LaPorte Torch Fund

H1
10.01.22 – 3.31.23

Sam Allie
Emily Becker
Jack Benkert
Faith Burton
Samir Martin
Nilai Sheth
Jarett Smith
Jackson Snodgrass
Garrett Stephens
William Wheeler
Dear Mr. and Mrs. LaPorte,

As a management team, we begin by thanking you for the unique opportunity your generosity has provided us. During our time on the LaPorte Fund, we have gained extraordinary experience that will serve as a foundation for our future professional careers. This opportunity provides a venue to study, discuss, and learn more about financial markets and macroeconomic trends. In this way, the LaPorte Fund has synthesized theoretical classroom learning with real-world applications. Thank you for your investment in us as students and your investment in the education provided at the University of Tennessee.

The first half of our fiscal year (“H1”, running from October 1st, 2022, through March 31st, 2023) brought continued uncertainty in the Federal Reserve’s campaign against inflation. Trading sessions were volatile, as the market considered each newly released inflation measure and the reactions of interest rates. The collapse of Silicon Valley Bank (SVB) brought clarity, as it seemed the path of interest rates would soon pivot away from hikes by the Federal Reserve. The timing at which this pivot will occur is still unclear. Our current investment outlook has led us to lean towards a more defensive strategy, while maintaining sufficient liquidity to capitalize on opportunities that surface as the market reacts to Federal Reserve policy and an inflationary environment.

During H1, we bought 140 shares of iShares 20+ Year Treasury (TLT), 30 shares of UnitedHealth Group (UNH), 512 shares of Health Care Reality (HR), 110 shares of ProShares UltraPro Short 20+ Year Treasury (TTT), and 412 shares of FolioBeyond Rising Rate ETF (RISR). The investment thesis for UNH and HR was largely a defensive pivot as both holdings provide unique exposure to the Healthcare sector. The purchase of TTT and RISR serves as a hedge to our fixed income portfolio as both holdings profit from increases in interest rates. Our desire to hedge our other fixed income holdings stemmed from the uncertainty surrounding the Fed’s battle with inflation and future monetary policy actions. We shaved our position in Amgen (AMGN), and liquidated our positions in Omicron Group, Inc. (OMC) and Sonoco (SON), to raise capital for future opportunities. As a management team, we remain committed to our fiduciary responsibilities, and continue to evaluate potential and current holdings in anticipation of developments in the broader market.

Growing the LaPorte Fund through responsible and insightful investment management remains our chief goal as we continue to strive for excellence during our time together as a management team. We are incredibly honored to be tasked with the challenge and responsibility of maintaining this portfolio, and we have a deep understanding that this fund represents invaluable learning opportunities for us as a team, and for students in years to come. We appreciate all the support you provide to the University of Tennessee finance students.

Gratefully,

The LaPorte Torch Fund Team
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Performance Summary

PORTFOLIO VALUE VS BENCHMARKS

LaPorte  S&P 500 Return  Weighted Benchmark Return  BETFX

Total Return & Standard Deviation

<table>
<thead>
<tr>
<th></th>
<th>Portfolio</th>
<th>Weighted Benchmark</th>
<th>S&amp;P 500</th>
<th>BETFX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Return</td>
<td>8.41%</td>
<td>11.29%</td>
<td>15.55%</td>
<td>11.50%</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>15.91%</td>
<td>14.05%</td>
<td>21.29%</td>
<td>19.04%</td>
</tr>
</tbody>
</table>

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

b BETFX is the Morningstar Balanced ETF Asset Allocation Fund.

c Calculations are annualized from daily returns for the period.
Performance Summary

<table>
<thead>
<tr>
<th>Sharpe &amp; Treynor Ratios</th>
<th>Portfolio</th>
<th>Weighted Benchmark&lt;sup&gt;a&lt;/sup&gt;</th>
<th>S&amp;P 500</th>
<th>BETFX&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharpe Ratio</td>
<td>0.92</td>
<td>1.42</td>
<td>1.34</td>
<td>1.10</td>
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<tr>
<td>Treynor Ratio</td>
<td>0.13</td>
<td>0.20</td>
<td>0.29</td>
<td>0.23</td>
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</table>

<table>
<thead>
<tr>
<th>Other Performance Metrics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td></td>
</tr>
<tr>
<td>Tracking Error</td>
<td>4.32%</td>
</tr>
<tr>
<td>Information Ratio</td>
<td>-1.23</td>
</tr>
<tr>
<td>Beta vs. Benchmark</td>
<td>1.09</td>
</tr>
<tr>
<td>R² vs. Benchmark</td>
<td>0.93</td>
</tr>
<tr>
<td>Beta vs. S&amp;P 500</td>
<td>0.73</td>
</tr>
<tr>
<td>R² vs. S&amp;P 500</td>
<td>0.95</td>
</tr>
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</table>
**Portfolio Details**

<table>
<thead>
<tr>
<th>Asset Allocation, End of H1</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td>69.11%</td>
<td>$450,683.73</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td>25.52%</td>
<td>$166,422.99</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>5.37%</td>
<td>$34,995.23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.00%</td>
<td>$652,101.95</td>
</tr>
</tbody>
</table>

**PORTFOLIO ALLOCATION**

- Cash: 5%
- Materials: 2%
- Industrials: 7%
- Health Care: 11%
- Real Estate: 3%
- Energy: 4%
- Utilities: 2%
- Consumer Discretionary: 3%
- Communication Services: 7%
- Financial Services: 7%
- Consumer Staples: 6%
- Information Technology: 15%
- Fixed Income: 26%
## Portfolio Details

<table>
<thead>
<tr>
<th>Ticker</th>
<th>% Return</th>
<th>$ Return</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAPL</td>
<td>19.65%</td>
<td>$2,716.00</td>
</tr>
<tr>
<td>ACN</td>
<td>13.29%</td>
<td>$3,932.94</td>
</tr>
<tr>
<td>AMGN</td>
<td>7.20%</td>
<td>$1,152.42</td>
</tr>
<tr>
<td>AMZN</td>
<td>-10.80%</td>
<td>-$4,394.03</td>
</tr>
<tr>
<td>CVS</td>
<td>-20.87%</td>
<td>-$4,896.63</td>
</tr>
<tr>
<td>GD</td>
<td>8.75%</td>
<td>$779.52</td>
</tr>
<tr>
<td>HR</td>
<td>4.12%</td>
<td>$391.58</td>
</tr>
<tr>
<td>IBM</td>
<td>13.11%</td>
<td>$1,558.00</td>
</tr>
<tr>
<td>JPM</td>
<td>26.61%</td>
<td>$3,198.15</td>
</tr>
<tr>
<td>LOW</td>
<td>9.48%</td>
<td>$907.87</td>
</tr>
<tr>
<td>MSFT</td>
<td>19.00%</td>
<td>$6,105.08</td>
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<tr>
<td>NDAQ</td>
<td>-2.84%</td>
<td>-$666.54</td>
</tr>
<tr>
<td>NEE</td>
<td>-0.56%</td>
<td>-$58.18</td>
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<tr>
<td>OMC</td>
<td>41.27%</td>
<td>$5,728.64</td>
</tr>
<tr>
<td>PEP</td>
<td>13.07%</td>
<td>$1,515.14</td>
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<tr>
<td>PG</td>
<td>19.22%</td>
<td>$1,504.52</td>
</tr>
<tr>
<td>PRU</td>
<td>-0.69%</td>
<td>-$80.24</td>
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<tr>
<td>RTX</td>
<td>20.97%</td>
<td>$4,206.65</td>
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<tr>
<td>SBUX</td>
<td>24.91%</td>
<td>$5,877.04</td>
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<tr>
<td>SGFY</td>
<td>4.84%</td>
<td>$595.12</td>
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<tr>
<td>SMH</td>
<td>43.47%</td>
<td>$6,276.74</td>
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<tr>
<td>SON</td>
<td>0.88%</td>
<td>$97.43</td>
</tr>
<tr>
<td>TMO</td>
<td>13.76%</td>
<td>$3,279.66</td>
</tr>
<tr>
<td>TTD</td>
<td>1.94%</td>
<td>$313.20</td>
</tr>
<tr>
<td>UNH</td>
<td>-4.65%</td>
<td>-$693.30</td>
</tr>
<tr>
<td>VALE</td>
<td>21.43%</td>
<td>$2,306.15</td>
</tr>
<tr>
<td>WM</td>
<td>2.69%</td>
<td>$400.83</td>
</tr>
<tr>
<td>WMB</td>
<td>7.34%</td>
<td>$674.91</td>
</tr>
<tr>
<td>WMT</td>
<td>14.12%</td>
<td>$1,831.00</td>
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<tr>
<td>WPC</td>
<td>14.01%</td>
<td>$1,446.85</td>
</tr>
<tr>
<td>XLE</td>
<td>-6.17%</td>
<td>-$1,222.43</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGG</td>
<td>4.83%</td>
<td>$1,415.98</td>
</tr>
<tr>
<td>BLE</td>
<td>9.79%</td>
<td>$2,234.90</td>
</tr>
<tr>
<td>RISR</td>
<td>0.58%</td>
<td>$74.16</td>
</tr>
<tr>
<td>SPAXX** (Cash)</td>
<td>0.28%</td>
<td>$350.86</td>
</tr>
<tr>
<td>TLT</td>
<td>0.50%</td>
<td>$75.34</td>
</tr>
<tr>
<td>TRECX</td>
<td>7.98%</td>
<td>$1,175.03</td>
</tr>
<tr>
<td>TTT</td>
<td>-2.93%</td>
<td>-$203.00</td>
</tr>
<tr>
<td>USFR</td>
<td>2.08%</td>
<td>$499.31</td>
</tr>
<tr>
<td>WFCPRCL</td>
<td>0.81%</td>
<td>$312.00</td>
</tr>
</tbody>
</table>
## Portfolio Highlights

### H1 Torch Fund Performances

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total Return</th>
<th>Return (relative benchmark)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LaPorte</td>
<td>8.41%</td>
<td>-2.88%</td>
</tr>
<tr>
<td>McClain</td>
<td>13.72%</td>
<td>0.56%</td>
</tr>
<tr>
<td>Carroll</td>
<td>9.12%</td>
<td>-2.17%</td>
</tr>
<tr>
<td>Haslam</td>
<td>11.97%</td>
<td>0.68%</td>
</tr>
</tbody>
</table>

### Biggest Movers ($)

<table>
<thead>
<tr>
<th>Top 5 Performers</th>
<th>Bottom 5 Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMH</td>
<td>CVS</td>
</tr>
<tr>
<td>MSFT</td>
<td>AMZN</td>
</tr>
<tr>
<td>SBUX</td>
<td>XLE</td>
</tr>
<tr>
<td>OMC</td>
<td>UNH</td>
</tr>
<tr>
<td>RTX</td>
<td>NDAQ</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Top 5 Performers</th>
<th>Bottom 5 Performers</th>
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<tbody>
<tr>
<td>SMH</td>
<td>CVS</td>
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<td>OMC</td>
<td>AMZN</td>
</tr>
<tr>
<td>JPM</td>
<td>XLE</td>
</tr>
<tr>
<td>SBUX</td>
<td>UNH</td>
</tr>
<tr>
<td>VALE</td>
<td>TTT</td>
</tr>
</tbody>
</table>
Period Performance:
Persistent inflation during the final months of 2022 led managers to lessen weighting in historically volatile sectors. For instance, portions of our Consumer Discretionary and Information Technology holdings were liquidated. Asset class weighting remained aggressive, while sector allocation was more defensive. As a result, we missed out on potential gains during the bullish rally in early 2023. During H1, the first half of our fiscal year (10/1/22 through 3/31/23), the LaPorte Fund achieved an 8.41% return, and our benchmark had a 11.29% return.

Domestic Economy:
Managers were unanimously pessimistic for the U.S. economy. Short term sentiment was negative, shifting to more constructive at an 18-month time horizon. CPI numbers had continued their downward trajectory since the peak of 9.10% in June of last year. However, inflation numbers were still far from the Fed’s goal of 2%. Factors like conflicting data releases and a resilient labor market have made it difficult to determine if inflation will continue or if we are starting to reach a plateau. Unemployment was the lowest in recent history, and wage growth was persistent despite Powell’s economic tightening. One of the largest macroeconomic events that took place during H1 was the exposure of cracks in the world banking system. Liquidity concerns began with Silicon Valley Bank’s collapse after the firm sold Held-to-Maturity assets at a $1.8 billion loss. This triggered a broad selloff in the banking industry as investors wrestled with contagion possibilities and reassessed risk levels of other banks. These manifestations of financial strains have increased the likelihood that the Federal Reserve will be forced to pivot sooner than expected.

Global Economy:
The team’s sentiment towards the global economy closely resembled that of the United States. With the U.S. having one of the most dominant economies in the world, our struggles cause turmoil for many across the globe. The U.S. was not the only country fighting inflation, and central banks were raising rates across the world. More importantly, geopolitical tensions continued to increase. The Ukrainian conflict showed no signs of slowing, which strained relations and further fueled an energy crisis in Europe. Continued concern over Taiwan’s sovereignty, as well as the spy balloon that deployed over the U.S. caused increased tension between the U.S. and China. Issues in Taiwan demonstrated vulnerability for the semiconductor industry as well. Ideally, these matters will be resolved without significant outside intervention, which would promote the likelihood of a soft landing for the global economy.

