CARROLL FUND PERIOD 2
PERFORMANCE REPORT

HASLAM COLLEGE OF BUSINESS

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

We would like to express our utmost appreciation for allowing us to serve as wealth managers on the Carroll Fund at The University of Tennessee. As we conclude another productive period of enlightenment and growth, we cannot thank you enough for your selfless gift that has allowed us to be a part of this unforgettable learning experience. This experience has transformed our analytical, teamwork, project management, and communication skills significantly, further preparing us for the professional world. Our duties include comprehensive economic discussions, constant monitoring of the fund’s investments, thorough security analysis, and maintaining a positive team dynamic that supports a strong work ethic. Through our duties we have developed the mindset necessary to be able to fulfill future obligations. As our time on the Carroll Fund is nearing the end, we are proud and excited to apply our skills and knowledge of financial markets into our future endeavors.

During Period 2, January 1st to March 31st, the Carroll Fund returned -4.32%, outperforming the S&P by 29 basis points. We also outperformed our primary and alternative benchmarks on a risk adjusted basis as well. While a negative return was not our desired result, we believe it was unavoidable as equities began Period 2 taking a rough hit due to Federal Reserve policy changes, heightened inflation, and geopolitical events. Although, because of our weak performance, this period has shown us how sensitive the markets are to economic conditions and tested our ability to make critical decisions.

Furthermore, in Period 2, we decided to make a few changes to the portfolio that we felt was best suited given the current market volatility. As we have taken a rather bearish stance on the state of the economy, we thought it would be strategic to work towards rebalancing our portfolio while also lowering our beta. Additionally, we wanted to increase our cash balance to facilitate opportunities at lower prices. We realized profits on half of our ConocoPhillips (COP) position. Additionally, we liquidated AMN Healthcare Services Inc. (AMN) and Blackrock (BLK) which reduced the fund’s beta. We confidently believe these changes will improve the performance of our fund.

Our gratitude for this opportunity to represent the Carroll Fund extends far beyond this letter; without your generosity, none of this would have been possible. We have no doubt that we will reflect on this experience one day and truly be able to say that our financial literacy began while serving on the Carroll Fund.

Sincerely,

Alyssa Thomas, Brennon Gessner, Eldon Lu, Gabrielle Cyr, Grant Kizer, and Jeremy Meanwell
Summary
The economic environment has become more complex and uncertain over the course of Period 2. As a result, the Carroll Fund managers have developed a more pessimistic view of markets in the short-term. Period 2 was full of many different macroeconomic factors including the war between Ukraine and Russia, record high inflation, the beginning of a rate hike cycle, and increasingly tight credit spreads that are indicating a yield curve inversion. All of these have contributed to elevated market volatility and even fears of a recessionary cycle ahead.

Domestic Economy
After an extended period of economic relief since the beginning of the pandemic, the Federal Reserve finally raised the Federal Funds rate by 25 basis points in March and has signaled for several more over the course of the next couple of years. Consumer sentiment and economic conditions were already deteriorating, so it will be a delicate slow down process at the very least. However, rate hikes are very much needed to combat some of the highest inflation on record. It is possible that the Federal Reserve could raise rates higher than markets expect, which would put a strain on markets and add to the already high volatility. Considering this, bond markets continued to sell off over the period exhibiting excessive yield increases that have not been seen in recent years.

Global Economy
Over the course of Period 2, the global economy and its prospects were tested by the war in Ukraine. With the economy already feeling the effects of the pandemic, the war added flames to the fire, sending the price of oil and commodities soaring in an already sticky supply chain. As a result of the Russian invasion, the West applied many sanctions to Russia that have many macroeconomic implications, raising questions about energy independence and even foreign reliance on the U.S. dollar. Worth noting is China’s response to rising cases in certain regions that may put further delays on supply chains.

Outlook
Carroll Fund managers will continue to monitor the Federal Reserve’s signals regarding rates. While it is not likely that inflation will return to pre-pandemic levels any time soon, rate hikes will be necessary to cool off the overheated economy. This would imply slower growth than in recent years but would give the Federal Reserve room to provide stimulus in the event of recession. Carroll managers will be maintaining a slightly pessimistic view until the current domestic and global economic uncertainties are resolved.
PERFORMANCE SUMMARY

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

<table>
<thead>
<tr>
<th>Our Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
</tr>
</tbody>
</table>

1. Achieve Positive Return – [X]
2. Outperform Benchmark – [✓]
3. Outperform Competing Funds on Relative Basis – [X]
4. Outperform Competing Funds on Absolute Basis – [X]

<table>
<thead>
<tr>
<th>Period</th>
<th>Carroll Fund Return</th>
<th>Benchmark Return</th>
<th>S&amp;P 500 Return</th>
<th>Spread from Benchmark</th>
<th>Spread from S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>-4.32%</td>
<td>-5.14%</td>
<td>-4.61%</td>
<td>0.82%</td>
<td>0.29%</td>
</tr>
</tbody>
</table>

➢ Period 2 (P2) date range is 01/01/2022 - 03/31/2022.
➢ Our benchmark is a weighted average of the S&P 500 Index and Bloomberg Barclays U.S. Aggregate Total Return Value Unhedged Index, weighted 60% and 40%, respectively.

BEST AND WORST PERFORMERS

<table>
<thead>
<tr>
<th>P2 Best &amp; Worst Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding</td>
</tr>
<tr>
<td>COP</td>
</tr>
<tr>
<td>LMT</td>
</tr>
<tr>
<td>WELL</td>
</tr>
<tr>
<td>OGN</td>
</tr>
<tr>
<td>MRK</td>
</tr>
<tr>
<td>PYPL</td>
</tr>
<tr>
<td>FCOM</td>
</tr>
<tr>
<td>TSM</td>
</tr>
<tr>
<td>SPGI</td>
</tr>
<tr>
<td>MSFT</td>
</tr>
</tbody>
</table>
PERIOD 2 RISK METRICS

### P2 Risk Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Portfolio</th>
<th>Benchmark</th>
<th>S&amp;P 500</th>
<th>BETFX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharpe Ratio</td>
<td>-1.08</td>
<td>-1.55</td>
<td>-0.79</td>
<td>-1.38</td>
</tr>
<tr>
<td>Treynor Ratio</td>
<td>-0.15</td>
<td>-0.20</td>
<td>-0.17</td>
<td>-0.19</td>
</tr>
</tbody>
</table>

- Beta vs. Benchmark: 1.16
- Standard Deviation: 0.16
- R² of Beta: 0.94
- Tracking Error: 4.44%
- Beta vs. S&P 500: 0.71
- Information Ratio: 0.73
- R² of Beta: 0.95

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

Period 2 Carroll Fund Return

TORCH FUND RETURNS

<table>
<thead>
<tr>
<th>Torch Fund P2 Returns</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carroll</td>
<td>-4.32%</td>
</tr>
<tr>
<td>Haslam</td>
<td>-2.94%</td>
</tr>
<tr>
<td>LaPorte</td>
<td>-5.06%</td>
</tr>
<tr>
<td>McClain</td>
<td>-5.59%</td>
</tr>
</tbody>
</table>
ALLOCATION OF FUNDS

CARROLL FUND
- Healthcare, 9%
- Information Technology, 20%
- Materials, 2%
- Real Estate, 3%
- Utilities, 2%
- Fixed Income, 40%
- Consumer Discretionary, 5%
- Consumer Staples, 4%
- Energy, 1%
- Financials, 7%
- Healthcare, 8%
- Industrials, 5%
- Real Estate, 3%
- Communication Services, 5%
- Cash, 7%

BENCHMARK
- Healthcare, 8%
- Information Technology, 16%
- Materials, 2%
- Real Estate, 2%
- Utilities, 2%
- Fixed Income, 40%
- Consumer Discretionary, 7%
- Consumer Staples, 4%
- Energy, 3%
- Financials, 7%
- Healthcare, 8%
- Industrials, 5%
### PORTFOLIO BREAKDOWN

<table>
<thead>
<tr>
<th>Security</th>
<th>Value on 03/31/2021</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPAXX</td>
<td>$47,964.20</td>
<td>6.61%</td>
</tr>
<tr>
<td><strong>Equity Holdings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAPL</td>
<td>$43,477.89</td>
<td>5.99%</td>
</tr>
<tr>
<td>AMZN</td>
<td>$48,899.25</td>
<td>6.74%</td>
</tr>
<tr>
<td>ARKG</td>
<td>$7,027.29</td>
<td>0.97%</td>
</tr>
<tr>
<td>BLOK</td>
<td>$9,368.06</td>
<td>1.29%</td>
</tr>
<tr>
<td>CAT</td>
<td>$14,037.66</td>
<td>1.93%</td>
</tr>
<tr>
<td>CIBR</td>
<td>$31,228.68</td>
<td>4.30%</td>
</tr>
<tr>
<td>COP</td>
<td>$6,800.00</td>
<td>0.94%</td>
</tr>
<tr>
<td>CVS</td>
<td>$16,396.02</td>
<td>2.26%</td>
</tr>
<tr>
<td>FCOM</td>
<td>$36,611.40</td>
<td>5.04%</td>
</tr>
<tr>
<td>FDX</td>
<td>$11,569.50</td>
<td>1.59%</td>
</tr>
<tr>
<td>J</td>
<td>$13,367.57</td>
<td>1.84%</td>
</tr>
<tr>
<td>JPM</td>
<td>$12,132.48</td>
<td>1.67%</td>
</tr>
<tr>
<td>LMT</td>
<td>$16,331.80</td>
<td>2.25%</td>
</tr>
<tr>
<td>MRK</td>
<td>$23,056.05</td>
<td>3.18%</td>
</tr>
<tr>
<td>MSFT</td>
<td>$30,522.69</td>
<td>4.20%</td>
</tr>
<tr>
<td>NKE</td>
<td>$8,880.96</td>
<td>1.22%</td>
</tr>
<tr>
<td>OGN</td>
<td>$17,115.70</td>
<td>2.36%</td>
</tr>
<tr>
<td>PCH</td>
<td>$12,338.82</td>
<td>1.70%</td>
</tr>
<tr>
<td>PEP</td>
<td>$21,257.26</td>
<td>2.93%</td>
</tr>
<tr>
<td>PYPL</td>
<td>$9,252.00</td>
<td>1.27%</td>
</tr>
<tr>
<td>SPGI</td>
<td>$22,149.72</td>
<td>3.05%</td>
</tr>
<tr>
<td>TSM</td>
<td>$24,188.32</td>
<td>3.33%</td>
</tr>
<tr>
<td>V</td>
<td>$21,289.92</td>
<td>2.93%</td>
</tr>
<tr>
<td>WELL</td>
<td>$21,439.22</td>
<td>2.95%</td>
</tr>
<tr>
<td>WMT</td>
<td>$11,764.68</td>
<td>1.62%</td>
</tr>
<tr>
<td>XLU</td>
<td>$14,370.78</td>
<td>1.98%</td>
</tr>
<tr>
<td><strong>Fixed Income Holdings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGG</td>
<td>$38,984.40</td>
<td>5.37%</td>
</tr>
<tr>
<td>PNOV</td>
<td>$24,967.00</td>
<td>3.44%</td>
</tr>
<tr>
<td>PREF</td>
<td>$41,094.36</td>
<td>5.66%</td>
</tr>
<tr>
<td>SCHP</td>
<td>$13,599.04</td>
<td>1.87%</td>
</tr>
<tr>
<td>USFR</td>
<td>$54,503.52</td>
<td>7.51%</td>
</tr>
</tbody>
</table>
Sector Overview
The Communication Services sector has become increasingly important as the world has shifted to a lifestyle that is more reliant on communication, connectivity, and high-speed mobile services than ever before. The Communication Services sector makes communication possible on a global scale. The sector is made up of telephone, satellite, and cable companies, along with internet service providers. These companies are focused on connectivity, data services, audio, and video. The sector contains a mix between growth and value stocks, with the growth stocks typically being involved in new and innovative ways of communication and the value stocks often larger service providers with a steady income. The sector was once defensive due to its steady demand, but with the introduction of media companies it has shifted to be more cyclical, therefore, it is expected to outperform during the mid-cycle and underperform during periods of recession.

