Carroll Fund

H2 Performance Report

April 1, 2024 – September 30, 2024

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Letter to the Carrolls

Dear Mr. Larry and Mrs. Vivian Carroll,

Firstly, we would like to express our heartfelt gratitude for facilitating an invaluable learning experience. The opportunities afforded to us through the Torch Fund program have allowed us to cultivate our technical and interpersonal skills, greatly enhancing our preparedness for our future careers. The most rewarding aspect of this experience was the sense of unity we felt as we pursued a common goal as a team. Moreover, we have forged lasting friendships and connections. We are deeply honored to have been entrusted with such a significant responsibility and hope that our efforts have done justice to your commitment. Without your generous support, this rewarding experience would not have been possible.

Over the course of H2 (March 31st to September 30th), our portfolio returned 8.31%, lagging our 60/40 benchmark by only two basis points. Following the AI-driven market surge in H1, we anticipated a pullback from elevated valuations and adopted a cautious position. While the market favored our slightly defensive positioning at several points over the period, we were ultimately disappointed to have underperformed our benchmark. However, we believe that valuation risk is still a concern and that our positioning will be advantageous moving forward.

With minor strategic adjustments, we expect improved returns in the next fiscal year.
In our equity holdings, we took steps to mitigate valuation risk and reinforce our defensive stance. Accordingly, we divested from Advanced Micro Devices (AMD), Eli Lilly & Co. (LLY), and Charles Schwab (SCHW) and added positions in JP Morgan Equity Premium Income ETF (JEPQ) and Meta Platforms Inc. (META). We also looked to take risks in unique areas, adding Aquestive Therapeutics (AQST), Hudson Technologies (HDSN), and Universal Music Group (UNVGY). To consolidate our holdings, we liquidated PepsiCo (PEP), United Healthcare (UNH), and CVS Pharmacy (CVS).

Within our Fixed Income holdings, we sought to position our portfolio for future rate cuts by extending duration and pivoting from floating-rate products. Subsequently, we increased our investment in the iShares 20+ Year Treasury Bond ETF (TLT) and rotated from the floating-rate PFFV to the fixed-rate PFF. Lastly, we partially liquidated our position in Janus Henderson AAA CLO ETF (JAAA) to fund our TLT transactions.

As we reflect on our Torch Fund journey, we realize that the true value of this experience transcends portfolio returns and end-of-year reports. It has been a catalyst for our transformation from finance students to aspiring professionals. Through both strategic successes and failures, we have gained a deeper appreciation for resilience and dedication, learning to celebrate our victories and critically analyze areas for improvement. The skills and insights we have developed will undoubtedly guide us as we embark on our future careers. Once again, we extend our deepest thanks for your unwavering support throughout this incredible journey.

Sincerely,
Aydan Hawk, Ben Siravo, Christian O’Brien, Blake Wyman, Geetha Kasibhatla, Jeet Patel, Jessie Deutschmann, Lily Hatfield, Sydney Pewitt, Zach Snipes.

Economic Outlook

Domestic Economy

The Carroll Fund's economic outlook for the United States has shifted to neutral. At the beginning of H2, we were slightly optimistic with moderating inflation, falling interest rates, and a resilient labor market motivating confidence in the economy. Over the period, we identified federal debt levels as a point of concern. Federal Debt increased at a higher velocity than GDP YoY in Q2.[1] With debt as a percentage of GDP already near all-time highs, we feel it is unsustainable to continue financing most economic growth through government debt.[2] The unemployment rate rose each month April through July, accompanied by a trend in downward revisions to jobs added.[2] While inflation, government spending, and technological innovation has propped up nominal growth, the economy is not firing on all cylinders. Our neutral outlook can be extended to the stock market. With S&P 500 valuation measures around 1.5 to over 2 standard deviations higher than their 30-year averages, we believe multiples should reflect a more modest economy.[3]

Global Economy

The Carroll Fund's outlook for the global economy is slightly pessimistic. Outside of the United States, many top countries are involved in conflicts or experiencing a demographic crisis. China and Japan, the two largest international economies, have declining populations.[4,5] Germany's growth has stagnated after cutting off cheap energy from Russia, who is still engaged in a war with Ukraine. One trend we are seeing across the globe is a rise in nationalism. This has resulted in more onshoring, especially between the United States and China who are racing to decrease dependency on each other. This has offset the beneficial effects of globalism like cost reduction. Current geopolitical conflicts remain a threat to supply chains and commodity prices. Nonetheless, there are areas showing high growth, including South Asia, Northern Africa, and Central and South America.[6]

Outlook

After the Federal Reserve reduced the fed funds rate by 50bps in September, interest rates trended higher through the end of the month. The threat of rebounding inflation looms with the 2024 elections being a catalyst for more government spending. Regardless of which candidate or party wins, fiscal irresponsibility is a likely outcome. The Carroll portfolio ended H2 with an equity allocation of 61.54%, but we have set a target allocation of 70% to mitigate risk against inflation. The average duration of our fixed income holdings was 6.25, which is in-line with our benchmark. Going forward, we feel it is appropriate to reduce weight in fixed income based on interest rate uncertainty.

Summary of Portfolio Performance

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	**16.32%**	**16.42%**	**23.37%**	**-0.10%**
H2	**8.31%**	**8.33%**	**10.37%**	**-0.02%**
FY	**25.99%**	**26.28%**	**36.08%**	**-0.29%**

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.

*H1 refers to the six-month period October 1, 2023 – March 31, 2024
*H2 refers to the six-month period April 1, 2024 – September 30, 2024

Best and Worst Performers

H2 Best & Worst Performers		
Holding	**$ Return**	**% Return**
AAPL	$11,597.74	36.17%
TSM	$8,926.79	28.28%
TLT	$5,842.37	8.66%
NEE	$5,044.46	33.88%
WMT	$4,834.17	35.24%
UNH	($1,944.24)	-11.56%
MRK	($2,089.40)	-12.77%
HDSN	($2,166.75)	-19.54%
UNVGY	($2,860.53)	-17.12%
CVS	($3,548.92)	-22.70%

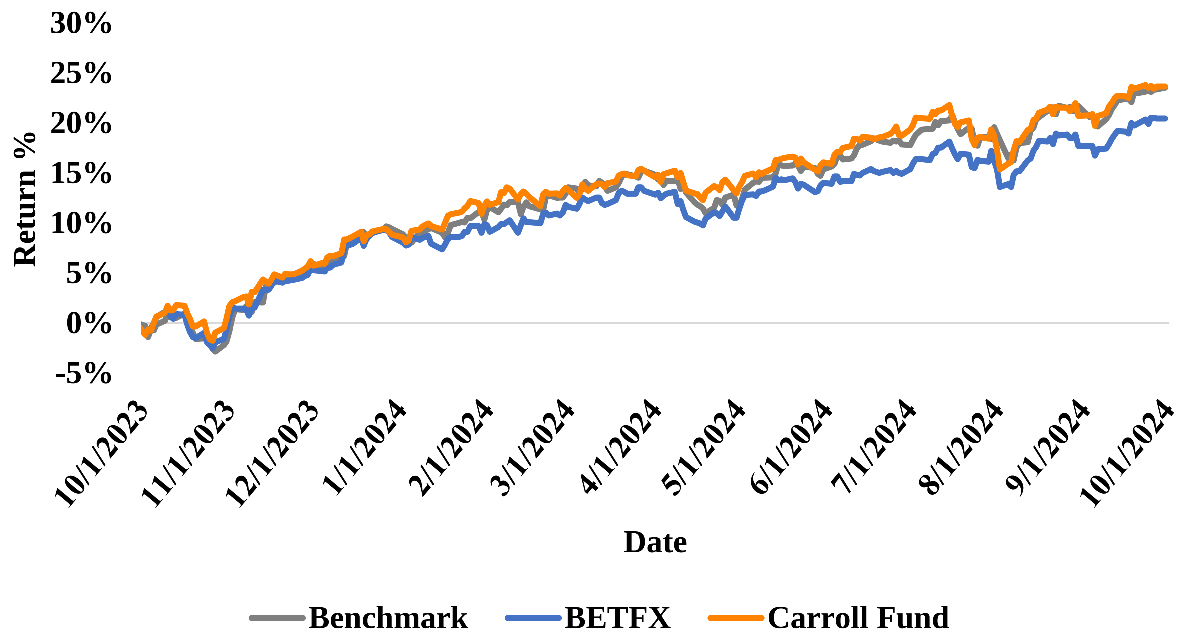
FY Best & Worst Performers		
Holding	**$ Return**	**% Return**
TSM	$20,503.41	101.70%
AMZN	$12,907.78	46.58%
AAPL	$11,737.99	36.66%
MSFT	$11,637.45	37.23%
TLT	$8,206.61	12.51%
HAL	($1,746.36)	-26.62%
UNH	($2,139.06)	-12.48%
HDSN	($2,166.75)	-19.54%
ALB	($2,580.55)	-43.36%
UNVGY	($2,860.53)	-17.12%

Risk Metrics

Carroll Risk Metrics			
Metric	**H1**	**H2**	**FY**
Sharpe Ratio	3.30	1.36	2.25
Treynor Ratio	0.29	0.13	0.20
Information Ratio	0.04	-0.06	-0.01
Tracking Error	0.03	0.03	0.03
Standard Deviation	0.08	0.09	0.09
Beta vs. Benchmark	0.93	1.01	0.98
R^2 of Beta	0.86	0.87	0.87
Beta vs. S&P 500	0.67	0.65	0.66
R^2 of Beta	0.87	0.88	0.88

Comparable Risk Metrics			
Metric	**H1**	**H2**	**FY**
Benchmark			
Sharpe Ratio	3.31	1.50	2.37
Treynor Ratio	0.27	0.129	0.200
S&P 500			
Sharpe Ratio	3.45	1.26	2.25
Treynor Ratio	0.40	0.17	0.28
BETFX			
Sharpe Ratio	2.79	1.19	1.96
Treynor Ratio	0.24	0.11	0.17