Looking Ahead:
In light of these events, the LaPorte Fund has had to reassess our outlook for the rest of 2023. Labor metrics and inflation still have room for correction, but we have seen the first evidence that Powell’s policy is gaining traction. According to Bloomberg, rates are now expected to have one more 25 basis point hike at the May meeting, and then pause at a terminal rate of 5%. While the interest rate forecast is more favorable, strong labor statistics as well as the bullish rally so far in 2023 provide evidence that more economic tightening is necessary. The team will continually monitor measures of inflation, as we believe that a recession is likely to occur this year.
Communication Services Sector

Jack Benkert

Period Performance:

In H1, the Communication Services sector of the LaPorte Fund returned 20.13%, an outperformance in comparison to the S&P 500 Communication Services index’s return of 18.75%. The Communication Services sector makes up 2.52% of the LaPorte Fund compared to its weight of 8.11% in the S&P 500 index. Currently, our only holding in this sector is 270 shares of The Trade Desk, Inc. (TTD). In H1, we reduced our portfolio’s weighting of the Communication Services sector with a full liquidation of OMC while also capturing gains.

Looking Ahead:

The Communication Services sector includes a broad range of companies and subsectors, including some that are economically sensitive to the market environment and others that are more defensive. Regardless, the sector is cyclical in nature and has mirrored the trends of the market since its inception. Moving forward, the key indicators for market performance include domestic factors, like the Fed’s actions with interest rates and inflation, as well as global factors such as the war in Eastern Europe and the heightened risk of a global recession. The fear is that consumer spending will decrease, ultimately leading to less revenue for companies within the Communication Services sector. Consumer spending makes up the majority of the profits for companies within the sector, so a healthy market is key to maintaining profits and growing the company in the long term. On the positive end, the Communication Services sector is home to high-growth companies that sell digital advertising. The LaPorte Fund’s sole holding of The Trade Desk is in a great position to take advantage of this market and grow its market share. The benefit of this sector is that many of the companies present long-term growth potential as the world’s reliance on technology continues to grow. The sector is positioned to have opportunities regardless of how the macroeconomic market performs, but caution needs to be taken as our overall view of the economy is pessimistic for the short-term future.
**Description:**

The Omnicom Group (OMC) offers advertising, marketing, and corporate communications to clients in over 70 countries. It is comprised of five agency networks: BBDO Worldwide, DDB Worldwide, Diversified Agency Services (DAS), TBWA Worldwide, and Omnicom Media Group (OMG). OMC generates revenue through advertising, branding, consulting, and marketing research.

**Liquidation Thesis:**

With an overall pessimistic outlook and the threat of a potential recession looming, our team has agreed on pursuing a more defensive approach, aiming to allocate more weight from equities towards fixed income. Omnicom Group was above cost basis and served as another opportunity to lock in profits to reallocate towards fixed income. With the stock price reaching an all-time high of $93.72 on 2/13/2022, and the team previously agreeing to a stop loss of $74 during Q4 of 2022 (when it was trading at $79.76), it seemed appropriate to liquidate the holding. Inflation remains very persistent and with interest rates rising, consumers are more likely to spend less. This decrease in demand directly impacts advertising and marketing spend. Companies that offer digital and traditional advertising such as OMC tend to be more economically sensitive, as companies can easily stop buying digital advertising during harsh times. Liquidation was a better option than waiting and losing potential gains. Given OMC’s cyclicality and our teams pessimistic outlook, we ultimately chose to liquidate and reallocate the proceeds into fixed income.
The Trade Desk, Inc.

H1 Total Return: 1.94%  
Initial Shares: 270  
Initial Value: $16,132.50  
H1 Dividend Yield: 0.00%  

Beta: 2.043  
Final Shares: 270  
Final Value: $16,445.70  
H1 Holding Action: Hold

Description:
The Trade Desk, Inc. is a global technology company that operates the largest independent programmatic demand-side platform (DSP), a cloud-based, self-service platform for advertising agencies and service providers to purchase mobile, display, and video advertising solutions. TTD’s software generates data-driven insights into clients’ customer data to better align their marketing campaigns with consumers. The platform allows companies to bypass traditional ad-placing auctions with automated purchasing technology. TTD generates revenue by charging customers a fee for their services and taking a percentage of advertising spend.²

Growth Drivers:
As a demand-side only firm, TTD establishes a sustainable competitive advantage over companies that operate on both sides of demand. This is because they do not have the same conflicts of interest as other firms, who might recommend ad placement on one of their supply-side platforms.⁶ Another factor in the success of TTD is the digitization of media and the growth of demand for programmatic advertising. In July of this year, TTD released their new media-based trading platform, Solimar, to respond to the evolving digital marketing environment by using a data-driven, goal-based approach to analyze the first-party data of its users and implement innovative advertising strategies.⁷ Increased standards in identifying consumer web traffic with TTD’s ID2.0 could lead to company success and further growth.

Risk Factors:
Because the demand for advertising stems from the demand of consumers, high inflation and persistent rate hikes from the Fed will almost certainly have a negative impact on TTD’s top line until economic conditions become more conducive to traditional growth. Although most of their revenues come from master service agreements, these agreements are not particularly binding because they do not include a limited spend clause or prevent companies from terminating their use of TTD’s products.⁸ For this reason, TTD’s short-term success will depend on a soft landing. A firm specific risk is increased standards in identifying consumer web traffic forcing TTD to rethink ID2.0, while other company’s products such as Google’s FLoC may be able to take advantage.

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Period Performance:

In the first half, the Consumer Discretionary sector of the LaPorte Fund had a total return of 3.42%, compared to the S&P 500 index return of 4.21%. Our holdings in this sector include Amazon (AMZN), Lowe’s (LOW), and Starbucks (SBUX), returning -10.80%, 9.48%, and 24.91% respectively. The sector accounts for 8.60% of the LaPorte Fund equities holdings, which is underweight compared to its weight of 10.13% in the S&P 500 index. In December, we decided to slightly shift our portfolio sector allocations, shaving about 4% from this sector. As a result, we sold 97 shares of AMZN, 13 shares of LOW, and 75 shares of SBUX. Mounting pressure from an uncertain economic climate and the anticipated decline in consumer spending led us to take this more defensive approach.

Looking Ahead:

Industries within the Consumer Discretionary sector are highly sensitive to economic cycles and tend to be elastic in demand, with many companies experiencing high volatility depending on consumer spending. Due to the looming prospects of a recession spurred by restrictive monetary policy, this sector will presumably continue to face headwinds. Overall demand for nonessential goods and services is restricted in the midst of stubborn inflation, due to decreased consumer purchasing power and disposable income. Although recent CPI prints revealed easing inflation, it is still far from the Federal Reserve’s 2% target and continues to strain discretionary companies with rising input prices and shrinking profit margins. These costs are oftentimes then passed down to consumers. In response to inflationary pressures and a tight labor market, the Fed has consistently maintained its position on increased interest rate hikes. Recent bank failures have added a layer of complexity to the matter, with the terminal rate drastically dropping 80 basis points at the height of the failures. However, the Federal Reserve is expected to continue to raise rates, although less aggressively, as seen with the most recent rate hike of 25 basis points. In the event the strong labor market breaks down as rate hikes continue and the economy enters a recession, the outlook for this sector will be fairly bleak. Although this sector has recently struggled, and may continue to in the near future, it has historically outperformed during the early expansion phase of the business cycle with consumers more inclined to spend following a period of constricted spending. Therefore, in the event of a recovery, this sector provides a strong opportunity for upside gains.
Amazon.com, Inc.

AMZN

H1 Total Return: -10.80%
Initial Shares: 360
Initial Value: $40,680.00
H1 Dividend Yield: 0.00%

Beta: 1.466
Final Shares: 263
Final Value: $27,165.27
H1 Holding Action: Sell 97 shares

Description:

Amazon.com, Inc. is an online retailer that offers a wide variety of consumer products and services to fulfill almost any need. AMZN offers consumers products from over 100 private label brands, in addition to products from resellers and third-party sellers. The company operates in three main business segments: North America, International, and Amazon Web Services. The Amazon Web Services segment offers cloud computing services to businesses, enterprises, and agencies.\(^1\)

Growth Drivers:

The company’s $3.9 billion acquisition of primary care provider One Medical was approved in late February of this year, allowing the company to further expand in the Healthcare industry with access to One Medical’s 815,000 members and over 200 medical offices. With this acquisition, Amazon plans to provide consumers a superior healthcare experience with affordable membership and convenient care options.\(^1\) Amazon also continues to strengthen its advertising presence with an approximate 19% year-over-year increase in advertising revenue reported in the company’s most recent Q4 2022 earnings release.\(^12\) Competitors Google and Meta on the other hand saw roughly 4% year-over-year decreases in their advertising segments. Amazon is taking strides to capture market share while Google and Meta’s domination in the advertising business starts to dwindle.\(^13\)

Risk Factors:

In response to unfavorable economic conditions and efforts to streamline costs, Amazon continues to deploy layoffs with almost 18,000 jobs cut from November to January. Most recently, the company announced layoffs of over 9,000 more employees across AWS, human resources, advertising, and Twitch units.\(^14\) The company’s AWS segment has been hit especially hard, with a roughly 50% year-over-year decrease in growth, as the small businesses it serves struggle amidst this climate. A similar slowdown in cloud computing growth has also been seen in companies such as Microsoft, Google, and IBM. The Federal Trade Commission and antitrust regulation also pose a threat, with Chairperson Lina Khan remaining strongly critical of the company. Although the FTC missed the deadline to challenge the One Medical acquisition, they may interfere in the future. FTC investigations regarding Amazon’s purchase of iRobot and Prime membership sign up and cancellation processes are also ongoing.\(^1\)
Lowe’s Companies, Inc.

LOW

H1 Total Return: 9.48%
Initial Shares: 51
Initial Value: $9,578.31
H1 Dividend Yield: 0.98%

Beta: 1.033
Final Shares: 38
Final Value: $7,598.86
H1 Holding Action: Sell 13 shares

Description:
Lowe’s is the second largest home improvement retailer in the world, offering a wide variety of goods and services necessary for repair and improvement projects, gardening, outdoor living, home furnishings, and decorating. The company offers about 40,000 products in stores and over 2 million additional products online. Lowe’s solely operates in North America with over 1,700 stores in the United States and over 450 stores in Canada. Their customer base consists of homeowners, renters, and professionals.1

Growth Drivers:
Despite recent Q4 2022 earnings falling short of expectations, the company has experienced significant growth within their Pro customer segment, with sales increasing an estimated 10% year-over-year.15 Adhering to their Total Home Strategy, the company expanded their Pro product lineup to include brands such as Bosch, Dewalt, Estwing, and FastenMaster, among others. The company has also been driven to refine omnichannel capabilities, such as user experience and online merchandising, to better serve customer shopping preferences. In fact, online sales increased about 5% in the past quarter. Lastly, Lowe’s continues to refine their supply chain, further expanding their transition from the store delivery model to a more efficient market delivery model. This model allows products to be delivered straight to consumers from cross dock terminals, in effect lowering expenses and expanding fulfillment capabilities.16

Risk Factors:
As seen in Lowe’s Q4 2022 earnings, consumer concerns about the economy notably took a toll on the company’s holiday sales and overall demand. This high inflationary environment will continue to reduce consumers’ disposable income in addition to raising the prices of goods and services necessary for housing improvements. High interest rates also make it costlier for individuals to borrow money for renovation purposes. Coupled with a low housing inventory, the number of homes purchased are also reduced, further decreasing demand for improvements that follow new home ownership. Given these tough economic conditions and pressure on consumers, the company issued a conservative outlook for 2023 sales similarly to competitor Home Depot. However, we will see how home retailers ultimately perform as spring homebuying season approaches.17
Starbucks Corporation

SBUX

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<td>Starbucks is a leading global roaster, marketer, and specialty coffee retailer operating in over 80 markets with over 36,000 company owned or licensed stores globally. The company offers coffee and tea beverages, single serve food items, roasted beans, ready-to-drink beverages, and coffee accessories within their stores, as well as bottled coffee lines for third party retailers. By product type, beverages account for about 60% of revenues, food accounts for about 20%, and products sold through outside retailers account for about 20%.</td>
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<th>Growth Drivers:</th>
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<td>Starbucks strives to establish its brand prominence and reputation by continuing to expand in new and existing markets. In Q1 of the 2023 fiscal year, Starbucks opened over 450 net new stores globally. The United States and China provide especially strong growth opportunities with estimated net new store growth from 2023 to 2025 of 3-4% and 13% respectively. In addition to traditional café and drive through stores, the company plans to expand new drive through primary, pickup, and delivery formats designed to increase convenience for consumers and drive store traffic. Further innovation of the Starbucks app and rewards system will also enhance the mobile ordering experience for customers, increasing customer loyalty and card reloads. In efforts to streamline operations, the company also intends to further implement new technology to simplify baristas’ work and minimize customer wait times such as the Clover Vertica machine, Cold Pressed Cold Brew machine, and Siren System.</td>
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<td>Persistent inflation remains a major risk not only affecting sales, but also increasing operating expenses, evidenced with fluctuating coffee commodity prices and increased transportation costs. Despite an unfavorable climate for discretionary spending, Q1 2023 earnings revealed Starbucks’s ability to maintain demand as consumers deemed their products “affordable luxuries.” However, performance in China, the company’s second largest market, will likely remain strained in the coming year as the country slowly recovers from spiraling COVID cases. Labor union issues also persist, with the National Labor Relations Board recently ruling the company violated labor laws over 130 times. With Laxman Narasimhan recently stepping up as the new CEO, employees hope the company will adopt a more supportive relationship with the unions.</td>
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Consumer Staples Sector
William Wheeler

Period Performance:

In H1, the Consumer Staples sector of the LaPorte portfolio outperformed the S&P 500 sector index with returns of 14.81% and 13.60% comparatively. No transactions occurred as Consumer Staples serves as a traditionally defensive sector. The LaPorte team retained positions in Walmart (WMT), Pepsi Co. (PEP), and Proctor and Gamble (PG), which returned 2.69%, 13.07%, and 19.22% respectively. Our current weighting within the sector is 5.66%, which is slightly underweight in comparison to our equity benchmark, the S&P 500, which has a Consumer Staples weighting of 7.23%.

