and Europe, with the US making about 63% of its geographic diversification. The enterprise value of the REIT is nearly $20 billion, and it has an annualized base rent of $1.2 billion. There are 1,264 net lease properties under management, and it currently has a 98.4% occupancy rate with a total of 358 tenants.

**Description**

W.P. Carey is interested in long term investment opportunities. They seek to form long-term partnerships with their tenants, typically net lease terms over 10 years. The introduction of vaccines has lessened the concerns of the pandemic and created positive expectation in the performance of commercial real estate. W.P. Carey has a diverse tenant portfolio that gives them exposure to different industries. Their biggest tenants are U-Haul and State of Andalucia, which operate in the self-storage and government industries. These industries have performed well in 2021 and are projected to perform well in 2022.

**Risks**

W.P. Carey made a major investment in the lodging industry a few years before the pandemic. Long-term net leases in the lodging industry mean lower rents as the industry recovers. In addition, the uncertainty of retail and office real estate creates risk. Companies deciding to work from home and retailers switching to online platforms negatively impact these sectors in real estate. We will continue to monitor the performance of the different sectors of real estate as we enter a new year.

### P1 Total Return: 13.78%

**Beg. Shares:** 171

**Beg. Value:** $12,489.84

**P1 Dividend Yield:** 1.44%

**Beta:** 1.578

**End Shares:** 171

**End Value:** $14,030.55

**P1 Action:** Hold
Period Performance

When we last reported our performance with NEE, we recorded small losses, but were confident in our investment strategy. Our methods were vindicated with this period's performance. The overall S&P Utilities sector gained 7.07% return while our NEE returned over double that amount at 19.39%. Among competitors in the industry Dominion, Xcel, Duke, The Southern Company, and NextEra, NEE experienced the largest price appreciation. The next closest was XEL at 8.32%. The single security within the Utilities sector accounted for 1.7% of equity holdings. Conversely, the Utilities sector is 2.50% of the S&P 500.

Looking Ahead

Historically, Utility companies have strived to meet 3 goals for their firms. First is a reliable and resilient power supply. The second is reliable power must be affordable. Finally, the third is to increasingly move to cleaner more efficient power sources as to keep pace with technology and the regulatory environment. As cheaper and cleaner technologies have developed, the opportunity for firms to realize all 3 goals is easier. As we move forward into 2022, green and clean energy sources will have an even bigger focus than in the past. The focus on clean energy sources is so strong that it may benefit the sector in indirect ways. For example, if demand increases for clean energy electrification for sectors like materials or industrials, this could have a positive effect on the utilities sector. As we predicted last period, interest rate hikes have been announced for this year. As we noted in our previous forecast, utility companies usually require large amounts of debt. With interest rates rising, increasing the cost of borrowing, this could negatively affect any upside we see in the short term.
**NextEra Energy, Inc.**

**NEE**

<table>
<thead>
<tr>
<th>P1 Total Return: 19.39%</th>
<th>Beta: 1.379</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. Shares: 133</td>
<td>End Shares: 133</td>
</tr>
<tr>
<td>Beg. Value: $10,443.16</td>
<td>End Value: $12,416.88</td>
</tr>
<tr>
<td>P1 Dividend Yield: 0.49%</td>
<td>P1 Action: Buy 171 Shares</td>
</tr>
</tbody>
</table>

**Description**

NextEra Energy, Inc. (NEE) owns and operates two businesses: Florida Power & Light (FPL), Florida’s largest electric company, and NextEra Energy Resources (NEER), one of the world’s largest generators of renewable energy. FPL generates more than 28,000 MW of electricity and delivers it to more than 5.6 million residential customers in the state. NEER generates almost 24,000 MW of energy via wind and solar sources. NEE operates one of the largest nuclear power fleets in the US with commercial nuclear power units in New Hampshire and Wisconsin. In total the company has assets in around 40 US states and four Canadian provinces.

**Growth Drivers**

NEE is the largest generator of wind and solar, this should continue to be a point of hot growth for them seeing as they are a major player in the renewable space. NextEra’s Florida Power and Light (FPL) subsidiary has a strategic focus on regularly investing in generation and distribution facilities. Its real growth engine, however, comes from its NextEra Energy Resources (NEER) subsidiary. NEER’s strategic focus is on the development and operation of long-term contracted assets including renewable generation facilities, natural gas pipelines, and battery storage projects throughout the US and Canada. The company plans to have as much as 34,000 MW of wind, solar, and storage projects by the end of 2022, up from 20,000 MW in 2019.

**Risks**

NEER, NEE’s subsidiary could face challenges as more competitors look to enter the renewables market. The crowded field includes Royal Dutch Shell, Total SA, and Equinor, all of which have recently announced clean energy deals. Those rivals join established players such as Invenergy. Because of the Utilities unique landscape, global taxation and regulations must be taken into account because of the government interventions involved in the industry, as well as the Energy Intensity Index, to monitor the usages and efficacy of different types of power.
Period Performance

Fixed income as a collective in our Fund resulted in a return of 0.41% and made up 16.27% of the Fund. Our current holdings include iShares Core U.S. Aggregate Bond ETF (AGG), T. Rowe Price Emerging Market Corporate Debt Fund (TRECX), Wells Fargo & Co. Preferred (WFCPRL), and Wisdom Tree Floating Rate Treasury Fund (USFR). Covid 19, and the policies that came after influenced the bond market. By the end of the period the 10-year Treasury yield had risen, and the 30-year Treasury yield fell.

