Carroll Fund

Half 2 Performance Report

Presented by Fund Managers

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Letter to the Carrolls

Dear Mr. Larry and Mrs. Vivian Carroll,

As the fiscal year has concluded for the Carroll Fund, we would like to extend our heartfelt gratitude to both of you for your unwavering support of this special program that allows us to have a unique, experiential learning experience at the University of Tennessee. Your generous contributions of resources, time, and knowledge have played a pivotal role in enriching our academic experience, opening doors to invaluable opportunities for growth and learning. We have had the rare opportunity to gain insight into the world of investment management as undergraduate students, and we could not be more grateful. Over our tenure, our proficiency in technical areas such as financial analysis, economic and market research, and portfolio management has seen remarkable growth. Additionally, the increased importance of soft skills like communication, teamwork, adaptability, and presentation skills has been ingrained in our professional development as well. It is thanks to this program that we have acquired a diverse set of skills that can be seamlessly transferred to our future professional careers upon graduation.

Over the fiscal year, the Carroll Fund achieved a 12.91% return, closely trailing our benchmark by only 25 basis points. Market volatility and uncertainty in the first half of the year (H1, 10/1/22 through 3/31/23) resulted in a misalignment with our macroeconomic outlook, leading us to underperform during that period. In contrast, during the second half of the year (H2, 4/1/23 through 9/30/23), the Carroll Fund portfolio delivered a return of 3.47% surpassing our benchmark by 1.98%. A strategic portfolio rebalance in December realigned our portfolio with our market outlook, enabling us to significantly narrow the gap with our benchmark and outperform in H2.

After the Carroll Fund portfolio underwent a rebalance that transitioned us into a more defensive stance, 30 of our holdings were impacted. In addition to various adjustments made in H1, the Carroll Fund portfolio saw numerous changes in H2. We initiated new positions in Advanced Micro Devices Inc. (AMD), Airbus SE (EADSY), Albemarle Corp. (ALB), Charles Schwab Corp. (SCHW), Costco Wholesale Corp. (COST), iShares MSCI India ETF (INDA), NextEra Energy Inc. (NEE), and Public Storage (PSA). We increased position sizes in CVS Health Corp. (CVS), Dollar General Corp. (DG), Jacobs Solutions Inc. (J), and UnitedHealth Group Inc. (UNH). We fully liquidated ARK Genomic Revolution ETF (ARKG), Caterpillar Inc. (CAT), PayPal Holdings Inc. (PYPL), Potlatchdeltic Corp. (PCH), Utilities Select Sector SPDR Fund (XLU), and Verizon Communications Inc. (VZ). Additionally, we took profits in Apple Inc. (AAPL), Eli Lilly and Co. (LLY), JPMorgan Chase & Co. (JPM), Lockheed Martin Corp. (LMT), and PepsiCo Inc. (PEP).

We want to express our sincere gratitude once more for your consistent commitment to the Carroll Fund. Our growth and success would not be possible without your support, and we will always cherish the countless opportunities provided by this special program.

Sincerely,
Alec DeVries, Ashley Odonnell, Braeden Salyer, Carter Speedy, Giovanna Rondinelli, Liam Decker, Matthew Mund, Michael Forshee, Michael Neuhoff, and Ned Morgan

Economic Outlook

Domestic Economy
The Carroll Fund has maintained a pessimistic outlook on the United States economy during H2 (4/1/23 through 9/30/23). Our pessimistic outlook has been motivated by persistent inflation, a strong labor market, and the "higher for longer" monetary policy of the Federal Reserve. The Federal Reserve has recently signaled we may be nearing the terminal rate, but there could be room for one more hike. CPI is currently at 3.20% YoY, which is encouraging as we approach the Federal Reserve's desired 2% target. However, the rate of decline in inflation has not matched initial expectations, necessitating the continuation of the "higher for longer" rate strategy. The Carroll Fund has also closely monitored a series of strikes across the nation, spanning from Hollywood to General Motor's car plants. While some sectors, such as healthcare and package shipping, have experienced near-strikes, no official strikes have occurred as of yet. Another area of focus has been housing markets where transactions imply moving which spurs ancillary economic activity. High mortgage rates of 8%, which is a two-decade high, have led to declining mortgage applications and reductions in existing home inventories. All these factors combined are what led the team to be pessimistic about the domestic economy in H2. We are hopeful for a soft landing in the coming months, but we are also prepared if we fall into a recession.

Global Economy
The Carroll Fund has remained pessimistic regarding the global economy, influenced by various factors. Notably, the United States, as a global economic powerhouse, wields substantial influence, and any challenges experienced domestically can have a ripple effect on other countries. The ongoing Russia-Ukraine conflict has remained unresolved, contributing to concerns surrounding oil prices, which have garnered significant attention. Global growth is projected to fall from an estimated 3.50% in 2022 to 3.00% in both 2023 and 2024. Central bank policy rates rising to fight inflation continues to impact economic activity. Global inflation is expected to fall from 8.70% in 2022 to 6.80% in 2023 and 5.20% in 2024. On a more individual basis, Russia, Europe, and Brazil have all increased their key rates multiple basis points to combat these issues. On the flip side, India saw a growth rate of 7.80% in Q2 2023. In Brazil, consumer confidence climbed to 94.80, its highest level since January 2019. Another bright spot was the growth we saw within the Asia and Pacific regions, with projected growth of 4.60% in 2023 and 4.20% in 2024, which puts it on track to contribute about two thirds of global growth this year. All of these factors combined are what contributed to the team's pessimistic view on the global economy.

Outlook
Moving forward we have become a bit more constructive, shifting to a cautiously pessimistic outlook. We think the next couple of months will give us more insight into labor markets, inflation levels, and the Federal Reserve's plan for the fed funds rate as we are now seeing the impact of the rate hikes. We believe the end of the rate hiking cycle is near, and we could see rate cuts as early as April 2024. This has led the Carroll Fund to begin seeking more cyclical companies in order to benefit as the economy recovers and markets strengthen.

Performance Summary

Overarching Mission
To manage the funds provided to us by our benefactor in ways that demonstrate our dedication to proper fiduciary management and keen financial inquiries while outperforming our benchmark.

Our Goals			
Objectives	**H1**	**H2**	**FY**
1. Achieve Positive Return	☑	☑	☑
2. Outperform Benchmark	☐	☑	☐
3. Outperform Competing Funds on Relative Basis	☐	☑	☐
4. Outperform Competing Funds on Absolute Basis	☐	☑	☐

Period	Carroll Fund Return	Benchmark Return	S&P 500 Return	Spread from Benchmark
H1	9.12%	11.29%	15.55%	-2.17%
H2	3.47%	1.49%	5.19%	1.98%
FY	12.91%	13.16%	21.50%	-0.25%

The Carroll Fund's benchmark is a weighted average of the S&P 500 Index and Bloomberg Barclays US Aggregate Total Return Value Unhedged Index, weighted at 60% and 40%, respectively.

*H2 refers to the time period April 1, 2023 - September 30, 2023

Best and Worst Performers

H2 Best & Worst Performers		
Holding	**$ Return**	**% Return**
LLY	$ 6,361.18	48.74%
GOOGL	$ 5,534.52	26.15%
AMZN	$ 5,194.94	23.07%
USFR	$ 3,527.04	2.29%
MSFT	$ 2,852.19	9.99%
NKE	$ (1,264.32)	-21.48%
AGG	$ (2,501.83)	-4.08%
NEE	$ (2,634.20)	-23.05%
DG	$ (3,499.10)	-35.44%
TLT	$ (4,920.79)	-15.07%

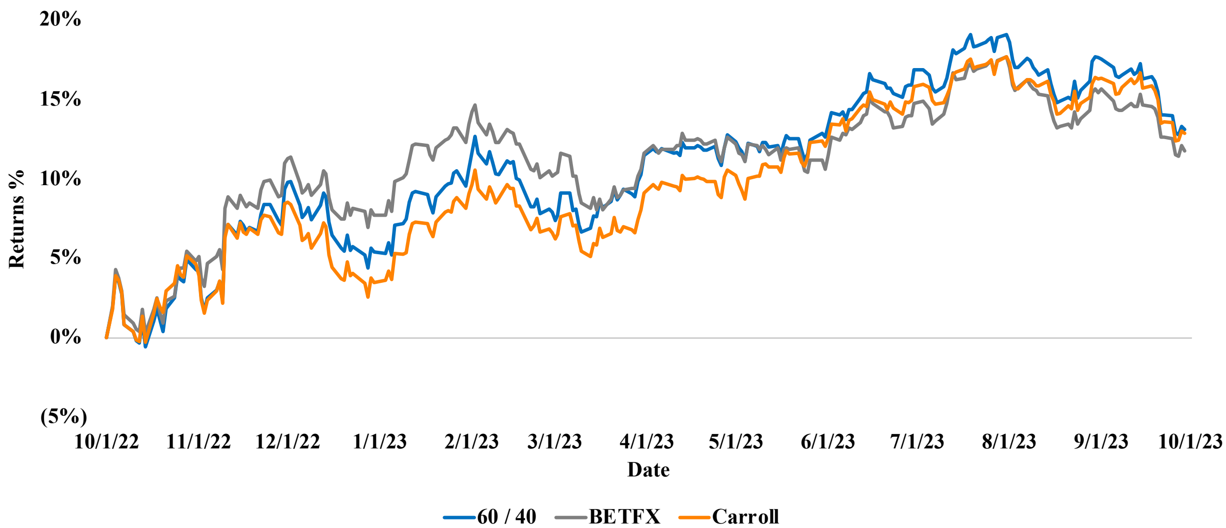
FY Best & Worst Performers		
Holding	**$ Return**	**% Return**
MSFT	$ 8,471.43	36.74%
AAPL	$ 8,046.85	23.38%
LLY	$ 6,378.66	48.94%
GOOGL	$ 6,334.24	27.49%
MRK	$ 6,079.00	25.12%
PYPL	$ (2,183.83)	-14.45%
NEE	$ (2,634.20)	-23.05%
CVS	$ (3,589.30)	-18.49%
DG	$ (4,104.51)	-32.99%
TLT	$ (5,080.70)	-8.17%

Risk Metrics

Carroll Risk Metrics			
Metric	**H1**	**H2**	**FY**
Sharpe Ratio	1.12	0.48	0.86
Treynor Ratio	0.16	0.04	0.10
Information Ratio	-1.61	1.71	-0.08
Tracking Error	0.03	0.02	0.02
Standard Deviation	0.14	0.07	0.11
Beta vs. Benchmark	0.97	0.95	0.97
R^2 of Beta	0.96	0.98	0.95
Beta vs. S&P 500	0.63	0.61	0.63
R^2 of Beta	0.95	0.89	0.93

Comparable Risk Metrics			
Metric	**H1**	**H2**	**FY**
Benchmark			
Sharpe Ratio	1.42	-0.05	0.87
Treynor Ratio	0.20	0.004	0.098
S&P 500			
Sharpe Ratio	1.34	0.63	1.05
Treynor Ratio	0.29	0.07	0.18
BETFX			
Sharpe Ratio	1.52	-0.43	0.16
Treynor Ratio	0.23	-0.03	0.02

Carroll Fund Returns

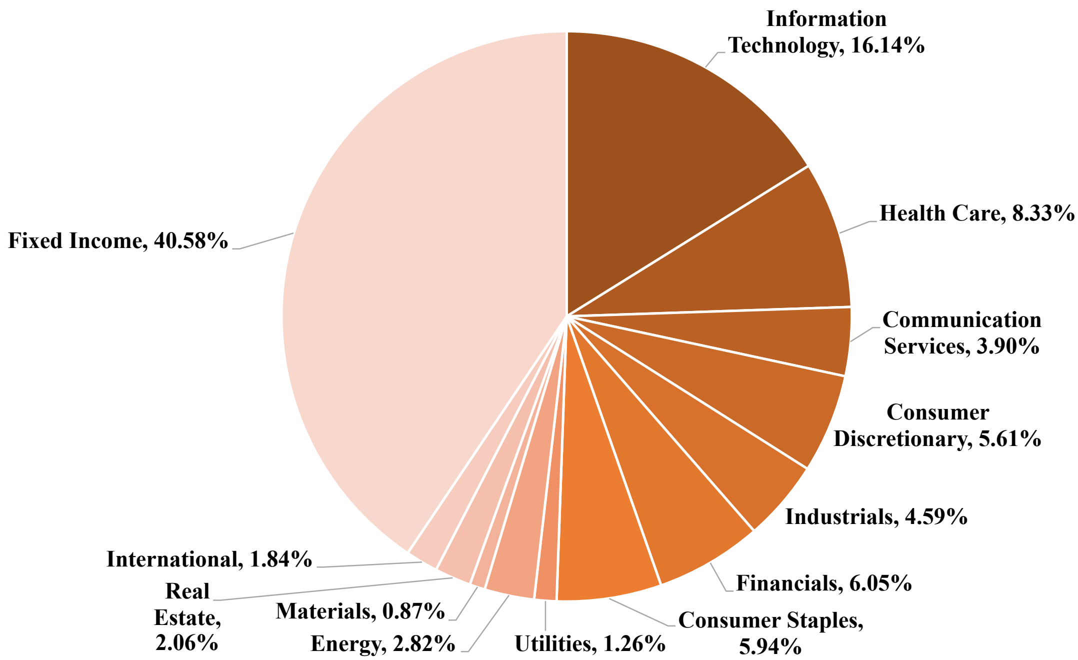


Torch Fund Returns

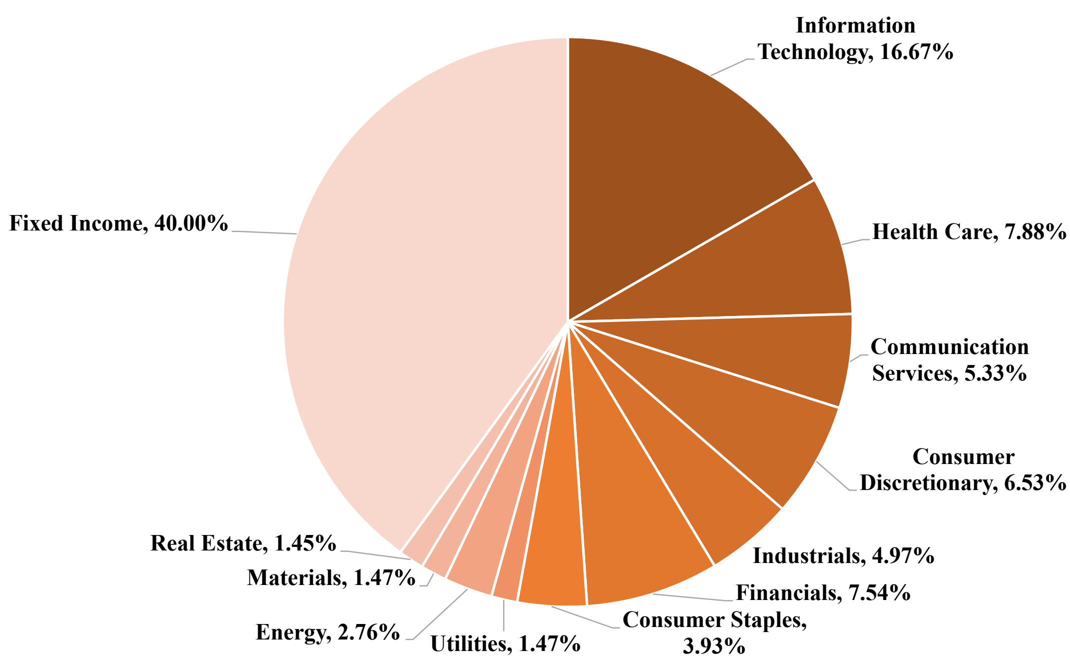
Torch Fund Returns				
Fund	**Carroll**	**Haslam**	**LaPorte**	**McClain**
H1	9.12%	11.97%	7.36%	13.72%
H2	3.47%	1.27%	-0.36%	0.10%
FY	12.91%	13.40%	6.97%	13.83%

Allocation of Funds

Carroll Fund



Benchmark



Portfolio Breakdown

Security	Value on 9/30/2023	% of Portfolio
Equity Holdings		
AAPL	$32,016.27	4.68%
ALB	$5,951.40	0.87%
AMD	$10,796.10	1.58%
AMZN	$27,712.16	4.05%
COP	$6,006.79	0.86%
COST	$7,909.44	1.16%
CVS	$13,684.72	2.00%
DG	$6,348.00	0.93%
EADSY	$7,294.28	1.07%
FDX	$6,358.08	0.93%
GOOGL	$27,054.48	3.90%
HAL	$6,766.74	0.96%
IAK	$9,531.60	1.39%
INDA	$12,602.70	1.84%
J	$12,012.00	1.76%
JPM	$7,396.02	1.08%
LLY	$13,428.25	1.96%
LMT	$5,725.44	0.84%
MRK	$12,765.80	1.87%
MSFT	$31,083.03	4.57%
NEE	$8,721.78	1.26%
NKE	$4,589.76	0.67%
PANW	$16,203.96	2.36%
PEP	$14,232.96	2.08%
PLD	$4,483.00	0.66%
PSA	$4,216.32	0.62%
PSX	$6,987.92	1.00%
SCHW	$8,399.70	1.23%
SPGI	$16,078.04	2.35%
TSCO	$6,091.50	0.89%
TSM	$20,160.80	2.95%
UNH	$17,342.38	2.51%
WELL	$5,320.26	0.79%
WMT	$12,154.68	1.78%
Fixed Income Holdings		
AGG	$57,928.64	8.44%
PFFV	$61,418.00	8.98%
TLT	$27,077.40	3.97%
USFR	$128,969.20	18.86%
SPAXX	$2,080.08	0.30%

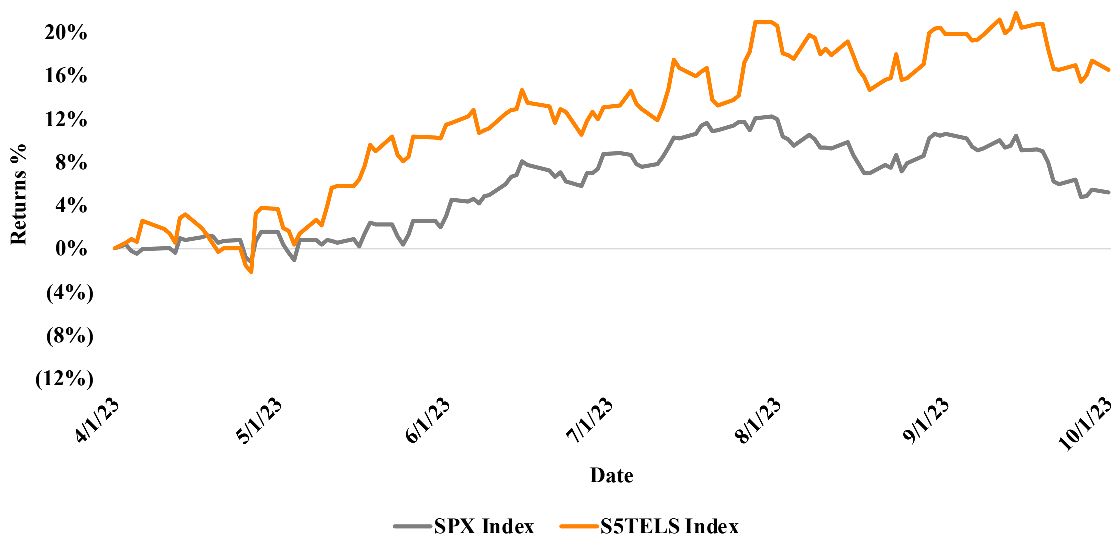
Communications Services

Managed by Carter Speedy

Sector Overview
The Communication Services sector encompasses companies that facilitate connectivity, whether through internet providers, media entertainment, or content and information creation companies.[1] The sector consists of two primary industries: Media & Advertising, and Telecommunication Services.[2] Media & Entertainment can be further segmented into industries like Advertising & Marketing, Cable & Satellite, Entertainment Content, Internet Media, and Publishing & Broadcasting.[3] Telecommunication Services can be subdivided into Telecom Equipment, Telecom Services, and Wireless Communication.[4] The Carroll Fund currently holds one stock in this sector: Google Class A (GOOGL), and we fully liquidated our positions in Fidelity MSCI Communications Index ETF (FCOM) and Verizon Communications Inc. (VZ) in early H1 and early H2, respectively. The sector's market capitalization as of September 30, 2023, stands at \$3.43T, constituting ~9% of the S&P 500.[5] The sector weighting within the equity portion of the Carroll Fund is currently 6.62%, indicating a slightly underweight position.