Looking Ahead:

Due to the economic turmoil that persisted through the end of 2022, the non-cyclical nature of the Consumer Staples sector was valuable for our team. During otherwise trying times, the sector was able to boast consistent demand as products were viewed as essential to consumers regardless of economic outlook. However, the sector lagged during the bullish rally that occurred in the first months of 2023. Currently, as managers anticipate a recession, the importance of these firms is especially prevalent. Consumers will abandon more expensive discretionary alternatives and gravitate towards staples firms. This movement is necessary to bolster earnings as prices will contract because of inflation being corrected. While non-cyclical, there are headwinds that are impossible to avoid. For instance, many firms within the sector, especially those with a significant grocery segment, rely on commodities such as wheat and soy to produce their goods. Recessions come with supply chain issues and rising input costs, which can directly affect profitability. Moreover, these firms are not entirely immune to changes in consumer spending. This metric will inherently fall during a recession, and staples firms will see a slight decrease in demand. To combat this issue, firms will continue to focus on brand loyalty. Products in this sector are always replaceable with a practically identical alternative, and with a recession looming, maintaining customers is a priority. More importantly, firms within the sector will continue to pay hefty dividends no matter the current economy. While headwinds will be present, the Consumer Staples sector will maintain its worthiness as a safe haven for the LaPorte team.
PepsiCo, Inc.

PEP

H1 Total Return: 13.07%
Initial Shares: 71
Initial Value: $11,591.46
H1 Dividend Yield: 1.41%
H1 Holding Action: Hold

Beta: 0.479
Final Shares: 71
Final Value: $12,943.30

Description:

PepsiCo is an international food and beverage manufacturer. Altogether, the firm is responsible for manufacturing, marketing, and distributing their products. Some of the firm’s primary brands are Lay’s, Doritos, Cheetos, Gatorade, Mountain Dew, Quaker, and Pepsi-Cola. The firm generates revenue by selling their products directly to stores and warehouses. Key customers include wholesale distributors, grocery stores, membership stores, e-commerce retailers, drugstores, and more. The firm operates in 200 different countries and has seven different segments.¹

Growth Drivers:

PepsiCo manufactures basic grocery items such as soda and potato chips, so branding is essential to overcome competition, as companies such as Coca-Cola produce near identical items. Pepsi is strong in this category, as they are official sponsors of the NFL, NBA, and NHL. Also, while purely aesthetic changes, PEP keeps its products modern with constant changes to packaging and appearance. Sustainability and inclusivity are growth factors for PepsiCo as well. Recently, PEP purchased a fleet of Tesla’s entirely electric semi-trucks.²⁸ Furthermore, they are also continuing their Greenhouse Accelerator Program, which for the first time is targeting Hispanic owned food and beverage businesses.²⁷

Risk Factors:

While inflation is not optimal for the economy, elevated prices have boosted PepsiCo’s recent earnings amidst decreasing demand.²⁶ Should prices stabilize as inflation is corrected, the firm will endure the consequences of decreased consumer spending and contracting demand. Second, branding is a current growth factor for the firm but could become a risk should competitors take over advertising superiority. Lastly, while food and beverage products are non-cyclical, there are lower priced options than PepsiCo products, so consumers could transition to cheaper alternatives, negatively affecting PepsiCo’s sales.
The Procter & Gamble Co.

Description:
Procter and Gamble is the largest consumer packaged products manufacturer in the world. Even though PG has grown to be one of the largest companies by market cap, their products have not strayed far from their roots, soap and candles. The firm generates revenue by selling products in the following segments to retailers: Health Care, Beauty, Grooming, Fabric and Home Care, and Baby and Feminine Care.

Growth Drivers:
Procter and Gamble has paid dividends for 133 consecutive years. Recently, the firm announced yet another 3% hike in dividend payments, marking the 67th year of dividend hikes. Not only does this satisfy income needs for investors, but it proves that the firm has confidence in its ability to generate cash flow. Secondly, PG will continue to benefit from its superior products. It is difficult to overglorify toiletries, but it is no secret that brands such as Tide, Charmin, and Oral-B are here to stay. Large market share, coupled with brand loyalty, promotes steady cash flows even with the possibility of a recession in the near future.

Risk Factors:
While PG produces superior products, there are cheaper alternatives. As the possibility of a recession persists, consumers could gravitate towards cheaper store brand products. Due to the basic nature of their products, however, they would likely be affected last, as consumers begin saving with more expensive and discretionary items. The outlook published by management in upcoming earnings releases could present challenges for PG stock. Management is likely to dial back growth expectations as prices and volume stabilize. While responsible and precautionary, downward guidance will result in a contraction of PG’s price per share.

19 Total Return: 19.22%
Initial Shares: 62
Initial Value: $7,827.50
H1 Dividend Yield: 1.45%
H1 Holding Action: Hold

Beta: 0.595
Final Shares: 62
Final Value: $9,218.78
Walmart Inc.

**WMT**

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<td>Walmart is the world’s largest wholesale retailer. According to their Q4 earnings call, they have over 10,500 stores and around 240 million customers visit weekly. Not to mention, Walmart’s e-commerce presence is prominent and continues to grow. Walmart mainly serves as an intermediary, but it also has several private label brands. Walmart’s source of revenue is the sales of its products. The firm operates through three business segments: Walmart U.S., Walmart International, and Sam’s Club.</td>
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<td>Supply chain automation is a leading growth factor for Walmart. The firm is utilizing AI to operate entire distribution centers, which will make processes more efficient and decrease labor costs. While this movement is just beginning, executives expect every distribution center to have similar technology in coming years. Furthermore, increasing their use of technology to integrate e-commerce and physical stores will promote growth. The firm promises faster delivery times, less inventory mistakes, and a more efficient process for customers in store or at home. Continuing, Walmart uses a cost leadership strategy. As economic conditions continue to tighten, consumers will look for cheaper alternatives. This phenomenon will boost profits for the firm as they offer price matches and cheaper products in general.</td>
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<td>The largest concern for Walmart will continue to be actions by the Fed. While non-cyclical, Walmart is not immune to economic tightening. As consumer spending decreases, non-essential product sales will decrease. Also, WMT has struggled to gain traction in big cities. Recently, the firm announced that it will close four of its eight Chicago locations. Lastly, Walmart is spending significant amounts of capital to achieve its automated supply chain. CFO John Rainey informed investors that capital expenditure levels will be elevated compared to prior years and will be about 2.5-3% of sales. While promising for the future, increased spending could cause short term drawbacks. While WMT could face additional headwinds, being the largest retailer in the world will allow the company to navigate trying economic times efficiently.</td>
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Energy Sector
Samir Martin

**Period Performance:**

In H1, the Energy sector of the LaPorte portfolio returned -5.14%. In comparison, the S&P 500 Energy index achieved a 17.09% return. Energy accounts for 5.12% of the equities in the LaPorte Fund, which is overweight compared to the sector’s weight in the S&P 500 of 4.61%. Over the half, we retained the sector holding of Williams Companies, Inc. (WMB) and added the Energy Select sector SPDR Fund (XLE). The disparity in our returns when compared to the returns of the S&P is partially a result of late entrance into XLE in December of last year. With decreased demand amongst European countries, as well as preference for fossil fuels as natural gas supply wanes, the rise of green energy has stalled. This effect has heavily dragged down returns for WMB as their strategy revolves around green energy. As a result of poor returns from WMB and the delayed purchase of XLE, our energy holdings fell behind the returns of the broader sector.

**Looking Ahead:**

With the continuation of geopolitical conflicts like Russia’s invasion of Ukraine, oil embargoes, additional bans placed by the EU on seaborn imports of crude oil from Russia, and decreases in Russian oil output, energy prices will likely continue to rise, representing significant earnings for energy firms. It is expected that Europe will source from Saudi Arabia, representing a growth opportunity.\(^{36, 37}\) Russia is expected to increase oil exports to Northern Africa. India is asking for more investment in the energy and will buy cheap oil from anybody, including Russia. The Inflation Reduction Act is bringing renewable energies to the forefront again, providing subsidies and economic benefits for companies producing renewable energy.\(^{38, 39}\) There has been a paradigm shift in terms of the level at which humans are still reliant on fossil fuels. With renewable energies entering the forefront of the energy debate, it is suspected that this introduction to the market has undershot expectations as the oil and gas industry is still a very crucial element in processes across all industries and sectors. With Republicans barely winning the House in the 2022 midterms, House Republicans have passed a bill that limits strategic petroleum reserve drawdowns.\(^{40, 41}\) A Republican majority in the House of Representatives will likely help the Energy sector’s earnings. As a management team, domestic and foreign policy will continue to be monitored to best reflect the interest of the portfolio.
## Williams Companies, Inc.

**WMB**

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<td><strong>H1 Total Return:</strong> 7.34%</td>
<td><strong>Beta:</strong> 0.664</td>
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<td><strong>Initial Shares:</strong> 321</td>
<td><strong>Final Shares:</strong> 321</td>
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<td><strong>Initial Value:</strong> $9,190.23</td>
<td><strong>Final Value:</strong> $9,585.06</td>
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<td><strong>H1 Dividend Yield:</strong> 3.05%</td>
<td><strong>H1 Holding Action:</strong> Hold</td>
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### Description:

As a midstream energy company, Williams Companies, Inc. owns and operates over 33,000 miles of pipelines including the Transco and Northwest pipeline systems. Natural gas sales constitute the majority of WMB’s revenue, yet WMB conducts operations across the natural gas value chain (including gathering, processing, interstate transportation, storage, wholesale marketing, and trading of NG and LNG) and handles about a third of the NG used every day in the U.S. for clean-power generation, heating, and industrial use.

### Growth Drivers:

As the year turned over, we saw Williams make many investments towards zero-emission hydrogen solutions, along with initiatives that use natural gas to support a strategy to decarbonize the energy value chain. Williams’ existing energy infrastructure is well-positioned to transport, store, and deliver next generation methane, and speed up the development of zero carbon energy sources like hydrogen and renewables. WMB has closed the acquisition of Mountain West natural gas transmission and storage business from Southwest Gas Holdings, Inc. and has executed agreements with Chevron U.S.A. Inc. to support natural gas development in the prolific Haynesville Basin and the Deepwater Gulf of Mexico. WMB has also worked to reduce its debt levels in recent years.

### Risk Factors:

The main risks affecting WMB are increased volatility, the potential for a recession, the ongoing geopolitical uncertainty of the Russian War in Ukraine, and Europe’s energy demand decreasing as its supply readjusts to targeting Saudi Arabian oil companies. With gas supplies waning and the rise of more extreme weather events, many countries will be forced to fall back on fossil fuels, which could hurt a central aspect WMB’s strategy as the green energy transition will be delayed.
Energy Select Sector SPDR Fund

XLE

H1 Total Return: -6.17%  Beta: 0.998
Initial Shares: 0  Final Shares: 220
Initial Value: $0.00  Final Value: $18,222.60
H1 Dividend Yield: 0.00%  H1 Holding Action: Buy 220 Shares

Description:
The Energy Select sector SPDR ETF (XLE) is designed to offer diversified exposure to the Energy sector of the equity market. Exxon Mobil Corporation (XOM) accounts for about 23% of XLE’s total assets, followed by Chevron Corporation (CVX) and Occidental Petroleum Corporation (OXY). XLE has shown resilience in 2023, despite weakness in related commodity prices.

Growth Drivers:
Despite an uncertain outlook, the drivers of last year’s performance are still intact. Considering the volatile state of global geopolitics, the team is confident in XLE as an investment, as energy prices tend to rise with military conflict. Due to the cyclical nature of energy, it tends to perform well in times of economic growth. Analysts predict increased demand for oil and other energy resources in coming years. Finally, some analysts perceive energy as a hedge against inflation, since as inflation increases, energy prices also increase.43, 44

Risk Factors:
This decade will likely represent a transformative period for energy. Analysts expect capital investment in production and consumption of energy to rapidly change. This rapid change is also expected to affect regulatory models, which are likely to continue pushing for decarbonization. Additionally, tariff and trade tensions will be influential in the coming years and could contribute to issues both company specific and more broad. XLE is diverse enough to mitigate the company specific issues, but regulations may be detrimental to XLE’s return.45
Financials Sector

Jarett Smith

Period Performance:

The Financials sector comprises 7.49% of the LaPorte Fund and returned 5.20% for H1 of 2023. This is an underperformance compared to the S&P Financials sector index’s return of 7.31% over the same period. At the end of H1, the LaPorte Fund was 7.79% underweight in the sector compared to the S&P 500. We held J.P. Morgan Chase & Co. (JPM), Nasdaq, Inc. (NDAX), and Prudential Financial, Inc. (PRU), which returned 26.61%, -2.84%, and -0.69%, respectively. JPM’s strong performance can be largely attributed to outperforming analysts’ earnings expectations and the security it offers to depositors as the largest bank by total assets in the United States. Unfortunately, our financials’ performance was a significant drag on our portfolio due to lackluster returns by NDAX and PRU. NDAX’s negative returns stemmed from poor performance by the Information Technology sector during the period and a slowdown in IPO activity. PRU’s price remained generally flat compared to the start of the period due to mixed macroeconomic conditions and earnings that were lower than estimates.