Carroll Fund Returns

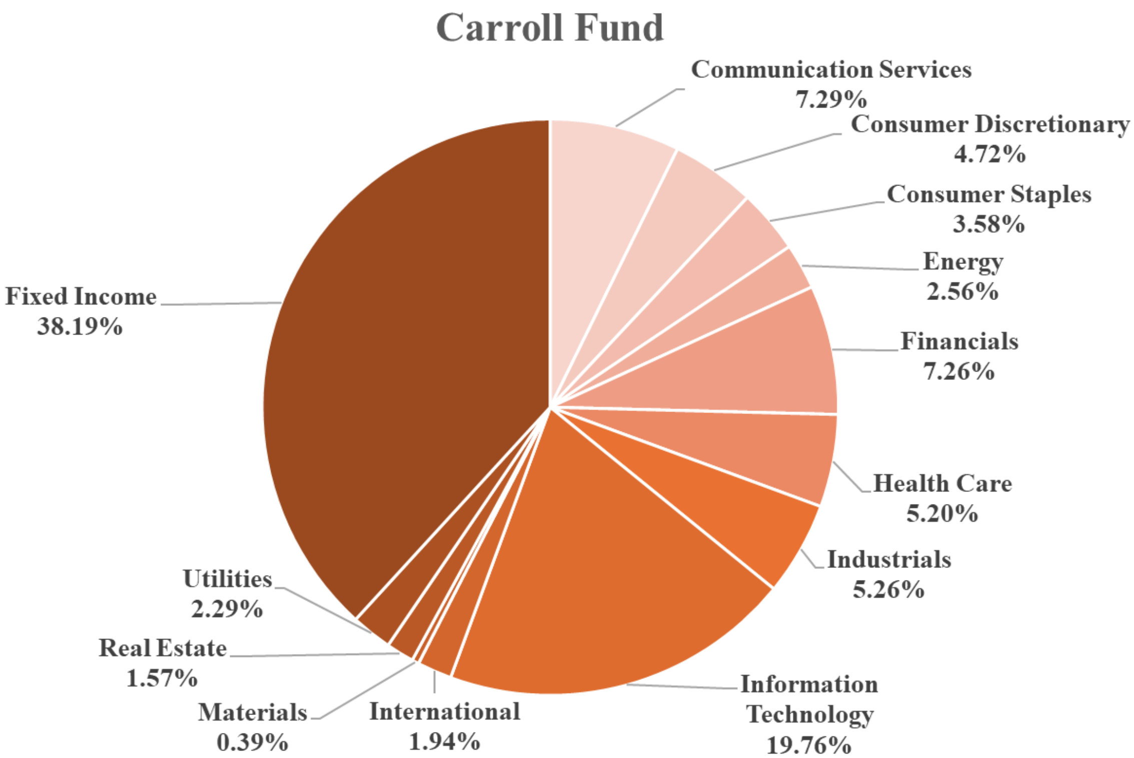


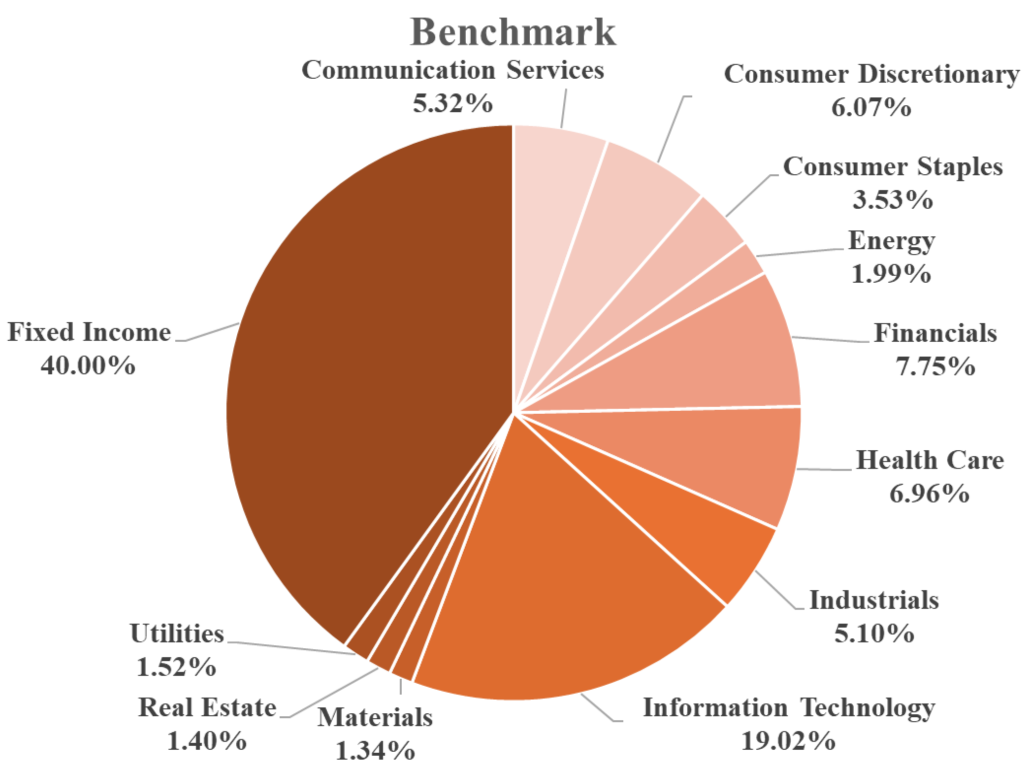
Torch Fund Returns

Torch Fund Absolute Returns				
Fund	**Carroll**	**Haslam**	**LaPorte**	**McClain**
H1	16.32%	18.63%	19.21%	17.40%
H2	8.31%	6.47%	6.72%	3.41%
FY	25.99%	26.30%	27.22%	21.40%

Torch Fund Relative Returns				
Fund	**Carroll**	**Haslam**	**LaPorte**	**McClain**
H1	-0.10%	2.21%	2.79%	-1.73%
H2	-0.02%	-1.86%	-1.61%	-3.52%
FY	-0.29%	0.02%	0.94%	-5.90%

Allocation of Funds





Portfolio Breakdown

Security	Value on 09/30/2024	% of Portfolio
Equity Holdings		
AAPL	$43,571.00	5.06%
ALB	$3,314.85	0.39%
AMTM	$2,838.00	0.33%
AMZN	$40,619.94	4.72%
AQST	$14,382.24	1.67%
CIBR	$8,588.35	1.00%
COP	$5,158.72	0.60%
COST	$12,411.28	1.44%
FDX	$6,568.32	0.76%
GOOGL	$29,521.30	3.43%
HAL	$4,706.10	0.55%
HCA	$16,257.20	1.89%
HDSN	$8,923.80	1.04%
IAK	$13,421.20	1.56%
INDA	$16,681.05	1.94%
J	$11,519.20	1.34%
JEPQ	$11,535.30	1.33%
JPM	$10,753.86	1.25%
LMT	$8,183.84	0.95%
META	$19,462.96	2.26%
MRK	$14,081.44	1.64%
MSFT	$42,599.70	4.95%
NEE	$19,695.49	2.29%
PANW	$23,584.20	2.74%
PLD	$5,051.20	0.59%
PSX	$7,492.65	0.87%
PYPL	$15,606.00	1.81%
SPGI	$22,731.28	2.64%
SU	$4,615.00	0.54%
TSM	$40,291.44	4.68%
UNVGY	$13,749.15	1.60%
UPS	$7,226.02	0.84%
WELL	$8,449.98	0.98%
WMT	$18,411.00	2.14%
Fixed Income Holdings		
AGG	$62,382.32	7.22%
JAAA	$71,232.00	8.23%
PFF	$65,263.72	7.54%
SPAXX**	$160.86	0.02%
TLT	$72,103.50	8.35%
USFR	$58,908.06	6.84%

Communication Services

Managed by: Jeet Patel

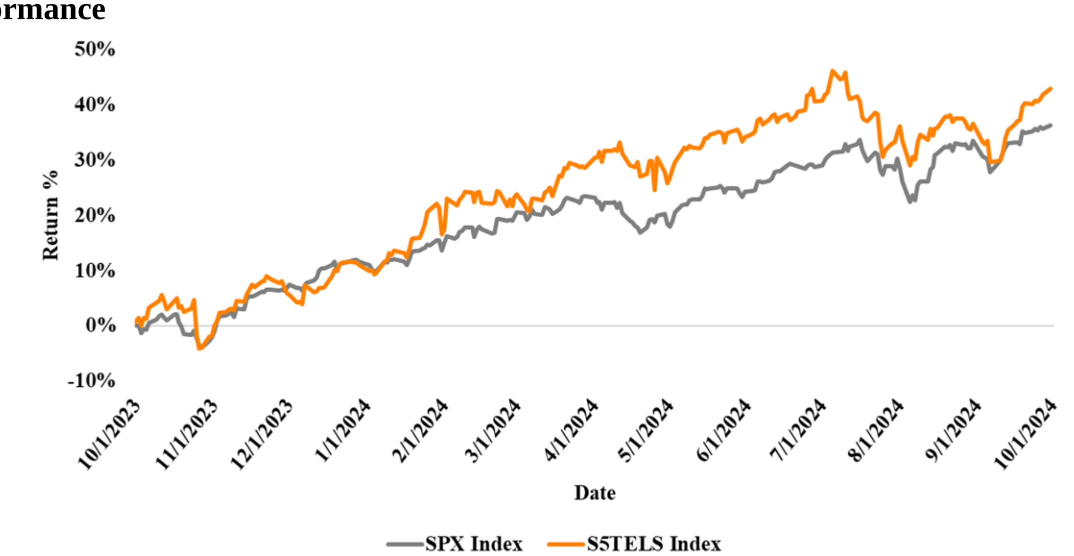
Sector Overview

The Communication Services sector facilitates the flow of information across platforms, with two primary sub-industries: Media & Entertainment and Telecommunications. Media & Entertainment encompasses social media, broadcasting, content creation, and advertising segments. Telecommunications provides global data transmission infrastructure for text, call, and audio services, featuring two key segments: Telecommunications Equipment & Services, and Wireless Communications.[1] The sector's dual structure creates a unique value proposition: Telecommunications generates revenue through hardware sales while Media & Entertainment grows through platform expansion and enhanced user engagement. “Ranked as the 5th largest sector in the S&P 500, the Carroll Fund maintained a 2.53% overweight position in H2.” [2] We strategically diversified our Communication Services holdings by reducing our position in Alphabet Inc. by 26 shares to establish new positions in Meta and Universal Music Group’s ADR throughout the start of H2.

Impacts from H2

The Communication Services sector (S5TELS) outperformed the S&P 500 by 0.82%, delivering an 11.19% return in H2, driven primarily by AI advancements as industry leaders Alphabet and Meta increased capital expenditures for proprietary AI model development throughout the period. The sector leveraged 5G networks to advance augmented reality, IoT-based edge computing, and cloud computing, while large streaming services reported record subscriber growth on their respective platforms, contributing significantly to the sector's growth. The sector persevered in a period of macroeconomic challenges including elevated interest rates, fluctuating employment data, and global geopolitical tensions, demonstrating remarkable resilience throughout the period. The Carroll Fund maintains a positive sector outlook, anticipating continued strong performance through AI integration, which promises enhanced operational efficiency, network optimization, and broader consumer adoption “as AI technology gains popularity among customers and transforms business operations.” [3]

Performance



Alphabet Inc. Class A (GOOGL)

Holding Description

Alphabet Inc. Class A (GOOGL), the parent company of Google, dominates the tech industry with its search engine, YouTube platform, and Android operating system. Maintaining a market capitalization of approximately $2.08T, it is a member of the Magnificent 7 large-cap peer group. "The Google Services segment of the firm generates 90% of GOOGL's revenue by leveraging sophisticated algorithms for targeted advertising while maintaining an expansive ecosystem of consumer products. GOOGL demonstrates innovation through its Google Cloud business, which encompasses its artificial intelligence (AI) models like Gemini; and its 'Other Bets' segment, which explores emerging technologies, such as self-driving cars and biotechnology."[1]

Impacts from H2

The Carroll Fund rebalanced its Communication Services sector holdings, selling 26 shares of GOOGL out and using the proceeds to purchase Meta, further diversifying the sector allocation. The Carroll Fund still held 178 shares of GOOGL at the end of H2, as it demonstrated notable developments, including declaring a dividend for the first time. Notably, this signaled a shift in the company's capital allocation strategy as it has now reached a point of maturity where it can return cash to investors without compromising growth. GOOGL reported earnings beats in both Q2 and Q3 yet faced a Department of Justice antitrust lawsuit alleging the company illegally maintained its search and search advertising monopoly through exclusionary, anticompetitive agreements. Despite these challenges, GOOGL remained a moderate performer in H2, delivering a 10.20% return and a $3,140.36 total dollar return, ranking 16th in percentage return and 11th in total dollar return across the entire portfolio.

Outlook

Despite the ongoing DOJ lawsuit, the Carroll Fund remains optimistic about GOOGL. We believe the ongoing AI revolution will persist, and, with GOOGL at the forefront, the company's extensive data access and robust infrastructure will enable it to capitalize on this movement. In addition, we predict GOOGL will continue to innovate in other areas outside of AI, so holding GOOGL stock remains in the Carroll Fund's best interest.

New Transactions

The Carroll Fund sold 26 shares of GOOGL at $166.83 on May 6, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$26,695.44	$30,789.72	15.34%	$0.00
H2	$30,789.72	$29,521.30	10.20%	$71.20
FY	$26,695.44	$29,521.30	27.10%	$71.20

Meta Platforms Inc. (META)

Holding Description

Meta Platforms Inc. (META), formerly known as Facebook, leads the social networking industry with “nearly 4 billion monthly active users and maintains a market capitalization of approximately $1.43T as a member of the Magnificent 7. The company operates through two segments: Family of Apps and Reality Labs.”[1] The Family of Apps segment includes META’s core platforms—Facebook, Instagram, WhatsApp, and Messenger. This segment generates revenue primarily through advertising sales to businesses promoting their products or services. “Through Reality Labs, META pioneers augmented and virtual reality technologies as it continues to innovate within the emerging virtual space called the Metaverse.”[2]

Impacts from H2

The Carroll Fund purchased 34 shares of META in H2 using proceeds from the partial sale of GOOGL and complete sale of Schwab. This strategic decision aimed to diversify our Communication Services holdings and increase our weight allocation in the sector. We identified META as undervalued at the time of purchase given its attractive relative valuation compared to peers. “META's EV/EBITDA ratio of 11.20 fell below its peer group average of 14.60, while its P/E ratio of 19.50 remained lower than the peer group average of 27.50.”[3] The purchase also increased our exposure to the rapidly expanding AI industry as META leads in developing AI models, including its open-sourced Llama-3 model. The company demonstrated strong performance through earnings beats in both Q2 and Q3 with EPS surprises of 6.65% and 9.26%, respectively. These results drove META's stock price growth, as investors responded positively to the company's ability to leverage AI for operational efficiency and strengthen its position in the digital advertising market. META emerged as a strong performer in H2, yielding a 24.91% return for a total gain of $3,887.98. These results ranked META 7th in total percent return and 8th in total dollar returns across the entire portfolio.