Impacts from H2
The S5TELS Index returned 16.50% for H2, greatly outperforming the S&P 500's return of 5.19%.[6] The sector benefited from large gains from its biggest companies like GOOGL, META, and NFLX. Cyclical stocks in the sector delivered strong performances, while more defensive stocks, such as those in Telecommunications Services, saw poor performance. The sector saw significant AI adoption with Google and Facebook introducing their generative AIs, Bard and LLaMA, respectively. Additionally, content creation companies touted gains from using AI to produce media, while telecommunication companies leveraged AI for better customer service. The growing reliance on digital communication technologies will create opportunities for innovation and transformation within the sector.

Performance



Alphabet Inc. Class A (GOOGL)

Holding Description
Alphabet Inc. is a holding company that operates through three primary segments: Google Services, Google Cloud, and Other Bets.[1] Google has become an integral part of consumers' everyday lives with nine of its products having over 1B users. "The Google Services segment provides products and services, including ads, Android, Chrome, hardware, Gmail, Google Drive, Google Maps, Google Photos, Google Play, Search, and YouTube".[2] This segment is also involved in the Google Play store, Fitbit, Google Nest, Pixel phones, and other devices. "The Google Cloud segment offers infrastructure, cybersecurity, data, analytics, AI, and machine learning, and other services".[2] Lastly, the Other Bets segments include nascent businesses with high potential growth such as Calico, Verily, Waymo, DeepMind, Project Wing, etc.[3] Sundar Pichai became the CEO of Alphabet in 2019, and Alphabet boasts a market capitalization of $1.66T as of September 30, 2023.[4]

Impacts from H2
GOOGL generated a 26.15% return in H2 for the Carroll Fund, producing $5,534.52 in profit. In GOOGL's Q2 earnings report, they beat analysts' expectations in revenue and EPS with $60.27B in revenue and a $1.44 EPS, while also improving their net income by 22% QoQ.[4] GOOGL benefited from numerous AI advancements, market dominance, and an anticipated soft landing. The company expanded the availability of Bard, an AI chatbot, to over 180 countries and territories, harnessing AI for developments in voice recognition, natural language processing, and autonomous vehicles, while also enhancing their search capabilities through generative AI. Alphabet dominates the search engine and digital advertising markets with a 90% and 39% market share, respectively, and their cloud computing market share increased to 11% in H2.[5,6,7] Advertising constitutes a large portion of GOOGL's revenue, and the industry usually suffers in recessionary times, so the optimism for a soft landing has kept investors' hopes high.[8] The Department of Justice filed an antitrust suit against Alphabet Inc. for monopolizing digital advertising technology products, and the ongoing trial is expected to end in November 2023.[9]

Outlook
The Carroll Fund is confident that GOOGL will continue to add value to our portfolio. Despite any media scrutiny, Alphabet's leadership in growing industries like Digital Advertising and Cloud Computing, its strong financial position, and its proven ability to grow and innovate make it a solid long-term investment.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$23,664.42	$21,160.92	3.47%	$0.00
H2	$21,160.92	$26,695.44	26.15%	$0.00
FY	$23,664.42	$26,695.44	27.49%	$0.00

Verizon Communications Inc. (VZ)

Holding Description

Verizon Communications Inc. (VZ) operates as a Telecommunications company with two main segments: Verizon Consumer Group (75% of sales revenue) and Verizon Business Group (25% of sales revenue).[2] Verizon provides Wireline Voice, Data Services, Wireless, and Internet Services for clients within the United States. Verizon Consumer Group provides consumer-focused wireless and wireline communications services and products, whereas Verizon Business Group provides wireless and wireline communications services and products to businesses, plus video and data services, corporate networking solutions, and various IoT services and products. Verizon has approximately 115M retail connections, 8M broadband connections, and 3M Fios video connections.[2] As of Q2 2023, Verizon had the second largest market share of wireless subscriptions in the United States at 29%.[1] The stock had a market capitalization of $154.79B as of June 28, 2023.[2]

Thesis for Exiting

The Carroll Fund wanted to close our position with a total gain of $41.06 as the growth of the company has stalled in recent years. Our liquidation of VZ provided us with funds to explore more innovative trade ideas and purchases, while also decreasing the number of stocks in our portfolio, which has been a goal for the Carroll Fund. The pressure on the Telecommunications industry was immense with high interest rates and the capital-intensive nature of these businesses, so we decided to exit with a profit with a view that interest rates would be higher for longer. The industry also operates within a mature business model, seldom offering investors new and exciting growth opportunities, so we chose to allocate our resources toward other investments. With AT&T continuing to expand its market share, Verizon's dominance in the industry was diminishing.

New Transactions

The Carroll Fund sold 112 shares of VZ at $36.37 on June 28, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$2,651.25	$4,355.68	10.09%	$73.08
H2	$4,355.68	$4,093.60	-4.79%	$0.00
FY	$2,651.25	$4,093.60	5.56%	$73.08

Consumer Discretionary

Managed by Ashley O'Donnell

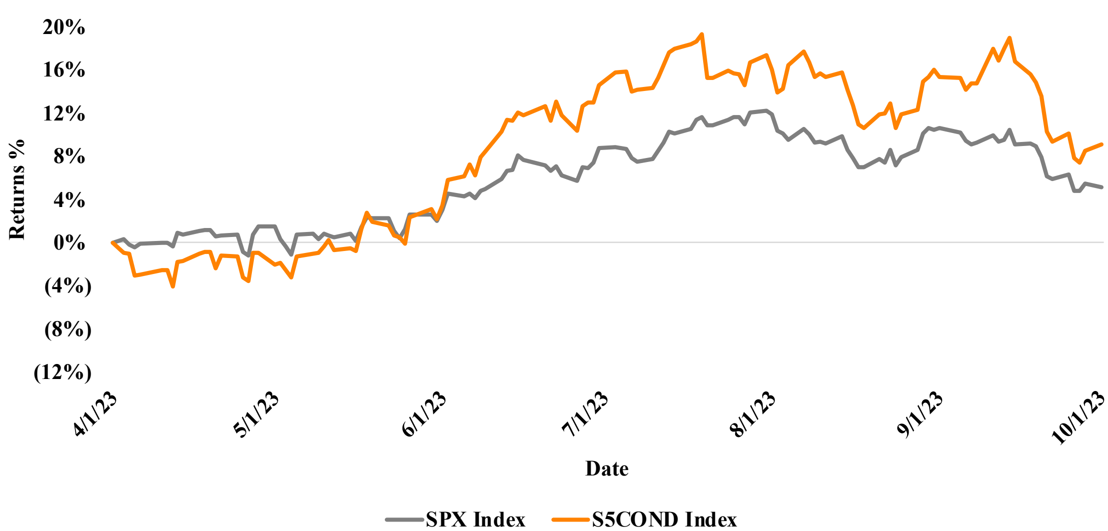
Sector Overview

The Consumer Discretionary sector is comprised of companies that provide nonessential goods and services to consumers. A few main industries include Automotive, Hotels, Household Durables, Restaurants & Leisure, and Textiles & Apparel. Demand within this sector relies heavily on current economic conditions such as inflation, interest rates, and overall sentiment of consumers. Because of this characteristic, it is crucial to track what stage of the economic cycle the United States is currently in and where it might be headed. Understanding this will allow us to gauge whether we should buy or sell different securities and establish a possible defense strategy. For example, during times of economic expansion, consumer confidence is high which allows this sector to overperform, while it underperforms during times of economic contraction. Our portfolio's current equity allocation of this sector is 9.20%, which places us underweight by 1.38% compared to the S&P 500. The total market capitalization for Consumer Discretionary is $4.14T. The Carroll Fund currently holds Amazon (AMZN), Nike (NKE), and Tractor Supply Company (TSCO).

Impacts from H2

After experiencing a period of volatility throughout H1 due to economic uncertainty surrounding multiple hikes in interest rates, this sector recovered significantly during H2. Consumers have developed a resiliency to high interest rates which has caused consumer spending to grow. This period was marked by a decrease in inflation from 5.00% as of March 31, 2023, to 3.70% as of September 30, 2023. Inflation reached as low as 3.00% at the end of June, and we can also observe significant returns from this sector during this time. Consumer Discretionary performance seemed to follow very closely alongside the S&P 500 benchmark in the months leading up to summer and outperformed during June and part of July. For the remainder of H2, this sector outperformed the benchmark which reflects just how resilient the American consumer is even in the face of high interest rates. Moving forward, we hope to see consumers remain resilient as concerns of a possible recession dissipate, inflation continues to decrease, and interest rates reach a peak and begin to decline.

Performance



Amazon (AMZN)

Holding Description
Amazon is the world's largest online retailer that also specializes in Amazon Web Services, Physical Stores, Subscription Services, and Third-Party Seller Services. In addition to being a leading company within the Consumer Discretionary sector, Amazon is also considered to be one of the Big Five American technology companies alongside Alphabet, Apple, Meta, and Microsoft. In terms of Amazon's business strategy, they prioritize customer feedback, quick adoption of new trends, and high-quality decision making within a short time frame. Their ability to provide unmatched speed of deliveries, as well as their development in AI and Cloud Computing, allows them to hold a competitive advantage against their peers. Alibaba, eBay, Microsoft, and Walmart are some of Amazon's biggest competitors. The Carroll Fund currently holds 218 shares of Amazon which makes up 4.05% of our total portfolio.

Impacts from H2
Amazon has performed well throughout H2, returning a positive 23.07%. After struggling in H1 from general market uncertainty and a decrease in consumer confidence, Amazon bounced back and recognized significant gains. This is likely due to an increase in consumer spending as consumers regained confidence in the economy and demonstrated resilience even in the face of increasing interest rates. Amazon saw its largest price increase over H2 following the release of earnings for Q2 2023. Net sales increased 11% to $134.4B which beat analysts' expectations, resulting in Amazon's shares increasing 9% post-earnings. This surge in its stock price was also largely due to Amazon's ability to restabilize growth in its Amazon Web Services segment; the segment grew 12% to $22.10B which beat expectations of $21.70B.

Outlook
After successful performance by Amazon in H2, the Carroll Fund is confident that this investment will continue to provide a positive return in the future. We believe Amazon will continue to excel within its industry and also dominate the Consumer Discretionary sector. As inflation continues to decline, the consumer will gain more confidence and increase spending which will increase Amazon's revenue. Currently, Amazon is positioning themselves to cut costs, expand its Advertising segment, and remain ahead of its competitors in the realm of Cloud Computing.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$33,900.00	$22,517.22	-12.61%	$0.00
H2	$22,517.22	$27,712.16	23.07%	$0.00
FY	$33,900.00	$27,712.16	2.72%	$0.00

Nike (NKE)

Holding Description

Nike is the world's largest athletic apparel company, known for sponsoring big-name athletes such as LeBron James and Serena Williams. A significant portion of their business strategy is dedicated to establishing these iconic relationships in order to create strong brand awareness. For this reason, much of their expenses consist of marketing and advertising to secure deals with these athletes. In terms of revenue, Nike's main sources of revenue are comprised of Apparel, Footwear, and Sports Equipment which reach beyond North America and into Africa, Asia Pacific, Europe, Greater China, Latin America, and the Middle East. This global expansion of revenue generation allows Nike to remain ahead of its competitors, some of which include Adidas, Lululemon, Puma, and Under Armor. The Carroll Fund holds 48 shares of Nike which makes up 0.72% of our total portfolio.

Impacts from H2

During H2, Nike returned a negative 21.48%. This capital loss is likely due to issues Nike experienced as a result of lingering effects from COVID-19. Nike has struggled with excessive inventory since the pandemic which has consistently weighed on its margins. In Nike's Q4 2023 earnings results, they reported a decrease of 1.40% in gross margins, which contributed to a miss in earnings. Additionally, because Nike operates such a large portion of its business in China, its success relies on the economic vitality of China, which demonstrated instability throughout H2 due to continuing restrictions from COVID-19. Fortunately, by Q4 2023, Nike recovered sales from this segment and reported a 16% YoY increase to $1.81B in revenue, which beat analysts' expectations of $1.68B. Nevertheless, Nike was unable to recognize a significant increase in its stock price and we believe this was because Nike's past few earnings results suggested a negative outlook.

Outlook

Nike has demonstrated that they are working to regain the value that they once boasted prior to the pandemic through reaching a healthy level of inventory, expanding its customer base via Nike Direct, and remaining focused on demand creation with sponsored athletes. The Carroll Fund is optimistic that Nike will be able to return to a higher stock price so long as they meet expectations for future earnings. It is also important that the condition of the economy is healthy, and consumers continue to demonstrate resilience even in the face of high inflation and interest rates.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$5,485.92	$5,886.72	46.02%	$42.57
H2	$5,886.72	$4,589.76	-21.48%	$32.64
FY	$5,485.92	$4,589.76	22.98%	$75.21

Tractor Supply (TSCO)

Holding Description

Tractor Supply is the largest rural lifestyle retailer in America, and it operates in the Farm and Ranch industry. They are headquartered in Brentwood, Tennessee and cater to its customer base of recreational farmers, homeowners, gardeners, and rural families. Because this customer base is specific to rural locations, Tractor Supply centers its business model around a sustainable and self-sufficient lifestyle while helping customers pursue their passions at a low cost. A clever marketing strategy that Tractor Supply adopted in 2020 is called “Life Out Here”, which has allowed them to expand their customer base beyond the typical industrial farmer and into “hobby farmers” that reside in suburban areas. In terms of revenue breakdown, roughly half of their sales come from Livestock & Pet, proceeding Seasonal, Gift & Toy (21%), followed by Hardware, Tools & Truck (19%), Clothing & Footwear (7%), and finally Agriculture (3%). Tractor Supply also has established a Neighbor’s Club loyalty program which has over 28M members and has had 50% growth in the last two years. Although Tractor Supply serves a niche market and is therefore difficult to find an exact comparison, Home Depot and Lowes are considered Tractor Supply’s top competitors. The Carroll Fund holds 30 shares of Tractor Supply, which makes up 0.90% of our entire portfolio.

Impacts from H2

Tractor Supply returned a negative 12.73% during H2. In their Q2 2023 earnings results, Tractor Supply reported a net sales increase of 7.20% to $4.18B and diluted EPS growth of 8.50% to $3.83. Since the release of Q2 2023, Tractor Supply announced a new target to open 3,000 new stores in the United States, which is an increase of 200 locations from its previous statement. This expansion could have investors uncertain about its potential payoff, which could explain the dip in Tractor Supply’s stock price. Overall, we contribute much of this negative return to a lack of consumer confidence due to high interest rates and inflation as Tractor Supply saw a decline in seasonal goods and big-ticket items throughout this period.

Outlook

Looking forward, the Carroll Fund is confident that the value of Tractor Supply will increase as inflation cools and interest rates decline. Tractor Supply has a promising business model which aims to reach beyond the niche market of rural consumers and expand to suburban areas and we believe their plans to open new stores will result in higher profitability and stock price.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$6,816.30	$7,051.20	3.06%	$0.00
H2	$7,051.20	$6,091.50	-12.73%	$61.80
FY	$6,816.30	$6,091.50	-10.07%	$61.80

Consumer Staples

Managed by Alec DeVries

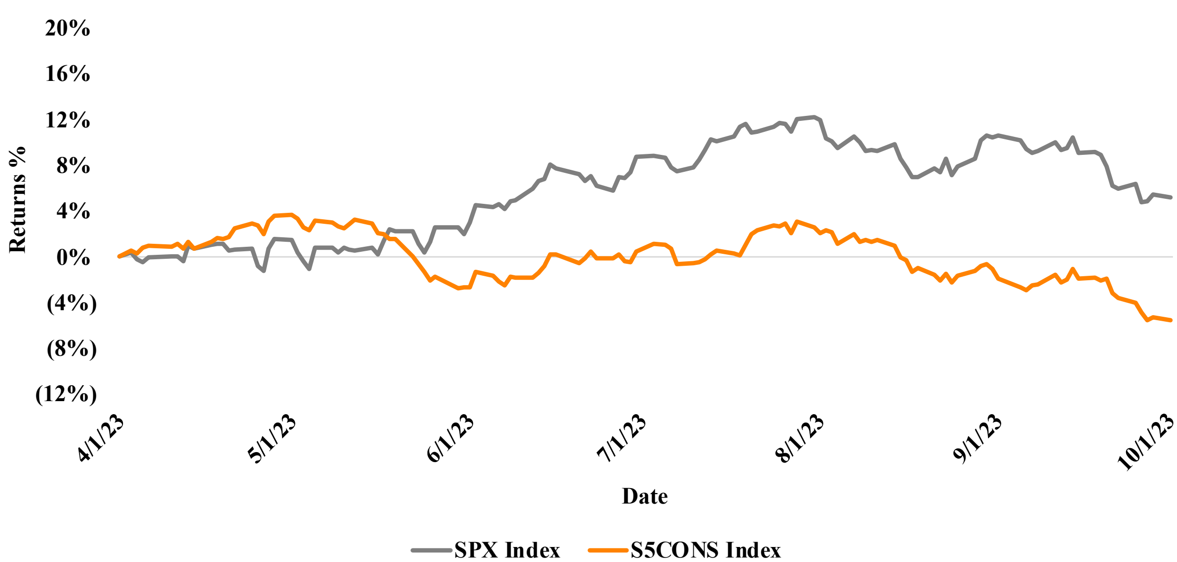
Sector Overview

The Consumer Staples sector consists of businesses that provide products considered necessities by consumers. The sector is made up of six industries: Beverages, Food and Staples Retailing, Food Products, Household Products, Personal Products, and Tobacco. Consumer Staples is considered to be a non-cyclical or defensive sector, as their performance is largely unaffected by fluctuations in business cycles because the demand for these necessities is constant. Due to being defensive, the sector is known to outperform other sectors during recessions and slowdowns but may underperform during expansionary phases of the business cycle. With a market capitalization of $2.64T[1] deriving 6.57%[2] of the S&P 500, companies within this sector are characterized by consistent growth and increasing or consistent dividends. Entering H2 for Consumer Staples, the Carroll Fund held three companies: Dollar General (DG), PepsiCo (PEP), and Walmart (WMT). Over the period, the Carroll Fund added Costco (COST) to finish the FY with four Consumer Staples holdings.

Impact from H2

Consumer Staples, or the S5CONS Index, had a total return of -5.47% over H2, underperforming the total return of 5.19% for the S&P 500. Within the portfolio, COST (14.11%) and WMT (9.24%) largely outperformed the S5CONS Index and the S&P 500 as a whole. The sector's underperformance can be attributed to a variety of factors. While interest rates were being held higher for longer to battle ongoing inflation, the consumer remained resilient. Because the economy remained strong, increases in the United States treasury yields made government-issued bonds a more attractive investment vehicle for investors.[3] Additionally, some companies continued to combat rising input costs that carried over from H1, causing their product margins to slim or their prices to rise, hurting demand. Although the sector has underperformed during the period, going forward we expect S5CONS Index to recover and continue being resilient as the economy feels the effects of higher interest rates and begins to cool down.

Performance



Costco Wholesale Corporation (COST)

Holding Description
Costco is the nation's largest wholesale club operator with nearly 840 membership warehouse stores. Serving about 119M members in approximately 45 states and 10 other countries, Costco's merchandise includes a wide variety of apparel, automotive supplies, electronics, food, hardware, health, sporting goods, toys, and more. Certain memberships for their clubs also include products and services like home and car insurance, real estate services, and travel packages. The summation of the products they offer is split into five major product categories: Food & Sundries (~40% of revenue), Non-foods (~25% of revenue), Fresh Food (~15% of revenue), Other businesses (~15% of revenue), and Warehouse Ancillary (~5% of revenue). In order to shop at Costco, customers must be members and pay an annual recurring membership fee.[1] Costco's mission is to "continually provide our members with quality goods and services at the lowest possible prices."[2] The Carroll Fund currently holds 14 shares of Costco, making up 1.17% of the portfolio.

Impact from H2
Costco displayed an excellent performance for the Carroll Fund, providing a high 14.75% return and outperforming both the Consumer Staples sector (-5.47%) and the S&P 500 (5.19%). Costco benefitted more than its competitors because of its revenue model. Although pressure to raise prices and slowing consumer demand impacted the Consumer Staples sector as a whole, Costco was able to demonstrate why its revenue model aids during market downturns. The company is able to generate a large portion of their earnings, over 72%, through recurring membership fees, which have remained pretty inelastic.[3] From Costco's Q3 2023 earnings report released on May 25, 2023, the company reported an EPS of $2.93, missing estimates of $3.43 (a -14.54% miss), and revenues of $53.65B, meeting estimates with a 0% surprise.[4]

Outlook
The Carroll Fund is confident in Costco's performance and operations moving forward, and it is a long-term hold for the portfolio. Their ability to maintain strong revenue and net income because of the inelasticity of their annual memberships is an element of Costco that makes it stronger and more differentiated than most companies within Consumer Staples. This proves even more valuable during a time with inflation causing problems on companies' margins and input costs, in addition to the changing preferences of consumers.