Impacts from Period 2
During Period 2, the rollout of 5G technology by major service providers such as AT&T, Verizon, T-Mobile, etc. This 5G technology will continue to be a tailwind for the sector, as it is faster, has more capacity and network capability, and allows people to increase the number of connected devices. Over the period, the Carroll Fund saw the impacts of Apple’s new ad-blocking feature that increases user privacy, as Facebook reported disappointing earnings that caused their stock price to tumble more than 20% after earnings due to weakening guidance regarding advertising revenue. The current period of high inflation has led to these companies increasing their prices. For example, Comcast raised their rates for their various TV and internet services by anywhere from 10%-27% over the period to combat rising costs.

Performance

![Graph showing performance comparison between S&P 500 and Communication Services from 12/31/2021 to 3/31/2022. The Communication Services line generally follows the S&P 500 line but with some fluctuations.]
Holding Description
FCOM is an ETF that targets the broad U.S. Communication Services sector, which includes Telecommunications, Media, and Entertainment companies. To ensure diversification, no entity exceeds 25% weight within the fund and the combined weight of issuers over 5% within the portfolio is capped at 50% of the portfolio. The index is rebalanced quarterly to ensure this holds true. This fund has an expense ratio of .084%. The holdings are weighted by market cap and largest holdings within the ETF are depicted below.  

<table>
<thead>
<tr>
<th>Top 10 (65.50% of total holdings)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FB Meta Platforms Inc Class A</td>
</tr>
<tr>
<td>GOOGL Alphabet Inc Class A</td>
</tr>
<tr>
<td>GOOG Alphabet Inc Class C</td>
</tr>
<tr>
<td>DIS The Walt Disney Co</td>
</tr>
<tr>
<td>T AT&amp;T Inc</td>
</tr>
<tr>
<td>CMCSA Comcast Corp Class A</td>
</tr>
<tr>
<td>VZ Verizon Communications Inc</td>
</tr>
<tr>
<td>NFLX Netflix Inc</td>
</tr>
<tr>
<td>TMUS T-Mobile US Inc</td>
</tr>
<tr>
<td>CHTR Charter Communications Inc Class A</td>
</tr>
</tbody>
</table>

Impacts from Period 2
In April 2021, Apple released an update for iPhones that gave users the opportunity to opt out of targeted advertisements. This has impacted search engine and social media companies that rely on advertising for large portions of their revenue. Facebook, the largest holding within FCOM, reported earnings that disappointed due to weakened advertising revenue forecasts, causing share price to drop by 20%. The Russia-Ukraine conflict also had an impact on some of FCOM’s holdings. For example, Netflix shut down its services in Russia and could lose one to two million subscribers because of this. 

Future Outlook
The fund’s outlook for FCOM is bullish. FCOM’s diverse coverage of the Communication Services sector that continues to develop into a necessity in our technology driven world make it a strong holding for our portfolio. Potential headwinds such as the long-term effects of Apple’s privacy changes along with the impacts of Russia-Ukraine conflict will be worth monitoring in future periods but are not cause for concern when evaluating the overall outlook of the ETF.

New Transactions
There were no transactions made involving FCOM during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$ 41,666.80</td>
<td>$ 36,611.40</td>
<td>-11.32%</td>
<td>$ 52.33</td>
</tr>
</tbody>
</table>
CONSUMER DISCRETIONARY
Manager: Eldon Lu

Sector Overview
The Consumer Discretionary sector includes industries that are not essential for consumer’s basic needs. High-end goods, luxury items, apparel, and others all fall under the discretionary label.\(^1\) Because the sector depends mostly on consumers having the disposable income to afford these products, the sector performs best in economic expansion. In times of recession, discretionary goods are the first to be cut out of consumer’s budget when earnings slow, but when conditions are favorable, some firms can be amongst the highest performers in the entire market.\(^2\) During the period, the Carroll portfolio held Nike (NKE) and Amazon (AMZN) for discretionary holdings.

Impacts from Period 2
Major economic factors affecting the sector included increasingly high inflationary pressures and continued shortages.\(^3\) Along with the rest of the market, discretionary firms saw decreased performance as the Federal Reserve remained largely quiet during the first half of the period, which only added to investors’ concerns as uncertainty grew. However, with the Federal Reserve finally confirming their aggressive plan on controlling inflation, firms in the sector can expect discretionary spending to decrease as consumers will begin to prioritize more essential goods.\(^4\) The Russia-Ukraine conflict was also a major driver in increasing concern for the overall market. Multiple firms across all sectors, discontinued business within Russia as sanctions began to pile on and delivery of products could not be guaranteed.\(^5\) Fortunately, both holdings had minimal exposure in the area in comparison to others. However, with oil already at all time high prices, the conflict and sanctions will only increase transportation and delivery further. Even with the bull run towards the end of the period, the Discretionary sector is still down since the beginning of the year.\(^6\) With a recessionary cycle looming, the sector will most likely see a significant slowdown in the coming months.

Performance

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

Impacts from Period 2
Coming off a strong holiday season, Amazon’s price began to decline as Meta and other technology firms saw the effects of weakening consumer confidence. However, Amazon’s reported earnings in early February helped recoup losses momentarily before tensions in Ukraine began to escalate to full conflicts. Early March saw a significant boost in price as Amazon announced a major 20-to-1 stock split, effective on June 3 with $10 billion in share repurchases. Combined with Russia’s agreements to deescalate activity in key Ukraine areas, Amazon’s price returned to just under its position at the beginning of the year.

Future Outlook
Major changes announced during their earnings report continue to positively impact Amazon’s valuation as they continually seek to extend their market share across all industries. Reception of the Prime membership increase went over well as Amazon promised expanded benefits to compensate. One benefit will include increased content on streaming from their $8.5 billion acquisition of MGM Studios, which will enable Amazon to compete against the likes of Disney+, HBO Max, and Netflix. On top of this, Amazon’s cloud service, AWS, has also seen a massive 40% increase in revenue, which only proves to add to Amazon’s resilience to any coming recession.

New Transactions
There were no transactions made involving AMZN during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$ 51,121.35</td>
<td>$ 48,899.25</td>
<td>-2.23%</td>
<td>$ -</td>
</tr>
</tbody>
</table>
Holding Description
Nike is currently the largest sports apparel developer in the world, specializing in design and innovation.\(^1\) As the largest athletic shoe retailer in the world, Nike employs a unique production process that has been able to maximize profit margins by not owning any production plants at all. All production is outsourced through contracts with other companies.\(^2\) This method is now largely employed through many of the top competitors, Adidas and Reebok.

Impacts from Period 2
Nike was one of the first large-cap firms to report earnings with some substantial time since the beginning of the Russia-Ukraine conflict. Fortunately, Nike was still able to beat earnings as retail demand remained strong in January and February.\(^3\) Nike’s new Direct business model will shift focus to direct-to-consumer sales rather than through retailers.\(^4\) Another concern from the previous period was the declining sales in the Greater China region. However, Nike only reported a 5% decrease in sales compared to the prior 20% decrease. The Asia Pacific & Latin America region also saw a significant rebound of 11% after a decrease in sales the prior period. One major concern includes the resurgence of COVID in parts of Southeast Asia. With stricter laws and mandates, Vietnam and China will possibly issue another lockdown mandate that will close multiple Nike factory contractors, which is one of the main drivers of Nike’s decision to push their Direct business model.\(^5\)

Future Outlook
Nike Direct looks to be promising as revenues crossed $4.6 billion. With Nike’s aggressive shift away from retail stores, Nike will be able to increase their gross margins. The real test for Nike’s decision will be their performance as they remove their products from retailers. With recent stock prices for Foot Locker, the market looks to believe that Nike will come out on top of this move. However, with discretionary spending dramatically shifting with a more aggressive Federal Reserve policy, Nike may see a significant decrease in sales as consumers begin prioritizing spending. Although Nike does operate on all consumer economic levels, Nike has benefited greatly from higher ticket items. With rollouts of the new vaccine boosters, Nike may not have to worry about any more future shutdowns.

New Transactions
There were no transactions made involving NKE during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$10,868.22</td>
<td>$8,880.96</td>
<td>-19.27%</td>
<td>$ -</td>
</tr>
</tbody>
</table>
CONSUMER STAPLES
Manager: Eldon Lu

Sector Overview
The Consumer Staples sector relates to all products deemed to be essential to consumers’ well-being. Industries in the sector include Food, Beverages, Household, and Personal Products. Because of the importance of these products, the sector is non-cyclical in that the sector does not react to general market fluctuations and changing economic cycles, a key factor for investors looking to maintain their position for a nearing recessionary period.\(^1\) Generally, consumers are willing to pay whatever price to obtain these products because of their essential nature. Due to the many substitutes within each industry, consumers can easily modify their spending on higher or lower quality products. Because of this, price elasticity remains relatively constant, thus causing the sector to remain consistent.\(^2\) During the period, the Carroll Fund held two consumer staples holdings, Walmart Inc. (WMT) and PepsiCo (PEP).