Outlook

The Carroll Fund maintains optimism about META's future growth, particularly in AI development. Its strategic position, supported by billions of daily active users and seamless AI integration across its platforms, positions the company for continued success. The company's global reach and robust infrastructure will enable it to enhance user engagement and monetization opportunities as AI becomes increasingly central to digital interactions.

New Transactions

The Carroll Fund bought 34 shares of META at $459.08 on May 8, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$15,608.98	$19,462.96	24.91%	$34.00
FY	$15,608.98	$19,462.96	24.91%	$34.00

Universal Music Group N.V. ADR (UNVGY)

Holding Description

Universal Music Group N.V. ADR (UMG), trading as UNVGY, stands as one of the world's largest music companies with a portfolio of over 50 worldwide labels and renowned artists like Taylor Swift, Drake, and Morgan Wallen. The company operates in various segments of the music industry supply chain, including artist management, music distribution, production, and streaming. "As the leader in its industry, UMG holds a market share of ~32% and a market capitalization of approximately $42B." [1] UMG leverages its extensive global artist portfolio to establish partnerships with leading streaming platforms such as Spotify and Apple Music, as digital streaming is the primary driver of UMG's revenues.

Impacts from H2

The Carroll Fund purchased 1,065 shares of UMG in H2, basing our investment thesis on the music industry's strong value proposition as a form of low-cost, high-value entertainment. The unlimited replay potential and expanding shift to streaming has significantly increased the total addressable market for digital music consumption. UMG's leading market position and business model situated the company to generate consistent and predictable revenue streams through royalties from growing global digital music consumption. However, UMG delivered a -17.12% return in H2 due to several challenges.[2] The company faced licensing and royalty disputes with social media companies like Meta and TikTok, while also experiencing softer-than-expected subscription growth of 6.90% YoY in Q2. UMG's management attributed this slowdown to the timing of price increases from its' streaming partners and "a deceleration in growth at key advertising-based platform partners as well as shortfalls on certain platforms related to the timing of deal renewals."[3]

Outlook

Despite Universal's recent challenges, the Carroll Fund maintains cautious optimism about the company's future. While Universal Music Group faces temporary setbacks, the company continues to report growth in other distribution segments, albeit smaller ones. Looking ahead, we believe Universal Music Group's extensive catalog of prominent artists provides a significant competitive advantage over its primary competitors in the music industry, positioning the company for sustained growth, particularly in emerging markets.

New Transactions

The Carroll Fund bought 1,065 shares of UNVGY at $15.69 on May 8, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$16,709.85	$13,749.15	-17.12%	$153.85
FY	$16,709.85	$13,749.15	-17.12%	$153.85

Consumer Discretionary

Managed by: Ben Siravo

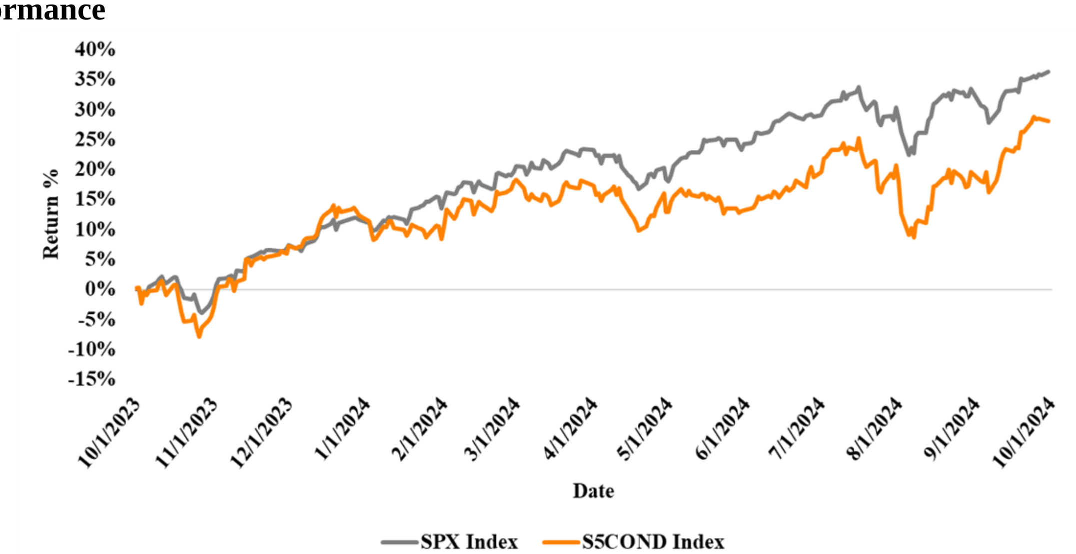
Sector Overview

The Consumer Discretionary sector includes companies that provide goods and services to consumers that are not essential. The four main industry groups are (1) Automobiles & Components, (2) Distribution & Retail, (3) Durables & Apparel, and (4) Services & Experiences. The Consumer Discretionary sector is the 4th largest in the S&P 500 and the Carroll Fund ended H2 relatively overweight by 0.32%. Historical data implies that Consumer Discretionary outperforms in economic recoveries and does well in expansions.[1] Amazon, Tesla, and Home Depot are the sector's three largest companies by market capitalization.[2] The Carroll Fund began H2 with one holding, Amazon, and held it for the duration of the period. Additionally, we initiated a position in Expedia Group but exited in August with a modest gain.

Impacts from H2

The Consumer Discretionary sector index (S5COND) returned 8.46% in H2, which slightly underperformed the S&P 500 by 1.91%. The underperformance in both H1 & H2 is partly due to a historic run for the S&P 500, but can also be attributed to higher borrowing costs and persistent inflation affecting consumer spending.[3] The Carroll Fund's Consumer Discretionary holdings underperformed the S5COND by 0.25%. During H2, Tesla and Hasbro were the best performing stocks in the S5COND, while Lululemon and Ulta were the worst. Wage growth and all-time high investment accounts have kept the middle class afloat in the face of tough macroeconomic conditions. Mortgage payments as a percentage of disposable income remain low but are now higher than pre-pandemic levels at 5.96%.[4] The Carroll Fund holds a neutral outlook for the sector with rising interest rates at the end of H2 inhibiting our desire to take on more risk.

Performance



Amazon (AMZN)

Holding Description

Amazon (AMZN) is an American technology corporation that operates an E-commerce platform, cloud services, online advertising, media streaming services, consumer retail chains, and an AI segment. It is the 2nd largest company in the world by revenue, bringing in $604.30B over the last 12 months. AMZN ships to 131 countries and operates 587 brick-and-mortar stores. The company ended H2 with a market capitalization of $1.96T, making it one of the five largest in the S&P 500. AMZN operates the most robust supply chain in the world and has revolutionized logistical performance. Management leverages this and the firm's technical expertise to attack the bloated margins of other companies. The membership program, Amazon Prime, is $14.99/month and rewards customers with savings opportunities across every AMZN service. Amazon Web Services (AWS) and Advertising are the fastest growing revenue segments. AWS accounts for 17.76% of revenue and grew 18.70% YoY in Q2. Advertising accounts for 8.63% of revenue and grew 19.55% YoY in Q2.[1] Its diverse revenue streams open AMZN to a slew of formidable competitors like Walmart, Microsoft, Meta, Netflix, and Temu. The Carroll Fund ended H2 with 218 shares of AMZN, constituting 4.90% of the portfolio.

Impacts from H2

AMZN returned 3.30% in H2 for a profit of $1,297.10. This was the 25th best percent return and 20th best total return for the Carroll Fund. AMZN underperformed the S5COND index by 5.16%. The stock had a strong start after beating consensus revenue and earnings estimates in Q1 but struggled in July and August. AMZN, along with other tech stocks, stumbled when the Bank of Japan raised its interest rate on July 31st, then missed Q2 revenue expectations on August 2nd. The firm is under tight scrutiny as the market awaits return on investment from massive capital expenditures, which are expected to exceed $69B in 2024.[2] AMZN's cloud computing service maintained its YoY growth rate between Q1 and Q2, but the market would prefer to see this accelerate in line with CAPEX.[1]

Outlook

Despite underperformance in H2, we remain confident that AMZN is one of the best investments in our portfolio. The valuation remains tame partly because free cash flow has been hindered by capital expenditures. We believe this investment cycle positions AMZN for significant growth in the cloud and chip segments. The Carroll Fund's significant position in AMZN matches our optimistic outlook for the stock.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$27,712.16**	**$39,322.84**	**41.90%**	**$0.00**
H2	**$39,322.84**	**$40,619.94**	**3.30%**	**$0.00**
FY	**$27,712.16**	**$40,619.94**	**46.58%**	**$0.00**

Expedia Group Inc. (EXPE)

Holding Description
Expedia Group Inc. (EXPE) is a travel service aggregator that leverages technology to provide solutions to consumers and businesses. EXPE brought in $13.26B in revenue over the last twelve months and ended H2 with a market capitalization of $19.53B. Leading consumer brands include EXPE, Hotels.com, VRBO, and Travelocity. For the industry-leading B2B segment, EXPE partners with American Express Travel, Delta Airlines, and Trip.com to power its technology services.[1] Additionally, EXPE generates Advertising revenue through its TravelAds and Flight Sponsored Listing tools. The firm's strategy is to provide a strong hotel/lodging supply with competitive rates, margins, and excellent content. Compared to its main competitors, Booking.com and Airbnb, EXPE is the most reliant on domestic revenue.[2] Travel services are sensitive to discretionary spending and can be significantly impacted by macroeconomic factors like the labor market, wages relative to inflation, consumer confidence, and energy costs.

Thesis for Exiting
Shortly after the Carroll Fund initiated a position in EXPE, the stock fell sharply after its Q1 earnings report due to continued delays related to the update of its integrated website. As the price recovered over the summer, we felt it was appropriate to reconsider our position. Q2 showed strong growth for EXPE, especially compared to its competitors, but all travel service companies warned of softening demand in Q3.[3] The labor market showed signs of weakness throughout H2, including four consecutive months of higher unemployment between March and July. With EXPE being more exposed to domestic consumers compared to competitors, we felt the seasonal boost provided a good exit point. In August, we liquidated our EXPE position for a 2.27% return and a profit of $406.81.

