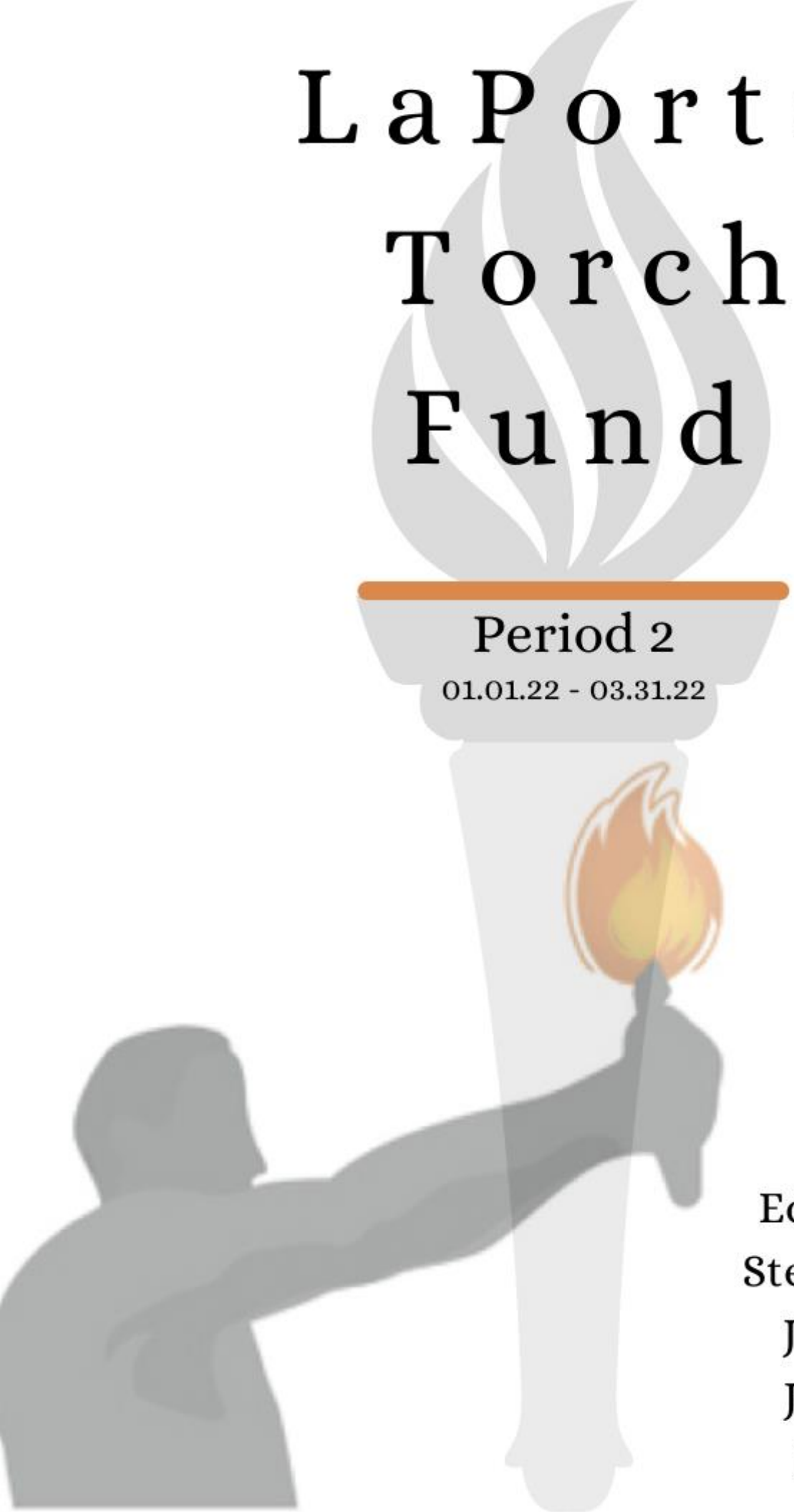
LaPorte Torch Fund

Period 2

01.01.22 - 03.31.22



Edgar Hernandez
Steven LoCascio Jr.
Jonah Mikulski
Juan Soto Leon
Isabella Shaw

Dear Mr. and Mrs. LaPorte

As we continue our tenure on the LaPorte Torch Fund, we are mindful of the fact that our role on the fund will continue to allow us to grow daily. The lessons and opportunity that you provide allows us to take our knowledge gained in the classroom and apply it in a real-life situation with the intent that we can see the consequences of our actions and learn from them. We strive to put our best foot forward always, but we realize sometimes we may make mistakes. These moments are most valuable to us, as we learn the most when we fail. This is perhaps why the LaPorte Torch Fund is so crucial to our learning experience, because it allows us to grow and be better for it.

At the beginning of this period, we were forced to quickly pivot and rethink our economic outlook, as the new year brought in a great deal of uncertainty, with the war in Europe, and ongoing supply chain issues. We particularly focused on the Russia-Ukraine conflict, trying to completely think through how incoming sanctions would not only impact our holdings, but also how the ripple effect of a sudden change in trade policy would influence all sectors and subsectors. We quickly reviewed our holdings for any firms that were particularly vulnerable to global conflict or energy shortage, and we made plans to trim or liquidate said firms. We also found value in trimming some positions that experienced large price appreciations over the past few months, as this uncertainty guided the fund towards taking a more defensive overall position in the market. As the period continued to move forward, we began to lean on the pessimistic side of neutral.

During Period 2, we began by liquidating Shell (SHEL), and reallocating those funds to The Williams Companies (WMB). We did this because Shell had large exposure to Russia and oil prices saw great growth but with a very uncertain future. We took profits in Lowe's (LOW) and Procter & Gamble (PG) by selling 20 shares each. We did this to increase our cash position to protect the fund further, and to provide a larger cash position for future purchases. We continue to do weekly research on different firms across all industries to determine excellent opportunities. At the conclusion of the period, we are carefully watching the domestic economy to see how the Fed's initial rate hikes, as well as forecasts for future rate hikes, will impact inflation rates and overall economic indicators such as unemployment, manufacturing rates, and inventory measures.

We continue to always provide our highest level of effort and respect, because we understand what this means for us, and furthermore we wish to be good stewards of the gift that has been given to us. We remain steady in our goal to continue the growth of the LaPorte Fund, and to ultimately leave the fund in a better position than we inherited. We truly thank you both.

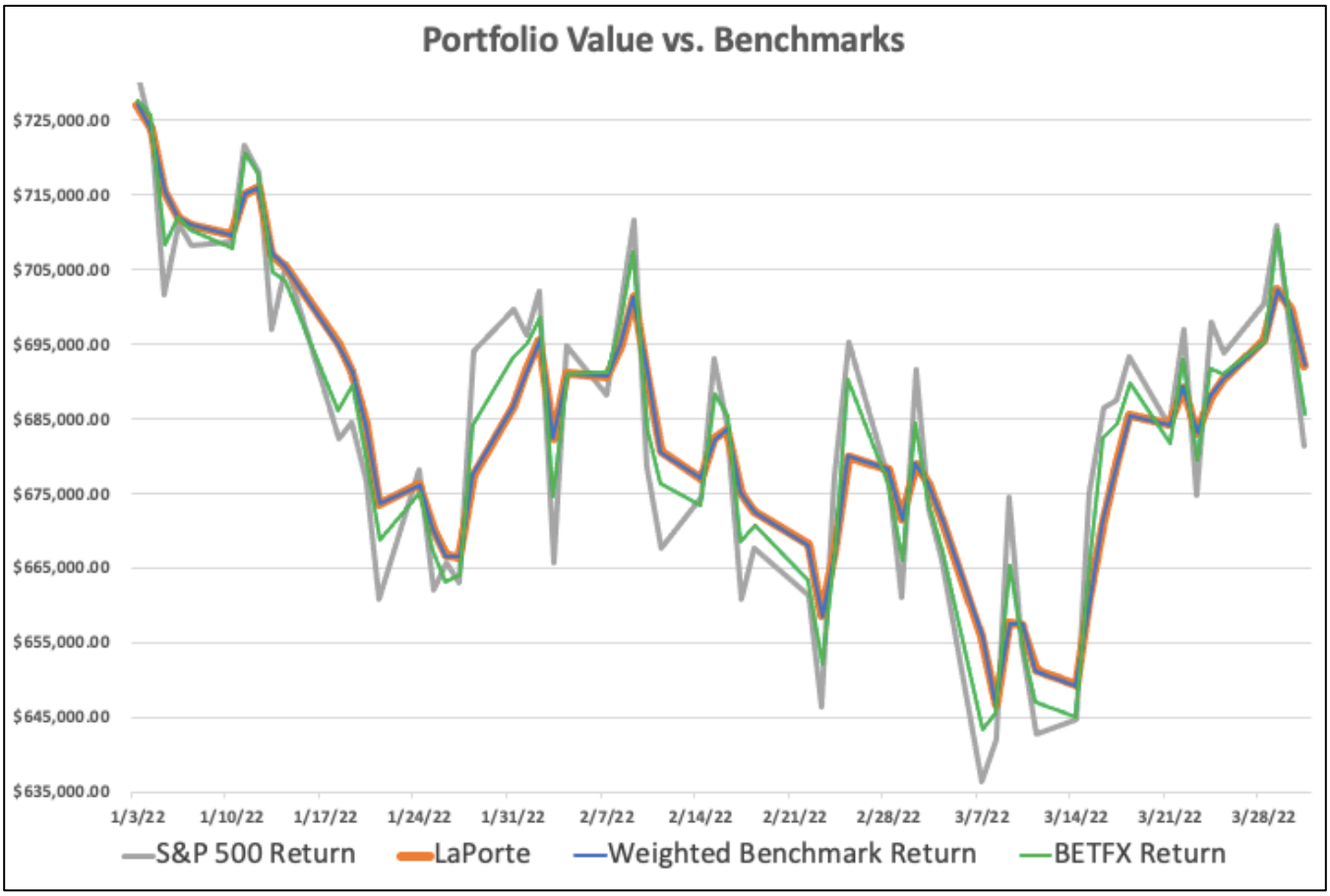
Gratefully,

The LaPorte Torch Fund Team

Table of Contents

Performance Summary

Period 2



Total Return				
	Portfolio	Weighted Benchmark[a]	S&P 500	BETFX[b]
Period 1	8.51%	6.61%	11.00%	3.22%
Period 2	-5.06%	-5.14%	-4.61%	-3.98%

Standard Deviation[c]				
	Portfolio	Weighted Benchmark[a]	S&P 500	BETFX[b]
Period 1	10.91%	7.92%	13.89%	15.48%
Period 2	16.33%	13.05%	21.48%	11.60%

[a] Weighted Benchmark is composed of 60% S&P500 and 40% Bloomberg Barclays Aggregate Bond Portfolio.

[b] BETFX is the Morningstar Balanced ETF Asset Allocation Fund.

[c] Calculations are annualized from daily returns for the period.