New Transactions
The Carroll Fund bought 14 shares of COST at $494.13 on April 14, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$6,878.20	$7,909.44	14.75%	$28.56
FY	$6,878.20	$7,909.44	14.75%	$28.56

Dollar General Corporation (DG)

Holding Description

Dollar General is one of the largest discount retailers in the United States by the number of stores. With approximately 19,145 stores located in over 45 states, Dollar General offers a wide selection of merchandise, including consumable products such as Beauty, Food, Health, Non-Consumables, Paper and Cleaning products, and Pet Supplies.[1] A large majority of their stores are located in the southern, southwestern, midwestern, and eastern US, with their core customer base including low- and fixed-income households. Dollar General's mission is simple: serve others. The company works to "deliver value and convenience through more than 19,000 neighborhood general stores."[2] The Carroll Fund currently holds 60 shares of DG, making up 1.01% of the portfolio.

Impacts from H2

Dollar General had a rough H2, returning -35.44% for the Carroll Fund, far below the returns of the Consumer Staples sector and the S&P 500 (-5.47% and 5.19%, respectively). Dollar General suffered from a multitude of business and macroeconomic factors, including high interest rates slowing consumer traffic within their stores, price hikes to keep up with inflation,[3] and increased shrink, which are inventory losses caused by damaged items, human error, and theft. However, despite these factors, the Carroll Fund is confident in Dollar General's core business model in the future and added an additional 38 shares to the portfolio.

Outlook

Despite the tumultuous H2, the Carroll Fund is confident in Dollar General's eventual recovery. To fix their internal operating problems, in their Q2 2023 earnings report, Dollar General stated they are "taking theft seriously," working to reduce inventory, and are offering "more discounts, primarily in non-consumable products to lure more customers more frequently into its stores"[4] going into the holiday season. Additionally, once inflation and interest rates are tamed and macroeconomic conditions improve, the Carroll Fund believes Dollar General will recover in time with our investment horizon.

New Transactions

The Carroll Fund bought 38 shares of DG at $138 on August 31, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$7,227.90	$4,630.12	-8.41%	$12.10
H2	$4,630.12	$6,348.00	-35.44%	$25.96
FY	$7,227.90	$6,348.00	-32.99%	$38.06

PepsiCo Inc. (PEP)

Holding Description

PepsiCo is a leading global beverage and convenience food company that manufactures, markets, and sells a variety of Carbonated & Non-Carbonated Beverages, Foods, and Grain-based Snacks. Their products are the accumulation of a multitude of brands, including Cheetos, Doritos, Gatorade, Lays, Mountain Dew, Pepsi-Cola, Quaker, and SodaStream. Operating in more than 200 countries and territories, their business is split into seven business units: (1) Africa, Middle East, and South Asia, (2) Asia Pacific, Australia, New Zealand, and China, (3) Europe, (4) Frito-Lay North America, (5) Latin America, (6) PepsiCo Beverages North America, and (7) Quaker Foods North America. PepsiCo's customers include wholesalers and distributors, foodservice customers, grocery stores, convenience stores, dollar stores, and more.[1] The Carroll Fund currently holds 84 shares of PEP, making up 1.97% of the portfolio.

Impacts from H2

Over the period, PepsiCo returned -3.71% to the Carroll Fund, underperforming the S&P 500 (5.19%) but outperforming the Consumer Staples sector (-5.47%). In their earnings report released July 13, 2023, PepsiCo beat consensus estimates for both EPS and revenues by 2.09% and 0.18% with $2.25 and $23.45B, respectively.[2] With their net pricing increasing 15% for the quarter to keep up with inflation, PepsiCo was able to bring in higher revenues and product sales, but saw consumer demand falter.[3] Despite a slowdown in consumer demand resulting from inflated prices; however, consumers were still willing to purchase PepsiCo's products, illustrating the company's ability to provide a valuable product image to consumers and its strength as a defensive company within Consumer Staples. Alongside the successful earnings report, PepsiCo raised its FY guidance, and is now expecting its FY earnings to be up 12% on a constant currency basis as compared to a 9% increase previously, and organic revenue is predicted to rise 10% compared to a previous 8% increase.[3] With PepsiCo's strong brand image and operations, the company looks to continue providing strong revenue growth amidst a tough and uncertain market.

Outlook

The Carroll Fund holds PepsiCo because of its reliable and consistent business model, its high brand image, and its ability to be resilient during difficult economic conditions. With these reasons, in combination with PepsiCo's current performance and our slightly pessimistic market outlook, PepsiCo is a long-term hold for the Carroll Fund.

New Transactions

The Carroll Fund sold 38 shares of PEP at $183.42 on April 14, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$20,734.02	$22,240.60	13.05%	$286.35
H2	$22,240.60	$14,232.96	-3.71%	$212.52
FY	$20,734.02	$14,232.96	9.06%	$498.87

Walmart, Inc. (WMT)

Holding Description

Walmart is one of the world's largest companies by revenue and the largest employer with approximately 2.10M associates. Walmart operates discount stores, supercenters, and neighborhood markets. The company sells a wide variety of products with more than 5,315 stores in the United States, 4,715 stores internationally, and their approximately 600 Sam's Club warehouse clubs. Their merchandise includes Apparel, Books, Electronics, House Wares, Jewelry, Musical Instruments, Shoes, Small Appliances, and more. Walmart US is the largest segment of the company with about 70% of sales, including their e-commerce sites and mobile apps. Their international segment accounts for over 15% of sales, and operates in a large number of countries, including Africa, Canada, Chile, China, and more. The Sam's Club segment accounts for the remaining 15% of sales. Being membership-only, Sam's Club offers merchandise in five categories: Fuel & Tobacco, Grocery & Consumables, Health & Wellness, Home & Apparel, Office & Entertainment, and Technology.[1] The Carroll Fund currently holds 76 shares of WMT, making up 1.78% of the portfolio.

Impacts from H2

Over the period, Walmart experienced above-average performance during a time running rampant with high interest rates affecting prices and changing consumer preferences. During H2, Walmart returned 9.24% for the Carroll Fund, surpassing both the Consumer Staples sector (-5.47%) and the S&P 500 (5.19%). Seen as a "market share winner into 2024," Walmart prospered from the company's ability to retain income shoppers earning more than $100,000 a year. Other wins included its fast growing media business, as the company strives to become a top 10 advertiser in the US, and gains in healthcare through its partnership with National Vision, pushing Walmart further into the industry.[2] In Walmart's Q1 2024 earnings report on May 18, 2023, the company reported an EPS of $1.84 and revenues of $161.63B, beating the consensus $1.70 and $159.64B estimate by 8.30% and 1.25%, respectively.[3] Because of these successful results, Walmart raised its guidance for the year, seeing revenue increase to 3.50%, up from a prior range of 2.50% to 3.00%.[4] The company also raised its EPS guidance for the year to a range of $6.10 to $6.20, above the previous forecast of $5.90 to $6.05.[5]

Outlook

The Carroll Fund is confident in the world's largest company by revenue moving forward, as Walmart, in addition to its rise as an e-commerce giant, has continued to demonstrate its ability to maintain strong profitability in a tough economic environment and maintain consistent growth. Walmart is a long-term hold for the Carroll Fund, and we believe the company will continue to provide strong results with our defensive outlook.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$10,246.30	$11,206.20	14.04%	$44.24
H2	$11,206.20	$12,154.68	9.62%	$129.96
FY	$10,246.30	$12,154.68	24.57%	$174.20

Energy

Managed by Michael Forshee

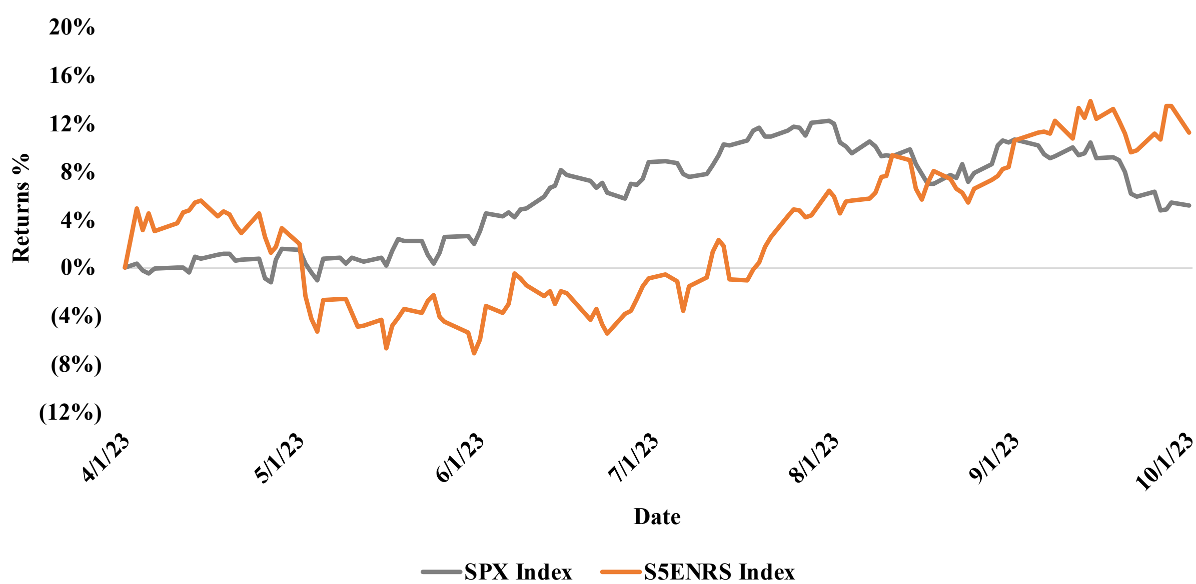
Sector Overview

The Energy sector of the S&P 500 involves companies that deal in "oil and gas exploration, production, refining, marketing, storage, and transportation; contracted drilling or ownership of drilling rigs that contract their services for drilling wells; manufacturing equipment, including drilling rigs, and providing supplies and services to companies involved in the drilling, evaluation, and completion of oil and gas wells; and production and mining of coal, related products, and other consumable fuels related to the generation of energy."[1] The Energy sector powers all other sectors and is the ultimate driver of growth. The sector currently has a market capitalization of $1.67T, and it makes up around 4.68% of the S&P 500.[2] Within the sector, the Carroll Fund holds Halliburton (HAL), ConocoPhillips (COP), and Phillips 66 (PSX).

Impacts from H2

H2 was characterized by a period of strong growth for energy companies as global tensions and supply cuts saw the price of Brent Crude shoot up. The Energy sector grew about 11.06% during H2, a sharp climb primarily attributed to the rise in crude oil. Russia and Saudi Arabia extended supply cuts in early September which helped boost the price of Brent Crude. During H2, we saw the price of crude oil rise about 19.48%, from around $79.77/bbl to $95.31/bbl.[2] Energy companies are reliant on the price of crude oil to determine their revenue and earnings, as exploration and production companies can only sell oil for its market price, and refineries are reliant on what is known as the market crack spread, or the difference between crude oil and refined products. As oil prices climbed higher, the earnings for energy companies increased which ultimately led to stronger performance.

Performance



ConocoPhillips (COP)

Holding Description
ConocoPhillips (COP), is an independent exploration and production (E&P) company that explores for, produces, transports, and markets bitumen, crude oil, liquefied natural gas, natural gas, and natural gas liquids on a worldwide basis. They are headquartered in Houston, Texas, and operate in 13 countries with around 9,700 employees. The company has six main operating segments, defined by geographic region. The segments include Alaska, Asia Pacific, Canada, Europe, Lower 48, Middle East & North Africa, and Other International. Approximately 75% of revenue comes from the United States.[1]

Impacts from H2
ConocoPhillips had a strong year, seeing gains of 20.86% over the FY and gains of 22.99% over H2, while the Energy sector was up 11.06% over H2. COP's strong performance can be partially attributed to the price increases of crude oil during this time. As COP is an exploration and production company, their earnings are primarily derived from the price of crude oil. As crude increased 19.48% over the FY, we saw COP's earnings rise as well. Energy companies are staying committed to returning value to shareholders, and COP is no different. The dividend payout ratio for COP has varied from 52.01% in Q3 2022 to 60.05% in Q2 2023, showing that they are dedicated to returning cash to shareholders.

Outlook
Looking forward, we are confident in COP given the current economic environment and their long-term strategy. As continued supply cuts are keeping oil prices sticky, COP is in a good place to continue growing revenue and earnings. Their windfall profits can allow for greater return to shareholders, as well as investment in new areas to acquire more oil assets. Additionally, their long-term strategy of steady growth, improving returns, and returning cash to shareholders sets them up well in an industry that has faced criticism for unnecessary capital expenditure.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$6,959.12	$4,861.29	4.80%	$189.17
H2	$4,861.29	$5,870.20	22.99%	$108.78
FY	$6,959.12	$5,870.20	20.86%	$297.95

Halliburton (HAL)

Holding Description

Halliburton Company (HAL) is one of the three largest oilfield service companies in the world. The company is concerned with collaborating and engineering solutions to maximize shareholder value, and this is done through their two operating segments: Completion & Production, and Drilling & Evaluation. The Completion & Production segment involves delivering cementing, intervention, pressure control, artificial lift, and completion products and services, and this makes up over half of their total revenue. The Drilling & Evaluation segment provides field and reservoir modeling, drilling, fluids, and other products and services. This segment is a smaller contributor to revenue, providing a bit over 40% to the firms topline. The company has over 48,000 employees with operations in over 70 countries.[1]

Impacts from H2

Halliburton had a strong year, seeing gains of 23.73% over the FY and gains of 29.01% over H2, while the Energy sector was up 11.06% over H2. HAL's strong performance can be partially attributed to the price increases of crude oil during this time. As HAL is an oilfield service company, their earnings are relatively reliant on the price of crude oil. By supplying products for exploration and production companies, they can capitalize off increasing prices. As crude oil increased 19.48% over the FY, we saw HAL's earnings rise as well. Recent consolidation in the oilfield points to a long-term bet on oil and natural gas by major integrated oil and gas players, providing HAL with a more certain future and revenue growth.

Outlook

Looking forward, we are confident in HAL given the current economic environment and their long-term strategy. With oil prices remaining sticky and demand for oil and natural gas here to stay, HAL will perform well supplying products to exploration and production companies. As the United States is the largest producer of both oil and natural gas, HAL will continue to be a strong player in a marketplace that makes up around 50% of its revenue.[1] Their continued strength will additionally be a product of their continued technological innovations and commitment to maximizing value throughout the life of the asset.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$2,999.00	$5,125.68	-0.65%	$48.12
H2	$5,125.68	$6,561.00	29.01%	$51.84
FY	$2,999.00	$6,561.00	23.73%	$99.96

Phillips 66 (PSX)

Holding Description
Phillips 66 (PSX) is a diversified energy manufacturing and logistics company. It operates through four main segments: Chemicals, Marketing & Specialties, Midstream, and Refining. Marketing & Specialties contributes over 65% of revenue, and Refining contributes about 25% of revenue. It has about 7,200 branded outlets in the United States and Puerto Rico, and around 80% of the company's revenue comes from United States customers. They are headquartered in Houston, Texas with around 13,000 employees, and they were spun off ConocoPhillips in May of 2012 which gave them more autonomy in dealing with midstream and downstream operations.[1]

Impacts from H2
Phillips 66 saw impressive gains over the FY and H2, with gains of 41.63% and 20.59% respectively. PSX greatly outperformed the Energy sector which saw gains of 11.06% over H2. One important factor for this was the consistent rise in gasoline prices through 2023. The midpoint price for a gallon of gasoline at the start of 2023 was about $3.22 per gallon, while at the end of the FY gasoline prices were about $3.82 per gallon, an 18.63% increase. This sharp increase in gas prices provided PSX with the opportunity to obtain higher margins in their refinery operations, and it allowed them to price gasoline higher in their Marketing & Specialties industry where they are selling gasoline to customers. PSX has seen relatively stable net income margins over the last few quarters, whereas revenue growth has been negative since Q2 2023, but this is attributed to the excessively high refinery margins we saw in 2022.

Outlook
Looking forward, we will want to monitor PSX's margins and the price of Brent Crude to ensure they are in a position to generate strong earnings. Recent macroeconomic events such as higher for longer interest rates and dwindled pandemic savings are leaving consumers with less disposable income, likely meaning falling demand for gasoline. As prices potentially decrease, we will see less earnings for PSX, as a major contributor to their revenue is their Marketing & Specialties unit. Additionally, the Russia-Ukraine conflict can lead to complications and supply restraints for the price of Brent Crude, which is the main input in their refining operations. As the market crack spread (the difference between the price of crude oil and refined products) potentially decreases, we will want to ensure PSX is maintaining margins and cash flow.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$9,363.52	$5,778.66	28.92%	$172.37
H2	$5,778.66	$6,848.55	20.59%	$119.70
FY	$9,363.52	$6,848.55	41.63%	$292.07

Financials

Managed by Giovanna Rondinelli

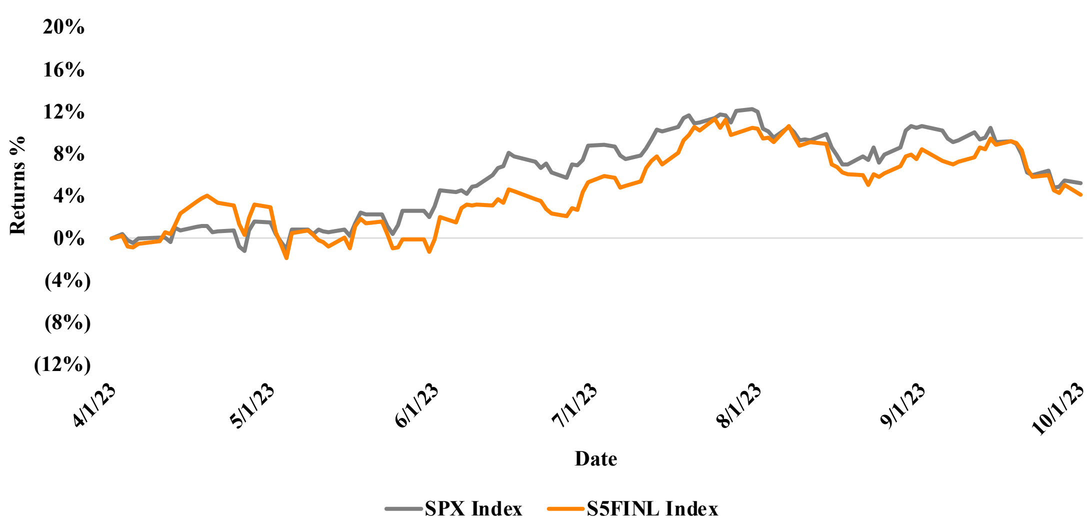
Sector Overview

The Financials sector encompasses a wide range of companies that provide financial services to both commercial and retail customers. It is comprised of three main industry groups: Banks, Financial Services, and Insurance. Within these groups, we can further classify them into five distinct industries: Banks, Capital Markets, Consumer Finance, Financial Services, and Insurance. The Banking industry primarily involves lending to clients, utilizing deposited funds, and generating revenue through the interest charged on loans. The Financial Services industry consists of various companies offering services in areas such as banking, insurance, credit cards, mortgages, accounting, investing, and payment services. The Insurance industry plays a crucial role in the sector by safeguarding companies from unforeseen events that could harm their operations. Insurance companies cover the costs of such events in exchange for upfront premiums. With a market capitalization of $9.03T, the Financials sector is a significant component of the United States economy.

Impacts from H2

Throughout H2, the Financials sector witnessed a recovery following a banking crisis that resulted in the collapse of three banks due to a run-on deposits, causing some harm to other banks. Fortunately, our holdings remained relatively unaffected during this period. The Carroll Fund seized the opportunity to acquire SCHW by taking advantage of the mispricing in the Banking industry. The Banking industry experienced limited activity with few IPOs. However, many large banks benefited from the rise in interest rates, which bolstered their net interest income margins. The Financial Services industry was notably influenced by the increasing use of AI in the latter half of the year. AI has proven invaluable for fraud protection and has streamlined data collection through task automation. In the Insurance industry, higher fixed income rates proved advantageous for many insurance companies, as they enjoyed higher returns on their assets. However, the high inflation environment led to increased claim payouts by companies, resulting in higher premiums for consumers ultimately negatively impacting retention ratios.

Performance



iShares US Insurance ETF (IAK)

Holding Description

The iShares US Insurance ETF, IAK, is a passively managed exchange-traded fund comprised of 56 United States equities that primarily focus on life, property & casualty, and full-line insurance. The ETF's objective is to track and deliver performance similar to its benchmark, the Dow Jones US Select Insurance Index. The weighting scheme of the ETF is market capitalization based, meaning that larger companies with a bigger market share constitute a larger portion of the fund. It boasts a competitive expense ratio of 0.39%, which is below the industry-average expense ratio of 0.60% for ETFs.