Impacts from Period 2
With a mostly bearish market this period, investors have already begun moving to more defensive holdings where they were rewarded with continuous dividends and minimal movements. Although inflation has become a major issue, demand for some products has remained strong. Slowing and stagnant quarterly earnings can be expected during a full recessionary period, but an opportunity could be with more discount stores as consumers may shift spending towards cheaper products to maintain their standard of living. One major consequence following Russia’s invasion of Ukraine will be commodity futures.\(^3\) As of now, both countries supply around 25% of the wheat in the world with significant exports in corn, soybeans, and fertilizer, all of which most production has already been halted as the conflict continues.\(^3\) Firms reliant on agriculture will all see rising prices as outsourcing to other areas will become even more expensive with current oil prices, and demand has skyrocketed due to COVID-19 rebounds. Undoubtedly, firms can pass these increased costs to consumers, but there still may be a notable shift in demand for other commodities to substitute, such as rice.

Performance

![Graph showing performance comparison between S&P 500 and Consumer Staples](image-url)
Holding Description
PepsiCo specializes in the Food and Beverage industry as they have the second largest market share for soft drinks in the U.S., second only to Coca-Cola. However, they differ from Coca-Cola in their product line up that reaches into the packaged goods industry through their mergers with Frito-Lay. By diversifying their portfolio, PepsiCo has been able to explore many more opportunities than Coca-Cola and all other competitors.\(^1\)

Impacts from Period 2
Continued increased costs from supply chain issues and inflationary pressures have begun to start cutting into the bottom line of PepsiCo. CEO Hugh Johnston has already made plans to increase prices to maintain margins.\(^2\) Some customers may shift spending to less expensive options, but there most likely will not be any major changes that would shift a substantial number of consumers away from PepsiCo products. The ongoing Russia and Ukraine conflict may also prove to have some immediate effects as PepsiCo attributes roughly 4.3% of revenue from both countries, which they have already stated they would be suspending business in Russia.\(^3\)

Future Outlook
Despite the increase in price for a large portion of their staple products, PepsiCo hopes to return gross margins back to normal as increased input costs have been the main concern for most of the period.\(^4\) Additionally, PepsiCo also expects to miss early revenue expectations with overall expenses likely increasing further. The pullback from Russia only exacerbates this belief and could be substantial. Regardless, PepsiCo also still plans on an end-to-end sustainable transformation of their production process under the name “pep+”, which includes net-zero emissions, reduction in plastic usage, and overall revitalization of current farmlands.\(^5\)

New Transactions
There were no transactions made involving PEP during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$21,968.46</td>
<td>$21,257.26</td>
<td>-2.41%</td>
<td>$273.06</td>
</tr>
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</table>
Holding Description
Walmart is a retail corporation that specializes in general retail that spans across all industries within the sector. Their goals from the very beginning have been to provide a one-stop place for consumers to purchase all goods. Main competitive advantage includes being a cost-leader and variety of options, which has led to their continued success despite economic fluctuations. Their main sales come from traditional brick and mortar stores, but they also maintain a large presence in ecommerce.

Impacts from Period 2
Despite a turbulent period, Walmart beat expectations during their quarterly earnings, reported in mid-February, a week before Russia’s invasion of Ukraine. Net international sales saw a significant decrease of $7.9 billion, impacted by $10.1 billion divestures from the UK, Argentina, and Japan areas. More importantly, operating expenses saw a notable increase from shipping costs and inflation, but expenses remained neutral when compared to net sales. Walmart has specifically outlined that navigating increased expenditures was priority during the period and will continue to be for the foreseeable future.

Future Outlook
Although the effects of the Ukraine-Russia conflict are not present in their earnings, Walmart does not have any stores in Russia or have any large investment in the area. Walmart International accounts for roughly $27 billion of their net sales compared to the overall $151.53 billion earned during the quarter. Strongest performers abroad were Mexico and China. However, Walmart’s biggest driver looking forward is their ecommerce growth. With Walmart already controlling most physical sales, Walmart has much more growth potential in the online space. Competing against the likes of Amazon and Target, Walmart still employs their cost saving methods for an advantage that has grown ecommerce revenue by 11% in 2021, and 90% total over the past two years. Walmart expects stable sales growth of 5-6% heading into 2023.

New Transactions
There were no transactions made involving WMT during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$11,427.35</td>
<td>$11,764.68</td>
<td>3.30%</td>
<td>$43.45</td>
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</tbody>
</table>
Energy
Manager: Alyssa Thomas

Sector Overview
The Energy sector of the economy comprises companies that are involved with producing and supplying energy. These companies are dominated by activities such as exploration, extraction, refining, transporting, production, and distribution of energy. Energy companies are divided into upstream, midstream, and downstream based on the activities they are involved in. Energy is possibly the most important commodity, as it provides fuel to power all businesses around the world and proves to be essential to daily life. Non-renewable energy is the most globally consumed energy source. However, within the last few decades there has been an evident, and continuously growing, trend of investing in renewable energy sources due to changing environmental policies/concerns. Energy companies’ profits are driven by the overall global demand and supply of oil. The Energy sector has a market weight of 3.89% and a market cap of $3.69 trillion.

Impacts from Period 2
The Energy sector outperformed the S&P 500 in Period 2. Due to supply restrictions coupled with strong demand, oil prices began rising steadily at the beginning of Period 2. From January to February, Brent Crude averaged around $88 per barrel, while WTI Crude averaged about $81 per barrel. On February 24th, 2022, Russia invaded Ukraine. This invasion caused the prices of energy sources, specifically crude oil and natural gas, to spike even higher. Brent Crude reached a high of $127.98 per barrel. Similarly, WTI Crude rose to a high of $123.70 per barrel. The United States, along with numerous European countries, placed sanctions on Russia, further weakening the global oil supply. Furthermore, OPEC has decided to stick to their original plan of modest oil production increases, despite critical strains on supply. However, the Biden administration announced that beginning in May 2022, they would release 1 million barrels a day from U.S. strategic reserves for the next six months. After this announcement on March 31st, oil prices dropped about 6% on the day. With inflation still elevated, production levels remaining low, and the continuation of the Russia-Ukraine war, the Energy sector may continue to achieve outperformance for much of 2022.

Performance
CONOCOPHILLIPS (COP)

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

Impacts from Period 2
ConocoPhillips had outstanding performance over Period 2, outperforming not only the S&P 500 but the industry as well. ConocoPhillips share price appreciated by about 50%, reaching a new high of around $107 per share. Investors became more interested in COP during Period 2 due to the steep rise in oil prices. Profit margins for upstream companies are directly tied to the price of the underlying commodities they produce. Therefore, because of the surge in oil prices, investors future expectations of COP’s profits increased, pushing the share price up. Furthermore, to take advantage of the all-time high share price, at the end of Period 2, the Carroll Fund sold half of the position in ConocoPhillips.

Future Outlook
ConocoPhillips should continue to outperform the market if oil prices stay elevated and investors stay positive. COP is expected to post Period 2 earnings on May 5th, and analysts are expecting the results to be superior. Analysts have published solid earnings estimate revisions, emphasizing that they are becoming more bullish on COP’s short-term and long-term performance. In fact, upcoming earnings estimates have risen from $2.46 per share to $2.53 per share. The Carroll Fund has contemplated selling the other half of ConocoPhillips once a new energy company has been proposed because COP is a very small percentage of the overall portfolio. However, we will wait to see the results of COP’s Period 2 earnings before deciding.

New Transactions
The Carroll Fund sold 68 shares of COP at $101.40 per share on March 30th, 2022.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
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<tr>
<td>Period 2</td>
<td>$ 10,032.72</td>
<td>$ 6,800.00</td>
<td>40.43%</td>
<td>$ 89.76</td>
</tr>
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</table>
Sector Overview
The Financials sector is a crucial part of the domestic and global economies. Making up about 11.4% of the S&P 500, the sector is comprised of a variety of financial services that it offers to institutional, corporate, and retail customers. The three primary industry groups within the Financials sector are Banks, Diversified Financials, and Insurance Companies. Diversified Financial companies could include traditional consumer finance, fintech companies, capital markets, card issuers, and other specialized financial services. Usually indicative of the health of the overall economy, the Financials sector facilitates growth and investment into the overall economy. Outside of investment banking and M&A, a large portion of the sector generates revenue from mortgages and loans, which grow inversely with interest rates. Meaning, if interest rates are low, customers can more easily borrow to grow their businesses, finance their homes, issue insurance policies, etc., implying economic growth. Conversely, if interest rates are rising moderately, financial service companies stand to earn more on the credit they issue to customers. The Carroll Fund currently holds four equities classified as financial companies. They are JPMorgan Chase & Co (JPM), PayPal Holdings Inc (PYPL), S&P Global Inc (SPGI), and Visa Inc (V).

Impacts from Period 2
Over the course of Period 2, inflation continued higher while the Federal Reserve made their first rate hike, so bond markets continued to sell off contributing to the slowdown in M&A and investment banking revenue so far in 2022. In sync with rising interest rates, mortgage rates began to rapidly increase from their previously suppressed levels. As a result, demand for mortgages is down more than 40% from a year ago. Consumer habits also began to shift from heavy spending to being more conservative as prices rose. Ultimately the Federal Reserve’s plan to raise rates is necessary to combat inflation, but it will come at a cost to the overall growth of the economy. The only questions are how long and how much rates will be raised. Banks do stand to gain from higher interest rate margins in a rising rate environment even though this is unlikely to make up for the lower investment banking revenue.

Performance
Holding Description
JPMorgan Chase & Co. provides global financial services and retail banking. They provide services such as investment banking, treasury and security services, asset management, private banking, card member services, commercial banking, and home finance, serving business enterprises, institutions, and individuals. With $3.4 trillion in assets, it is the largest bank holding company in the U.S. JPM’s primary revenue segments are Corporate and Investment Banking, Consumer and Community Banking, Asset and Wealth Management, and Commercial Banking.

Impacts from Period 2
Over the course of Period 2, there were many negative effects felt by JPM and the banking sector in general. For starters, investment banking and M&A revenues have fallen off after a record year for big banks. Capital market volatility has also put pressure on banks like JPM. In addition, exposure to Russian reserves contributed to further losses. In January, JPM reported $3.33 EPS still beating estimates but continuing the downward trend in growth seen in recent quarters. Typically, a leader in investment banking activity, JPM stock underperformed nearly every big bank, down around 15.67% over the period.

Future Outlook
Moving Forward, JPM is without a doubt one of the most well-renowned banks in the history of the United States, and the Carroll Fund has confidence that they will be able to weather any challenges that are being faced. However, CEO, Jamie Dimon, did cite several causes for concern in his annual letter to shareholders. He notes the unprecedented circumstances the world finds themselves in regarding the direction of inflation, interest rates, and the end of quantitative easing. In addition, the war in Ukraine and sanctions imposed by the West, have further limited economic prospects. Dimon says the company is preparing for potential negative outcomes, but he is also hopeful that the Federal Reserve will be able successfully maneuver a soft landing for the economy.

New Transactions
There were no transactions made involving JPM during Period 2.