Performance Summary

Period 2

Sharpe Ratio[a]				
	Portfolio	Weighted Benchmark[a]	S&P 500	BETFX[b]
Period 1	3.00	3.19	3.03	0.89
Period 2	-1.22	-1.55	-0.79	-1.38

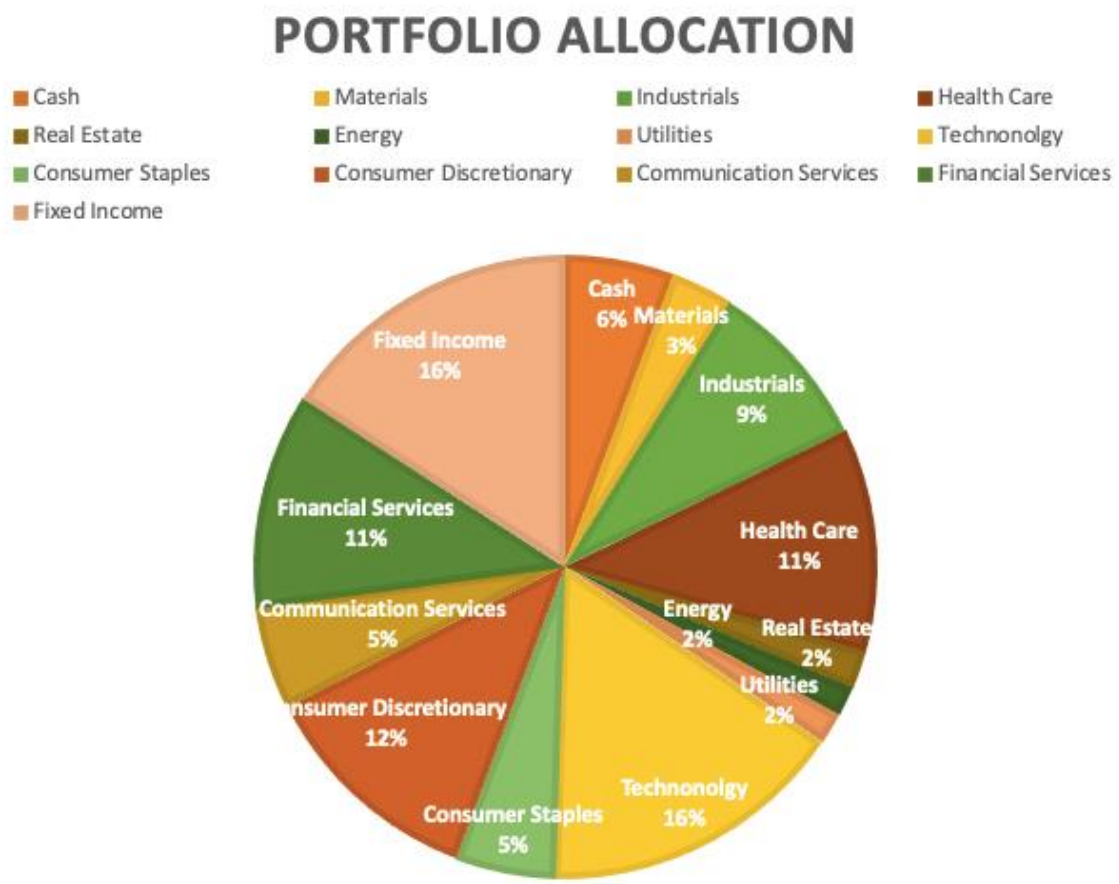
Treynor Ratio[a]				
	Portfolio	Weighted Benchmark[a]	S&P 500	BETFX[b]
Period 1	0.26	0.25	0.42	0.25
Period 2	-0.17	-0.20	-0.17	-0.19

Other Performance Metrics		
	Period 1	Period 2
Tracking Error	4.79%	5.32%
Information Ratio	1.55	0.04
Beta vs. Benchmark	1.27	1.20
R^2 vs. Benchmark	0.84	0.92
Beta vs. S&P 500	0.73	0.73
R^2 vs. S&P 500	0.87	0.93

Portfolio Details

Period 2

Asset Allocation		
Equities	78.42%	$542,835.93
Fixed Income	15.93%	$110,271.74
Cash	5.65%	$39,119.22
Total	100.00%	$692,226.89



Portfolio Details

Period 2

Ticker	Period 2 % Return	Period 2 $ Return	Ending Weight as of 03/31/22
Cash			
SPAXX**	0.00%	$0.00	5.65%
Equities			
ACN	-18.42%	($8,780.25)	5.60%
AMGN	8.35%	$1,559.57	2.90%
AMZN	-2.23%	($1,339.02)	8.48%
CSGP	-15.72%	($2,359.80)	1.83%
CVS	-1.36%	($442.40)	4.62%
FISV	-2.30%	($377.62)	2.31%
GD	16.26%	$1,423.80	1.46%
IBM	-1.50%	($200.00)	1.88%
JPM	-13.28%	($2,418.45)	2.26%
LOW	-15.24%	($3,483.62)	1.49%
MSFT	-8.14%	($3,779.82)	6.15%
NDAQ	-14.89%	($7,192.10)	5.92%
NEE	-8.81%	($1,093.92)	1.63%
OMC	16.80%	$2,708.20	2.70%
PEP	-2.41%	($296.77)	1.72%
PG	-5.94%	($968.66)	1.37%
PRU	10.28%	$1,936.62	2.97%
RTX	15.71%	$3,312.40	3.51%
SBUX	-21.81%	($3,571.40)	1.84%
SON	8.84%	$998.40	1.76%
TMO	-11.44%	($3,587.51)	4.01%
TTD	-24.43%	($6,045.30)	2.70%
VALE	47.75%	$3,441.18	1.48%
WM	-4.64%	($720.75)	2.13%
WMB	2.65%	$280.30	1.55%
WMT	3.30%	$478.00	2.15%
WPC	-0.19%	($26.50)	2.00%
Fixed Income			
AGG	-5.84%	($1,697.76)	3.95%
TRECX	-7.12%	($1,268.77)	2.39%
USFR	0.22%	$52.63	3.47%
WFCPRL	-9.85%	($4,696.96)	6.13%

Portfolio Highlights

Period 2

Torch Fund Performances				
	Carroll	Haslam	LaPorte	McClain
Period 1	5.30%	7.28%	8.51%	3.59%
Period 2	-4.32%	-2.94%	-5.06%	-5.59%

Period 2			
Top 5 Performers		Bottom 5 Performers	
VALE	**$3,441.18**	**ACN**	**($8,780.25)**
RTX	**$3,312.40**	**NDAQ**	**($7,192.10)**
OMC	**$2,708.20**	**TTD**	**($6,045.30)**
PRU	**$1,936.62**	**WFCPRL**	**($4,696.96)**
AMGN	**$1,559.57**	**MSFT**	**($3,779.82)**

Economic Outlook

Entering Q2 2022

Period Performance:

The LaPorte Fund had a slightly pessimistic economic outlook for Period 2. During our recent weekly meetings, we have discussed macroeconomic trends, international conflicts, and key economic indicators that affect both the local and global economies. Our portfolio returns totaled -5.06% compared to -5.14% of the weighted benchmark.

Domestic Economy:

For Period 2, the fund had a cautiously pessimistic view of the US economy. Our discussions for the US economy covered topics such as inflation, raising interest rates, continued supply chain issues, market corrections, and COVID-19 news. Despite the Fed's response to fight inflation by raising rates, the LaPorte team expected high inflation to last longer than expected. However, the team closely monitored key indicators such as economic growth, CPI, and various sentiments that help us interpret current trends in the overall market. The fund believed that a defensive position was more appropriate for the domestic economic environment. As a result, we maintained overweight positions in the consumer staples and healthcare sectors. The team remained confident in the long-term value of our individual holdings and only liquidated Royal Dutch Shell. The fund is confident that we can achieve a more defensive position as we continue to look for opportunities at the right time.

Global Economy:

The fund's global economic outlook was also moderately pessimistic for Period 2. In our meetings, we covered topics that related to the consequences of international conflicts. As we saw the Russia-Ukraine conflict start and continue, the sanctions imposed on Russia negatively impacted the global economy. The fund analyzed the exposure of our holdings to international markets. Furthermore, because of global supply chain issues and limited access to natural gases, we decided to favor domestic companies over international companies in the energy sector. With high inflation as a global phenomenon in major markets, the fund expected volatility in the US currency and other currencies. In addition, the fund monitored growth of major economies as COVID restrictions were being lifted.

Looking Ahead:

The LaPorte team will continue to be mindful of domestic and international trends affecting the global economy. The team will monitor the market's reaction to the Fed's response to high inflation and make adjustments as the Fed's plan continues to be implemented. As the dust from the first quarter from 2022 starts to settle, the LaPorte team will continue to work towards a more defensive position. Furthermore, the fund will continue to look for opportunities for holdings that could protect our portfolio against inflation or high interest rates. We believe in reducing our market risk during uncertain economic environments. In addition, we will continue to monitor the performance of sectors as COVID restrictions keep being lifted. If we see positive trends in the second half of 2022, our economic outlook can start shifting towards a neutral position.

Communication Services Sector

Isabella Shaw

Period Performance:

In Period 2, the Communication Services sector of the LaPorte portfolio returned 5.40% collectively, as compared to the S&P 500 index which returned -4.61%. Our holdings in this sector include The Trade Desk and Omnicom Group, who garnered -24.43% and 16.80% returns respectively. Although we only have two holdings in this sector, we are only approximately 2.00% underweight compared to the proportion of Communication Services in the S&P 500.

Looking Ahead:

The Communication Services sector is largely noncyclical as it encompasses many services that are considered essential in the modern era like cell phone communication and internet access; however, many firms in this sector still offer optional services such as streaming platforms, cable television, and social media. This sector has traditionally underperformed in recessionary times, and there are some signs of a potential recession seen this period. High inflation and at least seven interest rate hikes currently expected this year coupled with a flattening yield curve have worried some spectators of the market. The new 5G mobile network potentially amounts to almost $13 trillion worth of goods in the coming decade, which is an outstanding area of growth for this sector. Antitrust legislation is also an aspect that presents risk for this sector with the Federal Trade Commission Chair, Lina Kohn, who has been very vocal about her anti-monopolistic views. In fact, two days before the period ended, the Department of Justice endorsed antitrust legislation that targets large digital firms in this sector. Overall, the US has retained a strong labor market, so the ability of the Federal Reserve to stifle inflation without tightening too severely seems a very real possibility in the future. Under current economic conditions, this sector should see continued growth.

Omnicom Group Inc.

OMC

P2 Total Return: 16.80%

Beta: 0.897

Initial Shares: 220

Final Shares: 220

Initial Value: $16,119.40

Final Value: $18,673.60

P2 Dividend Yield: 0.96%

P2 Holding Action: Hold

Description:

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

Growth Drivers:

The Omnicom Group, Inc. (OMC) strategically acquires developed workforces to leverage existing capabilities for client offerings. Early March, OMC announced its acquisition of TA Digital, which is a company that helps marketing and technology executives grow their business and increase revenue.[2] This expands what expertise OMC can offer in digital content and commerce to large clients in their rapidly changing market space. At the end of Period 2, OMC announced that Florian Adamski, CEO of their North American division, would be replaced by Ralph Pardo who is tasked with investment and creation of unique solutions for better outcomes for marketers.[3] Pardo's 14-year career in the data-driven buying and planning unit of OMC will serve him well in further innovation of the firm's services. These drivers helped drive OMC's 16.80% return this period and position the firm well in the future.

Risks:

As OMC is an advertising firm, thus its revenue is derived from other companies paying for its services correlated to their own customer demand. Recent high levels of inflation do not prove promising for OMC, as their clients may reduce their ad spend in response to waning consumer demand. Inflation may also cause OMC to decrease their investment budget in research and development which would weaken some competitive advantage in staying ahead of marketers' needs.

The Trade Desk, Inc

TTD

P2 Total Return: -24.43%

Beta: 2.599

Initial Shares: 270

Final Shares: 270

Initial Value: $24,742.80

Final Value: $18,697.50

P2 Dividend Yield: 0.00%

P2 Holding Action: Hold

Description:

The Trade Desk, Inc. is a technology firm that focuses on leveraging their capabilities in the advertising space through primarily hiring software engineers. They provide services that assist ad-buyers in the creation and management of marketing campaigns through an omnichannel approach that includes display, video, and audio media. Their primary clients are advertising agencies who enter into Master Service Agreements ("MSA"). Clients upload their user data and company information onto TTD's platform, in which data analytics are then performed. This analysis is used to formulate a digital advertising campaign. TTD utilizes predictive models comprised of user characteristics like demographic or purchase intent.[1]

Growth Drivers:

TTD focuses on maintaining a competitive advantage, and in Period 2, they announced the launch of OpenPath, a product that directly connects publishers with advertisers, cutting out intermediaries, notably Google's Open Bidding, to streamline the digital advertising process by lessening data leakage and fees for its clients.[4] Analysts have noted that this supply path optimization move by TTD has the potential to change the ad-buying space. At the end of this period, TTD also appointed Naseem Tuffaha as the newly created Chief Growth Officer to oversee growth initiatives and global expansion.[5] Additionally, in an effort to offer heightened precision in securing customers' first-party data for clients, TTD has partnered with Adobe to utilize their Real-Time Customer Data Program.[6]

Risks:

As a demand-side platform, TTD's clients consist of ad buyers who rely on consumer demand, which may decrease on an aggregate level in the upcoming periods. Inflation has continued, as Chair Powell has ceased characterizing price increases as transitory, implying aggregate demand for products or services that TTD's clients offer could decrease. This would, of course, negatively impact those firms' ad spend budget and as a result TTD's revenue, as well. Also, TTD's volatility is a risk; in Period 1, they were our portfolio's best performer, but this period, they are our worst performer. This is cause for concern in such an uncertain economic environment; however, we remain confident in TTD's business model and long-term growth potential.