New Transactions
The Carroll Fund sold 136 shares of EXPE at $134.71 on August 19, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$17,913.24	$18,320.05	2.27%	$0.00
FY	$17,913.24	$18,320.05	2.27%	$0.00

Consumer Staples

Managed by: Ben Siravo

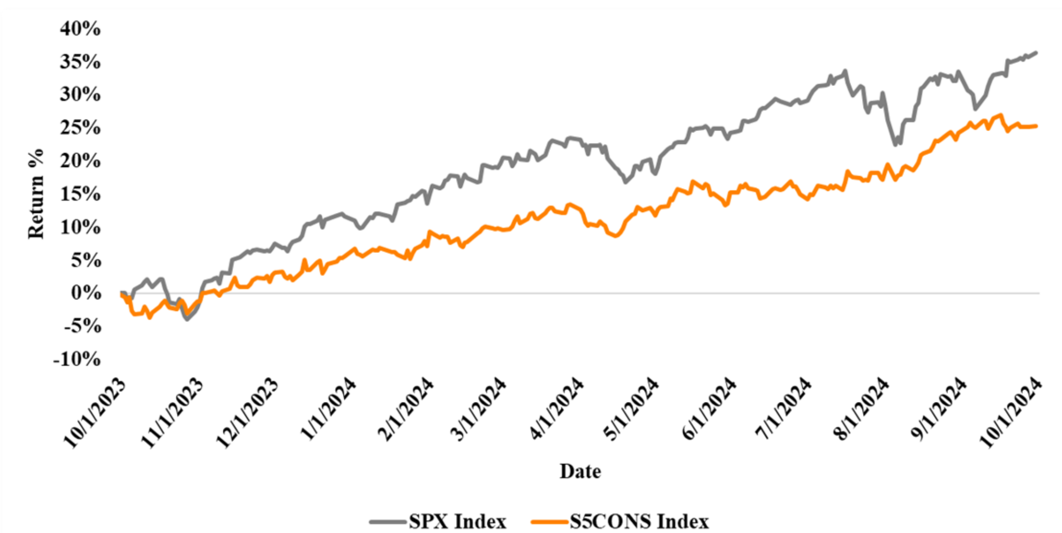
Sector Overview

The Consumer Staples sector includes companies that provide goods and services to consumers that are essential. Consumer Staples has historically outperformed during economic recessions & slowdowns and underperformed in expansions & recoveries.[1] The three main industry groups are (1) Distribution & Retail, (2) Food, Beverage, & Tobacco, and (3) Household & Personal Products.[2] The Consumer Staples sector is the 7th largest in the S&P 500, and the Carroll Fund finished H2 relatively underweight by 1.45%. Walmart, Procter & Gamble, and Costco are the sector's three largest companies by market capitalization. The Carroll Fund began H2 with three holdings: Walmart, Costco, and PepsiCo. We held Walmart and Costco for the duration of the period but exited our PepsiCo position early in H2.

Impacts from H2

The Consumer Staples sector index (S5CONS) returned 10.35% in H2, which narrowly underperformed the S&P 500 by 0.02%. Staples generating returns in-line with the broader market and outperforming discretionary suggests that investors are opting for safety in an uncertain macroeconomic environment. Some stocks in this sector have reached uncharacteristically high multiples as the market finds solace in their historically consistent performance. The Carroll Fund's Consumer Staples holdings outperformed the S5CONS by 4.42% in H2. The best performers in the S5CONS were Kellanova, Walmart, and Philip Morris, while Walgreens, Dollar General, and Dollar Tree were the worst. Our security selection has been strong for the sector and its neutral weighting is aligned with our outlook.

Performance



Costco Wholesale Corporation (COST)

Holding Description
Costco (COST) is an American retail corporation that operates membership-only warehouse style stores. It is the 21st largest company in the world by revenue, bringing in $254.45B over the last 12 months. COST operates 861 stores in 14 countries as of 2023, and it ended H2 with a market cap of $393.03B, the 21st largest in the S&P 500. COST requires a membership fee to access its stores, which are stocked with a comprehensive list of consumer goods and services including food & beverage, apparel, appliances, hygienics, electronics, furniture, gasoline, tires, and travel bundles. On the surface, the firm's strategy is to combine a membership business model with cost leadership. To achieve low prices for high-demand products, COST limits operating costs and maintains high inventory turnover. The high turnover comes from limited product variability and large lot sizes (bulk packaging).[1] COST's main competitors in the membership warehouse space are BJ's Wholesale Club and Sam's Club. The Carroll Fund ended H2 with 14 shares of COST, constituting 1.46% of the portfolio.

Impacts from H2
COST returned 21.32% in H2 for a profit of $2,186.94. This was the 11th best percent return and 17th best total return for the Carroll portfolio. COST outperformed the S5CONS by 10.97%. Revenue and EPS beat consensus expectations in Q2 driven by broad-based growth. E-commerce grew 18.90% YoY led by appliances, gold/silver bullion, home furnishings, and gift cards. Additionally, total cardholders grew 7.00% YoY to 136.80M.[2] In April, COST increased its quarterly dividend 13.73% to $1.16, a 0.52% annual yield. Effective September 1st, COST increased its Gold Star & Business membership fees by 10.00% and its Executive membership by 8.30%.[3] This was a long-awaited increase as management chose to hold off while customers grappled with inflation. Additionally, COST began rolling out membership card readers at store entrances. This is to provide stores with real-time traffic data and will help crack down on membership card sharing amongst customers.[4]

Outlook
COST remains an extremely consistent and low-risk business. The firm's E-commerce platform has not been a priority in the past because the in-store experience is key to COST's business model, so it is encouraging to see double-digit E-commerce growth in Q2. Unfortunately, investors' comfortability with COST has resulted in high multiples, presenting valuation risk and making it difficult to increase its portfolio weighting.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$7,909.44**	**$10,256.82**	**32.69%**	**$238.56**
H2	**$10,256.82**	**$12,411.28**	**21.32%**	**$32.48**
FY	**$7,909.44**	**$12,411.28**	**60.34%**	**$271.04**

PepsiCo Inc. (PEP)

Holding Description

PepsiCo Inc. (PEP) manufactures, distributes, and markets food and beverage products. The product catalog is focused on snacks, soft drinks, dairy, juices, and grains. Leading brands include Pepsi, Lay's, Doritos, Gatorade, and Quaker Oats. PEP is the 2nd largest food and beverage company in the world by revenue, bringing in $91.92B in the last twelve months. At the end of H2, PEP had a market capitalization of $233.56B. The United States account for approximately 61% of revenue, with a 50/50 split between Food and Beverage sales. PEP has a 24.7% market share in soft drinks, second to Coca-Cola's 46.3%.[1] PEP has a leading market share in the global savory snack market of 23%. PEP pays a quarterly dividend of $1.36 per share, a 3.19% annual yield as of September 30th, 2024.[2]

Thesis for Exiting

The Carroll Fund liquidated our entire PEP position in April 2024. We sold 84 shares of PEP at $176.19, resulting in a 1.40% return and a modest profit of $205.26 for H2. At the time, the Carroll Fund held an optimistic outlook for the United States economy and wanted to reduce weight in Consumer Staples to reflect this. The Consumer Staples sector historically underperforms the overall market during economic expansions or recoveries.[3] We also identified concerning risks that could hinder PEP's performance in the near term. Sales volume was not growing, and margins were pressured by high food input costs.[1] Additionally, the rise of private-label brands and use of diabetes/weight loss drugs were concerning trends. The liquidation proved timely as PEP finished H2 3.48% lower than our exit point.

New Transactions

The Carroll Fund sold 84 shares of PEP at $176.19.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$14,232.96**	**$14,700.84**	**4.03%**	**$106.26**
H2	**$14,700.84**	**$14,799.84**	**1.40%**	**$106.26**
FY	**$14,232.96**	**$14,799.84**	**5.48%**	**$212.52**

Walmart Inc. (WMT)

Holding Description

Walmart Inc. (WMT) is an American retail corporation that operates a variety of stores. It is the largest company in the world by revenue, bringing in $665.04B in the last 12 months. WMT operates 10,616 stores in 24 countries. WMT ended H2 with a market capitalization of $649.09B, which is the 11th largest in the S&P 500. WMT operates three different kinds of stores: Supercenter, Discount, and Neighborhood Market. Additionally, WMT owns Sam's Club, a chain of member-only stores. About 77% of domestic stores are Supercenters.[1] WMT leverages economies of scale and a robust supply chain to provide low prices to consumers. It is the largest grocer in the country, so customers are frequently visiting stores. WMT capitalizes on this by providing other convenient services to shoppers, making it a one-stop shop for most consumer needs. The Carroll Fund ended H2 with 228 shares of WMT, representing 2.13% of the portfolio.

Impacts from H2

WMT returned 35.24% in H2 for a profit of $4,834.17. This was the 3rd best percent return and 5th best total return for the Carroll portfolio. WMT beat revenue and earnings per share consensus estimates for the eighth consecutive quarter in Q2. The world's largest retailer continues to grow market share in both In-store and E-commerce segments. In Q2, E-commerce grew 21.00% YoY, and pick-up/delivery services drove same-store sales growth. Management's emphasis on omnichannel convenience while maintaining everyday low prices is a value proposition that resonates with consumers. WMT's growth during H2 was impressive considering other cost leadership grocers struggled, including Dollar General.[2] The firm capitalized on top trends, with GLP-1 drug sales boosting Health & Wellness and generative AI enhancing product catalog efficiency.[3] WMT remained unfazed by a slowing labor market, persistent inflation, and higher interest rates.

Outlook

Even with WMT being the largest company in the world by revenue, considerable growth potential remains. Expanding segments like Advertising, E-commerce, Health, and International are higher margin than the core grocery business.[1] This, in combination with WMT's insurmountable moat, is why the stock has a high valuation. We are optimistic and would like to increase our WMT position if the stock encounters temporary weakness.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$12,154.68	$13,718.76	13.22%	$43.32
H2	$13,718.76	$18,411.00	35.24%	$141.93
FY	$12,154.68	$18,411.00	53.00%	$185.25

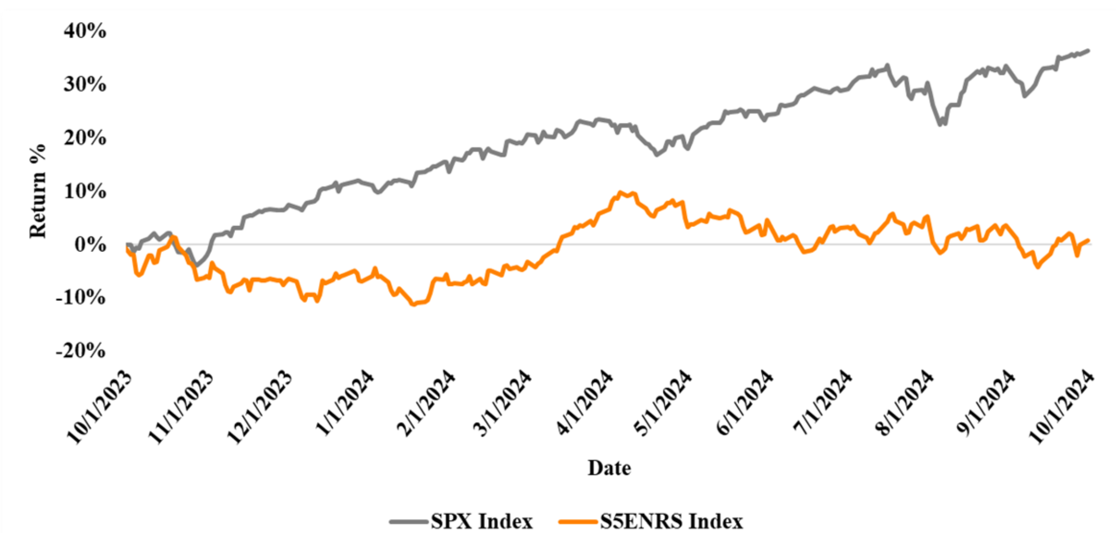
Energy

Managed by: Blake Wyman

Sector Overview
Energy has been a pivotal driver of industrial growth over the past century. This sector covers various energy sources, including "natural gas, electricity, petroleum, coal, and renewable sources—and phases of getting energy to market, from extraction all the way to transportation of the finished product and marketing." [1] Within the S&P 500, the sector includes 22 constituents with a combined "market capitalization of $1,757,731.89 (in millions)" and is split into two industries: Energy Equipment & Services and Oil, Gas, & Consumable Fuels.[2] Energy is known for its cyclical nature, and the sector's growth is often linked to fluctuations in supply and demand. During H2, the Carroll Fund held ConocoPhillips, Halliburton, Phillips 66, and Suncor Energy.

Impacts from H2
In H2, the Energy sector (S5ENRS) index had a return of -4.64%, whereas the S&P 500 had a return of 10.37%. The energy sector underperformed the S&P 500, which was primarily influenced by rising conflicts in the Middle East, especially around the Israel-Hamas war. These tensions have increased oil prices, with concerns over potential damage to Iranian oil facilities contributing to further price increases. In early August, the S&P 500 suffered a major decline, "erasing $1.2 trillion in market cap within hours" due to fears of a recession sparked by weak economic data, lower-than-expected job creation, and rising unemployment.[3] This downturn impacted the Energy sector as the S5ENRS fell 7.60% from August 1st to August 5th amid worries of reduced demand. Despite recent volatility, global oil demand will stay solid, with oil and gas still leading the energy mix through the next decade. "This demand is driven by population growth and increasing energy needs in developing countries."[4] Thus, the sector is positioned to navigate short-term challenges and support global economic growth.