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<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
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<td>$14,391.30</td>
<td>$12,132.48</td>
<td>-13.28%</td>
<td>$89.00</td>
</tr>
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</table>
Holding Description
PayPal Holdings, Inc. operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants. The company offers online payment solutions and serves customers all over the world. PayPal is a major player in the online payments industry. The company has approximately 348 million active accounts and almost 30 million merchant accounts across more than 200 markets.¹ PayPal’s legacy revenue segment as a payment processor has grown consistently for the last several years, targeting a 20% YoY revenue growth. However, the tech platform has been more ambitious as of late, making acquisitions that may better position them to become an all-in-one super app for financial services. Venmo, a peer-to-peer mobile wallet service, is also owned by PayPal.

Impacts from Period 2
As the macro landscape shifted towards a rising rate environment, many tech stocks were sold off in anticipation of the economic slowdown. However, PYPL was among the stocks that were hit the hardest as many investors began to realize that the companies extremely high growth may be harder to sustain than originally anticipated. The sell-off was triggered by an earnings release in February at 10.1% YoY growth, much lower than previous periods.² As a result, the stock is now trading on par with its historicalvaluations as a payment processor. It is now trading at 31 P/E, well below its 5-year average of 59 P/E.³

Future Outlook
Moving forward, it will be important for PayPal to continue to innovate in the payment space if they want to regain their high-growth status. Venmo is a massive prospect for PayPal as a leading peer-to-peer payment service that should continue to grow. While the Carroll Fund allocation to PYPL was mistimed, managers believe that the stock is at a much more attractive level as a legacy payment processor. The space is highly competitive, and PayPal boasts close to 50.32% market share for online payment processing.⁴ They are also expanding to contactless point of sale for in-store purchases, which could help achieve faster growth. Overall, the prospects are there for PayPal, but it will be important for the company to keep growing user activity amid the current economic environment.

New Transactions
There were no transactions made involving PYPL during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
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</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$15,595.20</td>
<td>$9,252.00</td>
<td>-38.67%</td>
<td>$-</td>
</tr>
</tbody>
</table>
Holding Description
S&P Global Inc. provides clients with financial information services. The company offers information regarding ratings, benchmarks, and analytics in the global capital and commodity markets, operating worldwide. SPGI serves the entire financial world, including but not limited to institutional investors, investment banks, government agencies, exchanges, etc. SPGI’s four primary revenue segments are S&P Global Ratings, Market and Commodities Intelligence, S&P Dow Jones Indices, and S&P Global Platts. Most of these revenues are subscription-based.¹ The tools that SPGI offers are well known around the world and are used by a wide range of customers.

Impacts from Period 2
On February 28th, SPGI announced that they had completed a merger with IHS Markit (INFO) worth $140 billion. With the transaction complete, SPGI hopes to offer an enhanced value proposition to its customers, offering a broader portfolio of products.² This large deal along with macroeconomic pressures most likely contributed to the firm’s negative performance over Period 2. They announced earnings in February at 18.8% YoY growth, down from 27.1% the prior quarter.³

Future Outlook
Although SPGI will have some increase in capital expenditures due to its deal with INFO, the long-term prospects for the company will benefit significantly. For starters, the company is targeting revenue growth of over 40% in 2022, expecting organic growth of 6.5-8%. The deal will lead to a bump in profit margins for the company as it expands its product offerings. The company is already the leader in global market information, and the INFO deal has solidified this for years to come.

New Transactions
There were no transactions made involving SPGI during Period 2.

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<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$24,899.40</td>
<td>$22,149.72</td>
<td>-12.92%</td>
<td>$41.58</td>
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</table>
Holding Description
Visa Inc. operates a retail electronic payments network and manages global financial services. The company offers global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses, and government entities. One of the world’s leaders in digital payments, Visa also has around 3.7 billion credit and other payment cards in circulation across more than 20 countries. VisaNet, its transaction processing network, authorizes, clears, and settles payments. It also offers multiple products, payment platforms, and value-added services and has the capacity to process an average of over 635 million transactions per day. Visa’s three strategic areas of focus include investing and growing card-based payments, accelerating its efforts in non-card, cross-border payments and digitizing domestic accounts payable and receivable along with new flows and value-added services.¹

Impacts from Period 2
As the largest payment processor in the world, Visa did not feel the downward pressure that most tech stocks faced. Even though revenue growth did slow, EPS for their first quarter were $1.61, a 27% increase YoY.² As a result, the stock outperformed most of the market. Inflation also continued to increase over the period, triggering more swift Federal Reserve action regarding interest rates. Consumer sentiment did begin to deteriorate over the period, but it didn’t seem to sway investors away from the legacy payment processor.

Future Outlook
Like all payment processors, it will be important for Visa to continue to innovate in the space. If they don’t use their vast resources to combat all the competition, they could be at risk of losing their massive market share. Despite this, the Carroll Fund expects Visa to continue to dominate the industry. In the short-term, as inflation continues higher and the Federal Reserve begins to raise rates, consumer spending habits could begin to shift towards less spending. This could dampen Visa’s revenue for the meantime, so it will be important to monitor the macroeconomic landscape and how it will affect the average consumer.

New Transactions
There were no transactions made involving V during Period 2.

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<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$ 21,257.28</td>
<td>$ 21,289.92</td>
<td>2.51%</td>
<td>$ 36.00</td>
</tr>
</tbody>
</table>
HEALTHCARE
Manager: Gabrielle Cyr

Sector Overview
The Healthcare sector has a market cap of $8.39 trillion and a market weight of 13.69%. The sector is divided into two industry groups which are further divided into six industries.¹

- Pharmaceuticals, Biotechnology, and Life Sciences: Biotechnology, Life Sciences Tools and Services, Pharmaceuticals

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

Impacts from Period 2
Throughout Period 2, a second booster came out for high-risk individuals, following concerns of new variants with COVID.⁴ Another round of lockdowns overseas due to an increased number of COVID cases, specifically in the larger cities of China, raised concern for the global economy.⁵ Despite new variants emerging and shutdowns looming, elective care procedures continued to regain strength, which has boosted performance for the Healthcare Equipment and Supplies industry.⁶ Since the pandemic, the sector has become more technologically advanced and has taken strides towards artificial intelligence.⁷ Like Period 1, there has continued to be shortages in the Healthcare field, due to exhaustion and burnout leading to early retirement. Because there are shortages, the sector has seen an increase in wages and a decrease in the quality of care nationwide.⁸ Throughout the pandemic and into Period 1, telehealth companies flourished as the nation moved towards decentralized healthcare for more flexibility and safety. This trend is expected to continue throughout Period 2 and for years to come.⁹

Performance

![Graph showing performance comparison between S&P 500 and Healthcare sector from 12/31/2021 to 3/31/2022.](image-url)
**Holding Description**

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

**Impact from Period 2**

The top two holdings in the ETF contribute to the performance of the fund over Period 2. Exact Sciences Corporation is a molecular diagnostics company that specializes in the detection of early-stage cancers. They have seen positive revenue growth but still are not profitable. COVID shifting to an endemic should be a tailwind for the company, but as investors shift to value stocks during a rising interest rate environment, the firm may not be through their most difficult times.

Teladoc Health is a virtual telehealth company that lost revenues over Period 2 as the country began to recover from the pandemic. They are still not profitable, and may not be for a while, but they do have positive free cash flows. In a rising interest rate environment, TDOC may see more volatility throughout 2022. Since many stocks within ARKG are at the head of artificial intelligence in the Healthcare sector, investors have shifted away from these holdings and towards more value stocks.

**Future Outlook**

Artificial intelligence is the direction the Healthcare sector is moving to improve the way healthcare professionals diagnose, treat, and manage disease. Out of the top holdings, numerous are at the forefront of research for artificial intelligence in the industry, so strong returns are predicted in the next 5-10 years. In the current economic environment, ARKG will likely experience poor performance and volatility, but the Carroll Fund believes the ETF is a good long-term hold.

**New Transactions**

There were no transactions made involving ARKG during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
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<tr>
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<td>$ 9,678.78</td>
<td>$ 7,027.29</td>
<td>-25.00%</td>
<td>$ -</td>
</tr>
</tbody>
</table>
CVS HEALTH CORPORATION (CVS)

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

**Impacts from Period 2**
In February of 2022, CVS announced their 2022 Supplier Diversity and Minority Summit. This event goes along with their ongoing goal of bringing more diverse products and brands to their customers through their retail operations. Branching out to more brands and groups in the community should continue to increase their customer base, and therefore, their revenues as well.⁴ COVID-19 vaccines and testing has begun to slow down, which has impacted retail sales as well. Many shoppers bought other items in store as they went in for a shot, so retail sales have taken some hits.⁵ Lastly, a new COVID booster shot has been released, which could maintain some revenues and foot traffic stemming from the pandemic, even as things begin to slow back down and return to normal.⁶

**Future Outlook**
Throughout 2022, CVS plans to shift the format of their stores, closing some in the process. There will be three formats: stores for primary care services, enhanced HealthHUB services for products focused on everyday health and wellness, and the traditional CVS pharmacy stores. They plan to close about 300 locations over the next 3 years.⁷ CVS is projecting a drop in vaccine sales of up to 80% throughout 2022 and a drop in COVID test sales of 40-50%.⁸ Effective July 2022, CVS will raise wages to $15/hour which will increase overhead costs for the company, hurting the bottom line. This move will make the company more competitive in the labor market, as many companies are moving towards the higher minimum wage.⁹ Overall, the Carroll Fund is confident in the business model and prospects for CVS Health Corporation and will continue to hold for the long-term.

**New Transactions**
There were no transactions made involving CVS during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
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</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$16,873.92</td>
<td>$16,396.02</td>
<td>-1.36%</td>
<td>$89.10</td>
</tr>
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Holding Description
MRK (Merck and Co.) is a multinational pharmaceutical company that aims to be at the forefront of research to bring forward medicine and vaccines for the world’s most challenging diseases to save people’s lives and improve health care. They focus on people and animals, with a larger focus on their human health segment. A key driver of Merck is the FDA approval process. The pipeline of approval directly correlates to their profits and points out where the company can monetize their new drugs/treatments. Research and development plays a key role in the success of the business. In 2021 alone, they invested $10.1 billion in research and development for their new products. In 2021, the Keytruda revenue segment, a skin cancer treatment drug, accounted for almost 45% of the company’s revenues.

Impacts from Period 2
As of Period 2, the company currently has 75 products in phase two of the pipeline, 28 in phase three, and three under review. Of the products under review, one of the drugs is made in combination with Keytruda, the drug producing the most revenues for the company. The company has many supply and purchase agreements in place for providing COVID therapy, which is expected to contribute $5-$6 billion in revenues over the course of 2022. The anti-viral pill in late-stage development will also contribute to COVID relief. MRK paid a first quarter dividend in January and announced a second quarter dividend to be paid in April.