Consumer Discretionary Sector

Isabella Shaw

Period Performance:

In Period 2, the Consumer Discretionary sector of the LaPorte portfolio returned -8.37% collectively, as compared to the over S&P 500 index which returned -4.61%. Our holdings in this sector include Amazon (AMZN), Lowe's (LOW), and Starbucks (SBUX). This period we decided to take profits in LOW, by selling 20 shares after considering the significant return LOW boasted last period, and that do-it-yourself home improvement demand is likely to see a decrease as the pandemic wanes and inflation heats up. AMZN was our best performer with a -2.23% return, and SBUX was our worst performer with a -21.80% return. LOW returned -15.24%, which was somewhat mitigated by our team's decision to take some profits in this holding by selling 20 shares during the period.

Looking Ahead:

This sector encompasses all companies that are not deemed necessary to survival, which are firms categorized as providing luxury/leisure goods and services. The nonessential aspect of this sector subjects it to the swings of the business cycle; this is cause for concern as inflationary pressures rise and the Federal Reserve raises interest rates. When consumers tighten their spending habits, Consumer Discretionary items are usually the first items to see demand slow. If wages increase due to inflation as well, this could offset some of these effects, which would bode well for these firms. However, one of our holdings, AMZN, seems so necessary to life particularly after the pandemic where in person shopping was so negatively impacted, it is hard to imagine enough consumers cutting out its services to significantly harm the outlook of this firm and its performance.

Amazon.com, Inc.

AMZN

P2 Total Return: -2.23%

Beta: 1.105

Initial Shares: 18

Final Shares: 18

Initial Value: $60,018.12

Final Value: $58,679.10

P2 Dividend Yield: 0.00%

P2 Holding Action: Hold

Description:

Amazon.com, Inc. is a global e-commerce retailer with smaller cloud computing and digital streaming divisions. It also serves customers in select physical stores. What began as a bookstore, is now colloquially known as the 'everything store.' Amazon manufactures electronic devices like Kindle, Echo, Fire TV, etc. They serve retail customers, developers, enterprises, and content creators. Amazon Web Services (AWS) is their cloud computing platform on a pay-as-you-go basis, which includes services such as APIs, storage, database management, analytics, and machine learning.[1]

Growth Drivers:

Amazon.com, Inc. (AMZN) did not see large returns this period, but the LaPorte team remains optimistic about their expanding business model. AMZN refuses to rest on their laurels and continues to diversify their business model. Early March, this retail giant announced that they will be closing all brick-and-mortar stores to focus on Whole Foods, which they recently bought, and Amazon Fresh, their grocery delivery segment.[8] This marks a shift in both their store and consumer strategy because the act of closing all physical stores signals that they now intend to focus only on retaining current Prime members, not acquiring new ones. In mid-March, AMZN closed an $8.5 billion deal to acquire MGM Studios, which will provide Prime Video with a portfolio of iconic brands, films, and television series.[7] This move was aimed to boost Prime Video against major streaming competitors. As such, we remain positive in our outlook that AMZN offers significant growth potential long term.

Risks:

Amazon.com, Inc. is heavily impacted by consumer spending habits which could decrease if the Fed is unable to stifle inflation as expected in 2022. However, AMZN was one of the only retailers that amassed profits amidst the pandemic, so the fund is confident in this firm. The threat of antitrust legislation remains as Biden's Federal Trade Commission Chair has expressed anti-Amazon views in the past.[10] Additionally, its Prime membership annual fee was raised by approximately $20.00 in late March, which could dissuade current and new member subscriptions if they deem it not worth the cost any longer.[9] Lastly, employee unionization threats have plagued AMZN recently as a few facilities in Staten Island, New Jersey, and Alabama plan to vote on unionizing.

Lowe's Companies, Inc.

LOW

P2 Total Return: -15.24%

Beta: 1.018

Initial Shares: 71

Final Shares: 51

Initial Value: $18,352.08

Final Value: $10,311.69

P2 Dividend Yield: 0.31%

P2 Holding Action: Sell 20 shares

Description:

Lowe's Companies, Inc. is the world's second largest home improvement retailer with 1,974 stores. Sales within the U.S. account for 94% of revenue. They provide home decorating, maintenance, remodeling, and repair products and services. With over 40,000 products ranging from electrical supplies, paint, plumbing, gardening/outdoor living, flooring, and home furnishings, Lowe's is typically the first stop for anything home related. These products include brand-names like GE, Whirlpool, Sherwin-Williams, Samsung appliances and Lowe's own private labels. Their primary customers are homeowners, renters, and home-improvement professionals.[1]

Growth Drivers:

Lowe's saw significant revenue growth as pandemic stay-at-home orders prompted home improvement, but this period they saw a -15.24%% return. However, LOW will continue to create opportunities for growth. In April they will have their annual SpringFest, featuring in-store tours and great deals on spring seeds in efforts to increase demand at physical store locations.[11] LOW's omnichannel capabilities continue to evolve as they strive to anticipate customers' needs. In February, in conjunction with Instacart, the company offered same-day delivery in Boston and Charlotte, which could become a widespread operation in larger North American markets. LOW has also invested in augmented reality allowing their customers to measure appliances in their spaces, again making their goods/services increasingly accessible for consumers.[12]

Risks:

Our overall economic outlook has changed slightly due to severe inflation and an estimated 7-9 interest rate hikes by the Federal Reserve just this year. Inflation that was thought to be transitory, has been quite severe and shows few signs of stopping. As such, we decided to take some profits in LOW by selling 20 shares because we were unsure how this firm would perform given that aggregate home improvement demand is likely to wane as inflation increases. Do-it-yourself (DIY) home improvement growth drove last year's revenue increase, but the level of growth is not projected to sustain itself, which is why our fund took a more defensive position in taking some profits now.[1] LOW's negative return was mitigated to a small degree by our decision to take profits and will warrant close examination in the future.

Starbucks Corporation

SBUX

P2 Total Return: -21.81%

Beta: 1.122

Initial Shares: 140

Final Shares: 140

Initial Value: $16,375.80

Final Value: $12,735.80

P2 Dividend Yield: 0.42%

P2 Holding Action: Hold

Description:

Starbucks Corporation is a leading roaster and retailer of specialty-coffee and tea. They operate over 30,000 stores worldwide, and these stores offer ready-to-drink coffee and tea beverages, select food items, packaged whole bean or ground coffee bags, and other coffee-related accessories. Starbucks' stores take one of two forms: company operated stand-alone stores and licensed stores. The company operated stores account for over 80% of revenue and seek to recreate an intimate atmosphere reminiscent of quaint Italian coffee shops.[1]

Growth Drivers:

Starbucks (SBUX) aims to strategically place new stores globally in new and existing markets. In China, which is their second largest market other than the United States, they plan to open their 6,000th store. Continued product development as they introduce new food and drink items positions this coffee giant to combat inflation as the announced price increases in January.[1] Consumer demand for specialty coffee drinks seemed unaffected in Period 2, but this needs to be monitored continuously as time progresses. However, SBUX's strong business model and continually strong financials support our team's cautiously optimistic outlook for this firm in the long run in continuing our buy-and-hold approach.

Risks:

SBUX's share price is down almost 30% from its all-time high in 2021, with national and international risks. This period, SBUX elicited a -21.81% return. The labor movement continues to progress as eight stores have voted to unionize and 150 more stores have a union vote scheduled. SBUX positioning as a progressive employer will be tested in the upcoming period. Their operations in China face obstacles as the pandemic surges in the country and they reached social media backlash against one store accused of serving expired ingredients. Near the end P2 CEO Kevin Johnson announced that he was stepping down and that Howard Schultz would be the interim CEO until a replacement is found in the fall. Schultz has served as CEO twice and during his first tenure guided SBUX's rise to global power. It's unclear why an interim CEO was needed at all; if Johnson's resignation was planned as claimed, Starbucks likely would prepare a replacement CEO, not a temporary one.

Consumer Staples Sector

Isabella Shaw

Period Performance:

In Period 2, the Consumer Staples sector of the LaPorte portfolio returned -1.83% collectively, as compared to the overall S&P 500 index which returned -4.61%. Our holdings in this sector include PepsiCo (PEP), Procter & Gamble (PG), and Walmart (WMT). This period, we decided to take profits from Procter & Gamble in alignment with our more defensive economic outlook during such uncertain times. Inflation was thought to be transitory, but it has not slowed. In February, year-over-year inflation reached a 40-year high. PEP elicited a -2.41% return, PG a -5.94% return, and WMT a 3.30% return.

Looking Ahead:

The Consumer Staples sector is largely shielded from the various stages of the business cycle because firms in this sector include food, beverage, and household item providers that are deemed necessities of life. For this reason, this sector is commonly seen as a haven for investors in inflationary times since it typically enjoys constant demand. Our three holdings in this sector are positioned quite well and can be that haven for consumers. Even so, an aggregate decrease in consumer demand could still affect these firms like PEP, which even though it's classified as a staple, produces snacks and soda which are not necessarily essential. PG has been leveraging shrinkflation in that there will be less sheets on a roll of toilet paper thereby keeping the nominal price the same but increasing the unit price per sheet. This overarching idea is something that could impact all firms in Consumer Staples. Overall, these firms' response and reaction to inflationary pressures will be the biggest aspect to observe in the coming periods.

PepsiCo, Inc.

PEP

P2 Total Return: -2.41%

Beta: 0.538

Initial Shares: 71

Final Shares: 71

Initial Value: $12,333.41

Final Value: $11,883.98

P2 Dividend Yield: 1.24%

P2 Holding Action: Hold

Description:

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

Growth Drivers:

PepsiCo, Inc. returned -2.41% this period, after two consecutive positive periods. During Period 2, they supplemented their diverse portfolio of products with a range of marketing initiatives to appeal to Generation Z consumers like a social media campaign to win limited edition maple syrup soda in a partnership with IHOP and endorsements from TikTok stars for new nitrogen sodas.[15] Regarding PEP's goal of becoming net water positive by 2030, their research and development team devised a method to recover the steam from chip manufacturing lines to be used as energy elsewhere.[17] This practice is fully implemented in their Indian facilities and is in the process of being expanded to other plants. Also, in their joint venture with Beyond Meat, the first product in their new product line of meatless jerkies was released in select groceries stores at the end of the period.[16] PEP's strategic foray into the plant-based food space presents growth potential, and we are confident in PEP continuing into 2022.

Risks:

The primary risk for PEP this period and in upcoming periods is its exposure to Russia and Ukraine amidst the crisis. Russia composes PEP's second-largest international market behind Mexico. However, it still only accounts for ~4% of revenue, which amounts to approximately $3.4 billion. Early March, CEO Laguarta announced that PEP would halt the sale of big soda brands like Pepsi Cola and 7UP but not the sale of baby food, milk, or other essentials that the Russian people need. There were also talks of writing off their Russian unit like they did with their Venezuelan unit in 2015 amidst the conflict then. Doing the same in Russia would have minimal effect on earnings. But PEP has a long-standing presence in Russia, so management is hesitant to do so.[18]

The Procter & Gamble Co.

PG

P2 Total Return: -5.94%

Beta: 0.565

Initial Shares: 82

Final Shares: 62

Initial Value: $13,413.56

Final Value: $9,473.60

P2 Dividend Yield: 0.53%

P2 Holding Action: Sell 20 shares

Description:

Procter & Gamble is the world's largest consumer packaged-goods company and offers a variety of products in the health care, grooming, fabric & home care, beauty, and baby, feminine & family care. These business segments boast over 65 household brand names, like Tide, Downey, Gillette, Febreze, Crest, Head & Shoulders, Pepto Bismol, Pampers, Charmin, and many more. P&G sells over 300 individual products in over 170 countries. This firms strives to a market leader in each of their segments. They generate revenue when they sell products to mass merchandisers, grocery stores, membership club stores, medication stores, department stores, salons, distributors, and high-frequency stores.[1]

Growth Drivers:

Procter & Gamble (PG) saw negative growth this period with a -5.94% return, which is reflective of its Consumer Staples nature in comparison to other holdings that saw much greater losses. Through increasing levels of research and development investment each year, with $1,900 million in 2021, this company is committed to innovation and maintaining if not expanding their market share. As a reflection of this, they announced a $110 million investment in one of their production facilities, as well as revealing a new product line at the end of the period, a weightless anti-perspirant body spray.[19]

Risks:

Keeping their prices low to retain consumers will be an ongoing challenge, especially since inflation does not appear to be slowing. The first interest rate hike occurred mid-March, but some financial institutions are predicting as many as 9 rate hikes this year, so the Fed and the country still have a long journey ahead to curb inflation. The LaPorte team foresaw PG products reaching a price point, in which consumers will be unwilling to pay for PG's 'premium' status and instead substitute to cheaper brands like Great Value or Kroger brand items. PG also showed some degree of overvaluation in looking at a ratio analysis of comparable firms. As such, we decided to take profits in this holding by selling 20 shares as part of our more defensive economic outlook in the sector.[1]

Walmart Inc.