Looking Ahead:

The headline topic surrounding the Financials sector has been liquidity shortfalls in banks that have defaulted since the beginning of the year. However, this should not be a significant factor for our only bank holding, JPM, as the firm reported $2.34 trillion in deposits for Q4 2022. JPM’s strong deposit base should protect the firm from liquidity risk. Further, we can expect contractionary policy to continue to weigh heavily on earnings from lending activities as higher interest rates provide downward pressure on demand. The banking turmoil is likely to cause two major changes within the sector: a sooner-than-expected pivot by the Federal Reserve and increased regulation for regional banks. The eventual loosening of monetary policy this year should be a stabilizing factor within the Financials sector and ease liquidity concerns for the banking industry.
J.P. Morgan Chase & Co.

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<td>J.P. Morgan Chase &amp; Co. comprises 2.30% of the LaPorte Fund and focuses on global financial services and retail banking. Their services include investment banking, treasury and securities services, asset management, private banking, card member services, commercial banking, and home finance services to clientele like business enterprises, financial institutions, and individuals. JPM is the largest U.S. bank by assets, totaling $3.67 trillion.1</td>
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<td>J.P. Morgan’s growth drivers stem from the size of the firm and anticipated policy changes by the Federal Reserve. The firm stands out in stark contrast to other banks that had safety concerns over the last couple of months. JPM finished 2022 with $2.34 trillion in deposits, confirming that the bank can withstand current tight monetary conditions.46 As a result of this strong liquidity position, deposits have flooded into the bank from smaller institutions since the collapse of Silicon Valley Bank.48 Further, concerns with the strength of the overall banking system are likely to prompt a pivot by the Federal Reserve sooner than previously expected.1 Loosening monetary policy will likely have a positive impact on revenue streams that suffered in 2022, such as investment banking and M&amp;A deals.</td>
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<td>The contractionary monetary policy enacted by the Federal Reserve to fight inflation over the last 12 months has sent bank stocks tumbling. The S&amp;P sector index for Financials has fallen around 15% over the same period as a result.1 It is still unclear whether the Federal Reserve has raised interest rates enough to bring down inflation. Therefore, there is a risk that the Federal Reserve will pause rate hikes this year and continue rate hikes at some point in the future. In addition to this risk, factors like a cut in oil production by OPEC could provide upward pressure on inflation which would further intensify the Fed’s dilemma in choosing between the stability of the banking system or price stability.47 Additionally, foreign countries like Russia, China, and India are exploring options to move away from using the U.S. dollar which would further weaken the U.S. financial system.</td>
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**Nasdaq, Inc.**

**NDAQ**

- **H1 Total Return:** -2.84%
- **Beta:** 1.057
- **Initial Shares:** 414
- **Final Shares:** 414
- **Initial Value:** $23,465.52
- **Final Value:** $22,633.38
- **H1 Dividend Yield:** 0.71%
- **H1 Holding Action:** Hold

**Description:**

Nasdaq, Inc. is a parent company that comprises 3.47% of the LaPorte Fund portfolio and engages in trading, clearing, exchange technology, and investment security technology. Its most notable business activity is the operation of the NASDAQ Stock Exchange. The exchange is the world’s second largest by market capitalization and tends to center around high-tech, public companies. In May of 2022, firms listed on the exchange had a combined market capitalization of $22.4 trillion.

**Growth Drivers:**

Market Services is the largest revenue segment for the firm and partly consists of fees associated with trading activity. March of 2023 brought the highest volume of equities and derivatives trading on the exchange in the last 12 months, which should drive increases in revenue. Meanwhile, last year also brought a significant slowdown in IPO deals as the economy and financial markets both suffered. There were only 153 IPOs on the exchange in 2022, compared to 743 in 2021. An increase in IPOs on NDAQ’s exchange would increase revenue in their Corporate Platforms business unit.\(^{50, 51}\) NDAQ’s current strategy is focused on transforming into a more scalable platform to thrive in high growth markets like Anti Financial Crime, ESG, Index, and Investment Analytics and accelerate the transition to SaaS businesses.\(^ {49}\)

**Risk Factors:**

The technology industry has been hit particularly hard during the tightening cycle enacted by the Federal Reserve over the past year. Tech stocks have seen a rebound since the beginning of 2023, but this could be challenged by further interest rate hikes.\(^1\) Both NDAQ as an individual firm and the technology firms listed on their exchange have relied on strong growth to support high valuations over the past few years. If the cost of debt remains high for an extended period or the Federal Reserve is forced to continue aggressively raising rates, previous levels of growth will be difficult or impossible to attain. This could result in continued downward repricing of these equities, similar to last year’s price action.
Prudential Financial, Inc.

PRU

H1 Total Return: -0.69%  
Initial Shares: 136  
Initial Value: $11,666.08  
Final Value: $11,252.64  
H1 Dividend Yield: 2.86%  
H1 Holding Action: Hold

Beta: 1.104  
Final Shares: 136  
Final Value: $11,252.64

Description:

Prudential Financial, Inc. comprises 1.73% of the LaPorte Fund and provides various forms of financial services across the United States and the globe. PRU’s services include life insurance, mutual funds, annuities, pensions, retirement related services, and asset management. PRU functions in five main business units: U.S. Workspace Solutions, U.S. Individual Solutions, International Insurance, and Global Investment Management.¹

Growth Drivers:

Low inflation, rising interest rates, and strong market performance are typical growth drivers for insurance companies because they are able to leverage and invest excess premiums, while also retaining strong levels of buying power. A unique aspect of these indicators is that they rarely occur at the same time. The fact that PRU’s growth can come from drivers that occur in opposite macroeconomic scenarios lends further credibility to the defensive value added. In addition to the defensive nature of PRU, the holding offers a strong 12-month dividend yield of 5.82% and recently beat their goal of cutting $750 million in costs a year earlier than expected.¹, ³

Risk Factors:

Prudential Financial, Inc. missed earnings in Q4 of 2022 due to increasing interest rates and poor market performance.³ Revenues from their investment management business unit fell roughly 34% from the year before and revenues from U.S. businesses fell about 4% from the year before.³ This decrease resulted from lower asset management fees and lower variable investment income. If the Federal Reserve does not pivot or the economy enters a deep recession this year, PRU could continue to post lower earnings in these business segments.

¹, ³
**Healthcare Sector**

Nilai Sheth

**Period Performance:**

The LaPorte Fund’s Healthcare sector returned -0.89% for H1 and the overall Healthcare sector returned 7.96% for the year. We bought United Health Group (UNH) to establish a defensive portfolio. We acquired Signify (SGFY), which returned 4.84% for H1. This was a tactical investment out of the belief in their business and the likelihood that CVS would successfully close on their acquisition of the telehealth company. When the deal closed at the end of March, we held the proceeds in cash for other investment opportunities and look forward to the continued success of their products and service, as long time holders of CVS. We also shaved part of our Amgen (AMGN) holding to raise cash for fixed income opportunities. In addition to AMGN (returning 7.20%), CVS (-20.87%), and UNH (-4.56%), we also hold Thermo Fisher (TMO) which generated a return of 13.76%. With our four holdings in this sector, we are 3.21% underweight compared to the proportion of Healthcare in the S&P 500.

**Looking Ahead:**

The Healthcare sector is generally non-cyclical. This sector performs well during times of economic contraction, largely due to consumers always having to pay premiums for their policies and because consumers are always in need of care. With the current economic outlook looking unsteady, healthcare remains a good investment. Future growth remains extremely dependent on the technological improvements of companies. The largest percent growth in healthcare subindustries is tied to software platforms and data analytics. Research shows that the global and U.S. healthcare analytics market will expand at a CAGR of 21.40% and 19.20%, respectively, from 2023 to 2030. As mergers and acquisitions begin to heat up again, this expands opportunities for holders of smaller, innovative firms. Although there are significant growth opportunities in these subsectors, upside may be limited by anti-trust policies at the FTC, and broader regulation changes.
Amgen Inc.

AMGN

H1 Total Return: 7.20%
Initial Shares: 71
Initial Value: $16,003.40
H1 Dividend Yield: 1.81%

Beta: 0.491
Final Shares: 50
Final Value: $12,087.50
H1 Holding Action: Sell 21 Shares

Description:

Amgen is a biotechnology medicines company focused on a few different medical areas: inflammation, oncology, bone health, CV disease, nephrology, and neuroscience. Amgen is committed to discovering, developing, manufacturing, and delivering innovative human therapeutics. Amgen has grown to be one of the world’s leading independent biotechnology companies, and has reached millions of patients around the world, developing a pipeline of medicines with promising potential.1

Growth Drivers:

The largest selling drug ever is AbbVie’s Humira. There haven’t been any good biosimilar drugs commercially available in the United States, until now. Amgen recently released Amjevita, a biosimilar drug to Humira that has a wholesale cost of 55.00% lower than Humira and a list price of 5.00% lower than Humira. Amjevita will be able to capture a significant market share this year from Humira.63 Amgen has been targeting other biosimilar drugs and is shifting its strategy to take market share from established brands by providing a nearly identical product at a more affordable price.62, 64 Regardless of strategy shift, AMGN has a multitude of drugs in the late stages of the oncology and obesity pipeline that will have more data after the first half of 2023.

Risk Factors:

Success in the drug development world is largely dependent on the ability to obtain and defend patent rights and other intellectual property rights important to products and their creation. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and often involve complex legal, scientific, and factual questions.1 Patent protection is weakening in the industry, making competition fiercer. Quick shifts in product development inherently run the risk of other products beating Amgen to the public, drugs failing to be approved, or even significant investment into a drug that fails are all significant risks to this industry.
CVS Health Corporation

CVS

H1 Total Return: -20.87%  Beta: 0.571
Initial Shares: 246  Final Shares: 246
Initial Value: $23,461.02  Final Value: $18,280.26
H1 Dividend Yield: 1.21%  H1 Holding Action: Hold

Description:
CVS Health Corporation is a leading pharmacy benefits manager along with the nation’s largest drugstore chain. It has more than 110 million plan members, more than 1,000 medical clinics, and more than 9,000 retail locations. CVS has a combination of retail pharmacy and healthcare businesses and is shifting from its traditional transaction-based retail care to a holistic health approach. It operates in four main segments: Health Care Benefits, Pharmacy Services, Retail/LTC, and Corporate/Other.

Growth Drivers:
CVS has been vertically integrating to include primary care assets with its mix of businesses that include medical insurance, pharmacy benefit management, and retail stores. CVS has accomplished this by means of mergers and acquisitions. In 2018, CVS merged with insurance provider Aetna. This year, it acquired Signify, an analytics driven healthcare software services company. The firm also announced plans to acquire Oak Street Health, a network of primary care centers. The addition of these high-margin healthcare businesses will help accelerate CVS' profit growth, either directly or by reducing long-term costs in its medical and pharmacy benefit businesses.

Risk Factors:
The major risks for CVS revolve around recent acquisitions, competition, and regulation. Although the acquisitions are good for the long term, in the short term it negatively affects the ability of CVS to distribute cash to shareholders. Additionally, the time to integrate or issues while integrating could disrupt business. Competition in the Healthcare sector is extreme. Due to the scale and network of competitors being large, it may require CVS to decrease pricing structures to remain competitive, negatively impacting revenues. CVS pharmacy brought in 68.40% of firm revenues. Any type of regulation changes, generic medications, and cost inflation issues would all significantly decrease revenues from this crucial part of the business.
**Signify Health Inc.**

**SGFY**

<table>
<thead>
<tr>
<th>H1 Total Return:</th>
<th>4.84%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Shares:</td>
<td>0</td>
</tr>
<tr>
<td>Initial Value:</td>
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</tr>
<tr>
<td>H1 Dividend Yield:</td>
<td>0.00%</td>
</tr>
<tr>
<td>Beta:</td>
<td>0.319</td>
</tr>
<tr>
<td>Final Shares:</td>
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<tr>
<td>Final Value:</td>
<td>$0.00</td>
</tr>
<tr>
<td>H1 Holding Action:</td>
<td>Buy and Sell 423 Shares</td>
</tr>
</tbody>
</table>

**Description:**

Signify operates as a healthcare technologies company, offering a software platform that leverages analytics and a large provider network to create value-based payment programs. SGFY has two operational segments: Episodes of Care Services & Home and Community Services.\(^1\) CVS closed its acquisition of SGFY on March 29th.

**Liquidation Thesis:**

The original thesis for Signify focused on the assumption that their takeover by CVS would be successful, and if it fell through, they would be an excellent target for another acquirer. CVS had announced that they would be buying SGFY, and at the time our expectation for equity market wide returns were negative. Thus, we believed it was worthwhile to purchase and hold shares of SGFY until the acquisition went through, to net a positive return from the difference between the market price of $29.09 and the deal price of $30.50. Essentially, we viewed this similarly to a fixed income purchase, and would be comfortable holding SGFY if the deal fell through. Managers tracked news on the merger to make sure CVS was still on track to buy the company. On March 29th, the acquisition went through, and the portfolio received $30.50/share.
Thermo Fisher Scientific, Inc.