Performance



ConocoPhillips (COP)

Holding Description

ConocoPhillips (COP) is an independent Exploration & Production company with a geographic outreach of approximately 15 countries. COP "explores for, produces, transports, and markets crude oil, natural gas, natural gas liquids, liquefied natural gas, and bitumen on a worldwide basis."[1] COP believes that, while commodity prices will continue to be volatile, their successful business strategy in the exploration and production industry will be resilient in lower price environments and retain a serious upside during periods of higher prices. COP's business strategy is focused on maintaining a "diverse, low-cost supply portfolio that includes resources in North America, Europe, and Asia; including LNG developments in Canada."[2] COP's earnings and cash flows are typically tied to crude oil and natural gas prices, which are influenced by external factors beyond the company's control.

Impacts from H2

In H2, COP had a return of -16.06%, underperforming the relative S5ENRS by 11.42%. COP has generally tracked the S5ENRS, with stretches where it has either outperformed or underperformed. The volatility in both lines comes from external factors like swings in commodity prices, geopolitical risks, and the shift toward renewable energy sources. COP's focus on liquidity and staying flexible during price changes positions them well to handle the fluctuations of the energy market. COP will continue to play an essential role in responsibly meeting energy transition demand, delivering competitive returns, and continuing to progress towards net-zero operational emissions.[1,2]

Outlook

The Carroll Fund remains optimistic about our current position in COP. With its strong emphasis on exploration and production and the company's ability to adapt to innovations like AI, COP has the potential to outperform the broader energy sector. Additionally, as global economic growth continues to rise, especially in developing markets, energy demand is expected to increase, potentially allowing COP to take advantage of these trends and drive future performance.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$5,870.20	$6,236.72	7.88%	$96.04
H2	$6,236.72	$5,158.72	-16.06%	$76.44
FY	$5,870.20	$5,158.72	-9.18%	$172.48

Halliburton Company (HAL)

Holding Description
Halliburton Company (HAL) is an oilfield service company with production facilities worldwide. Its headquarters are in Houston, Texas, and the company has facilities in Malaysia, Singapore, and the UK. HAL's primary operations are serving the upstream Oil & Gas industry. HAL's operations include "identifying hydrocarbons, managing geological data, offering drilling and formation evaluation, completing well construction, and optimizing production."[1] HAL is one of the world's largest providers of products and services to the energy industry and helps customers "maximize asset value throughout the lifecycle of the reservoir from locating hydrocarbons, managing geological data, drilling and formation evaluation, well construction, and optimizing production throughout the life of the asset."[2]

Impacts from H2
In H2, HAL had a return of -25.44%, underperforming the S5ENRS by 20.80%. Despite its international expansion, North American market focus, and digital advancements to manage market fluctuations, HAL faces ongoing risks from supply chain disruptions, geopolitical tensions, and the transition to cleaner energy sources. Extended supply chain lead times for select raw materials continue to impact operations. HAL employs economies of scale in global procurement, technology modifications, and efficient sourcing practices to mitigate these cost pressures.[3] While inflation has increased costs, particularly for chemicals, cement, and logistics, HAL aims to pass a portion of these costs to customers and believes it has effective strategies to minimize operational impacts.

Outlook
The Carroll Fund maintains a positive, overweight outlook on HAL due to its strong leadership in U.S. onshore operations and underappreciated international exposure. Its technology initiatives offer unique growth opportunities. With improving market conditions and a focus on capital discipline, HAL can continue its FCF generation and increase returns to shareholders through 2025. Demand is expected to grow for the rest of 2024, and long-term demand will continue to be driven by economic and population growth. The Oil & Gas industry plays a critical role in the global economy, and production will continue to be needed in powering industrial operations, supporting transportation networks, and meeting the energy demands of developing economies.[4] The Carroll Fund expects HAL to be the backbone for most of these ventures.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$6,561.00	$6,386.04	-1.85%	$53.46
H2	$6,386.04	$4,706.10	-25.44%	$55.08
FY	$6,561.00	$4,706.10	-26.62%	$108.54

Phillips 66 (PSX)

Holding Description
Phillips 66 (PSX) is a United States energy manufacturing and logistics company involved with oil refining, marketing, and transportation. PSX uses chemical manufacturing and power generation and is one of the largest oil refiners in the country. They have approximately 7,260 branded outlets in all 50 states and Puerto Rico. Approximately 80% of their revenue stems from US customers through Chemicals, Marketing and Specialists (M&S), Midstream, and Refining. PSX's business relies on a network of marketers running about 5,100 outlets, a less capital-intensive channel. The company also has brand-licensing agreements covering around 1,390 sites. Refined petroleum products are sold under both branded and unbranded labels. Most branded sales originated from the Midwest, Rockies, and West Coast regions, where the wholesale network helps efficiently move products from their refineries.[1]

Impacts from H2
In H2, PSX had a return of -18.12%, underperforming the S5ENRS by 13.48%. PSX's "composite 3:2:1 market crack spread decreased to an average of $28.37 per barrel during 2023, from an average of $34.26 per barrel in 2022. The decrease in the composite market crack spread was primarily driven by lower global prices for gasoline and distillates reflecting reduced refining costs due to lower natural gas prices." Market crack spreads are used as indicators of refining margins and measure the difference between market prices for refined petroleum products and crude oil. While the composite market crack spread fell in 2023 from the highest levels in at least a decade during 2022, it remains well above the five-year and 10-year average levels.[2]

Outlook
As a leader in the oil refining industry, the Carroll Fund believes PSX has significant catalysts and, with a new focus on Chemicals, additional cost reductions, and an increasing environmental focus, will be in an excellent position to thrive into 2025. Furthermore, "PSX's management team is focused on delivering growth at attractive returns, and further diversification and improvements to refining uptime might combine to restore PSX's premium positioning."[3]

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$6,848.55	$9,310.38	37.69%	$119.70
H2	$9,310.38	$7,492.65	-18.12%	$131.10
FY	$6,848.55	$7,492.65	13.07%	$250.80

Suncor Energy (SU)

Holding Description
Suncor Energy Inc. (SU) is an upstream, midstream, and downstream oil and energy company. It is integrated into all parts of the energy industry and conducts business throughout Canada, the United States, and the United Kingdom. SU focuses on exploration and production and crude oil refinement by using oil sands development, onshore and offshore oil & gas production, petroleum refining, and product marketing. SU constantly seeks to create value for customers, investors, and the economy through its operational brilliance and industry reliability. Its experienced workers and technological advancements make it an industry leader able to develop and change quickly within a constantly evolving economy.[1,2]

Impacts from H2
In H2, SU had a return of 1.66%, outperforming the S5ENRS by 6.30%. SU's refining margin is an essential KPI to examine because it measures the profitability of its refining operations in relation to the cost used in its production. SU has a substantially higher refining margin than its comparable companies' median. This is a good indication that it will be able to sustain market fluctuations and continue to be profitable. "In 2023, [SU] announced that it has agreed to purchase TotalEnergies EP Canada Ltd., which holds a 31.23% working interest in the Fort Hills oil sands mining project (Fort Hills) for $1.468 billion. The acquisition adds 61,000 barrels per day of net bitumen production capacity and 675 million barrels of proved and probable reserves to [SU]'s existing oil sands portfolio."[1,2]

Outlook
With SU's acquisition of TotalEnergies in 2023, the Carroll Fund believes long-term shareholder value and new management structure will strengthen and create new opportunities in the energy industry. The synergies gained from this acquisition can create even more value regionally and nationally while integrating new operations that align with SU's strategic operational structure. Furthermore, "the new CEO's implementation of a more simplified organizational structure, cost-reduction efforts (headcount reduction and structural changes) and an improved safety culture should improve profitability, operational performance, and execution."[3]

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$4,047.50	$4,613.75	15.87%	$101.37
H2	$4,613.75	$4,615.00	1.66%	$100.36
FY	$4,047.50	$4,615.00	17.76%	$201.73

Financials

Managed by: Jessie Deutschmann

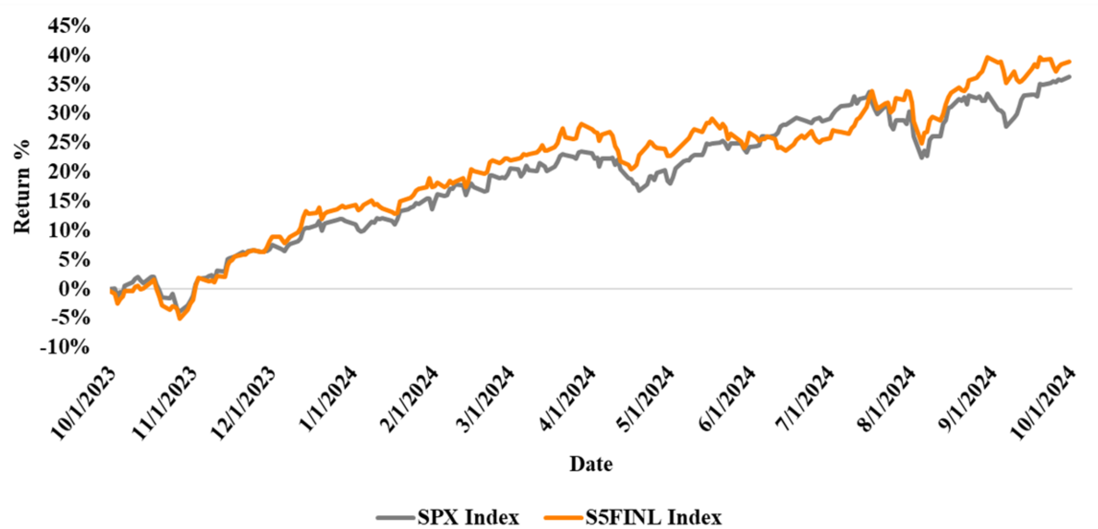
Sector Overview

The Financials sector is made up of firms and institutions that provide services to commercial and retail investors, primarily generating revenue through loans and mortgages. This sector is one of the most crucial components of many developed economies and serves as a strong indicator of economic health. It includes brokers, financial institutions, and money markets, all essential for the daily functioning of the financial system. The sector provides loans for business growth and expansion, offers retail customers the ability to purchase assets, and issues insurance to protect individuals and businesses.[1] Beyond its broad impact on individuals' everyday lives, it also employs millions globally and is the 2nd largest sector in the S&P 500, making up about 13% of its weight.[2]

Impacts from H2

During the second half of the year, the Financials sector navigated a challenging environment due to high interest rates to combat inflation. The Federal Reserve raised rates 11 times since 2022, reaching their highest levels in years, which narrowed net interest margins (NIMs) due to increased competition for deposits. Despite these challenges, the sector index (S5FINL) returned 8.34% in H2, slightly below the S&P 500's return of 10.37%. On September 18th, the Federal Reserve announced a 50-basis point interest rate cut, which could help stimulate demand for financial services, boost stock prices, and improve market sentiment. By lowering borrowing costs, the Federal Reserve hopes to encourage expansion and consumer spending.[3] However, they could also reduce NIMs and profitability in the short term. In this high-rate environment, sectors like Credit Card Processing, Investment Banking, and Consumer Banking Services experienced strong growth. At the same time, many firms tightened credit policies to mitigate risks.[4]

Performance



Charles Schwab Corporation (SCHW)

Holding Description
Charles Schwab Corporation (SCHW) is a financial services company that offers a diverse range of services, including wealth and asset management, securities brokerage, banking, trading and research, custody, and financial advisory. Outside the United States, it serves customers daily in countries including Germany, Australia, and Hong Kong. The company operates through two main business segments. The first segment, Investor Services, generates about 75% of its revenue and focuses on individual investors and provides services such as trading and account management. The second segment, Advisor Services, accounts for the remaining 25% of revenue and specifically supports independent investment advisors, retirement advisors, and record keepers. Approximately half of SCHW's revenue comes from net interest margins, while around 25% comes from asset management fees related to its wide variety of investment products, including mutual funds and exchange-traded funds (ETFs).[1]

Thesis for Exiting
The Carroll Fund initially purchased SCHW during the summer of 2023, as it was deemed undervalued after the banking crisis. Before the purchase, the Carroll Fund had seen the stock drop by roughly 30%. Since then, SCHW has returned to fair value, presenting a good exit opportunity. From the beginning of the FY until we sold SCHW in May, SCHW returned 39.52%. It outperformed both the S&P Financials Index and the S&P 500. However, it lagged another holding, JPMorgan Chase & Co (JPM). Both companies have similar business models, generating significant revenue from net interest income and non-interest income. Ultimately, the team decided it was time to realize profits from this strong gain and sell SCHW to better diversify our holdings in the Financials sector rather than maintain two similar companies.