WMT

P2 Total Return: 3.30%

Beta: 0.614

Initial Shares: 100

Final Shares: 100

Initial Value: $14,469.00

Final Value: $14,892.00

P2 Dividend Yield: 0.38%

P2 Holding Action: Hold

Description:

Walmart, Inc. (WMT) is the world's largest wholesale retail company with 10,500 stores globally. It sells grocery items like snacks, produce, dairy & meat, healthcare items like pharmacy & over-the-counter drugs, and general merchandise items like household furniture, electronics, toys, and apparel. This firm operates within 3 primary units: Walmart US, Walmart International, and Sam's Club. With stores and/or distribution centers in all 50 states, including D.C. and Puerto Rico, and 27 countries outside of the US, they have a developed omnichannel model along with their e-commerce operation.[1]

Growth Drivers:

Walmart, Inc. (WMT) saw a positive return this period of 3.30% and expects positive earnings growth next year as they continue to digitally adapt and expand their business portfolio. This firm is the only one who elicited positive returns in the LaPorte portfolio's Consumer Staples sector. WMT is continuing to penetrate the healthcare industry. In March, they launched new services through the Wellness Hub on Walmart.com like personal coaching for caregivers, personalized nutrition subscription options, and at-home lab testing.[20] In a similar fashion, they have announced that they will stop selling cigarettes at its stores in select states to efficiently utilize store space.[21] Also, this period WMT launched virtual fitting room technology on its website and mobile app via Zeekit, a company they acquired last year.[22] It's evident that WMT is constantly looking for areas to improve the customer experience, and the LaPorte team believes in WMT's growth potential in the long term.

Risks:

Walmart, Inc.'s biggest risk of this period and moving forward is strong competition in the e-commerce and membership retail space from big-name adversaries like Amazon, Target, Costco, etc. It is imperative that WMT's cost leadership helps retain their market share throughout the rest of 2022 and beyond. Serious inflation that has characterized this year also presents some form of risk for WMT if aggregate consumer demand is down for unnecessary products like entertainment, furniture, and other things that WMT sells; however, WMT's 'everyday low prices' (EDLP) do position this company very well when consumers tighten their wallets during times of inflation.[1]

Energy Sector

Steven LoCascio Jr

Period Performance:

In Period 2, the S&P 500 Energy Index grew 33.52% while the S&P 500 lost 5.55%. Our lone holding in the Energy sector (WMB) appreciated 26.08% during the entire period. Our previous lone holding was SHEL, and it appreciated 33.59% over the quarter as well. It is notable that while we currently hold WMB now, we didn't purchase it until 3/4/2022, the same day we liquidated SHEL. This resulted in a gain of only 2.64% from WMB and 13.48% from SHEL for the fund. While we seem vindicated by WMBs continued positive performance, we may have over anticipated SHEL's financial exposure to Russia, thus liquidating our position and missing out on gains. WMB's closest competitors; Enbridge, Kinder Morgan, and Enterprise Product Partners gained 15.66%, 16.21%, and 14.00% respectively, making WMB the top performer across the entire period. WMB accounted for 1.55% of equities in the LaPorte portfolio. The Energy sector comprises 3.91% of the S&P 500.

Looking Ahead:

Thus far from Q1 2022, we have seen a Russian invasion of Ukraine that has put the entire global energy supply in a tight squeeze. Russia is a major global exporter of oil and in support of Ukraine, much of the Western world has taken a stand by ceasing the importation of Russian energy. We as a fund believe that energy prices will sustain elevated prices for some time because of this. At the same time, there will be more of a push for renewables as time goes on, even if it does not make immediate practical sense. Pressure for more energy independence is being felt across the world, particularly in Europe which has major economies being negatively impacted by the lack of Russian energy. The result of this will be an increasing demand for LNG, the cleanest version of fossil fuels in the market by a wide margin. We feel this demand will be longer lasting than the increased demand for oil, and LNG production ultimately will outpace oil production on a longer time horizon.

Royal Dutch Shell

SHEL

P2 Total Return: 13.48%

Initial Shares: 217

Initial Value: $9,417.80

P2 Dividend Yield: 1.11%

Beta: 0.964

Final Shares: 0

Final Value: $0.00

P2 Holding Action: Sell 217 shares

Description:

Shell has operations in over 70 countries, producing 3.6 million barrels of crude oil, LNG, synthetic crude, and bitumen. Shell maintains the largest and deepest oil and gas project in the gulf, the world's largest LNG production plant off the Australian coast, and it has the largest retail fuel network in the world at about 46,000 stations. Shell operates in 5 segments: Integrated Gas, Upstream, Oil Products, Chemicals, and Corporate.[1]

Thesis for Liquidation:

When the Russia-Ukraine conflict emerged, we each scoured our holdings for any unhealthy Russian relationships. We found Shell had many agreements and deals in Russia, notably an equity partnership with Russian energy company Gazprom. We were no longer comfortable with this outsized risk to SHEL especially as we saw market moves negatively impacting Russian-affiliated firms, so we elected to liquidate Shell and replace it with another energy firm with no ties to Russia. We also acknowledged that increased energy prices would be a boom for Shell, but it could also be a hinderance if energy prices snap back to their pre-pandemic levels. We determined we wanted to take the proceeds from Shell and invest it into another energy company to keep similar allocation, but to have a majority exposure to LNG, as we see LNG prices being more stable long term than crude oil. In the fund's opinion, the consequences of Russian exposure outweighed the benefits.

Williams Companies Inc.

WMB

P2 Total Return: 2.65%

Beta: 0.885

Initial Shares: 0

Final Shares: 321

Initial Value: $0.00

Final Value: $10,724.61

P2 Dividend Yield: 1.27%

P2 Holding Action: Buy 321 shares

Description:

Williams gathers, stores, and processes natural gas and natural gas liquids (NGLs). It also operates stabilization capacity, fractionation facility, storage capacity, and other ancillary assets, including loading and terminals. The company's interstate gas pipeline, as well as gathering & processing operations span the US, including assets in the Transmission & Gulf of Mexico, Northeast G&P, and West.

Growth Drivers:

Currently we are experiencing a protracted conflict between two eastern powers in Russia and Ukraine. This continues to put upward pressure on global energy prices. We found that even though Williams is US based, it will receive tailwinds from global LNG production, as it is one of the largest Pipeline networks in the country. As the US ramps up LNG exports to Europe, Williams will benefit from this as their Transco Pipeline along the eastern coast passes through every state with an LNG export facility.[23]

Risks:

Energy will continue to be volatile for the foreseeable future. LNG will command an increasing share of the global fuel mix given its lower-carbon footprint and its ability to flexibly supply increasingly diverse markets, customers, and applications, however we acknowledge there continues to be an overwhelming push for cleaner, more renewable energy.[24] Furthermore, commodity prices tend to fluctuate especially in times with such great levels of global instability/uncertainty. These factors acting together could negatively affect this firm and many other similar energy companies.

Financial Services Sector

Edgar Hernandez

Period Performance:

Moving forward to Period 2, our holdings remained the same for the Financial Services sector. We held JPMorgan Chase & Co. which had a -13.28% return. Nasdaq, Inc. also remained on our fund, and returned a total of -14.89%. Lastly, Prudential Financial took off in the opposite direction making a 10.28% return over the period. Overall, Financial Services firms composed 11.16% of LaPorte's total equity which is slightly underweight compared to the S&P 500 of 11.5%. The equities market saw a quick downturn around the time Russia proceeded to invade Ukraine however has rebounded from lows and the S&P 500 had a -4.61% return for the period.

Looking Ahead:

The sector generally remains in tune with the economic environment that is currently unfolding. Some of the main pressing issues that will continue to develop this year will be inflation, the Fed's interest rate policy, Russia-Ukraine conflict, and government or agency intervention. Inflation has become more than just transitory as we have seen a 40-year high at 7.9%. One of the Fed's mandates, to keep prices stable, has led them to increase interest rates. On March 16, 2022, we saw the Fed raise rates by the widely projected 25 basis points. We tend to see banks and other financial institutions benefit in part by increasing rates as it becomes more profitable to lend out, so we expect net interest margins to increase for financial firms. However, with new developments in the Russia-Ukraine conflict it may complicate the Fed's mandate as it adds additional inflationary pressures. Speaking on the conflict, sanctions that have been brought upon Russia have forced many financial institutions to wind down business and to transition out of the country. JPM did not list Russia amongst one of their top 20 places of business, but the effect of the conflict will need to be followed closely as the situation continues to develop. Investors are now looking for ways to safeguard against inflation and interest rate risk through different investments than previously relied upon in the low inflation-low interest rate environment.

JPMorgan Chase & Co.

JPM

P2 Total Return: -13.28%

Beta: 1.265

Initial Shares: 115

Final Shares: 115

Initial Value: $18,210.25

Final Value: $15,676.80

P2 Dividend Yield: 0.63%

P2 Holding Action: Hold

Description:

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

Growth Drivers:

The firm has continued its plan to acquire new companies to assert greater market dominance amongst the different business segments. JPM has agreed to acquire Global Shares, a fintech company that helps manage employee share plans.[25] They will integrate these new capabilities into their Asset & Wealth Management segment. The firm's acquisitions add diversified sources of income which are beneficial as the financial services providers see an ever-increasing competitive environment. By the end of Period 2 the firm planned to launch new offerings in the U.K. such as savings accounts at competitive rates. This will help JPM gain more customers with an increased presence in other markets. As the cost of borrowing goes up JPM stands to win with increasing spreads as it lends out.

Risks:

JPMorgan Chase & Co. has continuously increased expenses around the business ranging from pay increases, bonuses, acquisitions, new talent, and technology. At the beginning of the year, JPM has set out a plan to spend billions of dollars in technology which will influence profitability to some degree.[26] JPM is in tune with the economic environment which has been under pressure from high levels of inflation, Fed's policy, and the Russia-Ukraine conflict. The conflict abroad has pushed JPM to transition out of the Russian markets, however Russia is not in one of their top markets. Remaining in the Russian market allows for potential of fierce blowback, and complications from capital freezing.

Nasdaq, Inc.

NDAQ

P2 Total Return: -14.89%

Beta: 0.946

Initial Shares: 230

Final Shares: 230

Initial Value: $48,302.30

Final Value: $40,986.00

P2 Dividend Yield: 0.26%

P2 Holding Action: Hold

Description:

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

Growth Drivers:

Nasdaq, Inc. has continued to successfully set their position as a leader in technology and data providers within the Financial Services sector. The firm has reported a 12% revenue increase in 2021 Q4 compared to 2020 Q4.[27] The firm also seeks to promote their proprietary software as a subscription where steady cash flows is expected and reported a 43% increase in revenues for this category. In an ever-increasing uncertain economic environment, steady cash flows will be key as more uncertainty arises. The company now seems to be focusing on their Solutions segment through acquisitions as more regulatory uncertainty arises from other segments.

Risks:

A proposal from the US Securities and Exchange Commission poses a threat to NDAQ's market data revenue. The SEC seeks to promote competition and fairness by limiting exchanges' ability to sell faster data at a premium. In the meantime, there is still ongoing litigation on the matter, but market data brings in 14% of NDAQ revenues.[1] Government regulation is always a dominating factor in financial firms, however this potential for change would directly harm the revenue stream for their market data sales channel.

Prudential Financial, Inc.