Looking Ahead

By the end of Period 1, inflation had reached 6.8% stemming from the stimulus and quantitative easing that worked towards the recovery of the economy. With inflation so high it would be reasonable for the Federal Reserve to start tapering asset purchases to try and reduce inflation. The actions of the Fed impact interest rates which can directly affect the valuation of bonds and other assets. The Fed has signaled that they will start to reduce the speed at which they purchase assets and increase interest rates. Another component of inflation has been the bottleneck and shortages of many materials for goods in demand. If these shortages continue the Fed’s possible increase in interest rates might just not be enough. However, another component for fixed income is the default risk. AGG maintains investment grade bonds which have low default risk. WFC’s strength in its business has allowed it to continue paying the coupon. There are no significant signs of struggles that would stop Wells Fargo & Co. from paying. The LaPorte managers will continue to monitor the Fed and the effects of interest rates. On the other hand, inflation and rates are not the same in other countries so it opens an opportunity to seek better investments where the conditions are more favorable.
iShares Core U.S. Aggregate Bond ETF

AGG

<table>
<thead>
<tr>
<th>P1 Total Return: 0.06%</th>
<th>Beta: 1.221</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. Shares: 255</td>
<td>End Shares: 255</td>
</tr>
<tr>
<td>Beg. Value: $29,235.75</td>
<td>End Value: $29,090.40</td>
</tr>
<tr>
<td>P1 Dividend Yield: 0.56%</td>
<td>P1 Action: Hold</td>
</tr>
<tr>
<td>Duration: 6.155</td>
<td>Convexity: 0.896</td>
</tr>
</tbody>
</table>

Description
iShares Core US Aggregate Bond ETF (AGG) seeks to track Bloomberg US Aggregate Bond Index. The ETF incorporates over 10,000 investment grade bonds such as government, mortgage, corporate, and some municipal bonds. The wide range of bonds provides access to diversified bond markets.34

Growth Drivers
AGG continues to provide investment grade bonds in a diversified portfolio. It has kept the expense ratio low and recurring dividends. Most of the bond’s maturities are under 10 years so keeping duration under that will lessen the interest rate risk on the value of bonds. Government bonds make a little under approximately 50% of the portfolio, and almost half of bonds are AAA rated. This ETF presents a very low default risk within the bond market.

Risks
Interest rates are likely to increase within the near future which ultimately has a direct impact on bond valuations. However, it is uncertain exactly what interest rate hikes will look like in 2022. We do know that as of right now a 1% increase in interest rates will decrease about 6.15% of a bond’s value without accounting for convexity.
T. Rowe Price Emerging Market Corporate Debt Fund

**TRECX**

**P1 Total Return:** -2.17%  
**Beta:** 0.311  

**Beg. Shares:** 1,682  
**End Shares:** 1,697  

**Beg. Value:** $18,203.59  
**End Value:** $17,808.20  

**P1 Dividend Yield:** 0.00%  
**P1 Action:** Hold  

**Duration:** 5.58

**Description**
T. Rowe Price Emerging Market Corporate Debt Fund (TRECX) invests about 92% in corporate debt from companies in emerging markets such as Latin America, Asia, Europe, Africa, and the Middle East. The fund aims to provide high current income and capital appreciation. The fund takes advantage of growth opportunities in less developed countries, creating higher potential upside in return.

**Growth Drivers**
Gross domestic product in the Asian markets increased year over year and has maintained low levels of inflation by the end of Period 1. TRECX has invested in the Asian bond market, so it could potentially see better real returns if individual firms are able to capture some of the growth in the economy. Considering inflation in the U.S. to be currently high TRECX offers a variety of geographic opportunities. Since not all places are affected by economic conditions the same way this allows for a diversification of risk and better returns.

**Risks**
About 46.65% of the fund holds what would be considered “junk bonds” which have a higher rate for default risk. Some of TRECX’s country allocations may be risky as conflicts or lack of law and order could lead to disruptions in the economy and prevent debt borrowers from conducting business. If debt borrowers can’t repay the bonds can become worthless and just a complete loss. There is also risk for unfavorable currency changes that could make bonds less valuable when foreign currencies depreciate.
Wells Fargo & Co. Preferred

WFCPRL

P1 Total Return: 1.84%
Beg. Shares: 32
Beg. Value: $47,424.00
P1 Dividend Yield: 1.27%

P1 Action: Hold

Beta: 0.706
End Shares: 32
End Value: $47,696.96

Description
Wells Fargo & Co. businesses consist of community banking, wholesale banking, wealth and investment management. Community banking offers checking and savings accounts, credit and debit cards, and loans. Wholesale banking offers financial services to businesses around the world. Wealth and investment management offer retirement products and services. Wells Fargo & Co. 7.50% Non-Cum. Perp. Conv. Cl A Pfd. Series L is a perpetual preferred stock and maintains an investment grade level. It pays a 7.5% coupon quarterly and is able to be turned into common shares.