New Transactions
The Carroll Fund sold 153 shares of SCHW on May 3, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$8,399.70	$11,068.02	32.68%	$76.50
H2	$11,068.02	$11,642.44	5.19%	$0.00
FY	$8,399.70	$11,642.44	39.52%	$76.50

iShares US Insurance ETF (IAK)

Holding Description

The iShares US Insurance ETF (IAK) offers investors access to a range of United States insurance companies. This passively managed fund aims to mirror the performance of the Dow Jones US Select Insurance Index, focusing exclusively on insurance firms that provide customers with financial protection against potential risk and losses. The fund has a concentrated allocation, with approximately 74% allocated to Property & Casualty Insurance, 21% to Life & Health Insurance, and 5% to Multi-Line Insurance. Additionally, over 60% of the fund's assets are concentrated in its top 10 holdings.[1]

Top 10 Holdings			
Progressive Corp.	16.49%	Prudential Financial Inc.	4.61%
Chubb Ltd.	12.03%	Allstate Corp.	4.49%
Aflac Inc.	6.27%	Arch Capital Group Ltd.	4.43%
Travelers Companies Inc.	5.94%	American International Group Inc.	4.43%
MetLife Inc.	4.82%	Hartford Financial Services Group Inc.	4.17%

Impacts from H2

IAK has shown some resilience over the past market cycle, with a return of 10.56% since April. The sector has seen steady performance over the last three years with positive returns each year. Property & Casualty Insurance, which constitutes about 74% of IAK's portfolio, has outperformed the broader industry.[2] Rising insurance rates have provided a boost for many insurance companies. IAK has performed well as a defensive investment while the Federal Reserve has been raising interest rates since March 2022.

Outlook

The Carroll Fund first purchased IAK in December 2022. The managers had a cautious economic outlook and wanted to diversify the financial holdings. We invest in the insurance sector to help stabilize our portfolio, especially during uncertain economic conditions. Over the past two years, insurance stocks have demonstrated financial stability and have weathered market volatility. However, the Federal Reserve is anticipated to keep reducing interest rates following their first cut in September, which could impact insurance companies differently. Lower interest rates could make insurance products less attractive, leading to reduced sales. In the short term, insurance companies might face challenges compared to their past performance; however, insurance remains essential for most individuals and businesses, making this investment valuable for diversifying our Financials sector holdings.[3]

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$9,531.60**	**$12,208.56**	**29.54%**	**$138.81**
H2	**$12,208.56**	**$13,421.20**	**10.57%**	**$77.58**
FY	**$9,531.60**	**$13,421.20**	**43.08%**	**$216.39**

JPMorgan Chase & Co. (JPM)

Holding Description

JP Morgan Chase & Co. (JPM) is one of the oldest and largest global Financial Services and Retail Banking Institutions, serving a diverse range of clients, including businesses, institutions, and individuals. As the largest bank holding company in the United States, JPM operates in over 100 countries and employs more than 290,000 people worldwide. Although it is a global bank, about 75% of its revenue comes from North America. JPM's operations are divided into four main segments: (1) Consumer & Community Banking, (2) Corporate & Investment Banking, (3) Asset & Wealth Management, and (4) Commercial Banking.[1] The Consumer & Community Banking segment generates the largest share of revenue, accounting for around 45%, followed by Corporate & Investment Banking, which also contributes about 35%. Asset & Wealth Management generates approximately 13% of revenue, with the remaining 7% of revenue coming from Commercial Banking.[2]

Impacts from H2

After the banking failures in 2023, financial stocks have been recovering, and JPM has experienced significant gains. Its strong capital position helps the bank to handle recent regulatory pressures. However, with increased volatility in H2, JPM returned 6.42%, with pressure on net interest margins after the Federal Reserve's interest rate cut in September. This resulted in a negative impact on short-term profitability.[3] While its performance has not been as strong as anticipated, JPM still remains a solid holding for the Carroll portfolio.

Outlook

The Carroll Fund holds JPM because it is the largest bank in the United States, demonstrating strong financial strength and flexibility even during challenging times, such as when interest rates are rising. JPM benefits from its size and scale, accessing large amounts of capital and handling big transactions more easily than other firms. Its size also helps it build a broad network and form exclusive partnerships, providing unique opportunities and insights.[4] Additionally, with its extensive global presence, JPM is well-diversified and prepared to manage market fluctuations and economic downturns. In the short term, profitability might be impacted as the Federal Reserve is expected to continue to cut interest rates. However, the Financials sector usually benefits from lower rates because it boosts consumer spending, which could be advantageous for JPM in the long run.[5]

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$7,396.02**	**$10,215.30**	**39.57%**	**$107.10**
H2	**$10,215.30**	**$10,753.86**	**6.42%**	**$117.30**
FY	**$7,396.02**	**$10,753.86**	**48.43%**	**$224.40**

PayPal Holdings Inc. (PYPL)

Holding Description

PayPal Holdings Inc. (PYPL) is a top technology platform and digital payment company that allows people and businesses worldwide to transfer money electronically using various online payment methods. With 426M active accounts in 200 markets, PYPL handles about 24.50B payment transactions a year. The company earns about 90% of its revenue from transaction fees and the rest comes from value-added services. Most of its revenue, around 60%, comes from domestic accounts, while the remaining 40% comes from international users, enabling customers to make payments around the world.[1] Over the years, PYPL has acquired many brands such as Braintree, Venmo, Honey Science Corp, and more.[2]

Impacts from H2

In the past few years, PYPL has struggled to meet earnings expectations and has significantly underperformed, despite its popularity as a payment processing company. During the COVID-19 pandemic, online shopping increased, and PYPL saw notable growth. However, the stock has since dropped about 80% from its pandemic peaks. Last September, PYPL hired a new CEO, Alex Chriss. He is focused on profitable growth by cutting costs and making back-end payment processing more efficient.[3] Under the new CEO, PYPL has already made notable progress and returned 16.48% in H2. This represents the 2nd highest return for the Carroll Funds' financial holdings during this period. PYPL has recently seen an increase in active accounts and transaction revenue, which is a contributing factor to their performance.

Outlook

The Carroll Fund invested in PYPL in November 2023, viewing it as a leading online payment processor that was significantly undervalued. Despite about an 80% decline in its stock price, PYPL is still considered undervalued. Under the new CEO, the company has shown some notable growth in its core operations, decreased costs, and exceeded analyst expectations. There has been a rise in engagement and transactions per active account. PYPL is also diving deeper into AI to improve operations and address past performance issues.[4] Given these changes and the potential for a turnaround, we remain optimistic about this investment. The stock presents a strong opportunity, and we hope to capitalize on its potential.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$11,367.30	$13,398.00	17.86%	$0.00
H2	$13,398.00	$15,606.00	16.48%	$0.00
FY	$11,367.30	$15,606.00	37.29%	$0.00

S&P Global Inc. (SPGI)

Holding Description

S&P Global Inc. (SPGI) provides global financial information services, including credit ratings, benchmarks, and analytics for capital and commodity markets. Its capital markets services are directed towards asset managers, investment banks, commercial banks, insurance companies, exchanges, trading firms, and issuers. Commodity markets services target producers, traders, and intermediaries in energy, petrochemicals, metals, steel, and agriculture. Although SPGI operates worldwide, the United States is its largest market, contributing to about 60% of sales. The company is broken down into five product categories: (1) Market Intelligence, (2) Ratings, (3) Commodity Insights, (4) Mobility and (5) Indices.[1]

Impacts from H2

In H2, SPGI delivered the strongest performance among the Carroll Fund's financial holdings, achieving a return of 21.86%. SPGI not only outperformed both the Financials sector and the S&P 500 but also highlighted its resilience in a fluctuating market. The heightened volatility during this period played a role in SPGI's success, as it typically drives greater demand for credit ratings, analytics, and risk management services, which are core product offerings for the company.[2]

Outlook

SPGI is a well-established company with a successful history, reflecting its stability and competitive advantage. Its wide moat and credibility contribute to its strong pricing power, resulting in high operating margins.[3] This makes SPGI a key company in the Financial Ratings and Index sector, which is why it is included in the Carroll Fund’s portfolio. The company adds significant value to our holdings through diversification and large product offerings. Compared to its peers, SPGI's emphasis on expanding margins, streamlining operations, and growing revenue position it well for future performance. While modest growth is anticipated, SPGI plans to continue enhancing its profit margins. Overall, it is likely to remain a dominant player in the industry and a top choice for investment professionals.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$16,078.04	$18,719.80	16.93%	$79.64
H2	$18,719.80	$22,731.28	21.86%	$80.08
FY	$16,078.04	$22,731.28	42.37%	$159.72

Healthcare

Managed by: Zachary Snipes

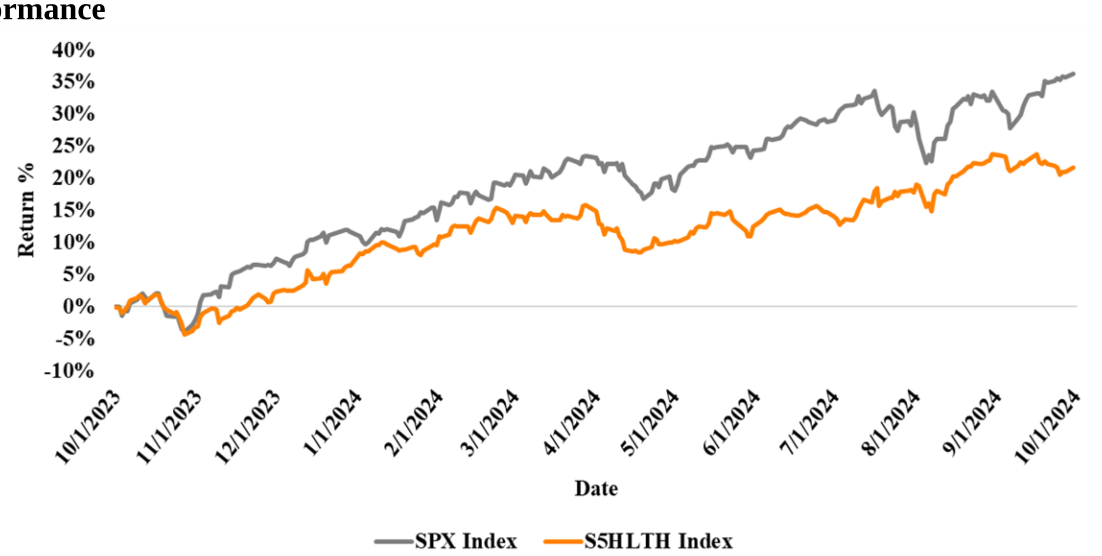
Sector Overview

The Healthcare sector contains an array of industry segments, including Biotechnology, Health Insurance & Managed Care, Healthcare Providers, Life Science Tools & Services, Medical Equipment Manufacturers, and Pharmaceuticals. The Healthcare sector is the third-largest sector in the S&P 500, accounting for 11.60% of the total index weight.[1] The sector is traditionally considered defensive due to the inelastic demand for medical care and services, so it outperforms during market downturns. Biotechnology and Pharmaceuticals provide opportunities for investors to realize substantial returns with the caveat of increased idiosyncratic risks. The Carroll Fund held six Healthcare equities throughout the FY, including Aquestive Therapeutics, CVS Health Corporation, HCA Healthcare, Eli Lilly and Co., Merck & Co., and UnitedHealth Group. We finished the FY overweight in the Healthcare sector by 0.88% compared to the S&P 500.