Top 10 Holdings			
Progressive Corporation	13.55%	Allstate Corporation	5.04%
Chubb Limited	13.10%	Arch Capital Group Ltd.	4.75%
American International Group, Inc.	6.42%	Travelers Companies, Inc.	4.46%
Aflace Incorporated	6.26%	Prudential Financial, Inc.	4.12%
MetLife, Inc.	5.51%	Hartford Financial Services Group, Inc.	3.41%

Impacts from H2

During H2, IAK proved to be a positive contributor to the Carroll Fund, yielding a return of 7.32%. Despite the challenging macroeconomic environment, IAK demonstrated resilience, and even benefited from the high inflationary pressures due to technological collaborations. The top-weighted stock in the ETF, Progressive Corporation, emerged as one of the top performers in the S&P 500, which contributed to the IAK ETF's outperformance of the Financials sector, S5FINL Index. Chubb Limited, accounting for 13.10% of the ETF, also made a significant positive impact, with substantial growth in net premiums across various segments throughout H2. Notably, the Life Insurance segment experienced impressive YoY net premium growth of 126.10%, highlighting Chubb Limited's ability to secure higher premiums from customers, thereby bolstering their bottom line.

Outlook

The Carroll Fund maintains an optimistic outlook for the IAK ETF, believing it will serve as a reliable anchor for the Financials sector holdings in the portfolio during economic downturns. As the economy recovers and fixed income rates return to historical averages, IAK is poised to benefit from higher rates, ultimately boosting revenue for the insurance companies within its portfolio. In summary, IAK stands out as a well-diversified ETF with an attractive cost structure relative to its peers, combined with efficient management practices aimed at delivering stable and positive returns to the Carroll Fund.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$11,705.25	$8,904.48	-5.06%	$92.77
H2	$8,904.48	$9,531.60	7.32%	$24.89
FY	$11,705.25	$9,531.60	0.47%	$117.66

Charles Schwab Corporation (SCHW)

Holding Description
Charles Schwab is a multinational financial services company and bank operating within the Financials sector. The company provides a wide range of services, including Banking, Commercial Banking, Investing, and Wealth Management & Consulting Advisory for both institutional and retail clients. Their revenue streams can be categorized into Asset Management & Advisory Fees, Interest Income from Loans, and Trading Commissions. Headquartered in Westlake, Texas, Charles Schwab operates through 400 branches, mainly in the United States and the United Kingdom, with a market capitalization of $105.30B. It stands as one of the largest banks, holding $7.05T in client assets and serving 33.80M brokerage accounts as of the end of 2022.

Impacts from H2
During H2, the Carroll Fund made a strategic investment in SCHW to take advantage of a mispricing in the Banking industry, particularly after the turmoil of bank failures. Concerns had arisen about Schwab's liquidity position and potential losses on their loans, leading to deposit outflows. However, it became evident that Schwab had ample liquidity to withstand the outflows. In H2, the company began to realize the benefits of its acquisition of TD Ameritrade, with a notable 18% YoY increase in new client assets and the addition of 900K new brokerage accounts. In H2, Charles Schwab unveiled an ambitious cost-cutting strategy that involved absorbing substantial initial expenses to realize substantial future savings. Regrettably, this announcement was met with little enthusiasm from investors, sparking apprehensions about the bank. Consequently, it had a discernible impact on SCHW's performance, as evidenced by the -0.99% return generated for the Carroll Fund. This downturn in performance can be reasonably attributed to investor concerns stemming from the cost-cutting strategy's disclosure.

Outlook
The Carroll Fund maintains confidence in SCHW's ability to generate significant returns in the near future. With positive earnings and the implementation of the cost-cutting strategy in H2, Schwab is poised to remain a prominent player in the brokerage industry as it recovers from the crisis earlier this year and navigates future uncertainties in the volatile economy. On a positive note, we believe SCHW has already weathered the worst during the banking turmoil and is gradually returning to its 2022 highs. With efforts to reduce operating costs and the strategic acquisition of TD Ameritrade, SCHW is well-positioned to achieve stable growth and expansion.

New Transactions
The Carroll Fund bought 153 shares of SCHW at $55.70 on June 28, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$8,534.34	$8,399.70	-0.99%	$38.25
FY	$8,534.34	$8,399.70	-0.99%	$38.25

J.P. Morgan Chase & Co. (JPM)

Holding Description
JP Morgan is an American multinational bank operating in the Financials sector. They provide global financial services with assets totaling $2.60T, operating in 100 different countries worldwide. Their primary services encompass Asset Management, Commercial Banking, Financial Services for consumers and retail customers, and Investment Banking. Revenue generation stems from four core business segments: Asset & Wealth Management, Commercial Banking, Consumer & Community Banking, and Corporate & Investment Bank. JPM's diversified operations have resulted in an impressive market capitalization of $420.54B which can also be attributed to their strategy that emphasizes inclusive growth, innovation, and service excellence.

Impacts from H2
During H2, JPM demonstrated remarkable earnings performance despite facing significant headwinds caused by the run-on banks in March. In H2, JPM delivered a 11.44% return for the Carroll Fund, outperforming the Financials sector, S5FINL Index, by 729 basis points. For the FY, JPM achieved a remarkable 38.26% return, surpassing the S5FINL Index by 2,655 basis points and the SPX Index by 1,677 basis points. Despite a decline in deposits due to cautious depositors, JPM witnessed an increase in net interest income due to rising interest rates, along with a surge in profits following their acquisition of the struggling bank, First Republic, in May. This acquisition involved JPM acquiring the majority of assets, including $173B in loans, $30B in securities, and $92B in deposits. During H2, their retail division's profits increased by 71%, making a significant contribution to their bottom line.

Outlook
The Carroll Fund maintains its confidence in JPM, which has proven to be a resilient holding even in the face of economic downturns that have impacted other banks. Thanks to their strong balance sheet and substantial market capitalization, they remain a dominant force in the banking industry, with indications of ongoing growth as they invest in new technological advancements, such as pay-by-bank and other digital financial services.

New Transactions
The Carroll Fund sold 21 shares of JPM at $139.84 on April 21, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$9,300.50	$9,382.32	26.72%	$161.00
H2	$9,382.32	$7,396.02	11.44%	$123.00
FY	$9,300.50	$7,396.02	38.26%	$284.00

PayPal Holdings Inc. (PYPL)

Holding Description
PayPal is a prominent digital payments company operating as a holding company. Through its subsidiaries, it enables consumers worldwide to utilize digital and mobile payment methods. Its subsidiary companies include Braintree, Honey, Hyperwallet, Paidy, PayPal, Venmo, Xoom, and Zettle. The majority of PayPal's revenue, approximately 90%, is derived from transaction fees. These fees are generated from payment transactions, foreign exchange, withdrawals, and the interest on balances from PayPal credit or debit cards. The remaining 10% of their revenue comes from value-added services, such as gateway services, referral fees, and subscriptions. PayPal has established itself as a dominant player in the digital payments business, contributing to its impressive market capitalization of $64.19B.

Thesis for Exiting
The Carroll Fund has made the decision to liquidate and exit our position in PayPal to align with our pessimistic market outlook. We aimed to reduce our exposure to the Financials sector and transition from an overweight to an underweight position. Given the highly cyclical nature of the Financials sector, we sought to minimize the Carroll Fund's exposure to market volatility. Moreover, in addition to our sector-based considerations, PayPal had not performed well in our portfolio over the course of our investment. The online payment industry witnessed increased competition, with PayPal facing substantial rivals such as Stripe and Apple. All these factors led the Carroll Fund to conclude that, considering our market outlook and the underlying business fundamentals, it was in our best interest to close out our position in this holding.

New Transactions
The Carroll Fund sold 144 shares of PYPL at $73.50 on April 21, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$6,885.60	$10,935.36	-12.12%	$0.00
H2	$10,935.36	$10,595.52	-3.21%	$0.00
FY	$6,885.60	$10,595.52	-14.45%	$0.00

S&P Global Inc. (SPGI)

Holding Description

S&P Global Inc. is a major corporation in the Financials sector, renowned as a leading provider of financial information and analytics. It caters to commodity and capital markets globally by furnishing independent ratings, analytics, and benchmarks. Their primary objective is to empower companies, governments, and individuals with the knowledge needed to make sound financial decisions. The company's business model can be segmented into four key areas: Commodity Insights, Market Intelligence, Mobility & Indices, and Ratings. Their strategic focus on customer value proposition, innovation, and execution has propelled them to a dominant position in the Financial Services industry, boasting a market capitalization of $110.89B.

Impacts from H2

During H2, SPGI delivered an impressive return of 6.51% for the Carroll Fund, surpassing both the Financials sector, S5FINL Index, and our benchmark, the S&P 500. This remarkable outperformance can be attributed to robust revenue growth, primarily driven by two key business segments, Market Intelligence and Ratings & Indices. Additionally, SPGI has displayed a commitment to incorporating AI into its business model, exemplified by the launch of ChatIQ, a conversational AI assistant, for internal testing in May. In the latter half of the year, SPGI successfully divested their Engineering Solutions segment, aligning itself more closely with its strategic objectives. For the FY, SPGI achieved a return of 18.93%, consistently contributing positively to the portfolio. High customer retention and an 8% increase in subscription growth across their five divisions demonstrate SPGI's ability to maintain healthy operations even in challenging economic conditions.

Outlook

The Carroll Fund maintains an optimistic outlook on its investment in SPGI, expressing confidence in the company's ability to navigate future challenges. In a period marked by growing investor uncertainty related to global tensions, interest rates, and technological advancements, SPGI emerged as a trusted source of information for investors seeking to alleviate their concerns. Given SPGI's presence in an industry characterized by high entry barriers and ongoing technological advancements, we anticipate that the company will continue to assert its dominance in the financial information sector.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$16,488.90	$15,169.88	12.94%	$85.50
H2	$15,169.88	$16,078.04	6.51%	$79.20
FY	$16,488.90	$16,078.04	18.93%	$164.70

Healthcare

Managed by Matthew Mund

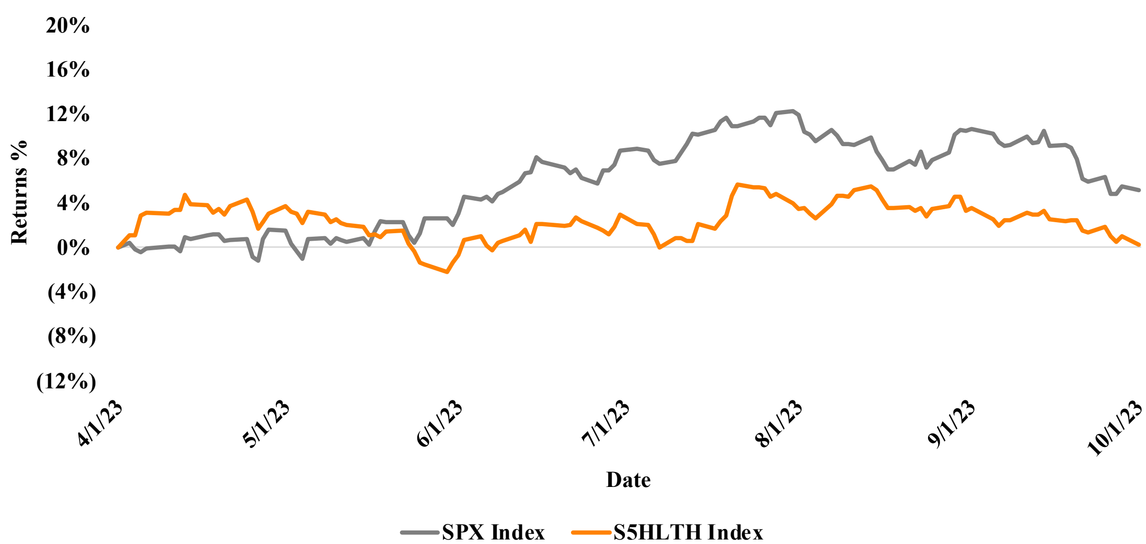
Sector Overview

The Healthcare sector encompasses six distinct industries: Biotechnology, Equipment & Supplies, Healthcare Technology, Life Sciences Tools & Services, Pharmaceuticals, and Providers & Services.[1] These industries collectively provide healthcare and social services through various facilities such as hospitals, doctor's offices, nursing homes, outpatient surgery centers, as well as home-based disease treatment products and services.[2] The Healthcare sector is defensive as there is inelastic demand for healthcare related products and services throughout each stage of the business cycle. Healthcare is the second largest sector within the S&P 500 with a weight of 13.36%. During H2, the Carroll Fund held ARK Genomic Revolution ETF (ARKG), CVS Health Corporation (CVS), Eli Lilly and Company (LLY), Merck and Company (MRK), and UnitedHealth Group Incorporated (UNH). After the liquidation of ARK Genomic Revolution ETF, the Carroll Fund finished with four holdings in the sector.

Impacts from H2

The Healthcare sector underperformed in comparison to the S&P 500 in H2 as the S5HLTH Index had a return of 0.24%, while the SPX Index had a return of 5.19%.[3] The Federal Reserve's decision to raise rates by 25 basis points in both May and July in an attempt to continually curb inflation is a positive sign for the Healthcare sector and the general economy, but the fact that medical input costs generally lag inflation by 6-12 months is a concern within the sector.[4] With higher input costs comes narrower margins for businesses in the sector, therefore the Federal Reserve's stance on keeping rates higher for longer in order to bring down inflation to the 2% target rate is of the utmost importance. Aside from high medical input costs, the sector faces labor shortages and the phasing out of federal funding and regulatory support initiatives for COVID-19, meaning that companies should anticipate reduced financial and governmental assistance. While these headwinds may temporarily impact sector growth, the aging population and increasing adoption of telehealth technologies, largely driven by the COVID-19 pandemic, remain pivotal factors for the sector's long-term performance.

Performance



ARK Genomic Revolution ETF (ARKG)

Holding Description

ARK Genomic Revolution ETF (ARKG) is an actively-managed fund that invests in companies focused on advancements within the field of genomics.[1] The fund invests in companies that pertain to the genomics revolution in sectors such as Consumer Discretionary, Energy, Healthcare, Information Technology, and Materials. ARKG invests at least 80% of its assets, under normal market conditions, in order to seek long-term growth of capital.[2] The expense ratio for the fund is 0.75% and they operate with $1.75B AUM as of September 30, 2023.

Top 10 Holdings			
Exact Sciences Corporation	10.74%	CRISPR Therapeutics AG	4.42%
Ionis Pharmaceuticals, Inc.	6.71%	Schrodinger, Inc.	4.32%
Pacific Biosciences of California, Inc.	5.81%	Intellia Therapeutics, Inc.	3.84%
Ginkgo Bioworks Holdings, Inc. Class A	5.31%	Adaptive Biotechnologies Corp.	3.51%
Teladoc Health, Inc.	4.42%	UiPath, Inc. Class A	3.31%

Thesis for Exiting

During H2, the Carroll Fund liquidated 135 shares of ARKG at $32.97 on June 30, 2023 in order to capitalize on our profit within the holding. The main reason why we chose to liquidate our position in ARKG was because of the risk of the investment. As ARKG is very bullish when it comes to stock picking, the high volatility of the fund was unattractive given the market climate in June. Another reason for our exit was to trim our weight within the Healthcare sector as the sector was not performing as defensively as we had expected. With the sale of ARKG, we reduced our weight relative to the benchmark in the Healthcare sector from 0.96% to –0.16% at the time, and we capitalized on a return of 9.64%. From its high of $112.01 in 2021, ARKG was trading around $33 in June, so the Carroll Fund decided to liquidate the holding as we anticipated further declines in its price. After liquidating our position in ARKG, it declined to $27.86 by the end of H2, supporting our prior outlook that the fund price would decline in the coming months.

New Transactions

The Carroll Fund sold 135 shares of ARKG at $32.97 on June 30, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$5,029.11**	**$4,059.45**	**-8.65%**	**$0.00**
H2	**$4,059.45**	**$4,433.40**	**9.64%**	**$0.00**
FY	**$5,029.11**	**$4,433.40**	**-0.87%**	**$0.00**

CVS Health Corporation (CVS)

Holding Description

CVS Health Corporation (CVS) stands as the largest drugstore chain in the United States, boasting an extensive network of 9,000 pharmacies, 1,100 minute clinics, and a range of long-term care pharmacies and online operations.[1] The company operates across four distinct business segments: Corporate/Other, Healthcare Benefits, Pharmacy Services, and Retail/Long-Term Care. Notably, the Pharmacy Services segment constitutes 45% of the company's total revenues. CVS adopts a consumer-centric approach, tailoring solutions to meet individual health needs, thereby fostering long-term growth.

Impacts from H2

In H2, CVS encountered several significant events, most of which had a negative impact on the company's performance, reflected in a -4.98% return. In June, CVS faced challenges associated with an upsurge in elective surgeries and other medical care procedures, which heightened expectations of increased expenses. This situation affected CVS negatively, particularly due to its ownership of insurer Aetna, resulting in a 5% decline in the stock price.[2] However, the narrative took a turn in early August when CVS reported its Q2 earnings. The company outperformed expectations, citing the strength of its pharmacy benefit manager, CVS Caremark, and the success of its healthcare services delivered through medical clinics, telehealth, and home services. Additionally, CVS managed to improve its financial performance by reducing administrative and operational costs through a reduction of 5,000 corporate jobs.[3] Another notable development in H2 was Blue Shield of California's decision to replace CVS Caremark as its primary benefits manager, opting to work with five other companies, including CVS Caremark. This announcement, made on August 17, 2023, resulted in a 9% decrease in CVS's stock price.[4]

Outlook

The Carroll Fund holds an optimistic view of CVS, considering it undervalued, a sentiment reflected in our acquisition of an additional 53 shares at $74.67 in August. While CVS faced challenges and underperformed in H2 due to various negative developments, we remain steadfast in our belief that the core business remains robust. The Carroll Fund maintains a positive outlook for CVS as the company remains committed to creating value through its consumer-centric approach, strategic acquisitions, and the expansion of its online presence.

New Transactions

The Carroll Fund bought 53 shares of CVS at $74.67 on August 1, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$15,449.94	$10,626.33	-18.53%	$175.62
H2	$10,626.33	$13,684.72	-4.98%	$173.04
FY	$15,449.94	$13,684.72	-18.49%	$348.66

Eli Lilly and Co. (LLY)

Holding Description

Eli Lilly and Company (LLY) is a Pharmaceutical industry leader, specializing in the development of drugs primarily focused on treating diabetes, as well as engaging in research within the domains of immunology, neuroscience, and oncology.[1] LLY holds the distinction of being the largest company in the Healthcare sector, boasting a market capitalization of $510B as of September 30, 2023. The company primarily operates within the Human Pharmaceutical Products business segment, with 60.30% of its total revenue originating from the Diabetes industry. This substantial share of revenue is significantly driven by the success of its flagship drugs, Trulicity and Mounjaro.[2]

Impacts from H2

The inclusion of LLY in the Carroll Fund's portfolio during H1 proved to be a prudent move, yielding a remarkable 48.74% return during H2. This impressive return was largely attributed to the mounting expectations and revenue generated by Mounjaro, particularly in anticipation of its approval as a treatment for weight loss. Notably, the company's Q1 earnings report, released on April 27, 2023, exceeded expectations. LLY's EPS and revenue both outperformed projections, and Mounjaro's sales surged to $568.50M, surpassing expectations set at $403.80M.[3] The Q2 earnings report showed LLY surpassed estimates for both EPS and revenue and in light of this strong performance, the company raised its revenue guidance for the full fiscal year, prompting a substantial 15% increase in its stock price on August 8, 2023.[4] In addition, on August 14, 2023, LLY successfully completed the acquisition of Sigilon Therapeutics for $35M, a strategic move aimed at expanding its presence in the Diabetes industry.

Outlook

Moving forward, the Carroll Fund is confident in a continued outperformance for LLY as a result of the long-term growth prospects of Mounjaro and late-stage drug pipeline developments like Donanemab (Alzheimer's disease) and Lebrikizumab (dermatitis). LLY is awaiting approval for Mounjaro as a weight loss drug, which is expected to happen in late 2023, leading to rising expectations for the company regarding this drug and its effectiveness compared to other GLP-1 drugs. Although LLY is trading at significant premiums compared to the mean of its closest competitors in multiples like P/E (174% premium), EV/EBIT (169% premium), and EV/Rev (253% premium), we are confident that they are in a position to grow in the long-term, cementing our positive outlook for the company.[5]

New Transactions

The Carroll Fund sold 13 shares of LLY at $454.75 on August 1, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$13,049.96	$13,049.96	0.13%	$0.00
H2	$13,049.96	$13,428.25	48.74%	$71.19
FY	$13,049.96	$13,428.25	48.94%	$71.19

Merck & Co. (MRK)

Holding Description

Merck and Company (MRK) is a global healthcare company that offers a wide range of health solutions, including Animal Health products, Biologic Therapies, Consumer Care products, Prescription Medicines, and Vaccines.[1] Approximately 46% of MRK's revenue is generated in the United States, with the remaining revenue coming from Africa, China, Europe, Latin America, and the Middle East.[2] MRK operates in two primary business segments: Animal Health and Pharmaceuticals, with Pharmaceuticals accounting for 89.40% of their total revenues. Notably, MRK's top-selling drug is Keytruda, a pivotal medication in cancer immunotherapy, contributing to 39.70% of their total revenue.