H1 Total Return: 13.76%  
Initial Shares: 47  
Initial Value: $23,837.93  
H1 Dividend Yield: 0.12%  
Beta: 0.905  
Final Shares: 47  
Final Value: $27,089.39  
H1 Holding Action: Hold

Description:
Thermo Fisher is one of the world leaders in providing instruments, equipment, and analytics to benefit scientific research and solutions. TMO segments its business into four parts: Life Sciences Solutions, Laboratory Products & Biopharma Services, Analytical Instruments, and Specialty Diagnostics. TMO is globally diverse, with only half of its business in North America, a quarter in Europe, and the rest split worldwide. TMO strives to make the world healthier, cleaner, and safer.

Growth Drivers:
Thermo Fisher benefits from high switching costs with their lab services, software and instruments. TMO’s salesforce is by far the largest in the industry and its distribution network gives the firm unmatched reach and scale. Due to this scale, the switching cost from TMO’s lab products to other companies continues to get larger and larger. Additionally, semiconductor manufacturers worldwide use TMO-owned FEI instruments to help processing control and advanced analytical capabilities.

Risk Factors:
Thermo Fisher has some risk related to its international business and with product development. Roughly half of TMO’s business is conducted outside of the United States. Any changes with diplomatic and trade relationships, new tariffs, or protection measures with other countries would negatively impact TMO especially because of the exposure to China. To remain competitive in the Healthcare industry, companies must be constantly innovative. TMO’s growth strategy includes “significant investment in and expenditures for product development,” selling products in industries characterized by rapid technological changes. Risk of competition adapting to changes quicker would result in obsolete R&D.
UnitedHealth Group Inc.

**UNH**

**H1 Total Return:** -4.65%

**Beta:** 0.559

**Initial Shares:** 0

**Final Shares:** 30

**Initial Value:** $0.00

**Final Value:** $14,177.70

**H1 Dividend Yield:** 0.34%

**H1 Holding Action:** Buy 30 Shares

**Description:**

UnitedHealth Group is one of the leading health insurers in the United States. The combination of Optum and UNH has yielded a high-performing health systems business with the ability to analyze complex data and apply insight to provide the health space with more informed decisions. UNH segments its company into four pieces: Optum Health, Optum Insight, Optum Rx, and UnitedHealthcare.¹

**Growth Drivers:**

Due to the continually increasing age in the United States, more people will need access to medical services. UNH’s insurance operations are expected to grow at about 7% compounded annually during the next five years, due to demographic trends and the growing popularity of Medicare Advantage (private health insurance plans approved by Medicare).⁷¹,⁷² UNH recently acquired Change Healthcare, a technology solutions company focused on analytical and payment solutions. With data analytics and analytic driven solutions becoming ever more important, this part of the business will especially thrive because the global healthcare analytics sector is expected to grow at a CAGR of 21.50% from 2022-2030.⁶⁵

**Risk Factors:**

UnitedHealth is at risk of regulation change and execution risk around their M&A driven growth strategy. Long-term, there could be some healthcare policy changes that would negatively affect the company. Any legislation that attacks private insurance would directly impact UNH, however this can easily be monitored during election cycles. Additionally, part of UNH’s growth strategy is acquiring new companies. This inherently carries the risk of management issues and unsuccessful integration into the business.⁷²
Period Performance:

At the conclusion of H1, the Industrials sector accounted for 8.66% of the S&P with an overall sector return of 23.29%. The LaPorte Fund currently holds three firms within the industrial sector: General Dynamics (GD), Raytheon (RTX), and Waste Management, Inc. (WM). These three firms contributed a total H1 return of 16.12%, which is an underperformance compared to the S&P Industrials' return within the same period. Overall, we have maintained a consistently positive outlook on the Industrial sector. The large diversification of products and services by General Dynamics and Raytheon has created value within a sector that is negatively affected by downturns in the economy. Currently, Industrials account for 7.41% of the portfolio.

Looking Ahead:

The Industrials sector is more affected by downturns in the economy compared to other sectors. High inflation and rising input costs have a negative effect on mass production and capital expenditures, resulting in an increase in the cost of producing goods and an increase in product pricing. Some subsectors within the Industrials sector, such as Aerospace & Defense, are more resilient and have experienced recent growth. With current geopolitical events such as the Russia-Ukraine War, rising tensions between the U.S. and China, and the possible Chinese action against Taiwan, firms like Raytheon and General Dynamics could experience growth. Raytheon and General Dynamics are both government contractors that have benefited from the United States government sending aid to Ukraine and the rearmament of the United States Military. The United States government passed the largest defense budget in American history at $858 billion. General Dynamics has won multiple multi-billion-dollar contracts allowing the firm to benefit from increased defense spending. Looking forward, we will monitor and discuss the Fed’s decisions regarding interest rates. We will also continue to monitor other economic indicators such as inflation, supply chain issues, and geopolitical issues to strategically capture emerging opportunities in the market and mitigate risk within the portfolio.
General Dynamics Corporation

GD

H1 Total Return: 8.75%
Initial Shares: 42
Initial Value: $8,911.14
H1 Dividend Yield: 1.19%

Beta: 0.647
Final Shares: 42
Final Value: $9,584.82
H1 Holding Action: Hold

Description:
General Dynamics is a global aerospace and defense company. GD primarily consists of four business segments: Aerospace, Marine Systems, Combat Systems, and Technologies. GD has a broad portfolio of products and services like business aviation under Gulfstream, combat vehicles such as the M1A1 Abrams, LUV, weapon systems, munitions, shipbuilding, and ship repair. Currently, GD’s electric boat line has the largest shipbuilding contract in U.S. Naval service history. GD’s primary customer is the United States Department of Defense.

Growth Drivers:
General Dynamics is positioned to be extremely diverse in its products and services. While their core segment is government contracting, GD does have the Gulfstream segment that provides a revenue stream in the consumer aerospace market. One of the core growth drivers is the current decision of the United States military to overhaul weapon systems. GD has won contracts both to retrofit the current United States military main battle tank the M1A1 Abrams and contracts to construct the Sixth Expeditionary Sea Base. As the United States military continues to evaluate current weapon systems and vehicles, there is a tremendous opportunity for growth. Recently, the U.S. government has been providing aid to Ukraine, including the delivery of M1A1 battle tanks. The need for rearmament will benefit GD, as the firm is one of the main contractors for U.S. military combat vehicles. The current geopolitical issues between China and the United States are also a potential opportunity for GD, as defense spending would increase if tensions escalated.

Risk Factors:
The biggest risks to GD are potential issues surrounding supply chains and inflation. If supply chains create issues, this increases costs on contract budgets. Meanwhile, inflation contributes to decreased margins for these military contracts. GD’s position is safe, as it is a major contractor for the United States military and produces various combat vehicles for the Department of Defense.
Raytheon Technologies Corporation

<table>
<thead>
<tr>
<th>H1 Total Return:</th>
<th>Beta:</th>
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<tbody>
<tr>
<td>20.97%</td>
<td>0.674</td>
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</table>

<table>
<thead>
<tr>
<th>Initial Shares:</th>
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<tbody>
<tr>
<td>245</td>
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<table>
<thead>
<tr>
<th>Initial Value:</th>
<th>Final Value:</th>
</tr>
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<tbody>
<tr>
<td>$20,055.70</td>
<td>$23,992.85</td>
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<thead>
<tr>
<th>H1 Dividend Yield:</th>
<th>H1 Holding Action:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.34%</td>
<td>Hold</td>
</tr>
</tbody>
</table>

**Description:**

Raytheon is a major industrial corporation that primarily concentrates on the manufacturing of products within the Aerospace & Defense subsector. Raytheon has four segments: Collins Aerospace, Pratt and Whitney, Raytheon Intelligence and Space, and Raytheon Missiles and Defense. Raytheon’s primary customer is the United States Department of Defense.

**Growth Drivers:**

Raytheon has diversified itself to create multiple constant and steady revenue streams. This has been accomplished through a merger with United Technologies and multiple acquisitions such as Collins Aerospace. Raytheon’s reinvestment into R&D has put them in a position to provide high-quality solutions to their customers, as well as the sheer scale to competitively bid on government contracts. The ongoing Ukraine-Russian War has provided an avenue of growth through the U.S. government’s defense aid package to Ukraine. Notably, surface-to-air missile systems manufactured by Raytheon were included in the aid package. The monitoring of current geopolitical tensions will help us navigate and capitalize on the growth direction of Raytheon. In the case of a conflict between China and Taiwan, the U.S. could decide to send aid, creating additional growth for the firm.

**Risk Factors:**

The primary risk for Raytheon is marketplace competition. Raytheon has been highly successful in maintaining its competitiveness within the market through strategic mergers and acquisitions. There is also the risk associated rising inflation, rising input costs, and supply chain issues. The government passed the largest defense budget in history, which mitigates some of the cost issues associated with the manufacturing of these products. Looking forward, Raytheon's ability to reinvest into R&D that provides efficient and effective solutions for their customers will dictate whether Raytheon can maintain a competitive advantage within the current Aerospace & Defense market.
Description:

Waste Management, Inc. is a provider of waste management and environmental services. The firm provides services throughout the waste management process including vertical collection, solid and hazardous waste, landfill management, recycling, resource recovery and disposal. Waste Management also provides counseling to customers to assist with achieving green initiatives and owns and operates landfills that provide energy through gas-to-energy facilities.

Growth Drivers:

Waste Management’s position within the waste management and environmental services market allows them to be sustainable and provide revenue streams for the firm. Innovations in technology such as EVs will allow them to create higher margins by cutting costs on energy prices. Further, their use of facilities that provide gas-to-energy services gives them an alternate revenue stream that integrates a zero-carbon emission energy strategy. Another primary growth driver is the current increase in e-waste due to more electronic products with shortened life spans entering the market. This increase in e-waste allows Waste Management to fill the gap and increase its services as the rate of e-waste increases.

Risk Factors:

A major cost risk to Waste Management is the increasing costs of energy. With such a large fleet that requires a large volume of energy to provide services, this increase in energy prices can decrease Waste Management’s margins. Another risk is that the recycling of plastic is more costly than the production of new plastic. This cost difference does not encourage initiatives of recycling plastic products, which negatively impacts a large segment of Waste Management revenue streams.
Period Performance:

In H1, the Information Technology sector of the LaPorte portfolio returned a collective 20.12%, compared to the benchmark S&P 500 Information Technology index return of 27.50%. Our holdings in this sector include Apple Inc (AAPL), Accenture Plc (ACN), International Business Machines Corporation (IBM), Microsoft Corp (MSFT), and VanEck Semiconductor ETF (SMH). Over the course of the period, we trimmed 30 shares of Accenture PLC and 50 shares of Microsoft Corp - actions which were consistent with our general outlook towards the Information Technology sector. We ended H1 with the Information Technology sector representing 15.30% of our equity allocation, underweight when compared to the S&P 500 allocation of 26.08%.

Looking Ahead:

The Information Technology sector can be characterized as cyclical, as it tends to outperform when economic conditions are accelerating and underperform when conditions are unfavorable. The emergence of persistent inflation and continued increases in the target fed funds rate has led to a tremendous level of macroeconomic uncertainty - ultimately forcing IT companies to reevaluate their business-level strategies at the beginning of 2023. Companies turned to laying off workers and cutting expenses during the period. Because of this, IT was the highest-performing sector in the S&P 500 over the last six months, with the S&P 500 Information Technology index returning 27.50%. As we continue into 2023, we expect macroeconomic and global uncertainties to be a continued theme for the Information Technology sector. In addition, we expect the ripple effects of the regional banking crisis to play a key role in the performance of IT companies, as the possibility of a credit crunch could reduce enterprise spending. However, the rollout of the CHIPS Act funding in 2023 should have a tremendous impact on the performance of companies in the Semiconductor industry. In addition, we believe that the weakening U.S. dollar will have a positive impact on U.S. companies with foreign operations. In all, we are confident in our underweight status in IT and will continue to evaluate the macroeconomic environment over the course of the year.
Apple Inc.

**AAPL**

<table>
<thead>
<tr>
<th>H1 Total Return: 19.65%</th>
<th>Beta: 1.234</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Shares: 100</td>
<td>Final Shares: 100</td>
</tr>
<tr>
<td>Initial Value: $13,820.00</td>
<td>Final Value: $16,490.00</td>
</tr>
<tr>
<td>H1 Dividend Yield: 0.33%</td>
<td>H1 Holding Action: Hold</td>
</tr>
</tbody>
</table>

**Description:**

Apple Inc. is a market-leading information technology company that designs, manufactures, and sells a wide variety of consumer electronics, accessories, computer software, and online services. Since its inception in 1976, Apple has been recognized as a trailblazer in innovation and design, and their products and services are sold across the globe. Their customers include ordinary consumers, small and mid-sized businesses, education, enterprise, and government clients.

**Growth Drivers:**

Despite a roughly 8% year-over-year decrease in iPhone sales in the first quarter of FY2023, the iPhone was still the primary revenue driver for Apple.\(^5\) Forward guidance suggests that this will continue well into 2023, as Apple is set to release their line of iPhone 15 models in the latter half of the year. The success of this launch, along with Apple’s ability to source affordable inputs, will be a deciding factor in their short-term success. Another factor which could influence Apple’s success is the advancement of their Apple Pay mobile payment services. They are expected to announce the release of their Apple Pay Later service this year, which will allow users to split purchases into four equal installments with no interest or fees.\(^6\) This launch will be key in determining if Apple’s newfound focus on financial services is a wise decision.