Impacts from H2

The Healthcare sector index (S5HLTH) returned 5.02% in H2 compared to the S&P 500's return of 10.60%.[2] This underperformance was expected, as Healthcare has struggled to keep up with the market during bullish periods. The rate cut guidance from the Federal Reserve allowed Biotechnology and Pharmaceutical firms to adopt more aggressive R&D strategies, although price volatility in these industries is highly linked to idiosyncratic events and announcements. Healthcare Providers and Health Insurers were negatively impacted by the CMS announcement in April that base payments for Medicare Advantage plans would remain flat in 2024 and 2025.[3] Rising supplies and labor costs, coupled with stagnant revenue from Medicare and Medicaid Services, exert significant pressure on margins within these industries. Cybersecurity, labor shortages, and regulatory pressures are also among the foremost challenges faced by Healthcare companies. Product and technology innovation, the aging domestic population, and an upward trend in chronic diseases represent growth opportunities for the sector.

Performance



Aquestive Therapeutics Inc. (AQST)

Holding Description
Aquestive Therapeutics Inc. (AQST) is a small-cap biotechnology company specializing in innovative drug delivery methods. The firm's defining achievement is the development of PharmFilm technology. AQST collaborates with pharmaceutical firms through co-developments or licenses to deliver previously approved formulations through buccal (inside the cheek), lingual (on the tongue), and sublingual (under the tongue) thin film methods, that is similar to a Listerine breath strip. The commercialized product portfolio currently includes treatments for ADHD, epilepsy, Parkinson's disease, narcotic dependence, and nausea. Notable pipeline developments are centered around diazepam and epinephrine applications.[1] AQST holds a niche position in healthcare by focusing its innovations on drug delivery rather than novel drug creation. AQST ended the FY with a market capitalization of $453.48M.

Impacts from H2
The Carroll Fund purchased 2,888 shares throughout H2, which yielded a return of 28.70% or $3,206.89. This performance substantially outpaced the S5HLTH index by 23.68% and the S&P 500 by 18.10%. In July, AQST released topline pharmacokinetic data from the temperature/pH study of Anaphylm (its epinephrine product candidate). The findings regarding safety and effectiveness were positive, as the drug met all expectations through the phase 3 pivotal trial and earned conditional primary approval from the FDA. The company's goal is to file a New Drug Application with the FDA prior to year-end 2024 with an expected product launch in 2025 or 2026. Libervant (the diazepam product candidate) received FDA approval in April for the treatment of children aged 2-5 but will not be launched until 2027 due to an orphan drug exclusivity block from a competitor.[2] Both Anaphylm and Libervant anticipate to consume significant market shares in segments where there is an "emergency" factor present, making demand inelastic.

Outlook
The Carroll Fund remains optimistic about AQST, as substantial H2 returns have validated our investment thesis The Biotechnology holding provides significant growth potential in a defensive Healthcare sector, but at the price of extraordinary volatility. Market sentiment toward Biotechnology companies often correlates more with announcements and media releases than financial performance. Therefore, we will continue to closely monitor any updates regarding the launch of Libervant and the approval of Anaphylm.

New Transactions
The Carroll Fund purchased 2,888 shares of AQST at an average price of $3.87 throughout April 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$11,175.35	$14,382.24	28.70%	$0.00
FY	$11,175.35	$14,382.24	28.70%	$0.00

CVS Health Corporation (CVS)

Holding Description

CVS Health Corporation (CVS) is a leading health solutions company with operations in the Health Care Benefits, Health Services, Pharmacy Benefit Manager (PBM), and Pharmacy & Consumer Wellness segments. CVS represents the nation's largest drugstore chain, as operating approximately 9,000 retail locations, over 1,000 walk-in clinics, and more than 200 primary care medical clinics.[1] CVS' business strategy over the past decade has transitioned from transaction-based care to a more holistic healthcare approach. The company aims to reimagine the consumer healthcare experience through its vertically integrated healthcare model. By owning the entire pipeline between drug manufacturers and patients, CVS reduces negotiating costs typically incurred by independent PBMs, insurers, and retailers. The shift is illustrated through its 2015 acquisition of Omnicare for $12.70B and its 2018 acquisition of Aetna for $69.88B.[2] CVS ended the FY with a market capitalization of $79.10B.

Thesis for Exiting

The Carroll Fund liquidated its CVS position primarily due to poor management decision-making regarding the revamped strategy. Specifically, the increased focus on its unprofitable Medicare Advantage program in the Health Insurance segment led to a neglect of the historically profitable PBM and Retail Pharmacy segments. The CMS's decision to hold the Medicare Advantage reimbursement rate flat undercut CVS' strategy of growing market share by underpricing its memberships. Enrollment saw a 21.50% jump in Medicare Advantage in Q1 2024 - the highest Q4 to Q1 jump of the five large insurers.[3] The company took on significant debt to acquire Aetna in 2018, and total debt has risen by 18.51% since 2022.[4] What was originally thought to be debt that would finance growth opportunities has led to increased exposure in an unprofitable Health Insurance segment. Caremark, CVS' PBM, also saw reduced revenue in Q1 2024 after it lost a major contract with Centene in 2023. CVS is facing increased retail competition from low-cost providers like Walmart and Amazon as well. The integrated business strategy has yet to improve profitability across its vertically integrated operations.

New Transactions

The Carroll Fund sold 196 shares of CVS at $60.99 on June 21, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$13,684.72	$15,632.96	16.06%	$248.92
H2	$15,632.96	$11,953.70	-22.70%	$130.34
FY	$13,684.72	$11,953.70	-9.88%	$379.26

Eli Lilly and Co. (LLY)

Holding Description

Eli Lilly and Co. (LLY) is a pharmaceutical company that discovers, develops, manufactures, and sells pharmaceutical products for humans and animals. It offers a variety of treatments, including drugs related to diabetes, oncology, immunology, and neuroscience, among other products and therapies. LLY has historically dominated the endocrinology market, specifically within the diabetes segment. Seven of the diabetes-related products account for over half of the company's revenue.[1] Well-known diabetes treatments, such as Mounjaro and Jardiance, join a lineup headlined by Zepbound, a GLP-1 drug designed for adults who struggle with obesity. The market for weight-loss drugs is expected to surpass $150B by 2030, of which Zepbound holds about a 40% market share.[2] Pipeline drug candidates include weight loss alternatives, such as Tirzepatide and Orfoglipron, along with Donanemab, an Alzheimer's treatment.[3] LLY is the 12th largest stock in the S&P 500 and ended the FY with a market capitalization of $842.02B.

Thesis for Exiting

The Carroll Fund liquidated its LLY position through a stop-loss order set at 12.50% below the market price at the time. The primary rationale behind the decision was the perceived overvaluation of LLY when benchmarked against both industry peers and its two-year historical averages. Our relative valuation analysis at the time of initiating the stop loss revealed that the forward P/E ratio showed LLY was trading at about a 186% premium compared to its peers. The differences between the current and two-year historical average multiples at the time, suggested that LLY was trading at elevated levels. Specifically, the BF P/E was about 35% higher, BF EV/EBITDA was about 34% higher, BF EV/EBIT was about 33% higher, and BF EV/Rev was about 36% higher.[4] While acknowledging LLY's status as a robust business with promising growth prospects, we decided to use a stop-loss order to mitigate potential losses stemming from a market correction of LLY's valuation.

New Transactions

The Carroll Fund sold 25 shares of LLY at $772.88 on August 5, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$13,428.25	$19,449.00	45.29%	$60.75
H2	$19,449.00	$19,321.46	-0.49%	$32.50
FY	$13,428.25	$19,321.46	44.58%	$93.25

HCA Healthcare (HCA)

Holding Description
HCA Healthcare (HCA) is the largest healthcare facility provider in the United States - owning and operating over 180 hospitals and 2,200 care sites in 21 states and the United Kingdom. Services provided include diagnostic services, treatments, consultancy, nursing, surgery, medical education, and physician training.[1] The company's decentralized structure "allows local management teams to tailor services to community needs while adhering to corporate policies and standards. This model facilitates rapid decision-making and responsiveness to local market conditions."[2] The Patient Treatment Services represents the primary revenue source; payments can come from private health insurers, government programs, and patients. The largest operating expense is Salaries & Benefits for employees, accounting for 50.38% of operating expenses in 2024 Q2.[3] HCA ended the FY with a market capitalization of $104.89B.

Impacts from H2
The Carroll Fund held 54 shares of HCA for the duration of H2, which yielded 22.45% and a total gain of $2,995.20. During H2, HCA outperformed the S5HLTH index by 17.43% and the S&P 500 by 11.85% during the period. Much of the growth occurred following HCA's Q2 earnings report in July. The company increased its earnings guidance by approximately $1.5B, noting a 5.80% increase in same-facility admissions and improved expense management. HCA eclipsed expectations for EBITDA by nearly 10% and issued annual guidance that sits 5% above Wall Street's projections.[4] However, HCA was sued in April by Buncombe County, North Carolina for approximately $3M. The Attorney General alleges that HCA intentionally reduced staffing for emergency room and oncology services, resulting in lengthy wait times and bed shortages. The lawsuit has yet to be settled.[5]

Outlook
The Carroll Fund remains optimistic for one of its best performers over both H2 and the FY. HCA's robust presence in rapidly growing regions such as Texas and Florida suggest that market dominance will persist. We are closely monitoring HCA's approach to address staffing concerns and its ability to maintain industry-leading profitability as inflation and challenges stemming from the hurricane season exert additional pressure to margins.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$9,640.00**	**$13,341.20**	**38.64%**	**$24.00**
H2	**$13,341.20**	**$16,257.20**	**22.45%**	**$79.20**
FY	**$9,640.00**	**$16,257.20**	**69.71%**	**$103.20**

Merck & Co. (MRK)

Holding Description

Merck & Co. (MRK) is a global healthcare company that delivers health solutions through its Animal Health Products, Biological Therapies, Prescription Medicines, and Vaccines. The product pipeline is headlined by Keytruda, the highest-selling cancer treatment on the globe. Keytruda accounted for over $25.01B, or 47.05% of 2023 revenue. HPV vaccine Gardasil and diabetes medication Januvia also hold notable market presence. The company also makes childhood and adult vaccines for common diseases such as measles, mumps, and pneumonia, with a diverse customer base with operations in Europe, the Middle East, Africa, China, and Japan. The international market outpaced domestic demand in 2023, with the United States accounting for only 47.38% of total revenue.[1] MRK is the 21st largest company in the S&P 500 and ended the FY with a market capitalization of $287.85B.

Impacts from H2

The Carroll Fund held 124 shares of MRK for the duration of H2, which yielded -12.77% for a total loss of $2,089.40. This underperformed the S5HLTH index by 17.79% and the S&P 500 by 23.37% throughout the period. A large portion of the loss stemmed from the earnings guidance cut that was released in July which reflected the $1.30B acquisition of EyeBio. Additionally, diminishing demand for the Gardasil vaccine in China reduced output.[2] In mid-August, the HHS negotiated with MRK and other drug manufacturers to reduce Medicare prices on prescription drugs. Januvia was subject to these negotiations, resulting in a 78.56% price reduction from $527 to $113 for a 30-day supply. With about 843,000 Medicare enrollees using the drug, Januvia's margins have become threatened.[3]

Outlook

The Carroll Fund holds a neutral position regarding MRK's future performance. The pure domination of the Oncology market is an undeniable strength. However, Keytruda is scheduled to lose its patent protection in 2028, which can open the door for competition and threaten a major revenue drop-off from its premier product. As further potential price caps and other regulatory risks loom, we will continue to monitor MRK's efforts to diversify its pipeline and develop novel Keytruda formulations.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$12,765.80	$16,361.80	29.63%	$186.00
H2	$16,361.80	$14,081.44	-12.77%	$190.96
FY	$12,765.80	$14,081.44	13.26%	$376.96

UnitedHealth Group Inc. (UNH)

Holding Description

UnitedHealth Group Inc. (UNH) ranks as the 10th largest company on the S&P 500 and is the largest health insurer in the United States, with insurance plans encompassing a combined provider network of about 7,200 hospitals and other facilities nationwide. The UNH Insurance segment serves a broad customer base, including individuals, employers, and government programs. In addition to insurance coverage, UNH also operates a Primary Care Unit (Optum Health), a Technology Solutions Unit (Optum Insight), and a Pharmacy Benefit Manager (Optum Rx). The Optum segments provide a spectrum of Pharmacy Care Services through its network of over 67,000 pharmacies.[1] UNH makes up 54.84% of total revenue, whereas the Optum segments account for 45.16%. Although Health Insurance coverage anchors primary operations, the Optum segment is expanding rapidly, with revenues rising 14.82% YoY compared to only 6.94% for UNH.[2] UNH ended the FY with a market capitalization of $539.90B.