Impacts from H2

In the H2, Merck and Company delivered a return of -1.18% for the Carroll Fund, underperforming relative to the Healthcare sector's return of 0.24% and the S&P 500's return of 5.19%. However, it's worth mentioning that MRK's Q1 earnings release was positive, as they surpassed expectations for both EPS and revenue, underscoring their robust performance in the Oncology and Vaccine product segments. Furthermore, MRK continued to exceed EPS and revenue expectations in Q2, although there was a notable negative EPS of -$2.06. This was primarily due to a one-time charge of $4.02 per share related to the acquisition of Prometheus Biosciences in June.[3] Additionally, MRK is currently facing the challenge of slowing demand for COVID-19 products, and they are actively addressing the negative impacts on their drug Molnupiravir.

Outlook

The Carroll Fund maintains a positive outlook on our current position in MRK. The company is diligently expanding its portfolio of drugs through strategic acquisitions, such as the recent addition of Prometheus Biosciences. Given MRK's significant reliance on Keytruda to drive sales and the impending patent expiration in 2028, the company is proactively working to replenish its drug pipeline. While the eventual loss of Keytruda will undoubtedly impact MRK in the future, their commitment to acquisitions and the development of late-stage pipeline drugs is a promising sign for their future growth.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$24,199.72	$13,192.36	25.76%	$399.02
H2	$13,192.36	$12,765.80	-1.18%	$270.83
FY	$24,199.72	$12,765.80	25.12%	$669.85

UnitedHealth Group Inc. (UNH)

Holding Description

UnitedHealth Group Incorporated (UNH) is a prominent healthcare and well-being company that oversees organized health systems. It holds the distinction of being the largest healthcare insurer in the United States and offers a range of products to assist employers in planning and managing employee benefit programs.[1] UNH operates through four key business segments: Health & Wellness Services, Health Benefits, Pharmacy Care Services, and Technology & Consulting Services. The lion's share of their revenue, 75.20%, comes from their Health Benefits business, UnitedHealthcare, while the remaining segments operate under their Optum division, contributing 23.80% to their revenue.[2]

Impacts from H2

UNH had a strong performance in H2, delivering an impressive return of 6.91%. This outpaced the Healthcare sector's returns of 0.24% and the S&P 500's returns of 5.19%. Both Q1 and Q2 earnings exceeded expectations, with EPS surprises of 0.32% (Q1) and 3.15% (Q2), along with revenue surprises of 2.92% (Q1) and 2.17% (Q2). Despite weaker-than-expected results from their Optum division, which saw a 0.70% YoY decline in operating margin, UNH managed to surpass expectations.[3] This was achieved even as they contended with rising medical costs due to high inflation. On June 14, 2023, UNH's CFO, John Rex, cautioned that the increase in elective surgeries might drive up expenses, resulting in a -9.30% single-day decline in the stock price. Despite this challenge, UNH still managed to beat Q2 earnings expectations, demonstrating their resilience in the face of inflationary pressures.

Outlook

The Carroll Fund maintains a positive outlook on the long-term growth of UNH based on their acquisition strategy of acquiring smaller businesses in order to fuel growth without the fear of regulators stopping acquisition deals. Also, UNH holds a diverse group of businesses, allowing them to be relatively immune to economic cycles. The continued utilization of their Optum division is another positive sign as they are projected to treat 4M people this year compared to 1.80M people in 2022.[4] Increased activity within Optum's value-based care approach is another long-term growth driver for the company as they are able to constantly improve the quality of services that are administered to patients. The Carroll Fund is confident in the long-term growth of UNH and expects them to outperform as inflationary pressures on medical costs will cool when the Federal Reserve eventually brings inflation down to its 2% target rate.

New Transactions

The Carroll Fund bought 3 shares of UNH at $499.73 on August 1, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$18,872.00	$14,650.29	-12.00%	$51.15
H2	$14,650.29	$17,142.46	6.91%	$122.20
FY	$18,872.00	$17,142.46	-5.71%	$173.35

Industrials

Managed by Liam Decker

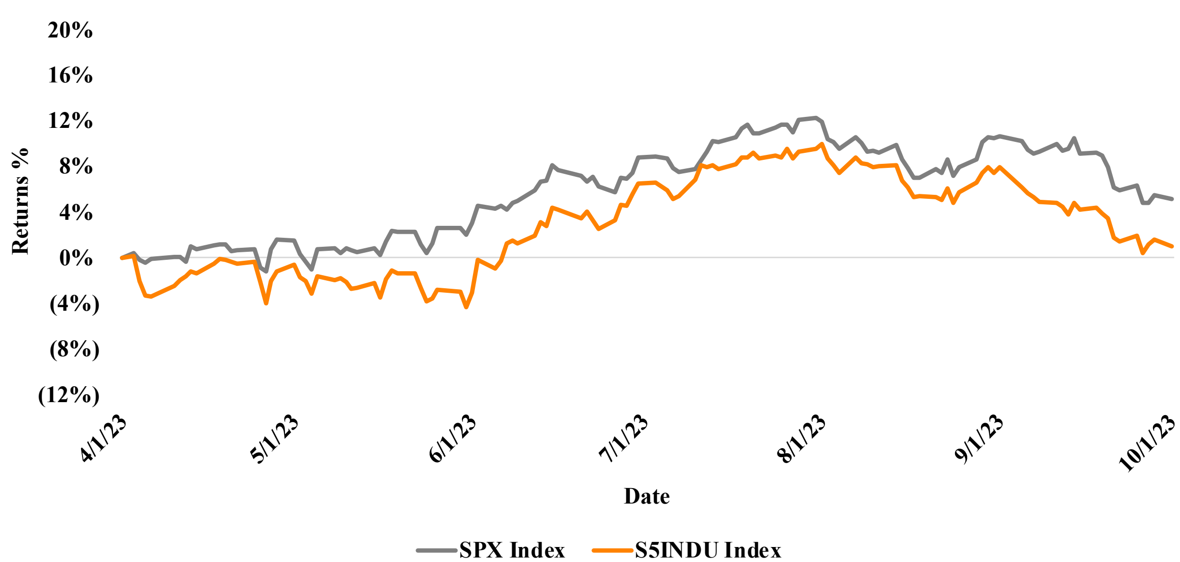
Sector Overview

The Industrial sector encompasses enterprises engaged in the production, distribution, and provision of machinery, equipment, and related materials integral to the realms of manufacturing and construction. These entities predominantly derive their revenue from business-to-business transactions. With a notable market capitalization of $6.19T and a substantial market weight of 8.54%, the Industrials sector is segmented into three primary subsectors: Capital Goods, Commercial and Professional Services, and Transportation. These subsectors, in turn, encompass a collective of 14 distinct industries, distributed among the previously mentioned categories. Currently the Carroll Fund holds Airbus (EADSY), FedEx (FDX), Jacobs Solutions (J), and Lockheed Martin (LMT).

Impacts of H2

Industrials find themselves in a distinctive position shaped by the prevailing macroeconomic landscape. We are presently within a rate-hiking cycle, although recent signals from the Federal Reserve suggest that this cycle may be approaching its conclusion. The Federal Reserve has underscored its commitment to a "higher for longer" approach, influenced by disinflation rates and a robust job market. While this approach may have its merits, it doesn't necessarily align with the best interests of the Industrial sector, as it implies an extended period of economic constraint that could hamper growth. Examining the performance of the Industrial sector in H2, we note a return of 1.01%, contrasting with the broader market represented by the SPX Index, which has shown a 5.19% return over the same period. The outperformance of the Industrial sector can be attributed to recent global events, such as the ongoing Russia-Ukraine conflict. These geopolitical tensions have bolstered the defense industry, a significant component of the Industrial sector. Furthermore, the Industrial sector appears to be experiencing a resurgence of innovation, notably in the form of AI integration. AI is becoming increasingly prevalent within the sector, enhancing operational efficiency and bolstering profitability.

Performance



Airbus (EADSY)

Holding Description

Airbus manufactures airplanes and military equipment. The company offers military fighter aircrafts, commercial helicopters, missiles, satellites, and telecommunications and defense systems, as well as provides maintenance services. Airbus has three operating divisions: Airbus, Airbus Defense and Space, and Airbus Helicopters. The Airbus segment generates about 70% of revenue and is one of the world's leading aircraft manufacturers of passenger and freighter aircraft. Airbus Defense and Space generates about 20% of revenue and is Europe's number one defense and space enterprise, and among the world's top 10 space businesses. They have four core business groups: Connected Intelligence, Military Aircraft, Space Systems, and Unmanned Aerial Systems. Air Defense and Space develops and maintains cutting edge products. Lastly, Airbus Helicopters generates more than 10% of revenue and is the global leader in the civilian market and military rotorcraft market.

Impacts from H2

During H2, Airbus reported a -3.63% return, trailing behind the S5INDU Index, which posted a 1.01% return. This underperformance can be attributed to several contributing factors. Firstly, the aviation industry has been facing challenges amid the prevailing economic environment. As consumers have scaled back on travel expenditures, there is reduced demand for aircraft. Airbus encountered an earnings setback in March, characterized by a significant 61.77% decrease in net income. Additionally, during the same period, Airbus missed EPS estimates by a substantial 64.07%. The impact of inflation has been keenly felt by Airbus, significantly impacting its profit margins, which has been the primary driver behind this underperformance.

Outlook

The Carroll Fund has a positive perspective on Airbus as a robust addition to our portfolio. It provides exposure to both the retail airline market and the defense sector, offering a diversified investment avenue. However, it's imperative that we maintain a vigilant stance on this holding as we move ahead. While Airbus boasts a broad global footprint, it's important to consider potential economic headwinds, particularly if the United States were to enter a recession. In such circumstances, the consumer airline industry could experience significant challenges. Layoffs and pay reductions could result in reduced leisure travel, ultimately impacting the demand for air travel services. Conversely, there are promising signals from the Federal Reserve, hinting that we may be approaching the conclusion of the current rate-hiking cycle. This development bodes well for Airbus, as it may alleviate some of the economic pressure. In summary, we believe Airbus holds promise in our portfolio, but it is prudent to remain attentive to economic indicators and market conditions that may influence its performance.

New Transactions

The Carroll Fund bought 218 shares at $35 on April 19, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$7,672.51	$7,294.28	-3.63%	$107.95
FY	$7,672.51	$7,294.28	-3.63%	$107.95

FedEx (FDX)

Holding Description
FedEx Corporation delivers packages and freight to multiple countries and territories through an integrated global network. FedEx has a fleet of about 700 aircraft and more than 82,000 vehicles. About 70% of FedEx's revenue is generated in the United States. The FedEx headquarters is located in Memphis, Tennessee. FedEx generates revenue from three main avenues. First being FedEx Express, which generates nearly 50% of revenue and is the world's largest express transportation company. The second is FedEx Ground which generates over 35% of revenue and provides small-package ground delivery services. The third, FedEx Freight, generates a little over 10% of revenue and offers less than truck load freight services throughout North America.

Impacts from H2
Throughout H2, FedEx demonstrated strong performance, yielding a 17.00% return, notably outperforming the S5INDU Index, which returned 1.01%. The primary driver behind this outperformance can be attributed to consistently favorable earnings reports during this period. In August, FedEx exceeded EPS estimates by an impressive 21.29%, and a similar achievement was noted in May, with an EPS beat of 1.13%. It is worth noting that despite these EPS beats, there were slight revenue shortfalls during both earnings releases. However, a significant YoY increase in net income was observed, which indicates a substantial improvement in efficiency during this timeframe. These commendable earnings results can be predominantly attributed to FedEx's strategic cost-cutting initiatives undertaken earlier in the year. Despite the challenges posed by high inflation rates and elevated Federal Reserve interest rates, FedEx managed to deliver an impressive performance in H2.

Outlook
We are of the opinion that FedEx should be in any portfolio. They are one of the three biggest shipping companies in the world. As the ecommerce presence of every business continues to expand at a rapid pace, it will continue to expand the pie for FedEx without adding more slices. Barriers to entry provide an economic moat for shipping companies, supporting an oligopoly in the US. We believe FedEx will continue to outperform other industrial companies because of good management, in tandem with nearing the end of the rate hiking cycle should soon allow the economy to start expanding again.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$7,423.50	$5,483.76	34.87%	$115.00
H2	$5,483.76	$6,358.08	17.00%	$57.84
FY	$7,423.50	$6,358.08	47.43%	$172.84

Jacobs Solutions, Inc. (J)

Holding Description
Jacobs Solutions, Inc. provides technical professional services. The company offers engineering and construction services, as well as scientific and specialty consulting for a broad range of clients including companies, organization, and government agencies. Jacobs has an array of revenue generating avenues. People, Places, and Solutions generates 50% of Jacob's revenue, and this avenue constructs solutions for water, environment, energy transition, transportation, and advanced manufacturing. Their other main revenue generating segment is the Critical Mission Solutions, which entails constructing solutions for space, national security, nuclear remediation, and 5G technology.

Impacts from H2
Jacobs Solutions achieved an impressive return of 15.90% in H2, surpassing the S5INDU Index's return of 1.01% over the same period. Several factors have contributed to this noteworthy outperformance. In March, Jacobs exceeded EPS estimates by 1.79%, showcasing the company's ability to outperform market expectations. While there was a slight miss in June, with Jacobs falling short of EPS estimates by a marginal 0.02%, it's crucial to note that the company managed to beat revenue estimates in both March and June. This indicates that Jacobs has been effectively generating revenue beyond what was anticipated by the market. Another significant factor contributing to this outperformance is the substantial order backlog that Jacobs has amassed. The order backlog has experienced remarkable growth, surging from $27.00B in 2022 to a substantial $49.70B. Jacobs has positioned itself as a leader in the industry, enjoying high demand that exceeds its current capacity. This robust backlog is a testament to Jacobs' strong market position and its ability to secure an array of lucrative contracts.

Outlook
With a substantial surge in their order backlog, Jacob's Solutions has unequivocally demonstrated its leadership within the industry. In stark contrast to their competitors, the company maintains a robust financial standing, fostering sustained growth even during a deliberate economic deceleration. These compelling factors collectively affirm Jacobs as a prudent investment choice for individuals seeking exposure to the Industrial sector within the realm of professional services. The Carroll Fund's opinion is that Jacobs is a solid addition to our industrial holdings. They have continued growth during a challenging macroeconomic climate. When companies are not supposed to be doing the projects, they are paying Jacobs to do. On top of that, J has a near record breaking order backlog valued at $49.70B. We believe this backlog is a testament to the brand of Jacobs Solutions and companies' willingness to get projects in the pipeline with them.

New Transactions
The Carroll Fund bought 41 shares at $119.03 on May 8, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$10,523.53	$5,522.97	10.16%	$34.53
H2	$5,522.97	$12,012.00	15.90%	$45.76
FY	$10,523.53	$12,012.00	17.68%	$80.29

Lockheed Martin (LMT)

Holding Description

Lockheed Martin (LMT) is a global security company that primarily researches, designs, develops, manufactures, and integrates advanced technology products and services. The company's businesses span Aeronautics, Electronics, Energy, Information, Space, System Integration, and Telecommunications & Services. Lockheed Martin has a multitude of revenue generating avenues. The first being Aeronautics business which generates about 40% of their revenue. This segment includes manufacturing military aircraft and unmanned aircraft. Lockheed Martin's Rotary and Mission segment accounts for 25% of revenue, and this avenue includes helicopters, combat systems for ships, and land and sea-based missile defense systems. Lastly, the Space segment generates 20% of revenue, and the Missile and Fire Control segment generates 15% of revenue for Lockheed Martin. An interesting fact about Lockheed Martin is that the Department of Defense accounts for nearly 65% of all revenue.

Impacts from H2

Lockheed Martin faced challenges during H2, reporting a return of -8.37%, which lagged the S5INDU Index, returning 1.01% over the same period. Despite this underperformance, Lockheed Martin showcased strengths in various financial areas. In March, Lockheed Martin impressively beat EPS estimates by a significant margin of 6.11%. This trend continued in June, with Lockheed Martin outperforming EPS estimates by 4.40%, and in September, by 1.92%. Moreover, in each of these financial reports, Lockheed Martin exceeded revenue estimates, highlighting strong financial performance in terms of revenue generation. However, the underperformance can be attributed to inconsistencies in net income growth, which may have raised concerns among investors. Additionally, the Russia-Ukraine conflict, which seemed to be stabilizing during this period, prompted some investors to reallocate their investments. Furthermore, the impact of inflation exerted unwelcome pressure on Lockheed Martin's profit margins, contributing to the underperformance observed during this timeframe.

Outlook

Despite prevailing macroeconomic challenges, the company anticipates an upturn in its profit margins in the forthcoming years. This optimistic outlook is underpinned by Lockheed Martin's consistent track record of maintaining a leading position in defense technology, firmly asserting its commitment to remaining at the forefront of innovation in the industry. We think LMT is a smart position for us currently, mainly because of how healthy their financials are and that global tensions are on the rise. The team also likes the defense that LMT gives us exposure to in Industrials. The defense industry is not as tied to the United States economy as the rest of the sector because LMT is not really affected by how much consumers are spending.

New Transactions

The Carroll Fund sold 4 shares at $496.87 on April 19, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$14,292.73	$8,509.14	25.41%	$165.00
H2	$8,509.14	$5,725.44	-8.37%	$84.00
FY	$14,292.73	$5,725.44	20.43%	$249.00

Information Technology

Managed by Ned Morgan

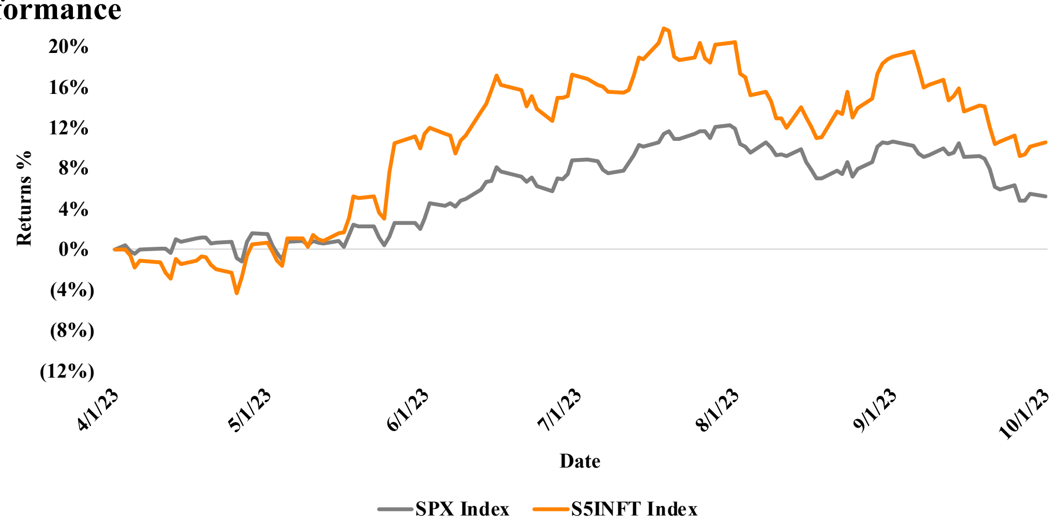
Sector Overview

The Information Technology (IT) sector is the largest sector in the stock market as it boasts a market weight of 27.46% and a market capitalization of $10.18T. It is broken up into three main industries: Semiconductors & Semiconductor Equipment, Software & Services, and Technology Hardware & Equipment.[1] Historically, the IT sector has performed best during the early and mid-stages of the business cycle. In the early cycle, we see a recovery from an economic downturn. Due to cheap credit thanks to low interest rates, GDP and the economy begin to grow sharply. Individuals spend more on consumer electronics, and businesses spend more on enterprise software. This then transitions into the mid-cycle phase – typically the longest phase with moderate growth. Transitioning into the late and recessionary cycles, the economy contracts and IT firms are hit hard as both individuals and businesses cut down on spending due to higher interest rates and a weak labor market. The Carroll Fund is currently slightly underweight in IT by 0.53% relative to our benchmark.

Impacts from H2

In H2, the IT sector returned 10.58%, doubling the 5.19% return of the S&P 500.[2] This outperformance can be attributed to factors such as AI and digital transformation. AI has been a major growth driver as there has been heavy investment into the technology due to its ability to automate processes for businesses. Digital transformation has been a growth driver as many businesses are shifting to IT services and the cloud to streamline their business, store data better, and become more efficient. Conversely, the consumer electronics market has hurt the IT sector due to a decrease in demand for discretionary, larger ticket items. Overall, investor sentiment remained positive in H2 as IT firms have outperformed in an economy that historically the sector would not fare well in. Moving forward, we may see a market correction in the sector as global real GDP growth is expected to grow just 2.50% in 2024 compared to the estimated 2.90% growth in 2023.[3] While the economy is expected to slow down, we do not think that we will see any corrections like we did in 2022. The Carroll Fund believes that IT is something that businesses will still invest in to create more efficiency and to address risk.