Future Outlook
MRK currently has 75 products in phase two of the pipeline and 28 in phase three, so there are many drugs with potential to be developed in the coming years. Many of the drugs in the pipeline are developed with Keytruda which could pose issues at the drug nears expiration. The patent for Keytruda is set to expire in 2028, which is coming close. It will be crucial for the company to pivot some of their operations since their business is centered around Keytruda. If not, the company could potentially take huge hits when the patent expires. Overall, Merck & Co. is a profitable company with strong prospects, which makes the company a good long-term hold for the Carroll Fund.

New Transactions
There were no transactions made involving MRK during Period 2.

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<tr>
<th>Period</th>
<th>Beginning Value</th>
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</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$21,600.47</td>
<td>$23,056.05</td>
<td>7.96%</td>
<td>$193.89</td>
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</table>
Holding Description
OGN (Organon & Co.) is a healthcare company focusing on the care of women at every stage of their life. They spun off from Merck and Co. in June of 2021. OGN emphasizes reproductive health, heart disease, dermatology, allergies, and asthma. A large part of their business are biosimilars to treat disease.\textsuperscript{1} While they are a newer company, the FDA approval process will continue to be crucial to their revenues. As they develop new medicines and treatments, the pipeline of approval will determine how they are able to monetize their business. Revenues come from Established Brands, Women’s Health, Biosimilars, Other Organon Products, and Merck Retained Products. Established Brands accounts for almost 65% of revenues, Women’s Health comprises about 26%, and biosimilars almost 7%.\textsuperscript{2}

Impacts from Period 2
Throughout Period 2, OGN has been fairly quiet as they prepare for the Humira biosimilar launch. The company entered into a global license agreement with Daré Bioscience, Inc. to commercialize XACIATO, a drug to treat bacterial vaginosis. This move contributed to the company’s goal of innovation in women’s care through using their strengths and expertise to collaborate with other women’s health innovators.\textsuperscript{3}

Future Outlook
OGN is a steadily growing firm with strong prospects. They acquired Forendo Pharma at the end of 2021, which focuses on women’s health. Forendo Pharma has numerous products in development closely tied to the treatment of endometriosis, metabolic issues, hyperandrogenism, and infertility. Most notable treatments are in phase two of clinical development.\textsuperscript{4} Organon & Co. has been preparing for the launch of their Samsung-partnered biosimilar, Humira, to come in 2022. The popular birth control implant, Nexplanon, is also expected to gain market share in the following years.\textsuperscript{5} Overall, OGN is a resilient firm with room to grow. They are well diversified within their business segments and do not display a large dependence on any one segment. With a low multiple, the firm was able to offer dim 2022 guidance and not be penalized. OGN remains a strong long-term hold for the Carroll Fund.

New Transactions
There were no transactions made involving OGN during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$15,268.40</td>
<td>$17,115.70</td>
<td>15.63%</td>
<td>$137.20</td>
</tr>
</tbody>
</table>
Sector Overview
The Industrials sector has a market capitalization of $5.44 trillion and a market weight of 5.74%. It is comprised of companies whose business revenues are dominated by:
- The fabrication and distribution of capital goods including aerospace & defense, construction, engineering & building products, electrical equipment, and industrial machinery.
- The provision of supplies and commercial services including printing, employment, environmental, and office services.
- The provision of and transportation services including airlines, couriers, marine, road & rail, and transportation infrastructure.

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

Impacts from Period 2
The $1.2 trillion bipartisan Infrastructure Investment and Jobs Act passed last November paired with recent global efforts towards sustainability and clean energy, provided tailwinds across a variety of Industrials’ industries. Despite inflationary pressures and supply chain issues, the U.S. saw a Period 2 average annualized QoQ GDP of 6.9%, reflecting strong global trade, increased online shopping, and room for capital expenditure growth. While these provide great demand for transportation and air freight companies, global growth may soon hit its peak. Russia’s invasion of Ukraine benefitted defense companies but spurred heavy sanctions on Russia, with oil and natural gas restrictions being heavy hitters on several Industrials industries. In March, the Federal Reserve raised interest rates by .25%, and there are 8 more expected hikes by year end. Paired with inflation, the Federal Reserve rate hikes will slow economic growth which historically creates an environment where Industrials perform quite poorly. Personal consumption already reflects recent inflationary concerns in a 24% decrease from January 27th to March 30th.

Performance

![Performance chart](image-url)
Holding Description
Caterpillar (CAT) is the global leading manufacturer of construction and mining equipment. It performs business through three main segments and their financial services in a fourth:

- Construction Industries (~35% total sales): Includes machinery and equipment used in forestry, construction, and infrastructure (e.g., excavators, dozers, articulated trucks).
- Resource Industries (~20% total sales): Manufactures and sells resource machinery for waste, mining, quarry, and material storage applications. They also provide machinery systems, analytics, and autonomous equipment opportunities.
- Energy & Transportation (~40% total sales): Caterpillar’s energy focus surrounds manufacturing and selling turbines, gas engines, and locomotives as well as developing energy solution products. Their transportation industry is focused on manufactures, parts and machinery, and power generation.
- Financial Products (~5% total sales): Offers a variety of purchasing, financing, and protection options for customers and dealers throughout the entire equipment life cycle.

Impacts from Period 2
The $1.2 trillion bipartisan Infrastructure Investment and Jobs Act provided tailwinds for Caterpillar throughout the period. Caterpillar released earnings January 28th beating both top line and bottom-line expectations. All business segments, excluding energy & transportation’s 7% miss, beat consensus estimates; however, forward guidance was murky and noted on-going supply chain constraints, high backlog, and low channel inventories. Caterpillar continued their sustainability-focused hydrogen fuel cell development with Microsoft with goals of finishing by September of 2024. High inflation surged costs throughout the quarter, but Caterpillar is increasing prices to combat this. Russia’s invasion of Ukraine elevated raw-materials prices, benefitting Caterpillar’s resource industries business segment.

Future Outlook
Period 1 saw strong global economic growth with a tightening labor market, producing a robust environment for Caterpillar and Industrial stocks; however, concerns of an economic slowdown cause worry for the future. Inflation is soaring, gas prices are at the highest they have ever been, and the Federal Reserve is estimated to raise interest rates 8 times by year-end. Consequently, economic growth will begin slowing, negatively impacting cyclical companies like Caterpillar.

New Transactions
There were no transactions made involving CAT during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$13,041.00</td>
<td>$14,037.66</td>
<td>8.31%</td>
<td>$69.93</td>
</tr>
</tbody>
</table>
Holding Description
FedEx has a market capitalization of $58.48 billion and operates through three main business segments:¹

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

Impacts from Period 2
The strong labor market and global economic growth fueled FedEx’s revenue growth despite continued supply chain headwinds. FedEx released earnings for the quarter ending February 28th, falling short on bottom line expectations but exceeding top line expectations. FedEx Express and FedEx Freight business segments saw increases in operating income from less severe winter weather and an increased focus on revenue quality. FedEx Ground operating income declined from increased transportation, wage, and network costs. All business segments experienced headwinds from the Omicron variant resulting in constraints on labor, shipping, and economic growth.² FedEx announced Raj Subramaniam, who has over 30 years of company experience, will step up as President and CEO on June 1st.³ Inflation surged fuel and transportation costs throughout the Period but were countered with surcharges across all FedEx business segments.

Future Outlook
In FedEx’s March earnings release, management expects improvements in labor availability and no new COVID-19 business restrictions.⁴ While the labor market is tight and economic growth has been strong in Period 2, this may not be enough to combat a slowing economy. Inflationary pressures, Federal Reserve interest rate hikes, and supply chain issues will hinder economic growth in the coming periods creating a historically poor environment for cyclical companies like FedEx.

New Transactions
There were no transactions made involving FDX during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$12,927.50</td>
<td>$11,569.50</td>
<td>-10.54%</td>
<td>$ -</td>
</tr>
</tbody>
</table>
Holding Description
Jacobs Engineering operates in two main business segments:

1. People & Places Solutions (~65% total sales): Creator of a vast variety of end-to-end project solutions for its clients. This process involves advanced analytics, artificial intelligence, visualization & simulation software, architectural & engineering tools, consulting, design implementation, and long-term facility & infrastructure operation services.
2. Critical Mission Solutions (~35% total sales): Provides a range of products and systems to government agencies and commercial customers. These solutions include software applications, cybersecurity, data analytics, mission information technology and systems integration.

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

Impacts from Period 2
Jacobs accepted a diverse variety of projects throughout the Period with focuses like renewable energy creation, local economic opportunities, and transportation expansion. Jacobs missed top-line and bottom-line earnings in their Quarter 1 earnings report, but management reported they are chasing higher share prices through organic growth opportunities and consistent mergers and acquisitions. This, paired with their frequent capitalizations on growing industries like sustainability and cybersecurity should set themselves up as a strong investment throughout future periods.

Future Outlook
Strong economic growth throughout Period 2 utilized Jacobs’ recent acquisitions in key sustainability and cyber security areas. Water scarcity investment is increasingly popular due to global population growth, urbanization, and aging infrastructure. Jacobs is one of the most active companies with the proper technology and solutions for water scarcity issues and will continue seizing related project opportunities in the future. Rising costs and Federal Reserve interest rate hikes are likely to hinder economic growth, resulting in a poor environment for cyclical companies like Jacobs Engineering.

New Transactions
There were no transactions made involving J during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$ 13,539.26</td>
<td>$ 13,367.57</td>
<td>-0.85%</td>
<td>$ 22.31</td>
</tr>
</tbody>
</table>
Holding Description
Lockheed Martin performs business through four segments:

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

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

Impacts from Period 2
The Russian invasion of Ukraine and geopolitical risks surged aerospace & defense stock prices, resulting in 24.56% return for Lockheed Martin throughout Period 2. The Federal Trade Commission blocked Lockheed Martin’s $4.4 billion merger with Aerojet Rocketdyne due to fears of dominating the rocket component business. Lockheed Martin released earnings on January 25th, beating both top-line and bottom-line expectations. They produced $4.3 billion in cash from operations allowing for over $2 billion of stock buyback this quarter, notably above analyst expectations.

Future Outlook
While recent geopolitical concerns remain a tailwind for Lockheed Martin and defense stocks, the likelihood for an economic slowdown paired with supply chain constraints may soften this effect. Forty-year high inflation and Federal Reserve interest rate hikes will slow economic growth in the coming periods, creating a poor environment for Industrial stocks like Lockheed Martin. The U.S. may pass an increased spending budget, resulting in increased F-35 demand; however, the Department of Defense’s 2023 budget may have a ~35% cut to the prior plan due to technical limitations and dodging retrofitting complications.