**Risk Factors:**

Persistent inflation and tightened monetary policy have been the primary negative contributors to Apple’s top line in the past two quarters. In addition, the ongoing war in Ukraine has resulted in decreased revenue from operations in Russia - a country in which Apple controlled close to 20% in market share and now controls only 1%.\(^7\) For this reason, Apple’s short-term success will likely rely on a soft landing and an end to the Russia-Ukraine conflict.
Accenture PLC

ACN

<table>
<thead>
<tr>
<th>H1 Total Return: 13.29%</th>
<th>Beta: 1.283</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Shares: 115</td>
<td>Final Shares: 85</td>
</tr>
<tr>
<td>Initial Value: $29,589.50</td>
<td>Final Value: $24,293.85</td>
</tr>
<tr>
<td>H1 Dividend Yield: 0.76%</td>
<td>H1 Holding Action: Sell 30 shares</td>
</tr>
</tbody>
</table>

Description:

Accenture PLC is a leading professional services company which provides a wide range of consulting, technology, and outsourcing solutions to some of the top companies and governments across the globe. Headquartered in Dublin, Ireland, Accenture services over 9,000 clients in more than 50 countries - including 89 companies in the Fortune Global 100 and more than 75% of companies in the Fortune Global 500.

Growth Drivers:

Accenture places an emphasis on providing “360-degree value” for their customers. One of the ways they do this is through acquiring companies that add to their existing abilities. In an effort to expand their specialized technology, consulting, and regulating capabilities, Accenture announced the acquisition of SKS Group in February of this year. SKS is a firm that focuses on helping European banks modernize their technology infrastructure. In addition, Accenture announced the acquisition of Brazilian cyber defense company Morphus, as well as the touchless supply chain company Inspirage. As technology continues to develop at a rapid pace, these acquisitions could help determine Accenture’s success as a market leader.

Risk Factors:

The regional banking crisis in the U.S. could have a significant impact on Accenture’s revenues moving into the second quarter of 2023. Products and services provided to financial services customers account for approximately 19% of ACN’s revenues, which represents the 3rd largest industry group. As pressure rises, banks will likely be forced to cut down on the discretionary services that Accenture provides. For this reason, it is important to watch the regional banking crisis closely.
**International Business Machines Corporation**

**IBM**

<table>
<thead>
<tr>
<th></th>
<th>H1 Total Return: 13.11%</th>
<th>Beta: 0.607</th>
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<td>Initial Shares:</td>
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<tr>
<td>Initial Value:</td>
<td>$11,881.00</td>
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<tr>
<td>H1 Dividend Yield:</td>
<td>2.78%</td>
<td>H1 Holding Action: Hold</td>
</tr>
</tbody>
</table>

**Description:**

International Business Machines Corporation is a multinational information technology company which operates in four business segments: Software, Consulting, Infrastructure, and Financing. Established in 1911, IBM is recognized as the largest industrial research organization in the world and provides a long list of products and services including application, technology consulting and support, cloud services, digital workplace, and network services to individuals and corporations across the globe.

**Growth Drivers:**

IBM subsidiary RedHat has led their ongoing shift toward hybrid cloud and artificial intelligence services, industries which have grown tremendously in the last half decade. As more and more businesses invest in artificial intelligence processes to streamline their operations, IBM’s reputation as one of the most advanced technology companies in the world should propel them to an increased market share. In addition, their recent collaboration with consulting firm EY will serve as a major step for the implementation of quantum computing to solve some of the world’s most complex business challenges. This will be one of the key drivers in IBM’s pursuit to unlock additional revenue streams and will serve as a major factor in their future success.

**Risk Factors:**

As inflation concerns persist and interest rates continue to increase, the customers that IBM services will face increased pressure to decrease spending. This is particularly true of enterprise clients, who tend to cut down on consulting services, which they consider to be discretionary expenses, in times of financial uncertainty. Another area of concern for IBM is the U.S. Chamber of Commerce’s call for the regulation of artificial intelligence technology. Because IBM is looking to increase their AI footprint as efficiently as possible, increased regulation could cause problems for them down the road.
**Microsoft Corporation**

**MSFT**

- **H1 Total Return:** 19.00%
- **Initial Shares:** 138
- **Initial Value:** $32,140.20
- **H1 Dividend Yield:** 0.48%
- **Beta:** 1.185
- **Final Shares:** 88
- **Final Value:** $25,370.40
- **H1 Holding Action:** Sell 50 shares

**Description:**

Microsoft Corporation is a leading multinational information technology company that offers a wide range of products and services including the popular Windows operating systems, Azure cloud services, Microsoft Office Suite, Xbox, LinkedIn, Skype, and more. They operate in three distinct business segments: Productivity and Business Processes, Intelligent Cloud, and Personal Computing. Their customers include ordinary consumers, small, mid, and large-sized business, and government entities.

**Growth Drivers:**

Microsoft’s diverse product and service offerings, when combined with their steady income stream from subscriptions, have been enough to help them weather the tumultuous financial conditions brought on by persistent inflation. Revenue from the Microsoft cloud service Azure reached a record $19.6 billion for the 2nd quarter of FY2023, establishing Microsoft as the industry leader in cloud services. In addition, their presence in the fast-growing artificial intelligence market has proved fruitful, with services like Azure AI gaining traction. Microsoft announced this year that they are working on new AI chips to rival those made by Nvidia, which dominate the AI market. This innovation could be key to the success of Microsoft moving forward as they look to expand their AI footprint.

**Risk Factors:**

Last year marked a record year for decreases in consumer PC demand, as persistent inflation and continued interest rate hikes strained the pockets of consumers. Similarly, a trend toward increased life cycles and delayed purchases of devices for enterprise clients began to emerge in the latter part of 2022, as businesses looked to cut costs amidst financial uncertainty. For Microsoft in particular, this decrease manifested as a nearly 40% year-over-year decline in revenue from their personal computing segment. For this reason, despite their continued success from the productivity and business processes segment, the short-term success of Microsoft could depend on a soft landing.
VanEck Semiconductor ETF

**SMH**

<table>
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<tr>
<th><strong>H1 Total Return:</strong></th>
<th>43.47%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial Shares:</strong></td>
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<tr>
<td><strong>Initial Value:</strong></td>
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<td><strong>H1 Dividend Yield:</strong></td>
<td>1.30%</td>
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<tr>
<td><strong>Beta:</strong></td>
<td>1.388</td>
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<td><strong>Final Shares:</strong></td>
<td>78</td>
</tr>
<tr>
<td><strong>Final Value:</strong></td>
<td>$20,528.82</td>
</tr>
<tr>
<td><strong>H1 Holding Action:</strong></td>
<td>Hold</td>
</tr>
</tbody>
</table>

**Description:**

SMH is an exchange-traded fund which seeks to track the price and yield performance of the MVIS U.S. Listed Semiconductor 25 Index (MVSMHTR). This index is composed of highly liquid companies which derive at least 50% of revenues from semiconductor operations and have a market cap greater than $150 million. The top 5 holdings of SMH are Nvidia Corp, Taiwan Semiconductor Manufacturing Co, Advanced Micro Devices, ASML Holding NV, and Intel Corp.

**Growth Drivers:**

In an effort to bolster the global influence of the U.S. Semiconductor industry, the Biden Administration signed the CHIPS Act into law in August 2022. This bill will provide over $50 billion in funding for U.S.-based semiconductor research, manufacturing, and workforce development over a 5-year window. With the first investments being announced this year, the CHIPS Act should spur innovation throughout the Semiconductor industry and ensure a return to prominence for U.S. semiconductor manufacturers. Furthermore, the expanding Artificial Intelligence industry presents a unique opportunity for semiconductor companies that provide customized micro vertical solutions. With the market for AI set to grow to over $2 trillion by 2030, an opportunity exists for almost all of the SMH holdings to increase revenue via growth in this exciting technology.

**Risk Factors:**

A growing concern for the performance of SMH large holding of Taiwan Semiconductor Manufacturing Co. As tensions between China and Taiwan continue to develop, pressure increases for the Taiwan-based semiconductor giant, which controls a majority of the world market share. A Chinese invasion of Taiwan could ultimately result in the destruction of TSM’s manufacturing facilities. However, the domestic expansion into Arizona should mitigate some of these risks.
**Period Performance:**

The LaPorte Fund’s Materials portfolio saw returns of 11.01% in H1, whereas the Materials sector of the S&P 500 returned 19.96%. The team voted to liquidate Sonoco (SON) to realize a sizeable capital gain while also generating funds for other acquisitions. This transaction took us from slightly overweight in the sector to slightly underweight compared to the S&P 500. Our, now lone, materials holding Vale (VALE) had a great period returning 21.43%. As manufacturing output increased in China, Vale was in a great position to thrive as one of the largest precious metal miners in the world. This performance was especially pleasing to see in volatile market conditions, as the Materials sector is historically cyclical.

**Looking Ahead:**

The global economy’s health is the most critical indicator of this sector’s future performance. As stated above, the Materials sector is very cyclical, so the sector’s performance will likely follow suit with the state of the economy and global markets. Manufacturing output and new construction in China will also significantly impact the performance of materials companies, especially Vale. Companies like Vale must sell products and services in massive volumes to generate sizeable revenues due to the costly operations of mines, plants, and refineries. These companies will perform poorly without extensive demand for products like iron ore and steel. The near action of the Fed will also be critical for materials companies. Recession fears could present unique opportunities, whereas fiscal policy and economic disarray could serve as indicators to divest. Materials is a sector the LaPorte Fund will need to monitor closely in the following months.
Description:

The Sonoco Products Company (SON) is a global industrial and consumer packaging manufacturer. SON serves customers in 300 locations across 85 countries. They produce products like composite cans, paper and plastic packaging, and chemicals.  

Liquidation Thesis:

SON was identified as an appropriate source for funding the acquisition of another holding. Materials is a very cyclical sector, which puts SON at risk when facing a weak global economy in the short term. The team aims to be underweight in Materials for these reasons, and this was achieved with this transaction. When deciding between shaving from VALE or SON, the capital gain or loss we would receive was a critical factor. Our capital gain from SON amounted to roughly 9%, whereas we would have realized a loss upon liquidating VALE. Additionally, we were more pessimistic regarding the fundamentals and outlook of SON compared to VALE, ultimately leading to a full liquidation of SON with the proceeds used for a more defensive holding.
Vale S.A.

VALE

H1 Total Return: 21.43%
Initial Shares: 808
Initial Value: $10,762.56
H1 Dividend Yield: 2.96%

Beta: 0.660
Final Shares: 808
Final Value: $12,750.24
H1 Holding Action: Hold

Description:

Vale (VALE) is a Brazilian-based metals and mining company. They are the world’s largest producers of iron ore and pellets with access to the largest nickel reserves in the world. Vale’s geographic reach extends to each end of the world, however, over half of their revenue comes from customers in China. As we exit H1, Vale is the LaPorte Fund’s sole Materials holding.107

Growth Drivers:

Manufacturing output, especially in China, will have the most impact on Vale’s growth.1 As China exited its “Zero COVID” policy, the demand for manufacturing goods increased, thus ramping up demand for Vale.101 Sustained manufacturing output from China, Brazil, and European countries will lead to significant demand for Vale’s products and services.108 Additionally, due to the operation intensity of Vale’s mines, refineries, and supply chain services, decreasing energy and input costs will enhance Vale’s bottom line and boost their already tight margins.

Risk Factors:

With most of their revenue coming from China, Vale faces significant exposure to the array of issues surrounding the country, such as geopolitical tensions, COVID sensitivity, and weak real estate markets. Parallel with issues from China, is exposure in Vale’s home county Brazil. Shifts in political power and legislation, as well as environmental risks, could quickly and significantly impact Vale’s operations. Not only is Brazil the base of Vale’s operations, but roughly 10% of their revenue also comes from Brazil.1 Monitoring political and macroeconomic factors facing both countries is key in effectively evaluating Vale as a holding.
**Real Estate Sector**

Jackson Snodgrass

**Period Performance:**

The Real Estate sector of the LaPorte Fund returned 17.80% for H1 whereas the S&P 500 Real Estate sector returned 5.75%. Toward the end of H1, the team decided to purchase Healthcare Realty Trust (HR), a healthcare-focused Real Estate Investment Trust, or REIT for short. HR is a unique holding that gives us exposure to the defensive Healthcare sector while simultaneously taking advantage of the income-producing nature of REITs via dividends. HR has returned 4.12% since we purchased it in March. Our only other Real Estate holding is W.P Carey (WPC). WPC had a strong H1, returning 14.10%. Compared to the S&P 500, we are slightly overweight in Real Estate at 0.72%. This was not our initial plan at the beginning of the period; however, HR presented a unique opportunity to capture a defensive holding with a robust dividend yield.¹

**Looking Ahead:**

Real Estate is a cyclical sector by nature.¹¹⁰ Real Estate has been severely impacted by rising interest rates due to the necessity of debt financing in real estate transactions and the parallel relationship between interest rates and cap rates.¹¹⁶ Rising cap rates have compressed real estate values across every asset class. With a more favorable financing environment on the horizon, institutional investors will be able to acquire assets with less expensive debt, thus increasing returns from new acquisitions. As the Fed continues to fight inflation, we could see new construction costs decrease. This would improve our holdings’ returns on new development projects, allowing them to lock in strong margins on leases. Fed policy surrounding interest rates and inflation metrics will be key indicators of the Real Estate sector’s performance looking forward.
Healthcare Realty Trust