PRU

P2 Total Return: 10.28%

Beta: 1.330

Initial Shares: 174

Final Shares: 174

Initial Value: $18,833.76

Final Value: $20,561.58

P2 Dividend Yield: 1.10%

P2 Holding Action: Hold

Description:

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

Growth Drivers:

PRU had a rough year around the peak of the pandemic back in 2020 which in turn shifted how the firm conducts business. The firm sought to focus on businesses that were less market sensitive and high growing. Since then, Prudential has made several divestitures, acquisitions, increased savings, and cut costs through technology. Now, the firm has been able to cut some of the cost through technological advances in expense management and automating processes.[28] Such advancements will allow PRU to efficiently allocate resources where they are more productive. PRU is also seeking to expand into new markets abroad following their shift in business.[29] Savings made so far can now be used for expansion and demonstrates a good use of resources. The PGIM segment conducts business in the fixed income markets, and benefits from rate hikes because the firm actively reinvests taking advantage of the current interest rate. [30]

Risks:

COVID-19 has contributed to losses in previous years, however any new developments regarding the disease poses a risk to PRU; an increase in mortality may expose the firm to losses. The firm has expressed interest in the expansion of the business in which they include China. China has had a recent climb in COVID-19 cases which could complicate the firm’s plans depending on how strict China becomes with regards to new lockdowns or regulations.

Fixed Income

Edgar Hernandez

Period Performance:

In the LaPorte Fund, Fixed Income constituted 15.93% of total holdings during Period 2. Our holdings remained the same which include iShares Core US Aggregate Bond ETF (AGG), T. Rowe Price Emerging Market Corporate Debt Fund (TRECX), Wells Fargo & Co. Preferred (WFCPRL), and Wisdom Tree Floating Rate (USFR). In light of expected increases in interest rates investors sought ways to combat it through shorter maturity allocations among other strategies. However, Fixed Income overall underperformed during Period 2 as we saw many investors pull back from fixed income investments. Our benchmark for Fixed Income, Bloomberg Barclays US Aggregate Bond Index, saw a decline of over -6% in Period 2. Inflationary pressure has also affected fixed income as investors seek other more lucrative opportunities to safeguard returns. By the end of Period 2 we saw 2 Year US Treasury and 10 Year US Treasury yields invert momentarily. New and older risks seem to be evolving which will require the LaPorte team to be vigilant of any new developments.

Looking Ahead:

The Fed has indeed increased interest rates by 25 basis points and has indicated they will keep increasing rates this year and some estimate over a 2.30% interest rate by year end. Some economists believe it will be necessary to raise rates above 3% to fix inflation given price increases are at a 40-year high, at 7.9%. Such increases in rates will require a different expectation moving forward for fixed income. The inverse relationship between prices and rates will negatively affect some of the holdings, however to what extent will depend on their individual duration metrics. If yields keep increasing bond prices/value will drop as well, although it is uncertain how long it may take to see a turnaround given current economic conditions. Now, any additional inflationary pressures by the Russia-Ukraine conflict could drive the Fed toward additional rate increases. Higher rates than needed pose a new threat of a recession if the Fed is not careful enough. It has become an increasingly complex economic environment where many moving parts need to be considered before any decisions are made. The LaPorte managers will continue to closely monitor our investments and any other key metrics.

iShares Core U.S. Aggregate Bond ETF

AGG

P2 Total Return: -5.84%

Beta: 0.983

Initial Shares: 255

Final Shares: 255

Initial Value: $29,090.40

Final Value: $27,310.50

P2 Dividend Yield: 0.28%

P2 Holding Action: Hold

Duration: 6.82

Convexity: 0.50

Description:

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

Growth Drivers:

Near the end of Period 2, BlackRock cut fees for several bond ETFs which include iShares Core US Aggregate Bond ETF.[31] Specifically, the expense ratio has decreased from 0.04% to 0.03%. The cut in fees will position AGG well among competitors as investors look for lower cost opportunities. Also, with its continuation in investment grade bonds, this will provide some comfort on the default risk side in such times of economic uncertainty.

Risks:

AGG has increased its holdings since the beginning of the year with 253 new holdings.[32] As expected, duration also has increased from the previous period to 6.82 years. In a climate of increasing interest rates, we expect and have already seen some decline in value for AGG. If new acquisitions are not shorter in maturity AGG can be more susceptible to interest rate risk. Inflation also poses another risk as it decreases any real returns AGG makes. Moving forward interest rate changes which the Fed will debate in the coming months need to be closely monitored.

T. Rowe Price Emerging Market Corporate Debt Fund

TRECX

P2 Total Return: -7.12%

Beta: 0.144

Initial Shares: 1,697

Final Shares: 1,714

Initial Value: $17,808.20

Final Value: $16,539.43

P2 Dividend Yield: 0.00%

P2 Holding Action: Hold

Duration: 5.51

Description:

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

Growth Drivers:

TRECX's investment in emerging markets has allowed it to position itself in a way to combat inflation. The fund's geographic allocation of assets is becoming increasingly important as we continued to see an increase in inflation in the US. Emerging markets may be in different stages of economic development where certain risks are already assumed so there is not much left that can affect those markets.[33] Many of the countries in which TRECX has bonds face low levels of inflation, and even lower than in the US. This allows for far better real returns than other alternatives within the country. There was also a slight decrease in duration from the previous period which allows TRECX to become less susceptible to interest rate risks.

Risks:

TRECX's average duration is relatively low, however 17.45% of the fund has a duration of 10 years or more.[34] Adding longer term bonds can add on duration risk in an already uncertain economy. TRECX has holdings in Russia and in Ukraine through businesses that operate there. There is a chance for default if Russia remains under sanctions.[35] However, the fund has minimal exposure at less than 2% of the total fund.

Wells Fargo & Co. Preferred

WFCPRL

P2 Total Return: -9.85%

Beta: 0.429

Initial Shares: 32

Final Shares: 32

Initial Value: $47,6966.96

Final Value: $42,400.00

P2 Dividend Yield: 1.26%

P2 Holding Action: Hold

Duration: 12.193

Convexity: 3.981

Description:

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

Growth Drivers:

WFC exceeded revenue expectations from Q4, and profits climbed to 86% which stemmed from the recovery of the economy.[36] There were increases in fees across their business segments such as investment banking and wealth and investment management in the previous period. The firm also continues to invest in risk management, and its cost saving initiatives. As interest rates rise it is expected to boost earnings as WFC will be able to collect a larger spread. By the end of Period 2, Wells Fargo has announced a partnership with Bilt Rewards and Mastercard to offer the first credit card that allows users to earn from making rent payments. This could potentially unlock millions of customers that rent homes and provide additional revenue.[37]

Risks:

The firm has continued to face legal challenges from cases involving home lending, discrimination, pay, arbitration issues, and other business practices. Such litigation does not come cheap, so we can expect to see WFC to spend much more. With ongoing litigation, we can also say that the imposed 2018 asset cap is further away from removal as WFC tries to correct their wrongs. Additionally, preferred shares now face interest rate and inflation risk. WFC's shares are based on a fixed rate which puts them in a disadvantage as we continually seeing ever-increasing expectations for the interest rate environment following the initial rate hike.

WisdomTree Floating Rate Treasury Fund

USFR

P2 Total Return: 0.22%

Beta: 0.120

Initial Shares: 957

Final Shares: 957

Initial Value: $24,011.13

Final Value: $24,033.84

P2 Dividend Yield: 0.12%

P2 Holding Action: Hold

Duration: 1.343

Convexity: 0.026

Description:

The WisdomTree Floating Rate Treasury Fund (USFR) is an open-end ETF that aims to mimic the price and performance of the Bloomberg US Treasury Floating Rate Bond Index. USFR mainly contains 99.99% of treasury bills rated AAA and gives access to newly issued short term US government debt.

Growth Drivers:

USFR remains a healthy holding in the LaPorte Fund despite increases in interest rates. The fund's design is more appealing than a majority of the market because of its weekly adjusted payment methods from the underlying US Treasury holdings. Such adjustments allow USFR to counteract the risk of interest rates as we continue to see more of. The floating rate Treasuries hold the shortest duration compared to other Treasuries. Short duration will serve the fund well as we expect for even more rate hikes. Near the end of Period 2 USFR also saw 1:2 reverse share split. The fund believes that this will generate further interest among institutional investors.[38]

Risks:

Inflation has risen since last period and threatens the value of any gains the fund makes. Even though we expect the Fed to keep increasing rates, which would benefit the fund, if inflation is underestimated it may have further implications. Also, WisdomTree seemed to have miscalculated USFR's net asset value (NAV) but was later corrected.[39] This requires having USFR under a closer watch for any other miscalculation that may arise.

Healthcare Sector

Juan Soto Leon

Period Performance:

Our Healthcare holdings made up 11.53% of our portfolio weight on average during Period 2. The S&P had a 13.30% average weight during the same period. Our three holdings had a total return of -3.01% compared to -1.60% of the S&P 500. AMGN was our biggest winner with a period return of 8.35%. No changes were made to our healthcare holdings during Period 2.[1]

Looking Ahead:

Healthcare companies are working towards a holistic health approach. The use of technology that allows companies and healthcare providers to track physical and mental health of patients from their home seems promising. Companies that are successful developing, manufacturing, and marketing new wearable technology can benefit from this wearable medical device market, which will grow to over $200 billion by 2027.[40] Furthermore, precision health will continue to be a growing trend. Precision health technology and services allow healthcare providers to provide tailor treatments for each patient, depending on their unique needs. Additionally, COVID has presented the challenge for companies to provide remote access to quality services. Companies in the industry are adapting the required technology and services that will provide these remote services. Finally, we will continue to monitor new trends and legislation that could present threats to the industry.[40]

Amgen Inc.

AMGN

P2 Total Return: 8.35%

Beta: 0.521

Initial Shares: 83

Final Shares: 83

Initial Value: $18,672.51

Final Value: $20,071.06

P2 Dividend Yield: 0.86%

P2 Holding Action: Hold

Description:

Amgen Inc. is a company headquarter in Thousand Oaks, California. The company has over 22,000 employees, which makes it one of the largest biotechnology companies in the world. The company develops, manufactures, and markets its own biologic medicines. With the help of tools like advance human genetics the company targets diseases with limited treatment options. The company has presence in over 100 countries, with the US accounting for about 70% of their total sales. Amgen focuses in six major therapeutic areas: oncology, cardiovascular, inflammation, bone health, nephrology, and neuroscience.[1]

Growth Drivers:

Amgen cancer treatment products have seen constant growth and popularity. Recent acquisitions complement further research and manufacturing for these products. Amgen recently acquired Five Prime Therapeutic, a biotechnology company that is focused on developing targeted cancer therapies. In addition, Amgen acquired Teneobio, a biotechnology company focused on the development of human heavy-chain antibodies.[41] Amgen has also been focused on reducing their product cycle times. This would allow them to reduce development cost. Geographically, Amgen has seen growth potential in Asia-Pacific for their current products.[42]

Risks:

Amgen and companies that develop drugs that target specific diseases could struggle to generate enough profits due to the nature of patents. R&D costs are high for companies such as Amgen and their current patents might not be long enough. Amgen is working on reducing their cycle times to reduce R&D costs. However, government litigation and investigations could delay their results. Finally, government legislation in other countries could make it difficult to compete with generic drugs that are favored.[43]

CVS Health Corporation

CVS

P2 Total Return: -1.36%

Beta: 1.036

Initial Shares: 316

Final Shares: 316

Initial Value: $32,598.56

Final Value: $31,982.36

P2 Dividend Yield: 0.53%

P2 Holding Action: Hold

Description:

CVS Health Corporation is a leading pharmacy healthcare provider in the US. The company employees over 295,000 people and offers the nation's largest drugstore chain. The company operates over 10,000 locations in the US. CVS operates in four major segments: Pharmacy Services, Retail/LTC, Health Care Benefits, and Corporate. The company generated a revenue of $76.6 billion in 2021.[1]

Growth Drivers:

CVS Health is transitioning from transaction-based primary care to holistic health. The holistic health approach searches to provide physical, mental, social, and economic health of individuals. The implication of a successful transitioning to holistic health implies higher quality of care and lower medicine cost for customers. CVS is growing their virtual platforms; they have made major investments to create a personalized online experience. Today, their online platforms receive over one million visits per month, and growth is expected to continue. CVS Health's past acquisition of Aetna Insurance for $70 billion, which provides CVS with an opportunity to offer healthcare benefits, experienced a slow initial transition. However, the current market environment demands faster growth in health benefits. Exposure to healthcare benefits will allow CVS to move towards their holistic health strategy and will reduce dependence from their pharmaceutical segment.[44]

Risks:

CVS Health has recently entered public insurance exchanges in several states, however there is concern among investors of CVS's ability to sell these products. CVS recent reports suggest that action taken by competitors and new legislation can be a pricing concern for their products. Competition in the industry is high, and companies such as Anthem, Walgreens, and Healthesystems are taking similar approaches. However, CVS has the necessary technology and workforce to break into the health benefits industry. With some time, the results of CVS holistic health approach should start to generate positive returns.[45]

Thermo Fisher Scientific, Inc.