Performance



Advanced Micro Devices (AMD)

Holding Description

Advanced Micro Devices (AMD) produces semiconductor products and devices used in computer processing for customers worldwide. AMD was co-founded in 1969 by Jerry Sanders and seven other tech professionals as a Silicon Valley startup.[1] Since then, AMD has grown to be a modern computing leader that is helping "advance the future of the Data Center, Embedded, Gaming, and PC markets."[2] AMD is a fabless firm, meaning they research, design, and develop these computing solutions and products themselves, but then outsources them to foundries (factories where semiconductor chips are made) like TSMC – another one of our holdings. After this, AMD then sells these products to both businesses and consumers for Data Centers, Gaming Consoles, PCs, and more. Currently, AMD is led by CEO Lisa Su and has a market capitalization of $155.80B.[3]

Impacts from H2

The investment into AMD quickly came to fruition as the stock returned 15.12% to the Carroll Fund in H2, outperforming the S5INFT Index by 4.54%.[4] This outperformance can mainly be attributed to the potential of AI. In AMD's Q2 earnings, they claimed that AI engagements increased by more than 7x and that they are working hard to meet the steep demand curve. In Q3, AMD expects robust growth in revenues for both their Client and Data Center segments, with double-digit percentage increases sequentially. This surge would be primarily fueled by the escalating demand for their EPYC and Ryzen processors, although it is somewhat offset by declines in the Embedded and Gaming segments. AMD also claimed that customer interest was very high for their upcoming MI300 AI chip, which will ramp up in Q4.[5]

Outlook

The rationale for our investment in AMD was based on the company's potential for growth and its ability to capture a larger market share in the CPU and GPU markets. These markets are experiencing significant growth, making them attractive opportunities for investment. AMD's financial success and ability to come through on their promises also gave good indication to the Carroll Fund that this was a good investment opportunity. Currently, the Carroll Fund still agrees with this investment thesis but is not too confident about consumer technology in the near-term. Sustained challenges in the consumer electronics market would impact AMD's revenue stream in a negative manner. However, AMD is set to benefit greatly from AI, and we believe that we should remain invested for this reason.

New Transactions

The Carroll Fund bought 105 shares of AMD at $89.32 on April 21, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$9,285.15	$10,796.10	15.12%	$0.00
FY	$9,285.15	$10,796.10	15.12%	$0.00

Apple, Inc. (AAPL)

Holding Description

Steve Jobs and Steve Wozniak, two college dropouts, founded Apple in a California garage in 1976. Their vision was to revolutionize the way people perceive computers, aiming to introduce a highly functional and user-friendly computer to the market. This vision proved to be immensely successful, making Apple a leader in the IT sector. Today, it stands as the largest company in the S&P 500, boasting a market capitalization of $2.68T.[1] Apple has evolved to become a multifaceted corporation, involved in the design, manufacturing, and marketing of a wide array of products and services that are integral to the daily lives of individuals, governments, businesses, and educational institutions worldwide. Among its popular product offerings are the Apple Watch, iPad, iPhone and Mac. Additionally, the company offers a range of sought-after services, including advertising services, AppleCare (an extended warranty program), cloud services (such as iCloud storage), digital content (such as Apple Music and Apple TV+), and payment services (Apple Card and Apple Pay). Apple also offers a portfolio of consumer and professional application software along with its system software, iOS.[2]

Impacts from H2

In H2, AAPL returned just 3.13% to the Carroll Fund, underperforming the S5INFT Index by 7.45%. This is a minimal return compared to the 19.65% return the tech giant contributed to the portfolio in H1.[3] The underperformance can be attributed to a sluggish consumer electronics market – especially for smartphones. AAPL also has faced foreign exchange headwinds which has hurt their results and demand according to management. However, AAPL reached an all-time high in services revenue in Q3 thanks to their 1B+ subscribers. They also saw continued strengths in emerging markets as they saw record revenue in India, Indonesia, Mexico, Philippines, Poland, Saudi Arabia, Turkey, and the United Arab Emirates.[4] CEO Tim Cook also recently announced that AAPL has been doing research on AI and machine learning (including generative AI) for years, and that they plan on continuing to do this in order to roll these technologies into their products.[5]

Outlook

The Carroll Fund holds AAPL due to the fact they are an industry leader, produce positive returns, are a worldwide known brand, and have great management. We are confident in AAPL's ability to continue to produce positive returns for the portfolio. We believe that there may be some near-term headwinds that could cause their product revenues to go down due to a weakened consumer electronics market. However, their services revenue is still a strong and growing business segment. All things considered; the Carroll Fund views AAPL as a long-term hold.

New Transactions

The Carroll Fund sold 62 shares of AAPL at $165.13 on April 21, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$34,411.80	$41,060.10	19.65%	$114.54
H2	$41,060.10	$32,016.27	3.13%	$89.76
FY	$34,411.80	$32,016.27	23.38%	$204.30

Microsoft Corporation (MSFT)

Holding Description
Bill Gates and Paul Allen co-founded Microsoft in 1975 with the original goal of "developing software for the Altair 8800, an early personal computer."[1] Since then, Microsoft has grown to become the second largest company in the S&P 500 – just behind Apple. The tech giant boasts a market capitalization of $2.35T.[2] They offer a wide array of products and services for both personal and business uses. Some popular examples of these products and services are their cloud services (Azure), operating system (Windows), PCs (Surface devices), productivity applications (Microsoft Office), video game consoles (Xbox), and more. Microsoft operates in three main business segments: Intelligent Cloud, More Personal Computing, and Productivity & Business Processes.[3] Each segment contributes uniquely to Microsoft's mission of "empowering every person and every organization on the planet to achieve more."[4]

Impacts from H2
In H2, MSFT returned 9.99% to the Carroll Fund, nearly in line with the S5INFT Index's return of 10.58%.[5] MSFT's positive returns can be attributed to their strong financial performance that has been driven by emerging technologies such as AI and cloud services. Azure has consistently grown in high double digits, as it grew 26% YoY in Q4.[6] The reason this growth has been so robust is because businesses are moving their IT workloads to the cloud. Rather than buy hardware and install software on their own, it is easier and cheaper for businesses to put their software in cloud services such as Azure. In addition, software companies now build their software applications on the cloud, forcing them to buy from a hyperscaler such as MSFT. In Q4, MSFT did see a 4% decline in their Personal Computing division driven by a 20% decrease in devices revenue.[6] Overall, however, investor sentiment has remained positive as the pros seem to heavily outweigh the cons when judging the current state and the future state of MSFT.

Outlook
The Carroll Fund holds MSFT because of their recognized brand, consistent and strong financial performance, and future growth potential. We are confident that MSFT will continue to produce positive returns for the portfolio. CEO Satya Nadella and leadership have ambitious goals. Nadella stated in June 2023 that MSFT aims to hit $500B in revenue by 2030. This would mark an over 100% increase in the top line. This growth is expected to be driven by AI, Azure, and other subscription-based products. We think that this is a great reason to remain invested in MSFT, especially as AI has not necessarily shown up in their financial statements yet according to management. The future seems to be very bright for MSFT and the Carroll Fund views it as a long-term hold.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$23,057.10	$28,541.70	24.37%	$134.64
H2	$28,541.70	$31,259.25	9.99%	$134.64
FY	$23,057.10	$31,259.25	36.74%	$269.28

Palo Alto Networks, Inc. (PANW)

Holding Description
Founded in 2005 by Nir Zuk, Palo Alto Networks has grown to be a global cybersecurity leader. They offer businesses network security solutions through the form of firewalls. PANW is an industry leader due to their financial success and proven ability to protect over 80,000 companies around the world from cyber-attacks.[1] PANW "empowers enterprises, organizations, service providers, and government entities to protect themselves against today's most sophisticated cyber threats."[2] Their cybersecurity is backed by AI and automation. They provide customers (usually mid to large size businesses) with products, services, and support. All of these offerings contribute to PANW's goal of providing value to these customers through cloud security, network security, security operations, and threat intelligence and security consulting. PANW has two reportable business segments: Product and Subscription & Support.[1] Currently, PANW has a market capitalization of $72.35B.[3]

Impacts from H2
In H2, PANW delivered an impressive return of 17.37% to the Carroll Fund, outperforming the S5INFT Index by a substantial margin of 6.79% and outshining all four of the Carroll Fund's other IT holdings.[4] This outperformance can be attributed to strong financial performance due to double-digit Subscription & Support revenue growth, an increase in deals, sustained growth in lifetime value for its largest customers, and an overall increased demand for cybersecurity. This increased demand for cybersecurity stems from digital transformation and also potential malicious uses of AI. PANW's platforms are being used in Education, Energy, Healthcare, Retail and more – indicating a diverse portfolio. PANW also plans to also use AI to their advantage as they plan to double business in the next 3-5 years. Management thinks they can achieve this goal with "just a few thousand people" opposed to "scaling headcount in proportion to the size of the business."[5]

Outlook
Due to cybersecurity's inelasticity and future growth expectations, the Carroll Fund is invested in PANW as they are set to benefit most from both factors. We believe that PANW has a sustainable competitive advantage in a market that has very promising long-term potential. There may be near-term headwinds that could hurt PANW's stock price, but we do not think that provides reason to consider selling PANW. We can confidently say that cybersecurity (and therefore PANW) will not be going anywhere anytime soon. The Carroll Fund views PANW as a long-term hold.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$11,915.61	$13,782.06	14.06%	$0.00
H2	$13,782.06	$16,176.36	17.37%	$0.00
FY	$11,915.61	$16,176.36	33.88%	$0.00

Taiwan Semiconductor Manufacturing Company (TSM)

Holding Description

Taiwan Semiconductor Manufacturing Company (TSM) is a Taiwanese based semiconductor manufacturer. Founded in 1987, TSM is the first company to have a pure-play foundry business model. This means that TSM does not design their own chips – they simply manufacture chips that are designed by their customers. By doing this, TSM avoids competition with these customers. TSMC operates as a B2B firm, with around 65% of revenue coming from their top 10 customers.[1] This business model has proven to be successful for TSM, as they have a massive 30% market share and a market capitalization of $450.70B.[2] TSM is the provider of chips for massive tech companies such as Apple, AMD, and Nvidia.

Impacts from H2

In H2, TSM returned -5.82% to the Carroll Fund, underperforming the S5INFT Index by 16.40%.[2] This large underperformance is due to the weak consumer electronics market which caused a decrease in demand for semiconductor chips. The consumption of semiconductor inventory is also taking longer than originally expected. In their Q2, TSM saw a 14% fall in revenue YoY along with a 23% fall in net profit – the first drop in four years.[3] While AI-related demand did not offset the overall cyclicality of TSM's business, the chip manufacturer did give investors news to be excited about. Currently, AI accounts for just 6% of TSM's business, however, TSM expects AI to grow at a 50% CAGR over the next five years. TSM is also constructing an $8.60B facility in Japan and still looking for an opportunity to construct a fab in Germany. This would aid in decreasing the risk of supply chain disruptions due to the current reliance on Taiwan. TSM is also on track to begin operations on their Arizona fab site in 2025. TSM's Q3 is set to be driven by 3nm chips as Apple reportedly will use the 3nm chips for their next iPhone.[4]

Outlook

The Carroll Fund is invested in TSM due to their competitive advantage and lucrative business model. They have a huge market share and are in a good position to benefit from an increase in demand for consumer electronics and high-performance computing. There are lots of positives to TSM, but there is also lots of risk due to the China-Taiwan tensions. Overall, it doesn't make sense to us to sell, especially at a loss, considering that TSM is the exclusive supplier of chips to Apple, AMD, Nvidia, and other major players. The Carroll Fund believes that we should remain invested in TSM.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$15,905.92	$21,580.64	36.69%	$161.68
H2	$21,580.64	$20,160.80	-5.82%	$163.12
FY	$15,905.92	$20,160.80	28.79%	$324.80

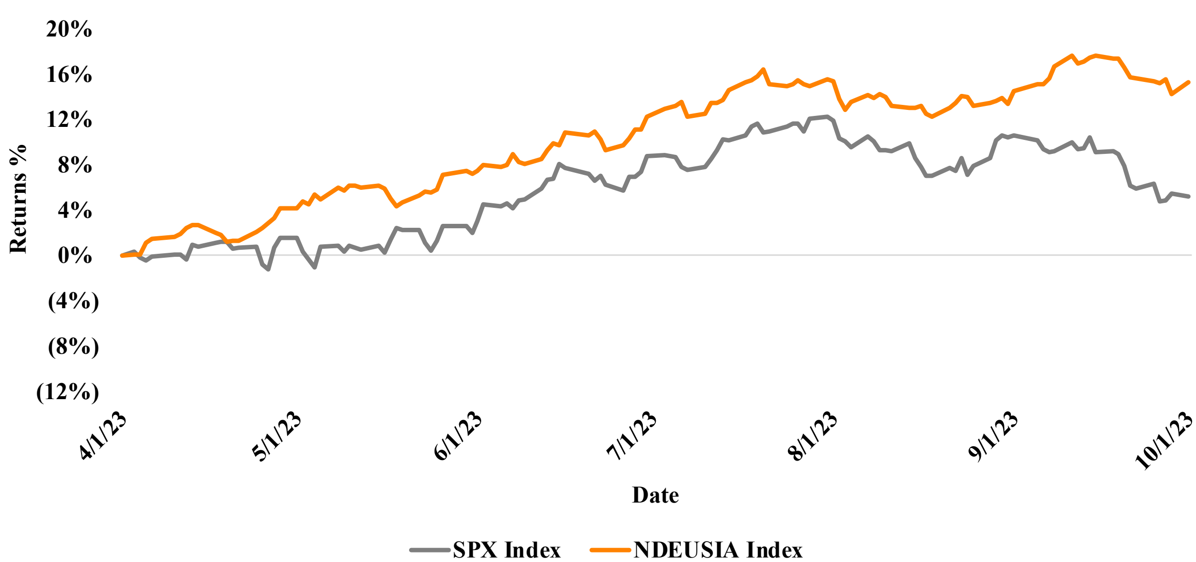
International

Managed by Carter Speedy

Sector Overview
There are three major world regions: the Americas, EMEA, and Asia/Pacific. The Americas encompass nations throughout North and South America; EMEA includes Europe, the Middle East, and Africa; while Asia/Pacific is comprised of countries like China, India, Australia, the Philippines, etc. Within these three regions, there are three different types of markets: developed, emerging, and frontier. Developed markets are the most advanced economically with "high levels of liquidity, meaningful regulatory bodies, large market capitalization, and high levels of per capita income."[1] Emerging markets are those "in the process of rapid growth and development with lower per capita incomes and less mature capital markets."[1] Lastly, frontier markets are emerging markets with "little market liquidity, marginally developed capital markets, and lower per capita incomes."[1] American traders sometimes face challenges when purchasing international securities due to currency disparities, ADRs, or other restrictions.

Impacts from H2
The NDUEACWZ Index, which covers approximately 85% of the global equity opportunity set outside of the United States returned -1.95% for H2 underperforming the S&P 500.[2] The international markets experienced significant instability as a result of ongoing conflicts, soaring inflation rates, and escalating concerns over looming recessions. The Russia-Ukraine conflict hit the one-and-a-half-year mark in August of this year with little signs of ending soon. "The global economy is now in its steepest slowdown following a post-recession recovery since 1970," and with many central banks still raising interest rates in H2, the fear of a global recession is rising.[3] Markets will continue to monitor the international conflicts going forward and the impact of interest rate hikes on global economic activity.

Performance



iShares MSCI India ETF (INDA)

Holding Description

The iShares MSCI India ETF seeks to track the top 85% of firms in the Indian securities market.[1] The index measures the performance of large and middle market capitalization segments of the Indian securities market intending to replicate the MSCI India Index, which is a widely recognized benchmark for Indian stocks.[2] The fund has an expense ratio of 0.64% and $6.02B of AUM as of September 30, 2023. Listed below are INDA's top ten holdings:

Top 10 Holdings			
Reliance Industries Ltd	8.23%	Axis Bank Ltd	2.62%
ICICI Bank Ltd	5.73%	Bajaj Finance Ltd	2.54%
Infosys Ltd	5.51%	Bharti Airtel Ltd	2.51%
HDFC Bank Ltd	5.02%	Hindustan Unilever Ltd	2.44%
Tata Consultancy Services Ltd	3.73%	Larsen & Toubro Ltd	2.43%

Impacts from H2

INDA generated a 7.06% H2 return for the Carroll Fund, greatly outperforming the NDUEACWZ Index and S&P 500, producing $832.22 in profit. The international markets were shaky in H2, but India's goal of becoming a major international power without committing to any entangling alliance helped the country avoid most conflicts. India's major conflict spawned in September 2023 when the Canadian Prime Minister made allegations that Indian agents were responsible for the assassination of a Canadian Sikh separatist leader in Canada. This has increased tensions and decreased trade between the countries, hindering India's economic growth. India's CPI report for September 12, 2023, came in at 6.83% YoY, which is more than double the United States report around the same time, so India's central banks still face significant challenges in managing inflation.[4] The country's GDP reported on August 31, 2023, was 7.80% YoY, which greatly outpaces the United States' GDP signaling strong economic growth even in times of high interest rates.[5]

Outlook

The Carroll Fund is optimistic for the future of INDA because of India's strong economic growth, large and youthful middle class, and diversification properties. We believe that it is beneficial to hold equities in a prospering economy while also diversifying our risk across a different geographical region that provides exposure to all 11 sectors. India's middle class continues to grow, which translates to a larger, more innovative workforce that participates in more discretionary spending and investments.

New Transactions

The Carroll Fund bought 285 shares of INDA at $41.38 on May 11, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$11,816.10	$12,602.70	7.06%	$22.82
FY	$11,816.10	$12,602.70	7.06%	$22.82

Materials

Managed by Braeden Salyer

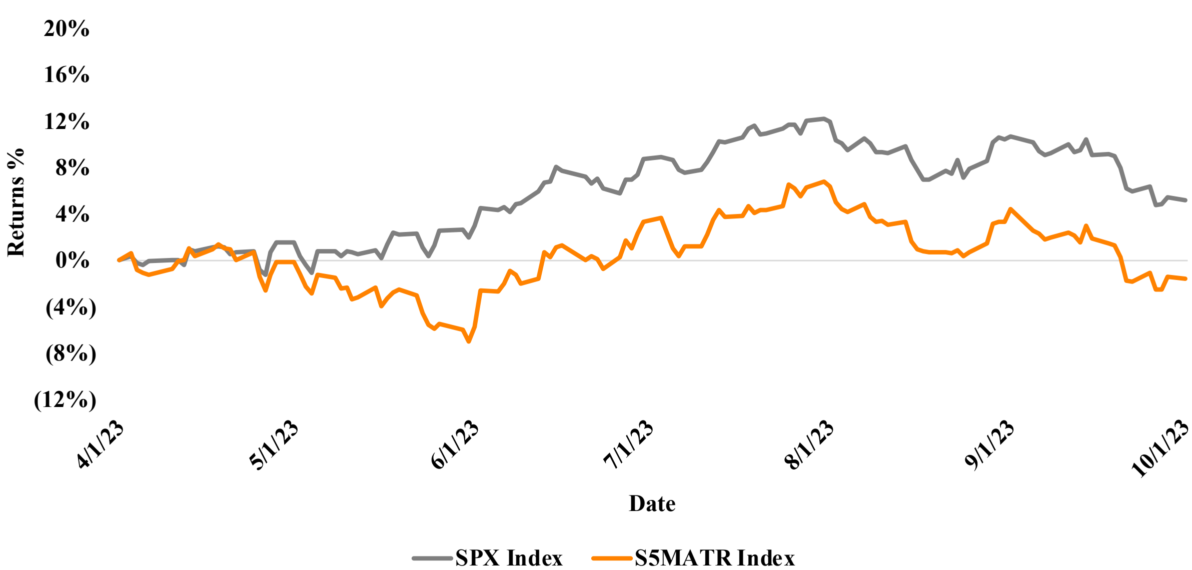
Sector Overview

The Materials sector of the S&P 500 is one of the smallest sectors of the S&P 500, but it still has a sector market capitalization of nearly $1T. The sector is made up of 13 different sub sectors. The top three, making up around half of the market capitalization, are Chemicals Diversified, Paints & Coatings, and Specialty Chemicals. Some familiar names from these sub sectors are Linde PLC, Air Products and Chemicals Inc, and Sherwin Williams Co. The others revolve around different types of materials such as copper, gold, fertilizers, iron, steel, and others. Supply chain management is important across this sector as many of the companies source a substantial number of materials globally. This results in global policy playing an important role in this sector. The economic cycle also plays a significant role in the Materials sector as the demand for materials grows substantially when the economy is expanding and shrinks during a contraction.