HR

H1 Total Return: 4.12%
Initial Shares: 0
Initial Value: $0.00
H1 Dividend Yield: 0.00%

Beta: 0.599
Final Shares: 512
Final Value: $9,896.96
H1 Holding Action: Buy 512 shares

Description:
Healthcare Realty Trust (HR) is a healthcare-centered REIT, mostly investing in outpatient medical facilities. The strategy HR employs is the targeting of facilities primarily located on or near the campuses of acute care hospitals associated with leading health systems. HR will either develop existing property into a medical facility or buy the facility and rent it out to tenants.\(^\text{110}\)

Investment Thesis:
Healthcare Realty Trust provides an opportunity to gain exposure to a stable and growing industry as well as a robust dividend yield. Healthcare is a historically defensive sector, and based on our team's outlook, these are the sort of equity investments we should be targeting.\(^\text{111}\) The most attractive aspect of HR is that we gain direct exposure to the Healthcare sector through a REIT offering a 6.50% dividend yield.\(^\text{1}\) With economic uncertainty, HR provides both stability and attractive dividends of which the team believes will offset potential volatility in the short term.\(^\text{112}\)

Risk Factors:
In the past year, Legacy HR merged with Legacy HTA. HR expects there to be some significant expenses due to integration, compliance, and transaction costs.\(^\text{110}\) Inability to successfully combine the two companies would disrupt the cost savings anticipated due to the merger. Additionally, HR has nearly $101 million worth of property investments that are subject to a purchase option by lessees. Exercise of these options exposes HR to reinvestment risk and reduction in investment return. Some options could be purchased at rates of return above expected but HR may not be able to reinvest with the sale proceeds at the same rate of return that the properties are sold at.\(^\text{110}\)
W.P. Carey

WPC

H1 Total Return: 14.01%
Initial Shares: 148
Initial Value: $10,330.40
H1 Dividend Yield: 3.05%

Beta: 0.539
Final Shares: 148
Final Value: $11,462.60
H1 Holding Action: Hold

Description:
W.P. Carey (WPC), is a diversified global REIT specializing in net leases, sale-leaseback transactions, and build-to-suit financing. The firm owns 176 million square feet of real estate among 1,500 properties across 26 countries, serving 392 tenants in a multitude of industries. The firm owns 176 million square feet of real estate among 1,500 properties across 26 countries, serving 392 tenants in a multitude of industries.

Growth Drivers:
WPC’s main revenue generator is rental income, as opposed to proceeds from selling real estate assets like other firms. Rental demand must be strong for the types of assets WPC owns and the geographical markets in which they reside. WPC mitigates some of the risk surrounding demand by locking in long-term leases with their tenants and partnering in sale-leaseback transactions. WPC, like many firms, also has an Asset Management division which is responsible for constantly evaluating certain properties within the portfolio. Since triple-net leases are typically priced against interest rates, WPC is currently locking in long-term leases at rates higher than usual. These leases will likely prove lucrative, and boost returns as interest rates move back down.

Risk Factors:
Real estate firms utilize debt on nearly every deal. With a possible recession looming, leverage risk is particularly concerning. If tenants cannot afford to pay rent, the firm is at great risk of default, so highly levered REITs are riskier. The Real Estate sector has a median debt-to-equity ratio of 96.14% and WPC’s is 91.49%. WPC purchases more properties than it sells, therefore, it is very reasonable to finance the vast majority of acquisitions with debt, so their debt-to-equity ratio is going to be high. It is reassuring, however, to see that their debt-to-equity ratio is lower than the sector median.
Period Performance:

In H1, the Utilities sector of the LaPorte portfolio returned -0.56%. In comparison, the S&P 500 Utility index achieved a 5.10% return. Our lone energy holding is NextEra Energy, Inc., which earned -0.56% in H1. Utilities account for 1.57% of the equities in the LaPorte portfolio, which is slightly underweight compared to the sector’s weight in the S&P 500 of 2.86%.

Looking Ahead:

The Utilities sector will likely experience growth throughout this decade due to clean energy initiatives. In 2020, the Biden administration set goals of a 100% clean energy economy and net-zero greenhouse gas emissions by 2050. With a $2 trillion investment commitment and $65 billion earmarked for upgrading the national power infrastructure allocated in the Infrastructure Investment and Jobs Act, the Energy and Utilities sectors have an opportunity to improve grid modernization and clean energy efforts. While utility companies are conscious of regulations that may force power plants to shut down, the Utility sector largely supports the Build Back Better and Inflation Reduction Act’s proposed tax credits—providing $369 billion in direct subsidies for wind, solar, transmission, storage, carbon capture, and nuclear undertakings to reduce the costs of the renewable energy transition for utility companies. According to Morgan Stanley, as a percentage of the U.S. energy mix as of 2021, renewable energy resources are expected to grow from about 12% to 39% by 2030.
NextEra Energy, Inc.

H1 Total Return: -0.56%
Initial Shares: 133
Initial Value: $10,428.53
H1 Dividend Yield: 1.14%

Beta: 0.800
Final Shares: 133
Final Value: $10,251.64
H1 Holding Action: Hold

Description:

NextEra Energy (NEE) is an electric power and energy infrastructure company and is composed of two subsidiaries: Florida Power & Light (FPL) and NextEra Energy Resources (NEER). The two subsidiaries generate more than 28,000 MW of electricity (to more than 5.6 million residential customers in Florida) and 24,000 MW of energy (using wind and solar sources). NEE generates, transmits, and distributes electricity, while holding investments in gas infrastructure assets. Additionally, NEE possess one of the largest nuclear power asset-bases in the U.S.\(^{120}\)

Growth Drivers:

As a major player in the renewable space, NEE is the largest generator of wind and solar energy. While subsidiary FPL has a strategic focus on investing regularly in generation and distribution facilities, subsidiary NEER focuses on the development and operation of long-term contracted assets.\(^{121,122}\) These assets include renewable generation facilities, natural gas pipelines, and battery storage projects throughout North America. These assets represent the major tailwinds for NEE. At the end of 2022, NEE announced its partnership with Coffee County, AL to build the state’s first renewable natural gas project. In February of 2023, NEE was recognized, once again, as number one in its industry according to Fortune’s list of ‘Worlds Most Admired Companies.’\(^{123,124}\)

Risk Factors:

Subsidiary NEER could experience more potential competitors entering the renewable energy market, including but not limited to Royal Dutch Shell, Total SA, and Equinor. Additionally, global taxation and regulations have the potential to pose significant negative influence on NEE. Additionally, global taxation and regulations have the potential to pose significant negative influence on NEE.\(^{125,126}\)
Period Performance:

At the conclusion of H1, Fixed Income made up 25.52% of the total portfolio with a return of 4.22% compared to a benchmark return of 4.89%. When the period began, we held iShares Core U.S. Aggregate Bond ETF (AGG), BlackRock Municipal Income Trust II (BLE), T. Rowe Price Emerging Market Corporate Debt Fund (TRECX), Wells Fargo & Co. Preferred Stock (WFCPRL), and Wisdom Tree Floating Rate (USFR). During the period we added three new holdings: iShares 20+ Year Treasury Index ETF (TLT), ProShares UltraPro Short 20+ Year Treasury Index (TTT), and FolioBeyond Rising Rates ETF (RISR). Near the beginning of the half, the management team was optimistic about the future of interest rate movements and moved to purchase a long duration holding at a reduced price. This purchase was later hedged through inverse bond fund holdings as our outlook changed. At the conclusion of 2022, defining our interest rate outlook became a top priority, as we wanted to best allocate our portfolio to match this outlook going into 2023. With growing recessionary concerns and strong labor readings, it seemed that Federal monetary policy had been unable to restrain persistent core inflation. Over the half, the Federal Reserve continued to hike interest rates by 1.75%. These interest rate changes resulted in lost value for our fixed income holdings, particularly holdings in funds with heavy weight in long duration securities. By mid-March, we saw a shift in the effectiveness of rate hikes, as the banking industry began realizing large losses revealing liquidity issues among niche regional banks. This instability brought a change in market expectations concerning future interest rates. As some market participants began to believe instability among banks would result in a lower terminal rate and expedite a pivot towards rate cuts, we saw a rally within the bond market.

Looking Ahead:

The Federal Reserve has made it clear that taming inflation is still a top priority. Strong labor readings early in the year seem to be continuing with a historically low unemployment rate of 3.50%. Coupled with inflation indicators posting readings in the 5-6% range and core inflation remaining stagnant, the threat of a recession has only grown with recent instability among banks. Although inflation remains well above the Federal Reserve’s target, markets have begun to question the likelihood that rate hikes will continue, since segments of the economy have started to slow down. Looking ahead, we will continue to closely monitor Federal Reserve policy, inflation, and labor. While at one-point markets had expected three or more hikes before reaching the Fed’s terminal rate, we now expect one or two more hikes before a pause. Additionally, another impactful development looking forward will be congressional policy surrounding the debt ceiling. As a management team, we continue to closely monitor conditions in fixed income to adjust our strategy and portfolio accordingly.
iShares Core U.S. Aggregate Bond ETF

AGG

H1 Total Return: 4.83%
Initial Shares: 304
Initial Value: $29,287.36
H1 Dividend Yield: 1.41%
Duration: 6.43

Beta: 0.110
Final Shares: 304
Final Value: $30,290.56
H1 Holding Action: Hold

Description:

iShares Core U.S. Aggregate Bond ETF is a BlackRock exchange traded fund that seeks to track the investment results of the index composed of the total U.S. investment grade bond market. This ETF allows for a broad exposure to government, corporate, financial, and mortgage-backed securities. With an expense ratio of 0.04% and a yield to maturity 4.50%, AGG provides stability within the LaPorte Fixed Income allocation through a highly diversified low-cost ETF.

Growth Drivers:

With 44.27% of AGG’s holdings qualifying as government debt, default risk is limited. Over the holding period, the Federal Reserve has increased the fed funds rate by 175 basis points. The decision to move towards smaller hikes in January has led many to believe that rate cuts are coming sooner than thought at the beginning of the year – even in July. Considering AGG is often used as a benchmark for the rest of the portfolio with its moderate duration, it will begin outperforming shorter duration holdings if the fed funds rate is cut. If the instability of the banking sector continues, large banks will continue seeing a transfer of uninsured deposits from smaller regional banks. These large banks make up 8.22% of AGG’s holdings.

Risk Factors:

Within the iShares AGG ETF, the percentage of securities with a maturity of longer than 5 years is 62.72%. If the Federal Reserve moves to pause the interest rate and later continue to hike to combat rebounding or resilient inflation, this holding will begin to generate losses. Additionally, if the congressional meeting in July decides to forgo raising the debt ceiling, it will call into question the creditworthiness of the treasury holdings of AGG.
BlackRock Municipal Income Trust II (BLE) is a diversified, closed-end management fund whose objective is to provide current income exempt from regular federal income tax. BLE invests in “primarily investment grade municipal bonds that are underrated or undervalued.” With an expense ratio of 1.74% and a yield to maturity of 7.46%, it produces greater income after taxes for its investors.

Growth Drivers:
BLE provides exposure to the municipal sector of fixed income for the LaPorte Fund. This provides necessary diversification within the portfolio through tax exempt holdings. BLE generates tax exempt income that helps to alleviate the federal tax burden of the portfolio. Over the holding period, the Federal Reserve has increased the fed funds rate by 175 basis points. Many market participants are expecting fed funds rate cuts as soon as July with the decision to move towards 25 basis point hikes early in the year. With a long duration, BLE will continue to outperform shorter duration holdings if the federal rate is cut.

Risk Factors:
BLE is considered to have a high sensitivity to interest rates with a duration of 13.22. If the Federal Reserve continued hiking the fed funds rate, BLE will begin to show losses larger than other shorter duration holdings. Additionally, monitoring congressional policy surrounding the debt ceiling and its effect on municipal bonds will be necessary.
FolioBeyond Rising Rates ETF

RISR

**H1 Total Return:** 0.58%  
**Beta:** -0.212  
**Initial Shares:** 0  
**Final Shares:** 412  
**Initial Value:** $0.00  
**Final Value:** $12,850.28  
**H1 Dividend Yield:** 0.57%  
**H1 Holding Action:** Buy 412 Shares  
**Duration:** -7.33

**Description:**
The FolioBeyond Rising Rates is an exchange traded fund that seeks to provide current income and protect against rising interest rates. With the classification of a Mortgage-Backed Security Interest Only (MBS IO), RISR acts as an inverse bond fund moving opposite of interest rates. With an expense ratio of 0.99%, RISR provides a relatively inexpensive exposure to mortgage-backed securities and a stable dividend yield.

**Investment Thesis:**
With growing concern within the management team surrounding the effect of further increases to interest rates on the portfolio, 412 shares of RISR were purchased to create a hedge using its negative duration. As an MBS IO, RISR only holds interest payments of mortgage-backed securities. This creates the effect of negative duration and convexity due to refinancing risk. The inclusion of RISR in the portfolio effectively lowered overall duration and provided exposure to a sector within fixed income not previously held. This diversification will allow the LaPorte Fund to gain access to different sectors within the fixed income market that perform differently than previous held investments. Rather than liquidating shares and realizing losses of longer duration holdings, we moved to reallocate the portfolio to reflect a larger proportion of fixed income that included this hedge. This will allow us to quickly liquidate the hedge when we decide the interest rate environment will change. In the meantime, RISR will also provide steady dividends with a yield of 5.64%, as well as offset losses should rates rise further.