TMO

P2 Total Return: -11.44%

Beta: 0.756

Initial Shares: 47

Final Shares: 47

Initial Value: $31,360.28

Final Value: $27,760.55

P2 Dividend Yield: 0.04%

P2 Holding Action: Hold

Description:

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

Growth Drivers:

Thermo Fisher Scientific sales of COVID-19 related products and services accounted for over 20% of their total sales in 2021. Thermo Fisher Scientific has forecasted revenue of about $2 billion for 2022, mainly occurring in the first half of the year.[46] The company's excellent response to COVID has led to significant international growth and exposure that will increase their existing products sales in other markets.[47] In addition, the company is expanding their businesses through important acquisitions. By the end of 2021, the company acquired PrepoTech, which complements Thermo Fisher's work in the development and manufacturing of cell and gene therapies and applications.[48]

Risks:

Thermo Fisher Scientific reliance on third-party package delivery services could disrupt the company's ability to deliver products if these services experience supply chain issues. Furthermore, TMO has experienced difficulties integrating PPD, Inc. to their business. The $17 billion acquisition has been slower than anticipated and predicted benefits might not be realized. Finally, government regulation and high competition for a talented workforce are components that the industry has been affected by recently.[49]

Industrials Sector

Jonah Mikulski

Period Performance:

In Period 2, the LaPorte Fund's Industrials sector accounts for 8.93% of the portfolio. Overall, the winners and losers from this sector differentiated themselves fairly significantly, with Raytheon and General Dynamics gaining 15.71% and 16.26% respectively. On the other hand, CoStar Group fell by -15.72% and Waste Management stayed more stable, falling -4.64%. Volatility was a dominating factor with idiosyncratic elements taking a backseat to industry trends within the sector. In the S&P 500, the Industrials sector accounts for 7.86% of the portfolio.

Looking Ahead:

As touched on before, volatility ran rampant in Industrials. Between inflation, the Russia-Ukraine conflict, and changes in economic policy, consumer and commercial spending habits changed while defense and aerospace spending saw a big boost. Moving forward, the fund expects world powers to continue to see the Russian aggression as a wakeup call to invest in defense more than they have during one of the longest extended periods of peace in human history. In contrast, increased interest rates will continue to ripple through the market as the Fed continues to announce their policy going forward, making capital expenditures and the cost of new projects more expensive. With this, and concerns for the economy going forward, there is anticipation that inventories will be cut to better match demand as it comes in, with less stockpiled supply. This may create a self-feeding loop of lower immediate supply and higher shipping costs to meet demand as quickly as possible, combining with the high levels of domestic inflation seen throughout recent quarters.

CoStar Group, Inc.

CSGP

P2 Total Return: -15.72%

Beta: 1.117

Initial Shares: 190

Final Shares: 190

Initial Value: $15,015.70

Final Value: $12,655.90

P2 Dividend Yield: 0.00%

P2 Holding Action: Hold

Description:

CoStar Group, Incorporated is a firm that provides information, analytics, and online marketplace services to commercial real estate, professional, hospitality and residential industries. In addition, they own and operate a wide variety of consumer facing real estate online domains, with individual focuses on specific markets including residential, farmland, commercial properties, etc. Originally purely an analytical firm, their expanded portfolio has been able to seamlessly integrate using their industry leading information to better sell to consumers, and to better understand the market in a self-feeding loop.[1]

Growth Drivers:

CoStar continues to be a very differentiated company, with internal aspects which no other competitor in the market is able to exactly match. Their information is top tier, and with their online portfolio of real estate search platforms, CoStar will continue to be a very prominent figure on the back end of real estate research and commerce. CSGP has recently introduced a new model for lenders to use, again in efforts to expand the scope of what they do, trying to capture all available niches within the business side of Real Estate.[53] As CoStar continues to grow, their outlook follows suit.

Risks:

CoStar was very negatively impacted by a slowing of the domestic housing market and changing economic policy. As inflation remained high, the initial interest rate hikes as well as Chairman Powell's open communication has led many banks and financial institutions to have strong predictions for continued rate hikes in May and June. Mortgage rates have consequently followed suit in rising, and what was a scorching real estate market nearly across the board has slowed.[55] Outside of companies that are actively looking for investment opportunities, a slowing real estate market means less resources spent on research and less turnover. These changes have and could continue to impact the outlook of CoStar's revenue and growth until the market picks back up.

General Dynamics Corporation

GD

P2 Total Return: 16.26%

Beta: 0.947

Initial Shares: 42

Final Shares: 42

Initial Value: $8,755.74

Final Value: $10,129.56

P2 Dividend Yield: 0.57%

P2 Holding Action: Hold

Description:

General Dynamics Corporation is an industrials firm in the Aerospace & Defense subsector with four focuses: Aerospace, Marine Systems, Combat Systems and Technologies. Within the subsector GD has a very wide array of products and services they sell to various consumers. General Dynamics is heavily involved in and works closely with the US Navy including manufacturing nuclear-powered submarines, and other auxiliary vessels. Through the selling of their manufactured products and accompanying services, GD generates most of their revenue from government contracts and government purchases. General Dynamics additionally has a line of business jets under the name Gulfstream.[50]

Growth Drivers:

General Dynamics (GD) was a major beneficiary of the Russia-Ukraine conflict, as the US and countries in the Western world have been forced into investing more in defense spending and R&D products. Big growth has been seen recently in their IT division, with numerous government contracts being earned for development of backend systems for Army research, Navy HR resources, and student loan processing systems.[52] The expansion in their operations provides growth opportunities as this long-term defense systems firm adapts to the current environment. Additionally, these new government contracts add more stability. The fund is confident that GD will be able to produce in the way they always have, while also providing these new services to aid the way that defense systems currently operate.

Risks:

As GD tends to be suppliers of large-scale military support (via ships and auxiliary vessels)[50], with inflation, high materials costs, and increasing interest rates the US may be more likely to spend on smaller scale projects with quicker turnarounds. War has changed significantly, and with that GD may be forced to pivot in their product mix to meet the demands of current times. The conflict has caused many countries to rethink their current military capabilities, and innovation may need to come with it.

Raytheon Company

RTX

P2 Total Return: 15.71%

Beta: 1.465

Initial Shares: 245

Final Shares: 245

Initial Value: $21,084.70

Final Value: $24,272.15

P2 Dividend Yield: 0.59%

P2 Holding Action: Hold

Description:

Raytheon is an Industrials firm in the aerospace and defense subsector, serving commercial, government, and military customers globally. Their four main business segments are: Collins Aerospace Systems, Pratt & Whitney (Aircraft engines and servicing), Raytheon Intelligence & Space, and Raytheon Missiles & Defense. In missile defense systems, they have become an industry leader selling these products to the US government, as well as governments across Europe. This strong international presence has allowed Raytheon to grow tremendously in recent years, largely from an expansion of customers.[1]

Growth Drivers:

Raytheon was another benefactor from the war between Russia and Ukraine as their missile defense systems are top tier and even prior to the conflict, were used across Europe in various countries.[51] The conflict has caused many western powers to rethink their military spending trends, and Raytheon is very well positioned both in their specialty defense systems, as well as aerospace technologies and combat technologies which should see a boost as the war machine gets rebooted to be better prepared for future conflicts. In addition, RTX has signed government contracts for supplying equipment which was sent to the Ukrainian government, and now needs to be restocked in the US; this again suggests an increase in Raytheon's production leading to increased financial performance.[51]

Risks:

Raytheon is still susceptible to changes in spending habits due to higher end costs coming mostly from higher cost of materials and more expensive financing/contract terms being required in the current economic environment.[50] As defense spending is expected to increase across world powers, RTX will need to continue innovating and spending on research & development to maintain their current market position. These initiatives are very costly and require great success to be profitable.

Waste Management, Inc.

WM

P2 Total Return: -4.64%

Beta: 0.844

Initial Shares: 93

Final Shares: 93

Initial Value: $15,521.70

Final Value: $14,740.50

P2 Dividend Yield: 0.39%

P2 Holding Action: Hold

Description:

Waste Management is an Industrials firm which services and oversees the collection, treatment, and disposal of waste from commercial or residential customers. WM is paid by municipalities, schools, businesses, or individuals, to collect their waste which is then either properly disposed of or separated and sent to be recycled. Waste Management is an industry leader in sustainability, currently having 20-year goals ongoing with the hope of reducing emissions. Waste Management has waste collection and treatment facilities across the country and have also begun to enter the recycling market, feeding those processes with byproducts from their core operations.[1]

Growth Drivers:

Waste Management continues to face little competition in their exact niche of nationwide waste management services. WM was recently named one of the world's most ethical companies, which again speaks to a top-down strategy for operating in the most efficient and environmentally conscious ways. Continuing their recent recycling expansion, as well as continuing to fully use all resources and byproducts of waste collected. Waste Management should continue to have a strong market demand, and as they continue to innovate and find better methods for disposal and treatment of waste, they will be able to remain ahead of the market.

Risks:

Waste Management continues to be harmed by potential changes in consumer habits, as well as higher input costs such as fuel which cuts into profits or causes services to be more expensive. Even though WM uses their own fuel for some of their fleets, they still require outside energy for some of their operations, and also inflation could price out some potential consumers who now have to look for other cheaper options which may be less effective.

Information Technology Sector

Steven LoCascio Jr

Period Performance:

At the end of Period 2, Information Technology holdings accounted for 15.94% of the LaPorte portfolio's equity holdings while the sector made up 27.39% of the S&P 500. Our largest holding in this sector continues to be Microsoft, and Accenture is close behind. All our holdings lost value during this period. Microsoft returned -8.14%; IBM returned -1.50%, and FISV returned -2.30%. Accenture was our biggest loser of the period, shedding -18.42%

Looking Ahead:

As we have begun to see the consequences of the past two years, the Fed recently announced its first rate hike since 2018 and signaled rate hikes at each of the meetings for the remainder of this year signifying an aggressive positioning to get inflation under control. We have also been able to process the first six weeks of the global conflict that has engulfed Russia, Ukraine, and many other countries. Despite this, tech and growth stocks are recovering from their lows earlier this year and look to be cautiously gaining. As a fund, we are more optimistic about the future than we have been before, but we still hold a neutral outlook. We do still believe that solid, profitable firms will be able to weather these headwinds and remain viable investments. Another big point of interest in the Information Technology space is the continued discussion of the 'Metaverse'. Initial interest was very high, but critics are speaking out and questioning the viability of the space in the future. Mark Zuckerberg even stated the Metaverse was "a ways off".[58]

Accenture PLC

ACN

P2 Total Return: -18.42%

Beta: 1.069

Initial Shares: 115

Final Shares: 115

Initial Value: $47,673.25

Final Value: $38,781.45

P2 Dividend Yield: 0.23%

P2 Holding Action: Hold

Description:

Accenture, one of the world's largest consulting firms, offers a portfolio of management consulting, strategy, digital, technology, interactive, and business operations services to some of the top companies and government organizations in the world. Clients use Accenture's services to improve decision-making; mitigating risk and enhancing security; implementing modern change management programs; shaping and delivering value from largescale cloud migrations; building more resilient supply chains; and reinventing manufacturing and operations with smart, connected products and platforms.

Growth Drivers:

Accenture's continued emphasis on innovation and investing is the primary reason it is gaining among its rivals. Sales from cloud and other technologies associated with digital transformations account for more than 70% of revenue and will keep fueling much of its short and midterm growth. Recent bookings data and large deal wins suggest sales growth should continue to remain strong, as illustrated by an increased digital spend over the past few years. Accenture's decision to embrace the cloud came at the right time and place, while they plan to spend $3 billion to expand their expertise.

Risks:

Along with IBM, Accenture receives over 30% of its sales from Europe. With the Ukraine-Russia conflict, we may see some headwinds soon, and for the entire length of this war. Furthermore, firms with large consulting units may suffer because of tightening spending due to said situation as well as the added global uneasiness. Barriers to entry continue to remain low for the Information Technology industry, and a large part of Accenture's strategy is to continue its consistent M&A goal. Continuing to pursue this strategy may draw eyes from regulators aiming to crack down on big tech mergers, as we have seen in big news stories like the Microsoft-Activision Blizzard proposed merger.

Fiserv, Inc.