New Transactions
There were no transactions made involving LMT during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$13,111.32</td>
<td>$16,331.80</td>
<td>24.98%</td>
<td>$103.60</td>
</tr>
</tbody>
</table>
Sector Overview
The Information Technology sector makes up about 28% of the market cap within the S&P 500, making it the largest sector within the index. The Information Technology sector can be divided into three main industries. The Software and Services industry contains companies providing software, internet services, and IT services. The Technology Hardware and Equipment industry contains companies involved in the production of various technological equipment, such as phones, routers, switchboards, printers, computers, security systems, etc. The Semiconductors and Semiconductor Equipment industry contains producers of the semiconductors that are used for controlling electrical currents and, therefore, are used in many electronic devices.

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

Impacts from Period 2
The global semiconductor chip shortage due to our increased reliance on technology and IoT devices along with the lingering effects of the COVID-19 pandemic continues to have its impact on the Information Technology sector. This chip shortage has halted innovation as major chip manufacturers such as Intel and TSM have been said to be delaying production of their new 3-nanometer chips to try to cut down on their current backlog. Another piece of news impacting the sector was Russia’s invasion of Ukraine. Even though it caused lots of uncertainty in the market, the increased concerns of cyberattacks proved to be a tailwind for the cybersecurity industry. CIBR, an ETF that broadly tracks the cybersecurity industry, closed the period up approximately 18% since the day the news of the Russia-Ukraine conflict broke.

Performance
Holding Description
Apple is an industry leading tech company that designs, manufactures, and markets personal computers and related computing devices, phones, and a variety of related software and services. Its revenue can be broken down into two segments, Products and Services. The Products segment of Apple makes up about 81% of Apple’s revenue. The products division can then be further broken down into four segments: iPhone, Wearables, Mac, and iPad. The iPhone is Apple’s biggest source of revenue, as it accounted for 52.5% of the company’s revenue in 2021. The wearables segment consists of the Apple Watch and HomePod and accounts for about 10.5% of Apple’s revenue. The Mac segment consists of the Mac desktop and laptop and accounts for about 9.6% of Apple’s revenue. Lastly, is the iPad segment, which accounts for about 8.7% of revenue. The Services division of Apple is the more profitable of the two segments. This segment consists of the App Store, iCloud, Apple Music, and Apple Pay. This division accounted for 18.7% of Apple’s 2021 revenue.

Impacts from Period 2
On March 1st, Apple announced it was going to suspend all product sales in Russia due to Russia invading Ukraine. It is also limiting access to digital services such as Apple Pay in Russia as well. In 2020, Apple received about 2.5 billion dollars of revenue from Russia. While this appears substantial, 2.5 billion comes out to less than 1% Apple’s revenue. Last period it was reported Apple is working on bringing more chip-making in house, this period news broke that Apple is working on bringing financial services in house. This would be a lengthy process, but they are working to develop their own payment processing system and be able to handle other various financial tasks in house.

Future Outlook
In their last earnings release, Apple’s CEO Tim Cook seemed optimistic that the supply challenges reported last quarter will improve as Apple heads its next earnings announcement. Optimism regarding supply chain disruption, minimal damage from Russia-Ukraine conflict, along with Apple’s market share, continued innovation, and strong brand loyalty make the Carroll fund bullish on Apple’s future performance.

New Transactions
There were no transactions made involving AAPL during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$45,320.49</td>
<td>$43,477.89</td>
<td>-1.54%</td>
<td>$54.78</td>
</tr>
</tbody>
</table>
Holding Description
BLOK is an actively managed exchange-traded fund. The fund is a thematic ETF that seeks to invest in companies actively involved in blockchain technology. These companies include mining companies like HUT Mining, transactional companies like Coinbase, venture capital firms, semiconductor companies, etc. As a result, it is heavily correlated to the price of bitcoin and other major cryptocurrencies. The industry has shown extreme growth, which is exactly what the ETF is invested in. Industry growth along with the pace of adoption, institutional investment, and its value proposition, all point to an industry that is becoming too large to ignore.

Impacts from Period 2
The performance of BLOK over the course of Period 2 can mostly be attributed to the current macroenvironment. The market still views the underlying asset class as a risk asset, and the rising rate environment kept investors sitting on their hands. Trading volume in cryptocurrencies was relatively muted compared to this time last year. However, it is also worth noting that the types of buyers have begun to shift from solely retail to more institutional grade buyers.

Future Outlook
Despite an increasingly negative outlook for markets in general, Bitcoin has held up well, beating the S&P 500 in Period 2. Moving forward, the potential use of digital assets continues to gain traction among policy makers and leaders in the industry. The space is highly innovative and constantly changing, however BLOKs exposure to the industry is one the Carroll Fund managers believe is worth having. In the face of rising rates and a slowing economy, Bitcoin and other cryptocurrencies pose a potential alternative for those that don’t want to feel the looming constraints of the legacy financial system. Many historically reliable indicators are implying that the asset class is poised for a strong 2022.

New Transactions
There were no transactions made involving BLOK during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$11,124.40</td>
<td>$9,368.06</td>
<td>-14.89%</td>
<td>$-</td>
</tr>
</tbody>
</table>
Holding Description
CIBR is an ETF that tracks the Nasdaq CTA Cybersecurity Index. CIBR targets companies within the cybersecurity industry. It holds companies of small, medium, and large market cap. It primarily holds Software and Networking companies, but also branches out into other industries such as Aerospace and Defense. With an average P/E of about 155, this fund is one of high growth. It caps the weight of the 5 most liquid securities within the fund at 6% and caps the remaining companies at 3%. Depicted below are the top holdings within the ETF.¹

<table>
<thead>
<tr>
<th>Top 10 (45.83% of total holdings)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CRWD Crowdstrike Holdings Inc Class A</td>
<td>6.61%</td>
</tr>
<tr>
<td>PANW Palo Alto Networks Inc</td>
<td>5.95%</td>
</tr>
<tr>
<td>NET Cloudflare Inc</td>
<td>5.84%</td>
</tr>
<tr>
<td>ZS Zscaler Inc</td>
<td>5.73%</td>
</tr>
<tr>
<td>CSCO Cisco Systems Inc</td>
<td>5.68%</td>
</tr>
<tr>
<td>SPLK Splunk Inc</td>
<td>3.57%</td>
</tr>
<tr>
<td>AKAM Akamai Technologies Inc</td>
<td>3.13%</td>
</tr>
<tr>
<td>JNPR Juniper Networks Inc</td>
<td>3.12%</td>
</tr>
<tr>
<td>INFY Infosys Ltd ADR</td>
<td>3.10%</td>
</tr>
<tr>
<td>MNDT Mandiant Inc</td>
<td>3.10%</td>
</tr>
</tbody>
</table>

Impacts from Period 2
As technology advances, more data is being transferred across more networks than ever before. Because of this, the importance of cybersecurity continues to grow and therefore, spending has been steadily increasing as well.² The Russian invasion of Ukraine has only amplified the importance of cybersecurity, as Russia has been unleashing waves of cyberattacks, putting many companies on high alert for cyberattacks.³ The increased awareness and potential of cyberattacks led to the many runup in cybersecurity company stock prices, which led to CIBR closing the period up approximately 18% since the day the news of the Russia-Ukraine conflict broke.

Future Outlook
The fund’s outlook for CIBR is somewhat bearish. Managers think the cybersecurity industry will continue to grow as people continue to increase the amount of data being transferred. However, the recent runup in CIBR stock price led to the ETF trading about 6.5% off their all-time high at the end of the period. Recent price run up, along with its high growth holdings are cause for concern given the current economic outlook.

New Transactions
There were no transactions made involving CIBR during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$ 30,617.16</td>
<td>$ 31,228.68</td>
<td>0.64%</td>
<td>$ 12.00</td>
</tr>
</tbody>
</table>
**Holding Description**

Microsoft is the second largest Information Technology holding by market cap. Its revenue can be broken down into three segments: Intelligent Cloud, More Personal Computing, Productivity and Business Processes. These segments accounted for 35.4%, 33.8%, and 30.8% of Microsoft’s revenue, respectively.\(^1\)

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

**Impacts from Period 2**

Over the period, MSFT was in the news for some antitrust complaints filed by European competitors, that French competitor OVHcloud joined in on as well. The complaint alleges that MSFT’s practices make it costly and difficult for users of its cloud services to opt out for a competitor’s services.\(^3\) The news of this complaint didn’t appear to have a direct impact on stock price but will be something to monitor.

**Future Outlook**

Despite a -8.14% from MSFT over the period, the Carroll fund remains bullish on the future performance of MSFT, as Microsoft’s innovation and vast range of products have allowed it to consistently generate strong revenue growth. One of Microsoft’s biggest strengths is their positioning within a rapidly growing cloud industry, as they are the second largest cloud infrastructure provider behind only Amazon Web Services.\(^4\) MSFT’s revenue growth from Azure and its other cloud services has been 46% or higher over the past five quarters.\(^5\) The Carroll Fund is optimistic MSFT’s revenue growth from cloud services and overall revenue growth will continue, making MSFT a strong Information Technology holding for our portfolio.

**New Transactions**

There were no transactions made involving MSFT during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$33,140.25</td>
<td>$30,522.69</td>
<td>-8.14%</td>
<td>$61.38</td>
</tr>
</tbody>
</table>
Holding Description
Taiwan Semiconductor Manufacturing Co. (TSM) is the largest contract semiconductor manufacturer in the world, with market share around 50%. Although, their headquarters are in Taiwan along with most of their production capacity, a majority of their revenue comes from the U.S and China, at about 60% and 20%, respectively.¹

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

Impacts from Period 2
The global semiconductor chip shortage continues to be a tailwind for the business of TSM. Over the period, TSM recorded a YoY revenue increase of 35.1%, and net income and EPS increases of 45.1% YoY. TSM contributes this growth to strong HPC and automotive demand, which it expects to continue into future quarters.³ However, the strong financial performance of TSM was not reflected in the stock price as it was out shadowed by growing fears of China invading Taiwan after Russia invaded Ukraine, which ultimately led to TSM shares falling ~13% over the period.

Future Outlook
The outlook for TSM is cautiously optimistic, as TSM has been able to generate strong revenue growth and possesses nearly half the market share in a rapidly growing industry. The caution comes from ongoing conflicts between China and Taiwan. With the Russian invasion of Ukraine, many believe the possibility of something similar happening between China and Taiwan becomes more likely in the future.⁴ While company fundamentals remain strong, global tensions will be something to monitor when evaluating TSM.

New Transactions
There were no transactions made involving TSM during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$29,881.60</td>
<td>$24,188.32</td>
<td>-13.01%</td>
<td>$91.09</td>
</tr>
</tbody>
</table>
Sector Overview
The Materials sector has a market capitalization of $2.53 trillion and a market weight of 7.76%. It is made up of five industries which manufacture and/or refine: Chemicals, Construction Materials, Containers & Packaging, Metals & Mining, and Paper & Forest Products.