**Risk Factors:**
As a mortgage-backed security, RISR carries refinancing risk. If the Federal Reserve were to quickly cut rates, the probability of residential homeowners choosing to refinance mortgages will increase causing the value of RISR to fall.
iShares 20+ Year Treasury Bond ETF

TLT

H1 Total Return: 0.50%
Initial Shares: 0
Initial Value: $0.00
H1 Dividend Yield: 0.74%
Duration: 17.88

Beta: 0.075
Final Shares: 140
Final Value: $14,891.80
H1 Holding Action: Buy 140 Shares

Description:
iShares 20+ Year Treasury Bond (TLT) is a BlackRock exchange traded fund that seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities greater than 20 years. With an expense ratio of 0.15% and a yield to maturity of 3.85%, this fund allows high exposure to long term U.S. Treasury Bonds with low default risk and capital gains in a falling rate environment.

Investment Thesis:
With economic indicators pointing towards easing of monetary policy late in 2022, we purchased TLT in November to increase our duration. As yields stabilize and eventually fall because of interest rates falling, the price will increase more than short term holdings and will be in a strong position with its very long duration. TLT has little default risk with 98.54% of its holdings characterized as treasury. With long duration and high convexity, TLT will begin to perform extremely well if the interest rate is cut while still maintaining a solid dividend inflow.

Risk Factors:
With 98.54% of holdings having maturity over 20 years, TLT has extreme interest rate risk. Further hiking of the fed funds rate would cause continued losses for long term holdings. If Congress moved to hold the debt ceiling, treasury holdings would begin to lose their creditworthiness.
T. Rowe Price Emerging Market Corporate Debt Fund

TRECX

H1 Total Return: 7.98%
Initial Shares: 1,749
Initial Value: $14,730.55
H1 Dividend Yield: 1.70%
Duration: 5.21

Beta: 0.146
Final Shares: 1,763
Final Value: $15,532.03
H1 Holding Action: Hold

Description:

T. Rowe Price Emerging Markets Corporate Bond (TRECX) aims to provide high current income by investing in bonds that are issued by companies that are located in emerging markets. These countries include Latin America, Asia, Europe, Africa, and the Middle East. With an expense ratio of 0.88% and a yield to maturity of 6.60%, this bond fund provides a higher return through exposure to foreign markets.

Growth Drivers:

TRECX allows exposure to emerging markets that often provide higher returns via higher yields that reflect higher levels of risk. As inflation continues, the U.S. dollar will begin to weaken which will allow an opportunity for growth through exposure to these emerging markets. With a moderate length duration, this fund has less interest rate risk than other holdings within the portfolio. Thus, in an unstable interest rate environment, price swings in TRECX will be more moderate.

Risk Factors:

As a corporate bond fund, TRECX carries both default risk and foreign exchange risk. We have already seen sovereign defaults in frontier markets like Sri Lanka and Mozambique. While TRECX is focused on emerging credit markets that are more developed, inflation and economic weakness could lead to a spread of defaults into countries and debt issuing firms held by TRECX. Moreover, central bank policy and inflation have been a global phenomenon, though with unique developments in every nation. We are relying on the active management of T. Rowe Price to capitalize on resulting opportunities, including volatility in currency markets. Additionally, we are monitoring developments at the country and industry level where TRECX is invested.
ProShares UltraPro Short 20+ Year Treasury Index

H1 Total Return: -2.93%  Beta: -0.207
Initial Shares: 0  Final Shares: 110
Initial Value: $0.00  Final Value: $6,703.40
H1 Dividend Yield: 0.37%  H1 Holding Action: Buy 110 shares
Duration: -52.29

Description:
ProShares UltraPro Short 20+ Year Treasury seeks daily investment results that correspond to three times the inverse of the daily performance of the ICE Treasury 20+ Year Bond Index. Through the use of derivatives, TTT short sells the equivalent to -3 times the 20+ year treasury index. TTT provides the LaPorte Fund with an inverse fixed income holding that posts returns opposite of the bond market.

Investment Thesis:
When approaching fixed income, it is very common to buy a fund and hold it for an extensive amount of time. This was the investment thesis for all of our prior fixed income holdings. In this instance, TTT, along with RISR, would act as a hedge for a short amount of time and then transition to be sold off to buy either long duration holdings or equities. With growing concern around the future of interest rate hikes, the LaPorte Fund moved to integrate a hedge into our fixed income holdings. Since our average duration was well above 8 years prior to the establishment of the hedge, we decided that in the current interest rate environment we were not comfortable with the threat of continued losses to fixed income. Rather, we opted to shorten our duration to be within 6 years. TTT inversely correlates to our longest duration holding TLT. With its extremely long, negative duration TTT provides shortened duration for the portfolio without realizing losses on longer duration holdings. By including an inverse bond fund within the portfolio, an everchanging outlook on interest rate futures can be properly hedged through diversification and offsetting long duration losses.

Risk Factors:
As a leveraged fund, TTT intrinsically carries risk. If the Federal Reserve quickly moved to cut rates, this would negatively impact holding a hedge with such long, negative duration.
WisdomTree Floating Rate Treasury Fund

USFR

H1 Total Return: 2.08%  Beta: -0.007
Initial Shares: 478  Final Shares: 478
Initial Value: $24,033.84  Final Value: $24,029.06
H1 Dividend Yield: 2.10%  H1 Holding Action: Hold
Duration: 0.02

Description:

The Wisdom Tree Floating Rate Treasury Fund (USFR) is an exchange traded fund that seeks to track the performance of the Bloomberg U.S. Treasury Floating Rate Bond Index. With an expense ratio of 0.15% and a yield to maturity of 4.90%, this fund acts as a shield for changing interest rates and provide stability via 3-month government bonds. USFR provides exposure to newly issued government floating rate notes, offering capital preservation and positive returns in a rising rate environment.

Growth Drivers:

USFR provides the LaPorte Fund with protection from rising interest rates through a liquid bond fund that holds primarily 3-month treasury bonds. These bonds have little default or interest rate risk, and act as a stable place to hold money that posts a return more favorable than holding cash in the current inflation environment.

Risk Factors:

With a low dividend yield, it will be important to monitor this holding if interest rates began to be cut. If the interest rate environment begins to change, yields will begin to fall and USFR may no longer be a worthwhile investment.
Wells Fargo & Company Preferred Stock

**WFCPRL**

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<tr>
<td>Wells Fargo &amp; Company is a leading financial services company that provides banking, investment and mortgage products and services, as well as consumer and commercial finance. WFC is present in 50 states as well as 30 countries. Wells Fargo 7.5 Perp Pfd is a convertible preferred stock perpetuity. With a dividend yield of 3.11%, WFC preferred stock provides the LaPorte Fund with a steady dividend inflow quarterly.</td>
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<th>Growth Drivers:</th>
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<td>With a fixed return of 7.50%, WFCPRL provides a stable, above average, fixed income return. Acting as a perpetuity, WFCPRL intrinsically has an undefined long duration. Over the holding period, the Federal Reserve has increased the rate by 175 basis points. The Federal Reserve seems to be taking a less aggressive approach of 25 basis point fed funds rate hikes. If rates begin to be cut, WFCPRL will perform very well while continuing to post a solid dividend cash inflow. The occurrence of disinflation also provides stability for the future value of dividend payments.</td>
</tr>
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<th>Risk Factors:</th>
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<td>If inflation proves to be resilient or later rebounds, the value of the current dividends will be called into question. Additionally, if the Federal Reserve moves to pause the interest rate and later continue to hike to combat rebounding or persistent inflation, this holding will begin to negatively affect the portfolio due to its large stance in the portfolio sector.</td>
</tr>
</tbody>
</table>
Sam Allie

Sam is currently a first-year MBA candidate with a focus in Finance. He joined the LaPorte Fund in October of 2022 and covers the Industrial sector. Prior to pursuing an MBA, he spent a year working in the supply chain industry in a rotational development program for XPO and GXO. He has accepted a role as a Process Improvement and Competitive Strategy Intern for the summer of 2023. He will be exploring Corporate Finance and Consulting positions upon graduation in December.

Emily Becker

Emily is from Atlanta, Georgia and currently in her third year at the University of Tennessee, majoring in Finance with a collateral in Economics. This is her first semester on the LaPorte Fund, and she covers Fixed Income. Emily currently works as a Bloomberg Analyst in the Masters Investment Learning Center. On campus, Emily serves as Co-Founder and Co-President of Women in Finance, Event Chairman of Kappa Alpha Pi, an Officer of the UT Investment Group, and is a member of the Chancellors Honors College. This summer, she will be interning in New York City as a Summer Financial Analyst for L’Oréal USA.

Jack Benkert

Jack is from Chicago, Illinois and currently in his third year at the University of Tennessee, majoring in Finance, with a collateral in Accounting, and a minor in Statistics. This is his first semester on the LaPorte Fund, and he covers the Communication Services sector. He is an intern for the UT Endowment. Jack is also a member of the Chancellor’s Honors Program, Tennessee Capital Markets Society, and Real Estate Club. This summer, he will be interning for Bank of America as a Summer Wealth Management Analyst in the Houston office.
**Faith Burton**

Faith is currently in her fourth year at the University of Tennessee, majoring in Finance and Business Analytics with a collateral in Economics. This is her second semester on the LaPorte Fund, and she covers the Consumer Discretionary sector. She is originally from Rowland Heights, California, and most recently interned in Dallas as a Trade Management Summer Analyst with Goldman Sachs. On campus, Faith serves as Co-Vice President for Women of Haslam and is on the Haslam Student Advisory Council. She also works as a Research Assistant for the Business Analytics & Statistics department under the Melton Scholars program. Upon graduation in May 2023, Faith will be joining J.P. Morgan as a Private Bank Analyst in Atlanta, GA.

**Samir Martin**

Born and raised in Knoxville, Tennessee, Samir is currently in his second semester of the University of Tennessee’s Haslam College of Business MBA program. He completed his first Master’s degree with the Haslam College of Business in Business Analytics. He received his Bachelor’s of Science in Chemistry from Emory University, with a Mathematics minor. This is Samir’s second semester as a manager on the LaPorte Fund, covering the Energy and Utilities sectors. Upon graduating in May of 2023, Samir plans to pursue a career in Wealth Management.

**Nilai Sheth**

Nilai is currently in his fourth year at the University of Tennessee, double majoring in Finance and Business Analytics with a collateral in Information Management. This is his second semester on the LaPorte Fund, and he covers the Healthcare sector. He is originally from Brentwood, Tennessee, and most recently interned as a Finance and Data Analytics Analyst at Nissan headquarters. On campus, Nilai is part of the Business Analytics Club and is also a part of the Chancellor’s Honors program. He is currently working part time at healthcare software start-up company, Reimbursify, as a Business Analyst. Upon graduation in May 2023, Nilai will be joining Healthcare Realty Trust as a Data Analyst within Investor Relations in Nashville, TN.
Jarett Smith

Jarett is in his fourth year at the University of Tennessee, majoring in Finance with a collateral in Business Analytics. He is managing the Financials sector allocation of the LaPorte Fund during his second semester as a team member. Jarett is originally from Memphis, Tennessee, and most recently interned at Strategic Financial Partners in Memphis. During his time at the University of Tennessee, he has been involved in the Order of Omega Honors Society and held various leadership positions within the Sigma Chi Fraternity. In July of 2023, Jarett will begin the Dual MBA-MS in Business Analytics program here at the University of Tennessee.

Jackson Snodgrass

Jackson is currently in his fourth year at the University of Tennessee, majoring in Finance with a collateral in Entrepreneurship. This is his second semester as a member of the team, with the task of covering Real Estate and Materials. He is from Knoxville, Tennessee, and most recently interned at Realty Trust Group in his hometown. During his time at Tennessee, he has been an active member of the Sigma Alpha Epsilon Fraternity and has served as a Haslam College of Business Peer Mentor. Jackson will graduate this spring, after which he will join Realty Trust Group as an Advisory and Development Analyst in Knoxville, TN.

Garrett Stephens

Born and raised in Goodlettsville, Tennessee, Garrett is currently in his fourth and final year at the University of Tennessee, where he majors in Finance with a collateral in Economics. This is his second semester on the LaPorte Fund, and he covers the Information Technology sector. Garrett most recently interned with Strategic Financial Partners in Knoxville as a Financial Planning Intern, and he has been an active member of the UT Investment Group since his junior year. Following graduation in May 2023, Garrett plans to pursue a career in Wealth Management.
William Wheeler

William is currently in his fourth and final year at The University of Tennessee. He majors in Finance with a collateral in Marketing. William is a second semester LaPorte manager, and he actively monitors the Consumer Staples sector. Growing up in Nashville, William began his career interning with a local wealth management firm, Waypoint Financial Partners. Following his graduation in the spring of 2023, William is moving to Chicago to join UBS’ Wealth Advice Center, where he plans to pursue a career in Wealth Management and fulfill his dream of becoming a Financial Advisor.
ALL SECTORS

1. Bloomberg

Communication Services

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Consumer Discretionary

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19. 2022 Investor Day Presentations

**Consumer Staples**

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Nasdaq welcomes 156 IPOs and 29 exchange transfers in 2022, extending its leadership to 32 consecutive quarters.


NEW YORK, Dec. 15, 2022 (GLOBE NEWSWIRE) -- Nasdaq (Nasdaq:offerings (IPOs), raising a total of $14.8 billion.

https://ir.nasdaq.com/static-files/465d2157-c476-4546-a9f7-8d7ad0c9be77


Fixed Income

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