FISV

P2 Total Return: -2.30%

Beta: 1.015

Initial Shares: 158

Final Shares: 158

Initial Value: $16,398.82

Final Value: $16,021.20

P2 Dividend Yield: 0.00%

P2 Holding Action: Hold

Description:

Fiserv, Inc. is a leading global provider of payments and financial services technology solutions. The company provides account processing and digital banking solutions; card issuer processing and network services; payments; e-commerce; merchant acquiring and processing; and the Clover cloud-based point-of-sale (POS) solution. Through its Fiserv Clearing Network, the company provides check clearing and image exchange services. Fiserv serves customers of all sizes, including banks, credit unions, other financial institutions and merchants across US and Canada, Europe, Middle East, Africa, Latin America, and the Asia Pacific region.

Growth Drivers:

Thus far, Fiserv's smaller bank clients are responding and engaging in the digital transformation Fiserv began promoting. Furthermore, Fiserv has done a good job at differentiating themselves from their competitors (Toast, Square, Paypal, and Shopfiy) by partnering with banks and offering different sales channels than just direct distribution. This enables banks and financial institutions to make their customers stickier, and ultimately enhancing the value of the Fiserv relationship, further promoting their market share strategy. Increasing use of digital payments and cashless options will continue to be a boon for Fiserv and its Clover POS platform which is centered on being able to process all types of payments beyond physical swipes of plastic or cash.

Risks:

Along with Neo banks and P2P finance apps, Apple has emerged as a potential disruptor in the payments space. Apple recently acquired UK based Fintech company called Credit Kudos.[59] It was not known what Apple plans to do with this acquisition, but in the future, it is thought that Apple plans to develop capability to accept payments directly on an iPhone with no external hardware. This development, if it turns out to come to fruition, with considerably damage FISVs position in the market. Digital currencies must continue to be monitored, as we see the Ukraine- Russia conflict unfold, it further shows us the potential for digital currency as a viable option moving forward.

International Business Machines Corporation

IBM

P2 Total Return: -1.50%

Beta: 0.775

Initial Shares: 100

Final Shares: 100

Initial Value: $13,366.00

Final Value: $13,002.00

P2 Dividend Yield: 1.23%

P2 Holding Action: Hold

Description:

International Business Machines (IBM) provides integrated solutions and products that leverage data, information technology, deep expertise in industries and business processes. The company is investing in what it calls cognitive computing systems, led by the Watson artificial intelligence platform, that help customers analyze massive amounts of data to make better decisions. Among other areas the company is betting on for growth are artificial intelligence, security, cloud, systems, quantum computing, and more. IBM's information technology, business services, and software units are among the largest in the world.

Growth Drivers:

The results of earnings post spin off were generally positive, showing confidence in IBMs decision to spin off KD. Moving into 2022 a large focus will be on IBM's consultancy business as we see a growing shift to cloud migration, implementation projects, and security services. IBM's consultant division is on par with industry giants Deloitte and Accenture and will be critical for the company's total sales growth moving forward. IBM is redefining its future as a hybrid cloud platform and AI company. IBM will continue focus on its open hybrid cloud platform, AI capabilities, and its consultancy arm to accelerate clients' digital transformations and drive revenues.

Risks:

The IBM vision 2024 states that they aim for a more responsible, open, and inclusive digital Europe. They have illustrated their commitment to the region, as they see a lot of growth potential in this region.[60] Regional conflict in Eastern Europe may dent IBM's expansion hopes. Currently 30% of their revenue is from Europe. With the invasion of Ukraine from Russia, this may impact overall European growth rates if a longer and more protracted conflict occurs. Furthermore, with inflation current highs, these both may together affect IBM more than if they were isolated situations.

Microsoft Corporation

MSFT

P2 Total Return: -8.14%

Beta: 0.967

Initial Shares: 138

Final Shares: 138

Initial Value: $46,412.16

Final Value: $42546.78

P2 Dividend Yield: 0.18%

P2 Holding Action: Hold

Description:

Microsoft is one of the world's leading technology companies with products that include the Windows operating system, Office productivity applications, and Azure cloud services. LinkedIn, it's business-oriented social network, is used by millions to make business-focused connections. Outside the office, Microsoft's Xbox gaming system is second only to Sony's PlayStation. Microsoft's customers range from consumers and small businesses to the world's biggest companies and government agencies. Geographically, Microsoft's revenue is evenly split between the US and the other countries. Microsoft was founded in 1975.

Growth Drivers:

At the end of January, Microsoft announced it had plans to acquire video game studio Activision-Blizzard. This deal would make Microsoft a bona-fide triple threat in the industry. They already have the cloud infrastructure and the hardware components. This deal will give them the content to potentially dominate the video game industry. The deal is valued at $68.7 billion and so far, is the largest merger in the tech industry.[61] The deal still has far ways to go with regulators but odds favor clearance. Additionally, a rise in security breaches affecting Microsoft's on-premise Exchange servers could be a catalyst for companies to accelerate a shift to cloud versions of its productivity applications, driving increased growth for the cloud division.[62]

Risks:

It is interesting to note that over the past 8 quarters, Microsoft's sales have beat consensus by an average of 4%. This consistent record could be challenged as comparisons between peers have become difficult, and post COVID IT spending subsides. Paired with rising interest rates in the near term, Microsoft and its peers will experience some headwinds as the economy adjusts to a new environment. Beyond that, the valuation sits around 81% above pre-pandemic levels. This was mostly driven by investors flocking to safe havens like large-cap tech stocks with high sales. If sales begin to drop, we may see a contraction in multiples, reducing MSFT's valuation.

Materials Sector

Jonah Mikulski

Period Performance:

In Period 2, the LaPorte Fund's holdings in the Materials sector account for 3.24%. The individual holdings both saw strong period performance, with Vale returning 47.75% as the highest individual gain in the entire portfolio, while Sonoco was also strong with a positive 8.84% return. The fund is currently positioned to cover mining/metals, as well as package goods and traditional materials for containers and other storage products. The Materials sector in the S&P 500 made up 2.62%, making the LaPorte Fund slightly overweight which has been a conscious decision to maintain.

Looking Ahead:

Combining the factors of inflation, instability from the Russia-Ukraine conflict, and continued projected increases in domestic interest rates, Materials companies will continue to see high levels of volatility. The commodities market has been especially volatile, which has mainly impacted Vale. As US monetary and economic policy is changing, consumer and commercial spending habits need to be closely monitored as changes could have direct influence on their spending for inputs produced by Materials firms. Beyond that, a global focus on increased sustainability in sourcing and production continues to be a very prominent trend, which leaves both room for growth as a first mover, and negative consequences for firms that are slow to adapt or leave "bad" practices in place long enough for some sort of environmental impact to be measured and announced. As the Fed has increased rate hikes, this has historically led to a slowing of the economy. If this remains true in practice today, the increased volatility mentioned before is likely to persist in a stronger way as commodities and goods with "inherent value," such as precious metals.

The Sonoco Products Company

SON

P2 Total Return: 8.84%

Initial Shares: 195

Initial Value: $11,288.55

P2 Dividend Yield: 0.78%

Beta: 0.988

Final Shares: 195

Final Value: $12,199.20

P2 Holding Action: Hold

Description:

Sonoco Products Company is a Materials firm involved in the manufacturing and selling of industrial and consumer packaging products. Their production includes paper & packaging plastics, as well as other polymers. Sonoco products range from reusable food storage containers to single use plastics for healthcare, and commercial paper packaging. The firm has routinely been praised for the sustainability efforts and strong leadership, adding an intangible element to their arsenal. Sonoco has recognized the current environment and is currently making significant strides to make their products more sustainable.[1]

Growth Drivers:

The acquisition of Ball Metalpack has worked seamlessly thus far, and has allowed Sonoco to diversify their product line while still maintaining the core values of the firm including sustainability.[67] As they continue to establish dominance in packaging, revenues are higher and management has raised expectations for the upcoming earnings report. Positive sentiment from the top-down has given the market confidence in SON's ability to be profitable even in the face of inflation and unstable economic conditions. Additionally, by focusing on a market-encompassing product line, they are less likely to be negatively impacted by consumer transitions from one product to another, and instead stand to gain using that information to alter their production. Sonoco has also been named to Barron's list of the top 100 Sustainable Companies for the fourth consecutive year; a clear indication of continued focus on sustainability in all aspects of the company.[68]

Risks:

Although operations seem to be functioning well, inflation and a changing domestic economy still pose a threat. With interest rate hikes from the Fed finally being enacted, this could cause a change in purchasing habits. The more essential – healthcare and food packaging – aspects of their business should remain resilient, but consumer packaging may face a turbulent future.

Vale S.A.

VALE

P2 Total Return: 47.75%

Beta: 0.961

Initial Shares: 514

Final Shares: 514

Initial Value: $7,206.28

Final Value: $10,274.86

P2 Dividend Yield: 5.17%

P2 Holding Action: Hold

Description:

Vale S.A. is a mining company based out of Brazil and is one of the world leading providers of iron ore and iron pellets for use in steelmaking. Beyond solely ferrous metals, Vale also is an extractor of Cobalt and Copper, as well as precious metals such as gold and silver. Vale was formerly a state-owned entity, creating a strong tie not only with the Brazilian government but also a very solid foundation within the country. Their production is sold off for further development or manufacturing. Vale is one of the largest employers in Brazil, with mining operations across the country. Through the distribution of raw materials, Vale generates their revenue while also having substantial real estate holding at the sites of their operations.[1]

Growth Drivers:

Vale has been a substantial benefactor of highly volatile commodities markets, as the sanctions levied against Russia following their invasion of Ukraine has greatly tightened the supply of metals. A deal between Tesla and Vale was announced at the very end of the period for Vale to supply Nickel to the auto manufacturer from their Canadian mining locations.[65] Details are not public, but Tesla is among industry leaders in their nickel use for EV tech and batteries, and Vale has stated they plan to increase Nickel revenues from 5% of total revenue, up to 30-40%. With Vale trying to reposition themselves into EV, they should continue to see strong demand for these key materials in their portfolio.[63]

Risks:

As many firms in Materials have experienced, Vale is not safe from the extremely high volatility in the sector.[66] A prolonged Russia-Ukraine conflict will only continue this, while raising US interest rates and high inflation may slow the growth and rate of large new capital expenditure projects being taken on. Vale is in a position to succeed, however their systematic risk is very hard to mitigate or predict. Volatility is sure to be expected, however unless the operations and functionalities of the company change, we feel comfortable bearing this.

Real Estate Sector

Juan Soto Leon

Period Performance:

Our Real Estate holding made up 2.00% of our portfolio weight on average during Period 2. The S&P had 2.66% average weight during the same period. Our portfolio total return for real estate was -0.19% compared to -5.31% of the S&P 500. W.P. Carey remained our only holding for Period 2. [1]

Looking Ahead:

The recent interest rate hikes and high inflation have turned heads to the Real Estate sector. Historically, the Real Estate sector has provided protection against high inflation environments. However, rising rates create concern among real estate investors. We will monitor important macroeconomic trends, such as economic growth, which will allow us to interpret the effects of inflation and rising rates in the Real Estate sector. The LaPorte team will also continue to monitor behavioral trends in the market. Advances in COVID treatments have allowed markets to open again at a steady pace. The industrial and storage sectors have performed well and are expected to continue growing in 2022. Sectors that were impacted the most by the pandemic, have seen an increase in activity in 2022. Industries, such as leisure are adding more jobs to the economy, which indicates hospitality real estate is returning to see higher activity.[69] The LaPorte team will continue to look for investment opportunities and monitoring the industry trends.