Impacts From H2

The Carroll Fund went into H2 with no holdings in the Materials sector but added to it with the purchase of Albemarle (ALB) in May. The results from the Materials sector were weak throughout H2, finishing down 6.79% compared to the S&P 500. The overall economic uncertainty played a role in the underperformance as well as interest rates being elevated and inflation remaining sticky. The lackluster real estate market in recent months has also been attributed to the underperformance of the Materials sector. This falls in line with the cyclical nature of the Materials sector even though the SPX Index has performed better throughout H2. If monetary policy remains tighter for longer and closely connected segments of the economy slow, this could continue to hold the Materials sector back for the short term.

Performance



Albemarle (ALB)

Holding Description
Albemarle (ALB) is a diverse materials company that operates worldwide. Roughly 90% of their revenue comes from outside the United States. Albemarle conducts business in the "automotive, construction, consumer electronics, crop protection, lubricants, pharmaceuticals, plastics, and refining" industries.[1] Albemarle operates with three distinct business segments. The first being a major producer and refiner of lithium, contributing 70% to the total revenue and catering to consumer products like electric vehicles, phones, and more. The second segment focuses on bromine and bromine base products, integral to fire safety solutions and other specialty chemical applications, making up 20% of the revenue. The third segment, contributing 10% to total revenues, is dedicated to catalysts, encompassing clean fuels technologies, fluidized catalytic cracking catalysts & additives, and performance catalyst solutions. Albemarle's strategy focuses on "increasing sales volume, optimizing and improving the value of its portfolio through pricing and product development, managing costs, and delivering value to its customers and shareholders."[2]

Impacts From H2
The Carroll Fund added Albemarle to the portfolio to gain some exposure to the Materials sector and in particular the growing lithium market. Lithium has been a very volatile commodity throughout the past few years due to volatility in demand from producers of lithium-based batteries. During the calendar year the price of lithium has dropped by about 70% as supply has caught back up with demand. The Carroll Fund entered their position near the bottom of the lithium price drop and has seen volatile prices since then with the current price remaining about the same. Albemarle was active in H2 with some aggressive attempts to capture more of the lithium market through acquisitions. Most notable, they are in the acquisition process of Liontown Resources. They entered a non-binding agreement with Liontown Resources and were granted an opportunity to do their own financial deep dive into them to ensure strong fundamentals. This deal offers strong upside potential for growth, but it is important to note that an individual investor has acquired over a 10% stake in Liontown Resources as of September 28, 2023. This poses the risk of the deal being blocked if that is the investors' intentions.[3]

Outlook
The Carroll Fund is confident in the long-term growth potential of Albemarle but recognizes the potential short-term risk with the greater lithium market being depressed for months, and current supply catching up with demand. As current macroeconomic tensions ease it will provide a boost for Albemarle and the lithium market as demand surpasses supply once again. Albemarle is poised to capture returns from this as they are expanding their mine diversity in the United States and forming strategic partnerships with companies like Caterpillar.

New Transactions
The Carroll Fund bought 35 shares of Albemarle at $179.02 on May 4, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$6,147.75	$5,951.40	-4.79%	$14.00
FY	$6,147.75	$5,951.40	-4.79%	$14.00

Real Estate

Managed by Braeden Salyer

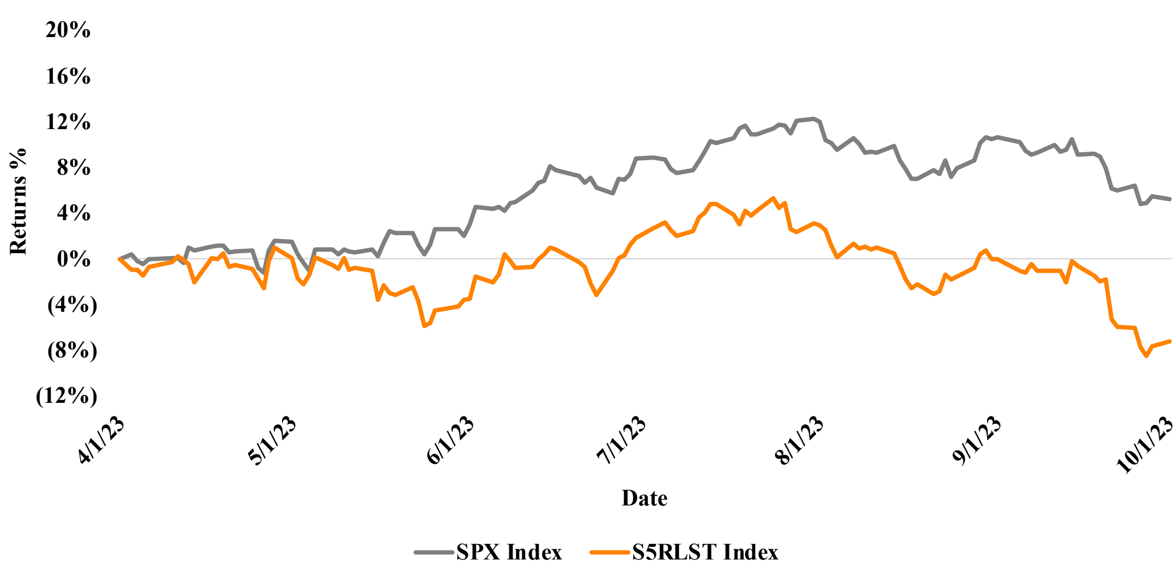
Sector Overview

The Real Estate sector of the S&P 500 consists of 31 companies with about $1T in market capitalization, much of which are specifically Real Estate Investment Trusts (REITs). The sub sectors are Health Care, Hotel/Lodging, Industrial, Infrastructure, Office, Real Estate Services, Residential, Retail, Storage, and Timber. Everything but Real Estate Services are REITs. REITs are an investment vehicle made available to the common investor to get exposure in real estate without owning any actual property. This enables investors to receive cash flows from real estate via dividends. The "steady income stream" from REITs is what makes them attractive, but they "offer little in the way of capital appreciation".[1] Some of the largest companies in the real estate sector are American Tower Corporation (AMT), Prologis (PLD), and Public Storage (PSA), which are all REITs. The Real Estate sector is heavily intertwined with economic cycles, expanding and contracting with the broader economy.[2] The different holdings in the REITs can give you an idea of which will do better or worse during the different periods of the economic cycle.

Impacts from H2

The Carroll Fund remained in a moderately defensive position in the Real Estate sector during H2 due to the general uncertainty of the economy, interest rates, and inflation. Our current holdings are Prologis (PLD), Public Storage (PSA), and Welltower (WELL). During H2, the Real Estate sector underperformed the S&P 500 by 12.44%. The Real Estate sector struggled during H2 under the pressure of high interest rates, high inflation, and less industry specific expansion. There has been global real estate tension as China's quickly expanding real estate market had a near total cease in foreign investment stemming from the Evergrande Group bankruptcy in August and the following regulatory crackdown. The current macroeconomic situation, coupled with the anticipated "higher for longer" policy, may prolong a subdued Real Estate sector and extend underperformance, even in traditionally stable subsectors.

Performance



PotlatchDeltic (PCH)

Holding Description

PotlatchDeltic is a real estate investment trust but operates mainly in the Lumber industry. They own roughly 2.20M acres of land in the United States spread across states in the general South-East area. They operate six sawmills, an industrial-grade plywood mill, a residential & commercial real estate development business, and a rural timberland sales program.[1] PotlatchDeltic has strong environmental, social, and governance practices which are factors that when mismanaged have plagued even strong companies that operate heavily with materials and natural resources. PotlatchDeltic has three main revenue streams as follows, Wood Products, Timberlands, and Real Estate. Wood Products makes and sells lumber, plywood, and residual products and accounts for about 60% of revenue. The Timberlands segment allows consumers to do various activities on PotlatchDeltic owned land which generates about 30% of their yearly revenue. The Real Estate segment is focused on selling some of the land assets that are weak performers or non-strategic. Only 5% of revenue comes from this segment.[2]

Thesis for Exiting

The Carroll Fund decided to fully liquidate our position in PotlatchDeltic during H2. This decision was made after a group discussion produced a lack of confidence in the investment for the future due to several main reasons. Due to lumber prices declining by ~24% from the early year highs, and the current economic headwinds, PotlatchDeltic did not bolster confidence in us. Furthermore, PotlatchDeltic posted some lackluster YoY returns in Q1. Revenues fell by over $150M (-37.29%) and their net income fell by $147.6M (-90.01%) over the same period.[3] These results paired with our desire to reduce our real estate holdings and increase our materials holdings led us to liquidate PotlatchDeltic. Exiting PotlatchDeltic has proven to be beneficial for the portfolio as the performance since liquidation has been underwhelming as well as this provided funds for our purchase of Albemarle.

New Transactions

The Carroll Fund sold 101 shares of PCH at $49.10 on April 14, 2023 and sold 114 shares of PCH at $45.50 on May 5, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$9,603.36	$10,642.50	23.98%	$424.35
H2	$10,642.50	$5,108.34	-4.67%	$0.00
FY	$10,642.50	$5,108.34	18.81%	$424.35

Prologis, Inc. (PLD)

Holding Description
Prologis (PLD) is the "global leader in logistics real estate with a focus on high barrier, high growth markets."[1] They own, manage, and develop well-located, high quality logistics facilities in about 20 countries across four continents. Prologis has more than "6,600 clients including amazon, FedEx, Home Depot, Wal-Mart, Geodis, and Kuehne + Nagel."[1] Prologis has two main business segments, including Real Estate Operations and Strategic Capital. Real Estate operations includes rental and development activities and brings in more than 85% of the revenue for the company. Strategic Capital includes asset management and property management services and accounts for ~15% of total revenue. Prologis has strong geographical reach with roughly 800M sq ft in the United States and roughly 400M sq ft in other countries.

Impacts from H2
The Carroll Fund held Prologis going into H2. It was purchased in H1 to diversify our Real Estate portfolio. Prologis was coming off two years of robust growth for the business in 2021 and 2022 with hopes of replicating in 2023. Current YoY FFO/Share growth percent has declined by 30.80%. The logistics real estate market growth has cooled off by about 50% in 2023, but that is from all-time highs in the previous years. The slowdown in the logistics real estate was expected but was exacerbated by the current macroeconomic economic health. High interest and inflation rates were hard on different levels for Prologis as their customer's needs shrank and their costs rose YoY.

Outlook
The Carroll Fund has a cautiously optimistic outlook on Prologis for the future. The potential to reach the growth levels of the past two years is unlikely, but Prologis stills boasts a strong balance sheet. They have a historically high cash and cash equivalent position which gives them easier access to opportunities when they present themselves. They have positioned themselves to be a high growth company and it is important they continue to expand. The Carroll Fund will closely monitor Prologis to ensure they remain an asset to our portfolio.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$5,613.12	$4,990.80	6.25%	$72.72
H2	$4,990.80	$4,488.40	-8.67%	$69.60
FY	$5,613.12	$4,488.40	-1.45%	$142.32

Public Storage (PSA)

Holding Description
Public Storage (PSA) is the "world's largest owner, operator and developer of self-storage facilities."[1] They have ~2,900 locations (206M net rentable sq ft) across the United States as well as a 35% stake in Shurgard Self Storage Limited which has 266 self-storage facilities (15 million net rentable sq ft) in seven European countries. Self-Storage is the main business segment of the company which consistently brings in ~94% of their revenue. All this revenue comes from the charging of rent to its customers. The other 6% of revenue comes from ancillary services. Public storage has implemented a growth strategy in their business model that utilizes a strong "growth-oriented balance sheet", strong ESG practices, and a focus on "acquisition, development, redevelopment" of current and future properties.[2] Since 2004, same store NOI growth average is 5.30% compared to the core Real Estate sector average of 2.30%. In a market in which differentiation is difficult, you need to find a way to separate from the pack. The strategy that has worked for Public Storage is the recognizability of their orange-colored facilities. As insignificant as this seems, in the mind of the consumer recognizing something familiar will steer you back to what you know.

Impacts from H2
Public Storage has taken a part in the Real Estate sector slump throughout H2. They have still had some positive YoY growth and have partaken in some acquisition activity. YoY in Q2 they had a 7.30% increase in Core FFO, and same store NOI increased by 6.20%. In July of this year, Public Storage acquired BREIT Simply Storage LLC for $2.20B in cash. This expanded their portfolio by about 11.20M sq ft. Public Storage has also had a strong dividend payout with their yearly payout total at $12/share (~5% yield). The broader real estate market slump has made it more challenging to deliver shareholder value even for a strong company like Public Storage.

Outlook
Public Storage remains an important part of our Real Estate sector even with the current pull back. They are a defensive investment and fit our investment thesis well. The storage industry has been hurt by the decrease in moving that comes along with a reduction in real estate transactions, but the need for this service will sustain in the long term. Moreover, Public Storage has stable financials, and the dividend yield will provide cashflows while we wait for the recovery of the broader sector. We expect this recovery towards the latter half of 2024, once monetary policy becomes more dovish.

New Transactions
The Carroll Fund bought 16 shares of PSA at $305.31 on April 14, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$4,645.60	$4,216.32	-11.72%	$96.00
FY	$4,645.60	$4,216.32	-11.72%	$96.00

Welltower, Inc. (WELL)

Holding Description

Welltower (WELL) is involved in the business of healthcare real estate. They focus on "properties concentrated in major, high-growth markets in the United States, Canada and the United Kingdom."[1] Their goal is "to fund the real estate infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience."[1] They focus their business in three different industries. The first encompasses Senior Housing Operations, involving senior apartments, independent living, independent supportive living, continuing care retirement communities, assisted living, and more, contributing approximately 70% of the total revenue. The second segment comprises NNN leases for post-acute care facilities, which not only include similar facilities as senior housing operations but also high-impact centers aiding patients' recovery from illness or surgery to facilitate quicker healing and reduce hospital readmission rates, making up about 15% of the revenue. The third and smallest segment, contributing around 10% to the revenue, is Outpatient Medical, which is rapidly growing and focuses on easily accessible medical facilities strategically located at or around hospitals. In pursuit of broadening their investment portfolio through the leverage of "robust liquidity,"[1] the company is poised to achieve the ambitious target of concluding deals amounting to $3B annually in 2023.

Impacts from H2

Welltower has been a relatively strong performer in the Real Estate sector throughout a very tumultuous year. Welltower has been actively growing their portfolio throughout 2023 with $3B in investment activity as of the end of Q2. They have also kept a strong balance sheet with high levels of liquidity to enable them to move swiftly and effectively when investment opportunities present themselves. Current cash and cash equivalents are over $2B compared to end of year 2022 where the value was only about $600M. Welltower has continued to expand despite a challenging macroeconomic environment characterized by high interest rates and inflation.

Outlook

The Carroll Fund has strong confidence in Welltower to continue to grow and expand for the coming years. They have positioned themselves to do just this with their strong balance sheet practices and constant desire for growth. In specific, halfway through the calendar year they had $3.00B in investment activity and were sitting on $6.70B in liquidity available. Welltower provides us with stability and confidence in our real estate holdings. With much uncertainty around the real estate market, Welltower continues to improve while others around them are achieving less.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$14,343.36	$4,731.54	10.95%	$176.29
H2	$4,731.54	$5,406.72	15.97%	$80.52
FY	$14,343.36	$5,406.72	16.22%	$256.81

Utilities

Managed by Michael Forshee

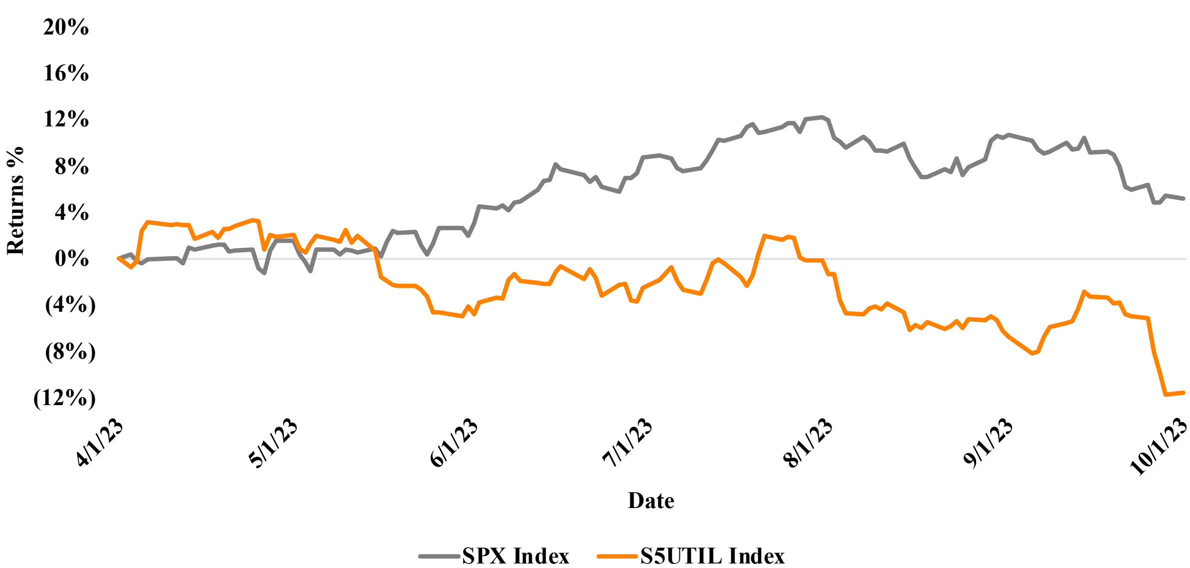
Sector Overview

The Utilities sector of the S&P 500 involves companies that engage in "the provision of various utility services, such as electric power, natural gas, steam supply, water supply and sewage removal."[1] All 30 businesses and their operations will fall under the industries of Electric Utilities, Gas Utilities, Independent Power & Renewable Electricity Producers, Multi-Utilities, and Water Utilities. The Utilities sector is considered a non-cyclical, defensive sector because people will always need the services they provide. Utilities tend to outperform when headed into a recession due to their consistent cash flows and higher than average dividend yield. Due to their monopolistic nature, utilities are subject to heavy regulation, and their revenue requirements must be debated by a panel. The sector currently has a market capitalization of $875B, and it makes up around 2.54% of the S&P 500.[2] The Carroll Fund holds NextEra Energy (NEE) in the Utilities sector.

Impacts from H2

H2 was characterized by high volatility and rising rates that deeply affected the sector. The Utilities sector is an incredibly capital-intensive sector due to the funding of new projects and infrastructure for revenue generation. Over the fiscal year, the fed funds rate rose from the range of 3.00% - 3.25% to the current range of 5.25% - 5.50%.[2] This dramatic increase over the year translated to heavily increased borrowing costs and limiting new projects. Additionally, the rise in rates made the higher dividend yield of utilities less attractive due to the yields one could receive on treasuries. One could receive a higher yield on risk free treasury bonds than they could on utility dividend yields. When this was coupled with low growth, the industry saw a sharp decline. We saw the Utilities sector fall 11.40% during H2 alone.

Performance



NextEra Energy (NEE)

Holding Description
NextEra Energy (NEE) is one of the largest electric power and energy infrastructure companies in North America and a leader in the renewable energy industry. NextEra has two primary businesses: Florida Power and Light (FPL) and NextEra Energy Resources (NEER), and they make up around 80% and 20% of revenue, respectively. FPL is a rate-regulated utility that is responsible for delivering electricity to about 5.80 million accounts in Florida. FPL's strategy hinges on providing low-cost electricity to customers with high reliability. NEER is the world's largest renewable energy generator with around 27,400 megawatts of total net generating capacity at the end of 2022; around 70% of this comes from wind energy.[1] NEER's strategy emphasizes the development, construction, and operation of long-term contracted assets with a focus on clean energy. The company is headquartered in Juno Beach, Florida, and has around 9,300 employees.[2]

Impacts from H2
NextEra Energy struggled this year, seeing losses of 23.05% over the FY and H2. The Utilities sector saw losses of 11.40% over H2, for comparison. Higher for longer interest rates hit the Utilities sector hard this year. The Utilities sector is very capital-intensive, and higher borrowing costs make it difficult for companies to fund future projects. Additionally, higher yields make bonds more attractive during a downturn relative to utilities, as the yield on a risk free 10-year treasury bond was consistently higher than NEE's dividend yield, averaging 4.47% and 3.19% over the last 12 months, respectively.[2] These knock-on effects dragged utilities down, and NEE fell with them. NEE faced a lawsuit in March that stated FPL failed to use "storm charges" to properly harden their infrastructure systems against hurricanes, and this caused unnecessary suffering to Florida residents during Hurricane Irma.[3] NEE additionally dealt with partner issues as NextEra Energy Partners slashed their earnings by half close to the end of Q3. This sent NEE's stock price tumbling towards the end of the quarter.