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

Impacts from Period 2
The Materials sector continued to experience tailwinds from November’s $1.2 trillion bipartisan Infrastructure Investment and Jobs Act, primarily in an increased demand for steel, sand, gravel, and stone. The Act, paired with global efforts towards sustainability, also require substantial amounts of copper and aluminum for batteries, internet, and electric vehicles; however, current and future sustainability-related regulations may harm demand for materials across multiple industries. Despite global supply chain issues and rising costs, the average U.S. annualized QoQ GDP of 6.93% relieved economic growth pressures for the cyclical Materials sector. Lumber prices saw robust growth throughout the quarter but fell 20% mid-March from the cooling housing market. Russia’s invasion of Ukraine sparked global sanctions on Russia, resulting in higher agriculture and metal prices. Rising inflation and the Federal Reserve interest rate hikes will slow economic growth, which consequently slows demand for the Materials sector as a whole. Additionally, the recent yield curve inversion may signal a coming recession in which the Materials sector historically sees poor performance.

Performance

![Performance graph](image-url)
Holding Description
PotlatchDeltic (PCH) is a real estate investment trust (REIT) harvesting timber from nearly 1.8 million acres of forestry. Their company is divided into three main business segments:

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

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

Impacts from Period 2
Lumber prices were hectic throughout the period from geopolitical conflicts, global economic growth, and an expensive housing market. Global Russian sanctions, provoked from their invasion of Ukraine, caused lumber prices to soar 42% throughout February before dropping 30% in March. In late January, PotlatchDeltic released their earnings report revealing missed top-line earnings expectations but a bottom-line earnings surprise. Their Quarter 4 net income fell 61% from last year, but full-year 2021 net income increased 154% from huge increases from the timberlands and wood products business segments. Supply chain constraints continued throughout the period but saw tailwinds from strong economic growth and a tight labor market.

Future Outlook
While strong global growth and a tight labor market persisted throughout the Period, inflationary pressures and Federal reserve interest rate hikes may impede further economic prosperity. Growth will soon slow from huge cost increases and rising interest rates, creating an environment in which cyclical Materials’ companies like PotlatchDeltic perform poorly. U.S. wood products and timberland companies may increase their mill quantity to capitalize on the recent geopolitical conflicts but are likely to meet supply chain headwinds throughout the process.

New Transactions
There were no transactions made involving PCH during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$ 13,660.92</td>
<td>$ 12,338.82</td>
<td>-11.71%</td>
<td>$ 102.96</td>
</tr>
</tbody>
</table>
REAL ESTATE
Manager: Alyssa Thomas

Sector Overview
The Real Estate sector of the economy includes all different types of REITs and Real Estate Management and Development companies. REITs specialize in specific types of properties including retail, office buildings, casinos, healthcare facilities, residencies, etc. The Real Estate sector tends to perform well when the economy is in a period of economic growth and interest rates are low. This sector typically offers higher returns at a lower risk, making it attractive to investors. Additionally, REITs are popular with investors because they offer a liquid alternative to buying real estate without buying the physical property. The sector is benefiting from increased digitization trends, specifically data center and cell tower REITs are becoming more popular. This sector has a market weight of 2.77% and a market cap of $1.81 trillion.

Impacts from Period 2
The Real Estate sector outperformed the S&P 500 in Period 2. In 2020 and 2021, mortgage rates were at all-time lows due to the pandemic. However, in Period 2, mortgage rates have been on the rise. The 30-year mortgage rate averaged about 4% during the period but reached a high of around 5%. This is still a relatively low rate, as historical 30-year mortgage rates averaged 8%. Furthermore, housing inventory is predicted to increase in 2022, which could cause home prices to rise at a slower pace. With several more rate hikes expected in 2022, managers believe the Real Estate sector may continue to experience outperformance in the short-term due to consumers wanting to lock in lower rates now. Although, managers don’t expect the sector’s performance to exceed its performance in 2021. Several real estate analysts predict that sales of existing homes will hit record highs, surpassed only by 2021. Excitingly, the fund’s real estate holding, Welltower, has done exceptionally well this period, hitting an all-time high.

Performance

![Performance Chart]
**Holding Description**
Welltower Inc. is a REIT that invests in senior housing and healthcare real estate properties. It leases more than 1,500 properties to healthcare companies within 45 states. The company holds most of its properties in joint ventures with Sunrise Senior Living, its largest operating partner/customer. Welltower believes their healthcare infrastructure enables companies to provide better care to their patients. Welltower’s main objective is to protect shareholder value while also increasing shareholder value. Its strategy to achieve this goal is to diversify its portfolio by investing in a variety of property types, specifically within senior housing and healthcare, in different geographic regions. Welltower operates through three business segments: Seniors Housing Operating, Triple-Net, and Outpatient Medical. Its operations are in three different geographic regions: the U.S., the UK, Canada, and Luxembourg.

**Impacts from Period 2**
Welltower has outperformed the S&P 500 during Period 2. WELL’s stock price appreciated around 15%, reaching an all-time high, throughout Period 2. Investors are confident in Welltower, and some of the largest hedge funds have taken positions in WELL recently. Furthermore, Welltower announced that it plans on implementing a holding company reorganization that would restructure Welltower to be an Umbrella Partnership Real Estate Investment Trust. The old Welltower will convert to a Delaware limited liability company, called “Welltower OP Inc.” Welltower assured investors that this reorganization is needed to align Welltower’s corporate structure with other publicly traded REIT’s and allow Welltower to acquire properties in a tax deferred manner more efficiently. After this announcement, shares traded higher, indicating that investors believe this was a smart decision for the firm.

**Future Outlook**
On February 15th, 2022, Welltower announced a new partnership in connection with Reuben Brothers’ acquisition of Avery Healthcare. Avery Healthcare is one of Welltower’s largest operating partner in the United Kingdom. Welltower stated, “the 50/50 joint venture partnership is expected to generate significant growth opportunities through the development of the next generation of seniors’ housing properties by leveraging Reuben Brothers’ real estate investment and development acumen and Welltower’s unparalleled data analytics platform and leadership within the seniors housing industry.” This is an exciting opportunity for Welltower’s future; managers will continue to monitor Welltower’s performance moving forward.

**New Transactions**
There were no transactions made involving WELL during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$19,079.88</td>
<td>$21,439.22</td>
<td>12.80%</td>
<td>$136.03</td>
</tr>
</tbody>
</table>
Sector Overview
The Utilities sector is vital to the economy. The sector is composed of companies that provide utility services such as electricity, water, natural gas, steam supply, and sewage removal.¹ The Energy and Utilities sectors are interconnected. The Energy sector supplies energy sources for utility companies to then distribute to society. Many of the companies within the Utilities sector are part of the public service landscape and are therefore highly regulated.² Conservative investors are drawn to the Utilities sector due to the sector's low beta, high dividend yields, and stable/safer returns.³ The Utilities sector has a market weight of 2.77% and a market cap of $1.76 trillion.

Impacts from Period 2
The Utilities sector outperformed the S&P 500 in Period 2. This outperformance is most likely attributed to the increased market volatility throughout Period 2, as defensive sectors are more attractive because of their lower risk. This outperformance may be short lived as there are several more interest rate hikes expected in 2022. This sector is subject to interest rate risk due to the high debt levels utility companies carry. Consequently, the sector could experience lower returns and lose investors to the bond market, as higher interest rates make the bond market more attractive. However, the U.S. Treasury yield curve has been flattening over Period 2, and on March 29th, 2022, the curve inverted.⁴ This inversion could be signaling a recession, and if that is the case, the Utilities sector would most likely be situated to outperform the market.

Performance

![Performance Graph]

<table>
<thead>
<tr>
<th>Date</th>
<th>S&amp;P 500</th>
<th>Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/31/2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/28/2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/31/2022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ The Energy sector supplies energy sources for utility companies to then distribute to society.
² Conservative investors are drawn to the Utilities sector due to the sector's low beta, high dividend yields, and stable/safer returns.
³ The Utilities sector has a market weight of 2.77% and a market cap of $1.76 trillion.
⁴ The U.S. Treasury yield curve has been flattening over Period 2, and on March 29th, 2022, the curve inverted.
Holding Description
The Utilities Select Sector SPDR is a U.S. exchange-traded fund that seeks to provide investment results that replicate the performance of the Utilities Select Sector Index. The index includes companies from the following industries: Water Utilities, Electric Utilities, Multi-Utilities, Gas Utilities, and Independent Power and Renewable Electricity Producers.¹ XLU has an expense ratio of 0.10%, raw beta of 0.343, and a dividend yield of 2.64%. Below is a chart that shows XLU’s top 10 holdings, making up 62.48% of their total assets:

<table>
<thead>
<tr>
<th>Top 10 (62.46% of total holdings)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NEE</td>
<td>15.83%</td>
</tr>
<tr>
<td>DUK</td>
<td>8.18%</td>
</tr>
<tr>
<td>SO</td>
<td>7.32%</td>
</tr>
<tr>
<td>D</td>
<td>6.55%</td>
</tr>
<tr>
<td>SRE</td>
<td>5.11%</td>
</tr>
<tr>
<td>AEP</td>
<td>4.79%</td>
</tr>
<tr>
<td>EXC</td>
<td>4.41%</td>
</tr>
<tr>
<td>XEL</td>
<td>3.70%</td>
</tr>
<tr>
<td>PEG</td>
<td>3.37%</td>
</tr>
<tr>
<td>ED</td>
<td>3.19%</td>
</tr>
</tbody>
</table>

Impacts from Period 2
XLU has underperformed the S&P 500 for much of Period 2, until it began outperforming in early March. However, the fund did manage to closely match its performance to the Utilities Select Sector Index. Within Period 2, XLU returned 10.23% while the index returned 10.29%. With speculation of a recession nearing, XLU provided the fund with stable returns and constant dividends, due to its ability to generate constant demand for its services.

Future Outlook
The inversion of the yield curve may suggest that the U.S. economy will fall into a recession. Utility sector stocks tend to outperform during a recession, but they are also subject to interest rate risk. Consequently, the holdings within XLU are highly leveraged, and therefore, their profitability could be at risk. However, the fund believes XLU is positioned to return above average profits as the consistent demand will outweigh the interest rate risk.