Growth Drivers
WFCPRL has paid the coupon for the past several years and has continued to do so. The firm continues to diligently work through repairing their image and regulatory issues by investing in risk management. They have also worked in efficiency initiatives to reduce cost and increase savings. Such initiatives include getting rid of management layers, consolidated branches, and technological efficiencies. Also, with expected increases in interest rates the firms stand to benefit by increasing the price of borrowing. This can increase their interest income if borrowing continues.

Risks
Revenue has been decreasing roughly 4% annually for the past five years. In recent years, free cash flows have been decreasing at greater rates. If interest rates are higher than what would be expected it may reduce demand for products or services where the net interest margin would have increased. The firm also has a history for breaking rules, and it has had to pay hefty fines. This has led them to miss business opportunities and further growth.
WisdomTree Floating Rate Treasury Fund

USFR

**P1 Total Return:** -0.03%
**Beta:** 0.380

**Beg. Shares:** 957
**End Shares:** 957

**Beg. Value:** $24,020.70
**End Value:** $24,011.13

**P1 Dividend Yield:** 0.01%
**P1 Action:** Hold

**Duration:** 1.472
**Convexity:** 0.03

**Description**
The WisdomTree Floating Rate Treasury Fund (USFR) is an open end ETF that aims to mimic the price and performance of the Bloomberg U.S. Treasury Floating Rate Bond Index. USFR mainly contains 99.99% of treasury bills rated AAA and gives access to newly issued short term U.S. government debt. It has over $91 million shares outstanding and total assets of about $2 billion.

**Growth Drivers**
USFR is not as negatively impacted by interest rates volatility when compared to other fixed income alternatives. Given its short-term structure and pricing methods it will be relatively stable by eliminating the greater risk factor present with long-term debt, and potentially increase in value from fluctuating interest rates. Payments of the underlying holdings have weekly adjustable rates rather than fixed rates which benefit from changing interest rates. Duration is very low right now, and in an environment where the rate at which interest rates will rise is uncertain, this creates a competitive advantage for USFR. Also, the fund’s holdings have relatively low credit risk with investment grade, AAA ratings.

**Risks**
Longer maturities for debt become less attractive as inflation rises due to payments and value of the debt decrease real returns. The fund and the benchmark continued to diverge towards the end of 2021 falling a little short in tracking the benchmark used for this security, the Bloomberg U.S. Treasury Floating Rate Bond Index. Lastly, there have been times where returns have been lower or just a little more than the expense ratio of 0.15%. So, there may come times where we simply pay more than what we get in return.
**Steven LoCascio Jr.**

Steven is currently a first year MBA candidate with a focus in Finance. He joined the LaPorte Fund in September of 2021 and currently covers the Energy, Utilities, and Information Technology Sectors. Prior to pursuing his MBA and serving on the Fund, he spent the last 5 years working for companies in different industries such as Enterprise Rent-a-Car, 21st Mortgage Corporation, and Fiserv. Steven’s experiences bring unique insight to the LaPorte Fund. He has accepted a role as a Wealth Management intern at LeBlanc Financial Alliance this summer, and will be exploring Wealth Management and Corporate Finance positions upon graduation in December.

**Juan Soto Leon**

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

**Edgar Hernandez**

Edgar is in his third year at the University of Tennessee double majoring in Finance and Economics with a collateral in Business Analytics. He is overseeing the Financial Services sector and Fixed Income. Edgar is from Morristown, TN and has worked in several companies such as Team Technologies Inc, Tennessee Valley Authority, and most recently Knoxville Utilities Board. He is actively searching for new opportunities in the Finance industry, and upon graduation in December 2022 he plans to pursue a career in Fixed Income or Corporate Finance.
Jonah Mikulski

Jonah is currently in his third year at the University of Tennessee, majoring in Finance with a concentration in Economics. He is in his first semester on the LaPorte Fund, covering the Industrials and Materials Sectors. Jonah is originally from Southampton, NJ, and last summer had the opportunity to intern for the Federal Reserve Bank of Philadelphia. He currently works as a Senior Bloomberg Analyst in the Masters Investment Learning Center, and is a member of the UT Investment Group. Jonah has been previously selected to enroll in the Honors Finance track within the Haslam College of Business. He plans to graduate in December of 2022 and pursue opportunities in Finance.

Isabella Shaw

Isabella is currently in her third year at the University of Tennessee, majoring in Finance with a minor in Political Science. This is her first semester on the LaPorte Fund, and she covers the Communication Services, Consumer Staples, and Consumer Discretionary sectors. She is from Memphis, TN, and during her time at UT, she has served as a Bloomberg Senior Analyst at the Masters Investment Learning Center and Treasurer of Women of Haslam. Also, Isabella is a member of the UT Investment Group, the Financial Management Association, and the sorority Alpha Omicron Pi. After graduation in May 2023, she plans on pursuing a career in Wealth Management or Commercial Banking.
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