Outlook
Looking forward, we are confident in NEE's ability to maintain its strategy and generate consistent earnings from its FPL unit while still pursuing growth through its NEER unit. We feel confident that NEE will remain devoted to its core business of FPL, which we saw this year when they sold their Florida City and Gas utility for $923 million to reinvest in FPL. This devotion will help bring continued, consistent cash flows that will be returned to the shareholders. Additionally, NEER is a leader in the clean energy space, and we believe they will maintain a dominant position during the long transition to renewable energy. NEE has additionally focused on battery development projects, and has created energy storage capacity of over 180 megawatts, more than any company in the US. This sets them up well to supplement the energy grid during times of low renewables production or peak energy demand.[4]

New Transactions
The Carroll Fund bought 151 shares of NEE at $75.67 on May 15, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$11,491.10	$8,650.79	-23.05%	$141.18
FY	$11,491.10	$8,650.79	-23.05%	$141.18

SPDR Fund (XLU)

Holding Description
The Utilities Select Sector SPDR ETF (XLU) is a passively managed, large cap exchange traded fund (ETF) that aims to provide investment results that mirror the performance of the Utilities Select Sector Index. It includes companies involved in communication services, electrical power providers, and natural gas producers.[1] The ETF has a market capitalization of $13.10B with an expense ratio of around 0.10% as of October 27, 2023.[2] The ETF has 99.75% of its assets in equities, with 94.12% of these assets being in electric companies.

Top 10 Holdings			
NextEra Energy Inc.	13.12%	Exelon Corp.	4.41%
Southern Co/The	8.37%	Constellation Energy Corp.	4.11%
Duke Energy Corp.	7.78%	Dominion Energy Inc.	3.87%
Sempra	5.06%	PG&E Corp.	3.81%
American Electric Power Co Inc.	3.87%	Xcel Energy Inc.	3.71%

Thesis for Exiting
During H2, the Carroll Fund decided to liquidate XLU in order to realize gains on the return we had seen, and because we realized we might be missing out on gains by being in the ETF rather than an individual stock. The Carroll Fund sold 149 shares of XLU at $68.49 per share, up from our original cost basis of $61.63 per share. The sale freed up $10,204.93 of cash to help fund the purchase of NextEra Energy (NEE). By liquidating XLU to purchase NEE, the Carroll Fund was originally expecting rates to be cut earlier than the current market scenario, which would set up well for investing in a growth-oriented utility like NEE. XLU returned 6.71% from the start of the FY until we sold it on May 15, 2023, and NEE lost 23.05% since we purchased it on May 15, 2023. Exposure to single stocks can help drive gains, but we also lost out on diversification that would have helped protect us during the uncertain interest rate environment.

New Transactions
The Carroll Fund sold 149 shares of XLU at $68.49 on May 15, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$12,643.43	$10,085.81	5.76%	$183.41
H2	$10,085.81	$10,204.93	1.18%	$0.00
FY	$12,643.43	$10,204.93	6.71%	$183.41

Fixed Income

Managed by Michael Neuhoff

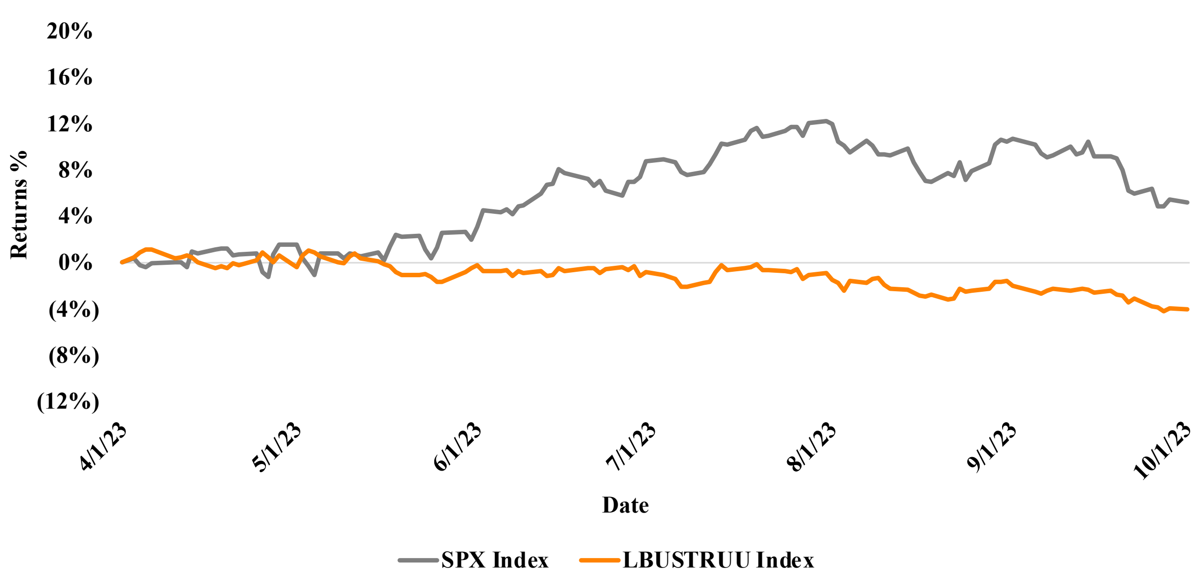
Sector Overview

The fixed-income market is a crucial component of the global financial system where governments, corporations, and other entities issue debt, including short-term paper, bonds, and loans, to raise capital. These debt instruments include but are not limited to, government bonds, mortgage-backed securities, corporate bonds, leveraged loans, municipal bonds, asset-backed securities, and federal agency securities. These debt instruments offer investors fixed or floating-rate interest payments over a specified period, making them attractive for investors seeking a predictable stream of income and higher priority in capital structures compared to equities. The fixed-income market is essential for financing various projects and operations, and its dynamics are influenced by economic conditions, interest rates, creditworthiness, and investor sentiment, playing a vital role in the broader financial landscape. Investing in fixed-income securities carries risks, including interest rate risk, credit risk, reinvestment risk, and prepayment risk.

Impacts from H2

The bond market struggled over the period with the Bloomberg US Aggregate Bond Index down -4.05% while the S&P 500 was up 5.18%. Most of the poor performance can be attributed to treasury rates increasing across the yield curve. The Federal Reserve hiked the target fed funds rate from 5.00% to 5.50% and started to signal the end of a rate hiking cycle while core CPI has slowed down from 5.50% to 4.10% YoY. Additionally, the shape of the yield curve remained inverted with the 2Y/10Y spread starting at -56 basis points in March, getting as wide as -109 basis points in July and closing H2 at -48 basis points in September. Even with the inverted yield curve and many investors forecasting an economic slowdown, corporate credit spreads tightened with BBBs tightening ~21 basis points (168 to 147) and high yield spreads tightening ~61 basis points (455 to 394) during H2. Although the bond index performed poorly in H2, our fixed-income holdings outperformed by 3.52%, only falling –0.53% due to lower interest rate duration.

Performance



iShares Core US Aggregate Bond ETF (AGG)

Holding Description

The iShares Core US Aggregate Bond ETF (AGG) is a passive exchange-traded fund (ETF) designed to replicate the performance of the Bloomberg US Aggregate Bond Index (LBUSTRUU). This index gauges the performance of investment grade, fixed-rate, US dollar-denominated securities, encompassing treasuries, government agency securities, MBS pass-throughs, corporate bonds, asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS). The index assigns weights to its components based on the total par value of each security outstanding. AGG has 11,241 holdings, mainly dominated by treasuries (~42%) and MBS pass-throughs (~26%) making up ~68% of the ETF.[1] The fund has a low expense ratio of 0.03% and acts as a core position within our portfolio as it tracks the benchmark that is followed by our fixed-income allocation.

Impacts from H2

In H2, The US investment grade bond market has encountered challenges, primarily stemming from increases in treasury rates across the yield curve. This move in rates can be attributed to changes in expectations of Federal Reserve monetary policy, economic strength, and inflation expectations. Notably, the Federal Reserve kept increasing the upper bound of the fed funds target rate to 5.50%.[2] Furthermore, in August, Fitch downgraded the United States credit rating from AAA to AA+ because of concern over the management of a growing debt burden.[3] Despite growing concern over a possible economic slowdown, investment grade corporate credit spreads tightened by 14 basis points over H2 (145 to 131).[4] Although there was a small amount of tightening in credit spreads, AGG finished H2 down -4.08% due to the move higher in treasury rates.

Outlook

As our core fixed-income position, we should continue using AGG as opposed to the comparable ETFs that track the Bloomberg US Aggregate Bond Index. AGG is the largest and most liquid fund while having the smallest tracking error and lowest expense ratio. AGG has a duration of about six years which exposes us to more interest rate risk than our short-duration holdings.[5] However, if the economy and inflation slow down faster or more dramatically than expected, having some duration can provide a valuable hedge to offset declines in the equity part of the portfolio. Since our fund's goal is to outperform the benchmark (LBUSTRUU) as opposed to an absolute return strategy, we should continue to use AGG as a ballast in our portfolio while using satellite positions to implement active management.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$35,067.76	$61,378.24	3.58%	$614.97
H2	$61,378.24	$57,928.64	-4.08%	$947.77
FY	$35,067.76	$57,928.64	-0.60%	$1,562.74

Global X Variable Rate Preferred ETF (PFFV)

Holding Description

The Global X Variable Rate Preferred ETF (PFFV) is an exchange-traded fund that passively tracks the ICE US Variable Rate Preferred Securities Index (PFTF). PFFV primarily comprises floating and fixed-to-floating rate preferred stock issued by United States corporations, with approximately 84% of the fund invested in perpetual preferred stock without maturity dates. Notably, the ETF has significant industry concentration, with ~43% of its holdings originating from Banks, ~25% from Insurance companies, and ~17% from REIT issuers.[1] In terms of credit ratings, roughly 45% of the holdings are classified as investment-grade, about 33% are rated below investment-grade, and the remaining portion is unrated.[2] The fund charges a 0.25% expense ratio and makes distributions monthly. The fund is managed by Mirae Asset Financial Group, a $548B asset manager headquartered in South Korea, under the Global X brand.[3] PFFV is used to increase the expected yield of our fixed-income allocation while keeping our interest rate risk low and is the highest credit risk position within our fixed-income holdings. The fund has a duration of 1.68 years.[4]

Impacts from H2

In H2, the Federal Reserve continued to increase the upper bound of the fed funds target rate from 5.00% to 5.50% to try to stamp out inflation. Treasury rates increased across the yield curve in response to the changes in monetary policy and inflation expectations. PFFV was able to capture increases in yield due to the move higher in short rates as the fund is comprised of many floating-rate securities. Additionally, the fund had a small amount of price appreciation due to a tightening in corporate credit spreads giving PFFV a total return of 3.83% in H2.

Outlook

Investors are pricing in a decrease in short rates over the next couple of years as shown by the forward curve.[5] Even with this expected decrease in benchmark rates, PFFV is still expected to yield above 7% over the next two years. PFFV has the most credit risk within our fixed-income holdings and its components are susceptible to changes in credit spreads, especially within the Financial Services industry.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$37,098.40	$61,150.50	0.59%	$1,566.46
H2	$61,150.50	$61,418.00	3.83%	$2,073.13
FY	$37,098.40	$61,418.00	4.34%	$3,639.59

iShares 20+ Year Treasury Bond ETF (TLT)

Holding Description

The iShares 20+ Year Treasury Bond ETF (TLT) is a passive ETF that tracks the IDC US Treasury 20+ Year Bond Index (IDCOT204). The index tracks US treasury bonds with remaining maturities greater than 20 years and is weighted by the outstanding market value of each issue. The ETF has 40 holdings almost all being long-dated treasury bonds. With a weighted average maturity of ~25 years and an effective duration of ~16 years, TLT is the most interest rate sensitive holding within our portfolio.[1] The fund charges a 0.15% expense ratio and makes distributions monthly. TLT was added to the portfolio in the fall of 2022 to extend the duration of our fixed income allocation and capture price appreciation with expectations of falling interest rates due to inflation cooling off faster than expected.

Impacts from H2

The US treasury market has faced significant headwinds during H2. Changes in expectations of monetary policy, inflation, and investors requiring more term premium caused treasury rates to increase across the yield curve. Long-dated treasury bonds performed the worst as 20-year and 30-year treasury bond yields rose 110 and 105 basis points respectively.[3] The significant amount of duration within TLT caused the ETF to have a negative return of -15.07% during H2.

Outlook

TLT is the most interest rate sensitive holding within our fixed-income allocation and has been beaten up over the past year. Re-underwriting this position, long-dated treasuries are becoming more attractive as they offer asymmetric total return potential because of higher yields and convexity. For example, 20-year treasuries now offer an upside of ~11% with a downside of ~-1% over the next twelve months with a 50 basis point move in either direction. Additionally, if the economy slows down faster or more dramatically than expected, these long-dated treasuries can serve as a hedge to the equity portion of our portfolio, as seen during the beginning of the COVID-19 pandemic. However, if long-term inflation expectations keep rising, we could see continued poor performance of TLT.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$37,481.50	$63,077.41	-0.26%	$402.85
H2	$32,655.59	$27,077.40	-15.07%	$506.97
FY	$37,481.50	$27,077.40	-8.17%	$909.82

WisdomTree Floating Rate Treasury Yield (USFR)

Holding Description

The WisdomTree Floating Rate Treasury Fund (USFR) is an exchange-traded fund (ETF) with a passive strategy designed to mirror the price and yield performance of the Bloomberg US Treasury Floating Rate Bond Index (BUSYFL). This index gauges the performance of floating-rate bonds issued by the US Treasury, specifically those with maturities of one year or longer. It comprises four constituents, and the weighting of each is determined by its outstanding value. USFR is our largest position and serves a dual purpose within both our fixed-income allocation and our overall portfolio. First, USFR is an attractive stand-alone investment as it provides consistent yield while having little interest rate risk. The fund's underlying assets are indexed to 3-month T-bills, currently positioned toward the highest point of the yield curve.[1] Additionally, these securities are backed by the United States Government and carry little to no credit risk. Secondly, USFR acts as a place to store cash and generate income as we wait for more attractive investment opportunities.

Impacts from H2

The largest factor affecting the performance of USFR has been the move higher in short rates. Over the past year, the Federal Reserve has increased the fed funds target significantly to try and stamp out inflation. During H2, the Federal Reserve increased the upper bound of the target fed funds rate from 5.00% to 5.50%, causing increases in 3-month US T-Bill rates, the index rate that USFR's holdings track. USFR has outperformed our cash alternative, SPAXX, by 31 basis points in H2 due to a higher net yield.[2]

Outlook

We should continue to use USFR as a place to store cash as we can generate yield in excess of SPAXX while taking virtually no more credit or interest rate risk. However, USFR is an ETF and is susceptible to trade at a premium or discount to NAV, but this has been minimal historically.[3] As for USFR as a stand-alone investment, we should take the portion of USFR not considered a store of cash and move it into higher yielding floating rate debt funds that take slightly more credit risk but would remain insulated from interest rate risk. Looking at the forward curve, short rates are expected to decrease over the next two years.[4] However, even with this decrease, USFR is still expected to have a yield greater than 5% yield on a forward-looking basis.

New Transactions

The Carroll Fund sold 91 shares of USFR at $50.41 on April 19, 2023, bought 285 shares at $50.42 on April 21, 2023, sold 121 shares at $50.36 on May 4, 2023, bought 191 shares at $50.37 on May 8, 2023, sold 234 shares at $50.42 on May 11, 2023, sold 25 shares at $50.42 on May 11, 2023, bought 58 shares at $50.45 on June 8, 2023, sold 23 shares at $50.34 on August 31, 2023.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$89,749.80	$89,128.71	1.13%	$2,074.92
H2	$126,881.48	$128,969.20	2.29%	$3,407.56
FY	$89,749.80	$128,969.20	2.76%	$5,482.48

Carroll Fund Managers

Alec DeVries is a senior from Clarksville, Tennessee, pursuing a degree in finance with a business analytics collateral. He is currently in his first semester as a portfolio manager for the Carroll Fund and oversees the Consumer Staples sector. Outside of Torch, Alec is a member of the University of Tennessee Investment Group and the University of Tennessee Entrepreneurs Club. Beyond the classroom, Alec enjoys spending time with friends and family, weightlifting, trying new foods, and playing guitar. After graduation in May, Alec plans to pursue a professional career as an investment analyst or wealth manager.

Ashley O'Donnell is a senior from West Chicago, Illinois pursuing a degree in finance with a collateral in economics. She is currently in her first semester of managing the Carroll Fund where she covers the Consumer Discretionary sector. On campus, Ashley serves as the treasurer for Tri Alpha, a national honors society for First-Generation students. This is her second year serving on the executive board as treasurer. Off campus, Ashley enjoys spending time with friends and family, weightlifting, cooking, and exploring nature. After graduating in May, Ashley plans to pursue a career in wealth management.

Braeden Salyer is a senior from Asheville, North Carolina majoring in finance with a collateral in supply chain management. This is his first semester on the Carroll Fund, and he currently manages the Real Estate and Materials sectors. Throughout his time in Knoxville, he has worked at a premier seafood market in town. Apart from academics and work, Braeden enjoys traveling, playing sports, and spending time with friends and family. After graduation in May of 2024, Braeden plans to pursue a career in financial services.

Carter Speedy is a senior from Franklin, Tennessee majoring in finance and management & entrepreneurship with a collateral in international business. This is his first semester on the Carroll Fund, and he manages the Communication Services sector and International segment of the portfolio. On campus, Carter has been a member of the University of Tennessee Investment Group for the past three years. Outside of academics, Carter likes to play many different intramurals, travel, and cheer on the Vols. After graduating in May of 2024, Carter plans to pursue a master's in finance degree and embark on a career in portfolio management.

Giovanna Rondinelli is a senior from Nashville, Tennessee, pursuing a degree in finance with a marketing collateral. She is currently in her second and final semester of managing the Carroll Fund, where she covers the Financials sector. Giovanna is a highly active presence on campus, participating in several organizations, including Women in Finance, the Tennessee Capital Markets Society, the Financial Management Association, and Zeta Tau Alpha. Beyond her academic commitments, Giovanna cherishes spending quality time with her family and friends, exploring new culinary experiences at various restaurants, and indulging in her passion for travel. Following her anticipated graduation in May, Giovanna is set to embark on her professional journey, working as an investment banking analyst at Wells Fargo in Charlotte, North Carolina.

Liam Decker is a Knoxville native and current senior majoring in finance with a collateral in entrepreneurship. This is his second semester on the Carroll Fund, and he manages the Industrial sector. Liam is a member of the University of Tennessee Investment Group, the Tennessee Capital Market Society, and a member of the Sigma Chi fraternity. Outside of academics Liam likes to spend his time in the outdoors, spending time with friends, and playing golf. Liam is currently seeking full time opportunities in asset management or investment banking.

Matthew Mund is a senior from Clarksville, Tennessee, majoring in finance with a concentration in business analytics. This is his first semester on the Carroll Fund, and he currently manages the Healthcare sector. Matthew is a member of the University of Tennessee Investment Group, and outside the classroom, he enjoys playing golf, hiking, traveling, and spending quality time with friends and family. After graduating in May, Matthew plans to pursue a career in wealth management.

Michael Forshee is a senior from Nashville, Tennessee, pursuing a degree in finance with a minor in economics and a concentration in international business. He is currently in his first semester of managing the Carroll Fund, where he covers the Energy and Utilities sectors. Michael is involved on campus, participating as a member of the Financial Management Association, the Senior Impact Council, and the Haslam Ambassadors. Outside of academics, Michael enjoys hiking, golfing, spending time with friends, and traveling as much as possible. After his anticipated graduation in May of 2024, he plans to start his career in wealth management.

Michael Neuhoff is a senior from Memphis, Tennessee majoring in finance with a collateral in business analytics. He is currently in his first semester as a manager for the Carroll Fund, where he oversees the Fixed Income portion of the portfolio. Outside of Torch, Michael is involved on campus as the President of the Financial Management Association, VP of Development for the Tennessee Capital Markets Society, Senior Bloomberg Analyst in the MILC, and a member of the Kappa Sigma fraternity. Michael enjoys spending time with friends, and his hobbies include weightlifting, poker, and chess. After graduation in May, he is excited to begin his career working as an investment analyst for Waterfall Asset Management in New York.

Ned Morgan is a senior from Philadelphia, Pennsylvania, majoring in finance with a collateral in business analytics. This is his second semester on the Carroll Fund, and he currently manages the Information Technology sector. Ned is also a member of the Tennessee Capital Markets Society, Financial Management Association, and the Kappa Sigma fraternity. The past two summers, Ned worked as an intern in New York City at ONE, an independent fintech startup backed by Walmart and Ribbit Capital. Outside of school, Ned enjoys spending time with friends and family, traveling, and cheering on the Vols. After graduating in May of 2024, Ned plans on pursuing a career in investment management.

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