W.P. Carey

WPC

P2 Total Return: -0.19%

Beta: 0.656

Initial Shares: 171

Final Shares: 171

Initial Value: $14,030.55

Final Value: $13,823.64

P2 Dividend Yield: 1.29%

P2 Holding Action: Hold

Description:

W.P. Carey is a net leasing REIT that operates in North America and Europe, with the US making about 63% of its geographic diversification. The enterprise value of the REIT is nearly $20 billion, and it has an annualized base rent of $1.2 billion. There are 1,264 net lease properties under management, and it currently has a 98.4% occupancy rate with a total of 358 tenants.[1]

Growth Drivers:

W.P. Carey has seen an increased investment volume as interest rates have gone up. The increase on investments has mainly been in the US and Europe, with a concentration on warehouse and industrial assets. W.P Carey has captured the attention of investors that seek protection against inflation. The decreasing concerns of the pandemic have created positive expectations for certain segments of real estate, such as commercial assets. Additionally, W.P Carey has made advancements in their sustainability efforts. During 2021, around 10% of their investments went to green-certified buildings, and the trend is expected to continue in 2022.[70]

Risks:

Financial market disruptions and higher cost of borrowing could negatively affect W.P. Carey if demand for buildings decreases. In addition, uncertainty among the retail and office segments creates additional risk. If businesses decide to continue working virtually, the demand in this sector can be softened. However, the REIT has concentrated on making more investments on industrial real estate. We will continue to monitor the performance of the different sectors of real estate to identify new opportunities and market trends.[71]

Utilities

Steven LoCascio Jr

Period Performance:

The overall S&P Utilities sector gained 4.95% return while our NEE returned -8.81%. Among competitors in the industry Dominion, Xcel, Duke, The Southern Company, and NextEra, Dominion experienced the largest price appreciation at 8.45%. The other 3 competitors all finished with returns above the overall sector. The single security within the Utilities sector accounted for 1.63% of equity holdings. Conversely, the Utilities sector is 2.86% of the S&P 500.

Looking Ahead:

Pressured by climate change, policy makers, and investors, ESG goals and disclosures will be prioritized and focused on moving forward. This is illustrated by SEC chairman Gensler pushing for more comprehensive and standardized rules for firms regarding ESG disclosure. This will affect all firms, but it shines a light on the importance of environmental factors. The main goal for Utility companies moving forward is to continue to increasingly innovate ways to continually decrease emissions. Utility companies will continue to divest legacy assets at a more frequent rate to make room on their balance sheet for investments in renewables.[72]

NextEra Energy, Inc.

NEE

P2 Total Return: -8.81%

Beta: 0.716

Initial Shares: 133

Final Shares: 133

Initial Value: $12,416.88

Final Value: $11,266.43

P2 Dividend Yield: 0.46%

P2 Holding Action: Hold

Description:

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

Growth Drivers:

NEE completed its acquisition of Gulf Power earlier this year and is projected to reduce annual operations and maintenance expenses this year by $86 million which, on a scale-adjusted basis, is the equivalent of saving nearly $1 billion at FPL.[73] Further investments in modernization are tailwinds for NEE. They are taking advantage of accelerating demand for renewables and are growing their pipeline of developments projects. Lastly the huge migration taking place in the country will massively benefit NEE. Florida's net migration and immigration gain of +259,480 was the most in the country for people moving between July 1, 2020, and July 1, 2021.[74]

Risks:

With environmental change increasing, there is more risk to NEE's infrastructure being in Florida. If the frequency and power of tropical storms and hurricanes in Florida increase, there is risk from damage to crucial existing infrastructure. As we continue to increase our focus on renewables and clean energy, NEE could face challenges as more competitors look to enter the renewables market. Because of the unique landscape of Utilities, taxation and government regulations must be considered because of the government interventions involved in the industry. Economic indicators such as the energy intensity index, to monitor the usages and efficacy of different types of power will also be key.

Biographies

Period 2

Steven LoCascio Jr.

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

Juan Soto Leon

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

Edgar Hernandez

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

Jonah Mikulski

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

Isabella Shaw

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

Citations

Period 2

ALL SECTORS

1. Bloomberg Terminal

Communications

2. https://www.prnewswire.com/news-releases/omnicom-acquires-ta-digital-to-expand-global-digital-transformation-capabilities-301493461.html
3. https://digiday.com/media/the-rundown-a-look-at-the-changing-of-the-guard-at-omnicom-media-groups-north-american-leadership/
4. https://www.campaignlive.co.uk/article/trade-desk-pulls-googles-ad-auction-ripple-effects/1740814
5. https://www.yahoo.com/lifestyle/trade-desk-appoints-naseem-tuffaha-130000283.html#:~:text=The%20Trade%20Desk%20Appoints%20Naseem%20Tuffaha%20as%20Chief%20Growth%20Officer,-Mon%2C%20March%2028&text=VENTURA%2C%20Calif.%2C%20March%2028,Tuffaha%20as%20Chief%20Growth%20Officer.
6. https://www.businesswire.com/news/home/20220317005577/en/The-Trade-Desk-Integrates-with-Adobe-Real-Time-Customer-Data-Platform

Consumer Discretionary

7. https://www.king5.com/article/news/nation-world/amazon-closes-deal-to-buy-mgm/507-eab18f0f-72. bdd-4237-a5d3-78c738ae936a
8. https://www.businessinsider.com/amazons-whole-foods-fresh-stores-are-gaining-new-importance-2022-3
9. https://www.king5.com/article/news/nation-world/amazon-prime-membership-increase/507-1dd90563-67af-4cee-8da6-daa998cecddd
10. https://www.politico.com/news/2022/03/17/u-s-antitrust-enforcers-amazons-mgm-deal-00018252
11. https://www.prnewswire.com/news-releases/lowes-plants-the-seed-for-spring-with-new-digital-and-in-store-experiences-301503243.html
12. https://www.morningbrew.com/retail/stories/2022/03/18/inside-lowe-s-omnichannel-strategy
13. https://www.wsj.com/articles/starbucks-boss-gets-a-complicated-order-11648200602?mod=hp_lista_pos4
14. https://finance.yahoo.com/news/starbucks-union-stock-weakness-analyst-140532994.html

Consumer Staples

15. https://www.thrillist.com/news/nation/pepsi-ihop-release-maple-syrup-flavored-soda
16. https://www.cnbc.com/2022/03/23/beyond-meat-pepsico-meatless-jerky-launches-.html
17. https://www.csnews.com/pepsico-sets-its-sights-being-net-water-positive-2030
18. https://www.wsj.com/articles/pepsico-explores-options-for-russian-business-as-ukraine-crisis-deepens-11646767277
19. https://www.bizjournals.com/triad/news/2022/03/01/p-g-to-expand-swing-road-facility.html

20. https://corporate.walmart.com/newsroom/2022/03/10/walmart-makes-wellness-more-accessible-with-new-services-launching-through-wellness-hub-on-walmart-com
21. https://www.wsj.com/amp/articles/walmart-stops-selling-cigarettes-in-some-stores-11648459800
22. https://corporate.walmart.com/newsroom/2022/03/02/walmart-launches-zeekit-virtual-fitting-room-technology

Energy

23. https://www.scientificamerican.com/article/the-u-s-will-increase-natural-gas-exports-to-europe-to-replace-russian-fuel/#:~:text=The%20White%20House%20announced%20this,dependence%20on%20Russian%20fossil%20fuels.
24. https://www2.deloitte.com/us/en/pages/energy-and-resources/articles/how-technology-and-changing-business-models-are-impacting-the-future-of-lng.html

Financial Services

25. https://www.jpmorganchase.com/ir/news/2022/jpmorgan-agrees-to-acquire-global-shares
26. https://www.cnbc.com/2022/01/14/jpm-earnings-4q-2021.html
27. https://ir.nasdaq.com/static-files/51644714-ac84-481c-8d41-17d2c503d539
28. https://www.wsj.com/articles/prudential-automates-expense-management-to-cut-costs-11645533001
29. https://www.bloomberg.com/news/articles/2022-03-24/prudential-ceo-plans-asset-manager-expansion-growth-overseas
30. https://news.prudential.com/prudential-financial-inc-announces-2021-results.htm

Fixed Income

31. https://www.bloomberg.com/news/articles/2022-03-31/blackrock-cuts-fees-on-world-s-biggest-bond-etf-and-several-more
32. https://www.ishares.com/us/products/239458/ishares-core-total-us-bond-market-etf
33. https://www.nasdaq.com/articles/where-to-invest-as-the-fed-makes-its-move
34. https://www.troweprice.com/financial-intermediary/us/en/investments/mutual-funds/us-products/emerging-markets-corporate-bond-fund.html
35. https://www.troweprice.com/financial-intermediary/us/en/insights/articles/2022/q1/understanding-the-potential-for-defaults-in-russian-bonds.html
36. https://www.wsj.com/articles/wells-fargos-quarterly-profit-soars-86-11642162476
37. https://www.businesswire.com/news/home/20220328005120/en/Wells-Fargo-Partners-with-Bilt-Rewards-and-Mastercard-to-Issue-the-First-Credit-Card-that-Earns-Points-on-Rent-payments-without-the-Transaction-Fee
38. https://www.globenewswire.com/news-release/2022/03/11/2401896/18051/en/WisdomTree-Announces-ETF-Reverse-Share-Split.html
39. https://www.bakersfield.com/ap/news/wisdomtree-announces-revised-net-asset-value-information-for-the-wisdomtree-floating-rate/article_ef90f22a-dc8d-5908-aa2e-78505c94c506.html

Healthcare

40. https://www.mdpi.com/1660-4601/16/13/2257
41. https://investors.amgen.com/static-files/1789c7c6-0a07-49d4-bd81-e1afc7cb1f6d

42. https://revenuesandprofits.com/how-amgen-makes-money-understanding-business-model-of-amgen/
43. https://investors.amgen.com
44. https://investors.cvshealth.com/investors/default.aspx
45. https://www.tipranks.com/news/cvs-health-updates-2-key-risk-factors/
46. https://ir.thermofisher.com/investors/overview/default.aspx
47. https://www.nasdaq.com/articles/thermo-fisher-tmo-hits-a-52-week-high%3A-whats-driving-it
48. https://ir.thermofisher.com/investors/financials/recent-acquisitions/default.aspx
49. https://s27.q4cdn.com/797047529/files/doc_financials/2021/ar/AR_497849.pdf

Industrials

50. https://www.finance.yahoo.com/
51. https://www.politico.com/news/2022/03/22/pentagon-scrambles-to-replenish-weapons-stocks-sent-to-ukraine-00019333
52. https://www.govconwire.com/2022/03/general-dynamics-it-secures-95m-americorps-cloud-managed-services-contract/
53. https://www.costargroup.com/costar-news/details/introducing-costar-for-lenders-a-groundbreaking-live-integration-of-data-models-and-analytics-for-commercial-real-estate-lending
54. https://blinks.bloomberg.com/news/stories/R7ROXZBP8R2C
55. https://www.marketwatch.com/picks/reduced-competition-5-predictions-for-the-housing-market-in-2022-from-economists-and-real-estate-pros-01647616356
56. https://www.wm.com/
57. https://investors.wm.com/news-releases/news-release-details/wm-recognized-one-ethispheres-worlds-most-ethical-companies

Information Technology

58. https://www.engadget.com/facebook-meta-q4-2021-earnings-225941421.html
59. https://www.uktech.news/fintech/apple-acquires-credit-kudos-20220328#:~:text=Apple%20has%20acquired%20London%2Dbased,return%20UKTN's%20request%20for%20comment.
60. https://www.ibm.com/blogs/policy/wp-content/uploads/2019/12/IBM-Vision2024.pdf
61. https://news.microsoft.com/2022/01/18/microsoft-to-acquire-activision-blizzard-to-bring-the-joy-and-community-of-gaming-to-everyone-across-every-device/
62. https://www.crn.com/news/cloud/microsoft-azure-security-teams-drive-record-quarter

Materials

63. https://www.mining.com/web/after-16-years-vales-big-nickel-bet-is-looking-like-a-winner/
64. https://finance.yahoo.com/
65. https://www.reuters.com/business/autos-transportation/tesla-signed-secret-nickel-supply-deal-with-vale-bloomberg-news-2022-03-30/
66. https://www.mining-technology.com/news/vale-surge-net-income/#:~:text=Net%20operating%20revenues%20soared%2038,from%20rising%20iron%20ore%20prices.
67. https://www.yahoo.com/now/sonoco-raises-first-quarter-2022-104500854.html
68. https://investor.sonoco.com/news-releases

Real Estate

69. https://www.pwc.com/us/en/industries/asset-wealth-management/real-estate/emerging-trends-in-real-estate.html
70. https://www.prnewswire.com/news-releases/w-p-carey-releases-2021-ceo-letter-301517129.html
71. https://www.tipranks.com/news/w-p-carey-inc-updates-1-key-risk-factor/

Utilities

72. https://www.ey.com/en_us/power-utilities/five-utility-trends-to-watch-in-2022
73. https://www.prnewswire.com/news-releases/fpl-completes-integration-of-gulf-power-expands-americas-best-energy-value-to-northwest-florida-301452469.html
74. https://floridapolitics.com/archives/482244-floridas-population-growth-tops-in-migration-immigration/#:~:text=Driven%20by%20hundreds%20of%20thousands,by%20the%20U.S.%20Census%20Bureau.