New Transactions
There were no transactions made involving XLU during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$13,677.91</td>
<td>$14,370.78</td>
<td>4.68%</td>
<td>$90.61</td>
</tr>
</tbody>
</table>
Sector Overview
Fixed Income refers to the class of assets that are mostly debt instruments used by governments and corporations. Composed of bonds, notes, T-bills, commercial paper, etc., all involve the transfer of principal and interest to investors from issuers. This provides investors with a safe, steady stream of income over various maturities. The rate at which investors are compensated is known as the coupon rate. Bond yields are extremely sensitive to interest rates and are directly correlated. In contrast, bond prices are inversely correlated to interest rates, so it would make sense to be underweight Fixed Income products in a rising rate environment. Inflation is also a big risk when investing in debt securities. For the issuer of debt, inflation is great because the original loan amount becomes less valuable as currency is debased. However, for the investor, it is important to be able to secure a yield that beats inflation. The U.S. is currently seeing the highest levels of inflation in four decades, and there is a fair chance that it will continue to run higher than pre-pandemic levels. As central banks raise the cost of capital, inflation risk may ease, but there is a good chance it will remain high despite their efforts. The Carroll Fund’s current Fixed Income allocation consists of five different ETFs.

Impacts from Period 2
In anticipation of the beginning of a rate hike cycle and higher inflation, fixed income markets continued to sell off throughout Period 2. Some of the most excessive yield increases came in the 1–5-year maturities leaving the 2-10 year spread at virtually zero and parts of the yield curve inverted.1 Because the fund competes with a 60/40 benchmark, maintaining an underweight fixed income allocation has benefited the Carroll Fund. Because inflation continued to rise over the period, it became increasingly hard to receive a real yield from fixed income products. However, if raising rates is successful at lowering inflation, buying opportunities may present themselves in traditional fixed income assuming the demand for U.S. Treasury securities returns to historical levels. Uncertainties aside, the Carroll Fund continued to look for better ways to find real yield in anticipation of the rate hike cycle and high inflation.

Performance

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

Impacts from Period 2
Moving from 2021 to 2022, the bond market continued its sell-off. While all yields have risen to some extent, the biggest moves came in the 1–5-year maturities. The moves created a flat yield curve for the most part and even left some of the curve inverted. Inflation also continued its upward trend, making it even harder for bond investors to receive a real positive yield. After a period of historically low rates and yields, the Federal Reserve began its rate hike cycle with its first 25 basis point hike in March. This along with inflation caused our AGG holding to become more fairly valued in Period 2.

Future Outlook
Moving forward, Carroll Managers agree that being underweight fixed income to equities over the last few periods has benefitted the portfolio while the bond market has sold off. However, as things move through this rate hike cycle and inflation eases, a buying opportunity should present itself to investors looking for fixed income investments. This is of course dependent on a successful maneuver by the Federal Reserve that lowers inflation creating more demand for U.S. debt. In the meantime, yields could continue to rise as the rate hike environment is just getting started.

New Transactions
There were no transactions made involving AGG during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$ 41,241.20</td>
<td>$ 38,984.40</td>
<td>-5.84%</td>
<td>$ 117.25</td>
</tr>
</tbody>
</table>
Holding Description
The Innovator S&P 500 Power Buffer ETF is an exchange-traded fund incorporated in the U.S. It is designed to track the return of the S&P 500 to a predetermined cap of 8.33%. At the same time, the fund buffers investors against the first 15% of losses over the outcome period that is approximately one year. The outcome period began in November, so the outcome period will end next November, hence the name PNOV. The return cap and downside buffer are reset after each outcome period. The fund is actively managed and uses in-kind trading of options to keep the outcomes of the fund defined. The idea is to be able to give investors a safety net but also keep them exposed to positive S&P 500 returns.

Impacts from Period 2
Because PNOV tracks the return of the S&P 500, the performance is solely dependent on the return of the S&P 500. However, the structure of calls and puts that PNOV utilizes creates a dampening effect on both positive and negative returns. This is how the cap and buffer are constructed. Over the course of period 2, the S&P returned a negative 4.60% while PNOV was down 1.57%. As the rate hike cycle began, market volatility was notably higher than previous periods and markets pulled back. Holding PNOV as a fixed income product benefited the portfolio over the period, beating both fixed income and equity markets.

Future Outlook
While the market has priced in multiple rate hikes already, rising rates over the course of the year and potentially beyond could have negative impacts on all markets. In such an uncertain time, PNOV is a fantastic way to keep returns within defined parameters. Outside of market cycles, it is also important to monitor the time value of our PNOV holding. There are tons of different Innovator Funds that could present better opportunities as the time between each fund reset is always decreasing. It could be beneficial for Carroll managers to monitor these funds moving forward.

New Transactions
There were no transactions made involving PNOV during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$25,358.00</td>
<td>$24,967.00</td>
<td>-1.57%</td>
<td>$-</td>
</tr>
</tbody>
</table>
Holding Description
The Principal Spectrum Securities Active ETF is an actively managed exchange-traded fund. The fund targets a benchmark that is the Bank of America Merrill Lynch U.S. Investment Grade Institutional Capital Securities Index (CIPS). With a 55-basis point expense ratio, PREF seeks to provide current income through active security selection, exclusively in the $1,000 par institutional preferred securities sector.\(^1\) Preferred securities are equities with fixed income-like features. For example, they are perpetual and callable, they pay dividends instead of coupons, and they often have floating rate structures. Preferred securities are institutional grade issues and offer an attractive risk/return profile for investors seeking lower interest rate risk and dividends that are senior to traditional equities.\(^2\) Pref traded at a discount to NAV for the majority of Period 2 but ended the Period back at a 0.1355% premium.\(^3\)

Impacts from Period 2
While preferred securities do present less interest rate risk than most fixed income products, they are still susceptible to interest rate risk. As the period began, the market began to further price in future rate hikes, continuing the broad selloff. In March, the Federal Reserve made their first 25 basis point rate hike and even signaled for a 50-basis point hike in May. This strategy was quicker than markets originally anticipated, which contributed to PREF’s poor performance over the period.

Future Outlook
Preferred securities are a great way for investors to diversify a fixed income portfolio, however the macroeconomic environment is making it hard for managers to find a meaningful return in their fixed income portfolio. To find more yield in a rising rate environment, the Carroll Fund may be looking for more creative ways to take advantage. For example, variable-rate preferred equities provide a more attractive return when rates are expected to rise.

New Transactions
There were no transactions made involving PREF during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$ 43,907.56</td>
<td>$ 41,094.36</td>
<td>-5.40%</td>
<td>$ 422.19</td>
</tr>
</tbody>
</table>
Holding Description
The Schwab U.S. TIPS ETF, founded in 2010, is an exchange-traded fund incorporated in the U.S. It seeks to track the investment results of the Bloomberg U.S. Treasury Inflation Protected Securities Index or TIPS. First auctioned in 1997, TIPS are securities that provide a fixed rate of interest that is paid twice a year. However, the principal amount of the loan increases or decreases with inflation as measured by the Consumer Price Index. For this reason, it is good security for hedging against high inflation, but the principal amount also decreases in periods of deflation and is paid at maturity.

Impacts from Period 2
At the end of 2021, inflation was already increasing rapidly due to QE and supply chain issues. These factors were still felt in 2022, as the February inflation reading was at 7.9% YoY, rising 0.8% in from January. On top of the already high inflation, Russia invaded Ukraine at the end of February. This sent energy and commodity prices soaring. March’s CPI data has yet to be reported, but it would be hard to see an inflation slowdown after seeing the effects of the invasion on the global economy. On the other hand, the Federal Reserve made their first rate hike of 25 basis points to begin slowing inflation.

Future Outlook
As the Federal Reserve begins to raise rates higher, it will be important to monitor inflation levels. If the Federal Reserve is successful, inflation will at least drop to more reasonable levels. Managers don’t think that this will be at pre-pandemic levels any time soon, but it will be important to monitor as a holder of TIPS. The overall health of the economy is extremely important as well, so it will be important to watch the labor market, wage inflation, and Federal Reserve sentiment. This will give the fund a better idea of how long the benefits of holding SCHP will be felt.

New Transactions
There were no transactions made involving SCHP during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$14,013.44</td>
<td>$13,599.04</td>
<td>-3.08%</td>
<td>$54.05</td>
</tr>
</tbody>
</table>
Holding Description
The WisdomTree Floating Rate Treasury Fund is an exchange-traded fund incorporated in the USA. The fund seeks to track the performance and characteristics of the Bloomberg U.S. Treasury Floating Rate Bond Index. The fund provides cost-effective access to newly issued U.S. government floating rate notes. It is designed to fluctuate with short-term rates and priced at a spread over 3-month T-Bills. In other words, it is a floating rate fund that focuses on short-term maturity securities. The treasury sought to create demand for floating-rate notes (FRN’s) by first issuing this new class of securities in 2014. It was the first new asset issuance since the issuance of TIPS.²

Impacts from Period 2
Over the course of Period 2, bond yields continued to rise amid the beginning of a rate hike cycle and record high inflation. However, regarding USFR’s performance, only the 3-month yield is relevant. While portions of the yield curve became inverted over the period, the 3-month yield increased to 50 basis points from around 3 basis points. Even though that is a significant move, the Carroll Fund has benefited from holding USFR opposed to the benchmark bond index. The short-term nature of USFR has lowered our duration risk and made the bond sell-off much less damaging for the fund.

Future Outlook
Since the Federal Reserve made its first rate hike in March, the market has priced in a swifter response from the Federal Reserve moving forward, expecting a 50-basis point move in May. As rates continue to rise, USFR will prove its worth as it won’t feel the effects that traditional fixed income will feel, and it will be able to take advantage of higher short-term yields.

New Transactions
There were no transactions made involving USFR during Period 2.

<table>
<thead>
<tr>
<th>Period</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>% Return</th>
<th>Dividends Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 2</td>
<td>$54,395.34</td>
<td>$54,503.52</td>
<td>0.22%</td>
<td>$10.84</td>
</tr>
</tbody>
</table>
**FUND MANAGERS**

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

**Brennon Gessner** is a senior from Mount Juliet, TN. He is majoring in finance with a collateral in business analytics. He is in his second semester of the Torch Fund Program and oversees the Information Technology and Communication Services sectors. Brennon is a member of the University of Tennessee Investment Group. Outside of school, he is a front-end floor supervisor at Kroger. He spent last summer as an accounting/business analytics intern at Enovate Medical in Murfreesboro, TN. In his free time, Brennon likes to play basketball, golf, kayak, and read. After graduation in May of 2022, Brennon will begin his career as an accounting manager at Enovate Medical.

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

Grant Kizer is a senior from Union City, TN, majoring in finance with a collateral in business analytics. As a second semester manager for the Carroll Fund, he oversees the Fixed Income and Financials sectors. Outside of the Torch Fund, Grant is an Endowment Intern at the University of Tennessee System, Investment Office. In his free time, Grant enjoys golfing, reading, fishing, playing the guitar, and studying Bitcoin. After graduation, Grant will be working as an Investment Analyst at Cambridge Associates in their Arlington, VA office.

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

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