Thesis for Exiting

The Carroll Fund liquidated its UNH position primarily due to certain idiosyncratic risks that are uncharacteristic of a defensive holding. Specifically, the DOJ has challenged multiple UNH acquisitions, citing antitrust violations. As the largest Health Insurer and Provider in the country, UNH was greatly exposed to this challenge. In 2022, the DOJ unsuccessfully attempted to block UNH's acquisition of Change Healthcare. In February 2024, the DOJ reportedly opened another antitrust investigation, citing concern that UNH's expansion could limit competition in the marketplace. These acquisition challenges severely limit UNH's future growth opportunities. Additionally, UNH's IT subsidiary, Change, suffered a cyberattack that compromised the private information of millions of patients. In addition to paying out a reported $3.3B to providers using their platform, UNH is facing 24 class action lawsuits.[3] Health Insurers suffered major losses following the CMS decision to keep reimbursement rates flat for 2025. Shortly following the price decrease in April, we decided to sell UNH and realize the loss in order to mitigate potential further losses stemming from the mentioned idiosyncratic risks.

New Transactions

The Carroll Fund sold 34 shares of UNH at $437.52 on April 12, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$17,142.46	$16,819.80	-1.14%	$127.84
H2	$16,819.80	$14,875.56	-11.56%	$0.00
FY	$17,142.46	$14,875.56	-12.48%	$127.84

Industrials

Managed by: Sydney Pewitt

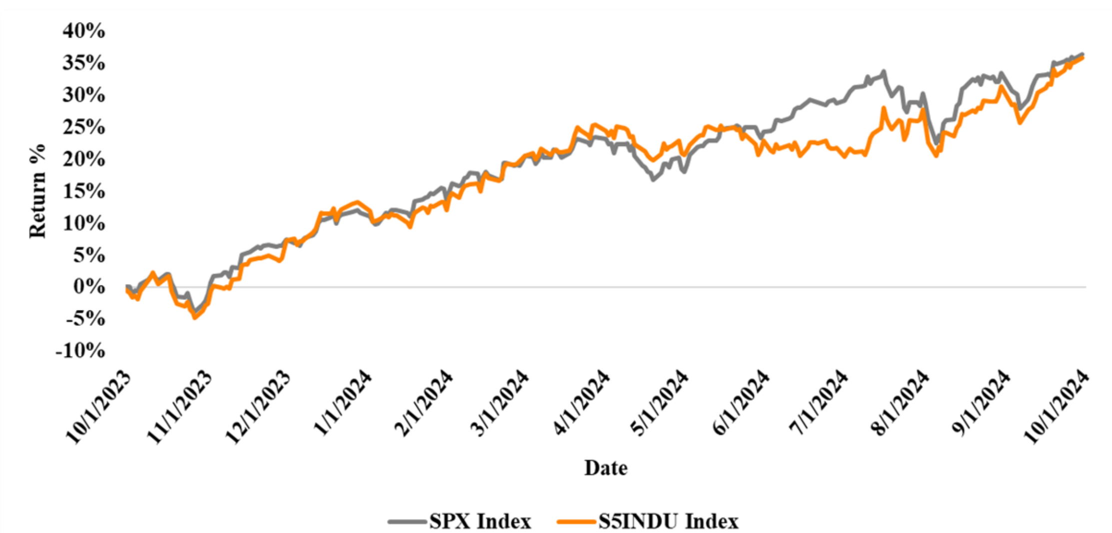
Sector Overview

The Industrials sector includes organizations involved in Transportation & Freight services, Capital Goods, Commercial & Professional services, Defense & Aerospace products, Building products, Electrical & Machinery equipment, and Waste Management. The Industrials sector is cyclical, closely tied to the overall economy's performance. As of September 21, the Industrials sector's current market cap is $5.64T, and its current market weight is 8.62%. The sector has approximately 713 companies from 25 different industries.[1] Some of its largest corporations include GE Aerospace, Caterpillar Inc, RTX Corp, and Union Pacific Corp. At the end of H2, the Carroll Fund held Amentum Holdings, FedEx, Hudson Technologies, Jacobs Solutions, Lockheed Martin, and United Parcel Service within the Industrials sector.

Impacts from H2

United States agriculture has struggled this year due to elevated interest rates and weakened farm fundamentals. According to the United States Department of Agriculture, in 2024, net farm income is predicted to decrease by 6.80% from 2023, and total crop receipts are expected to decline by 10.00% relative to 2023.[2] Industrial machinery companies, specifically those involved in agriculture, will continue to see reduced demand. The Industrials sector is highly correlated with the broader economy and, based upon the economic uncertainty we have witnessed over H2, has caused increased volatility within the industry. As of July, Machinery stocks' prices had declined by 13.00%.[3] Additionally, from June 24th to July 9th, the sector experienced a price decrease of 1.91%, while the S&P 500's price increased by 2.37%. However, between July 9th and July 16th, the Industrials sector increased in price by 6.39%, and the S&P 500's price only increased by 1.62%.[4] Despite the extreme volatility we witnessed over H2, the S&P 500's Industrials Index (S5INDU) saw a net price change of 8.39%.[5]

Performance



Amentum Holdings Inc. (AMTM)

Holding Description
Amentum Holdings Inc. (AMTM) contains Jacobs Solutions' Critical Mission Solutions business and portions of its Divergent Solutions business, including the Cyber & Intelligence business (SpinCo) and Amentum Services Inc. AMTM is involved in Systems Integration and Technology Solutions that are explicitly focused on the Critical Mission Government Services space. AMTM upholds the solidified reputation of global leadership in engineering & technology and a strong relationship with the United States Government from Jacobs Solutions and Amentum Services. Jacobs Solutions holds ~7.5% of AMTM's shares outstanding, and Jacobs' shareholders hold ~51%.[1] On its first day of trading, AMTM joined the S&P 500, replacing Bath and Body Works.

Impacts from H2
On September 30th, the Carroll Portfolio received 88 shares of AMTM following a spin-off of Jacobs Solutions' Critical Missions Solutions and Divergent Solutions businesses. The price per share of AMTM on this date was $32.25, which established a position of $2,838. On that day, AMTM's market capitalization was $7.85B.[2] The units of Jacobs involved in the spin-off, Critical Mission Solutions and Divergent Solutions, generated 34.00% and 6.00%, respectively, of the firm's net revenue for Q3 2024.[3] To support AMTM's operations post-spin-off, Jacobs Solutions transferred some of its debt, leaving AMTM with approximately $4.77M in debt as of September 30, 2024. The majority of this debt, $3.75M, comes from a Term Loan B, consisting of high-yield bonds and senior term loans, set to mature in 2031.[4]

Outlook
AMTM expects to generate ~$13B in annual revenue for its first year of operations. As of September 29th, 2023, AMTM's parent businesses had a total addressable market of $320B and began operations with a backlog of ~$47.4B, indicating future revenue growth and high demand. However, the federal government is AMTM's primary customer, generating ~90% of Amentum Services' and SpinCo's revenues in 2023.[2] Despite this reliance, the United States government remains a stable customer, and AMTM benefits from an established relationship with the federal government, bolstered by Jacobs Solutions' reputation.

New Transactions
The Carroll Fund received 88 shares of AMTM on September 30, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$2,838.00	$2,838.00	0.00%	$0.00
FY	$2,838.00	$2,838.00	0.00%	$0.00

FedEx Corporation (FDX)

Holding Description

FedEx Corporation (FDX) and its independent operating companies provide Transportation and Simplified Delivery, Logistic Services, Supply Chain Visibility, Automation, and e-commerce solutions. Founded in 1971, FDX is headquartered in Memphis, Tennessee, as its "SuperHub" is located at the Memphis International Airport. FDX serves consumers across 220 countries and has approximately 600,000 employees.[1]

Impacts from H2

Our FDX position declined -4.63% (-$332.08) during H2, underperforming both the S5INDU and our other Industrial holdings in the portfolio. The S5INDU returned 8.25%, and the average return for the Carroll Portfolio's Industrial sector holdings was 1.37%.[2] In 2023, FDX announced its new DRIVE Program, which will strategically streamline the company's operations and reduce costs by implementing technology to improve productivity, using more efficient aircraft, and improving route planning. In June 2024, FDX completed the consolidation of its Ground and Express operating companies. Throughout H1 to H2, FDX's market capitalization increased by 19.45%, and its enterprise value increased by 12.61%, indicating that the market is expecting FDX to continue to grow due to its increased market value.[3] As of September 30, 2024, FDX's EV/EBITDA ratio was $10.45, a 1.19% increase over H2. At the end of H2, FDX's market capitalization was $66.87B.[4]

Outlook

While FDX's operational transition due to the DRIVE Program proved to hinder earnings in H2, The DRIVE Program is expected to save about $4B in FY 2025. Another facet of the DRIVE Program is Network 2.0, which consolidates package pickups and deliveries to increase FDX's operations' speed and service level. The Network 2.0 initiative is expected to save about $2B in FY 2027.[5] Furthermore, FDX's has an average earnings surprise of 7.80%, and its next earnings call is scheduled for December 19th.[3] Due to FDX's growth opportunities and cost-saving initiatives, the Carroll Fund currently holds a positive outlook for FDX's future performance.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$6,358.08	$6,953.76	10.32%	$60.48
H2	$6,953.76	$6,568.32	-4.63%	$63.36
FY	$6,358.08	$6,568.32	5.25%	$123.84

Hudson Technologies Inc. (HDSN)

Holding Description
Hudson Technologies Inc. (HDSN) operates through two primary segments: Refrigerant Side Services and Refrigerant Product Services. The Refrigerant Side Services division provides system maintenance of refrigerants, while the Product Services division handles sales, recovery, and reclamation of refrigerants. The chemical refrigerant is used in heating and ventilation systems, refrigerators, and air conditioners to absorb heat and turn it into cool air. HDSN operates in the specialty chemicals industry and serves commercial buildings, recycling/demo scrap, food & beverage, transportation, manufacturing, industrial & chemical industries, the government, and agriculture. HDSN is passionate about promoting and supporting sustainability, climate-friendly technology, reducing greenhouse gas emissions, and increasing energy efficiency.[1]

Impacts from H2
HDSN returned -$2,166.75 or -19.54% return for the Carroll Fund during H2, significantly underperforming the S5INDU and the rest of the Industrials holdings in our fund. At the same time, the S5INDU returned 8.25%, and the average return for the Carroll Portfolio's Industrial sector holdings was 1.37%.[2] On April 26, the Carroll Fund purchased 1,070 shares of HDSN for $11,090.55. To complete this transaction, we used the proceeds from our liquidation of PepsiCo, in which we sold 84 shares for $14,799.84. During H2, HDSN's EV/EBITDA ratio decreased by 13.08%, resulting in an EV/EBITDA of $5.85. At the end of H2, HDSN's market capitalization was $379.65M.[3] Furthermore, HDSN acquired USA Refrigerants, one of the top refrigerant distributors, for $20.70M in June 2024.[4] This acquisition has the potential to pay for itself in less than six years because USA Refrigerants' revenue is equal to approximately $20 million yearly.

Outlook
The refrigerant reclamation market is expected to grow between approximately 10% and 10.5% annually, partly thanks to the AIM Act (American Innovation and Manufacturing Act). The AIM Act is meant to reduce the amount of virgin HFC (the gas used in refrigerant) by about 40% through 2028. Thus, HDSN will have increased demand for its reclaimed refrigerant.[5] While HDSN has underperformed in H2, we have a positive outlook for the firm's future growth opportunities.

New Transactions
The Carroll Fund bought 1,070 shares of HDSN on April 26, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$11,090.55	$8,923.80	-19.54%	$0.00
FY	$11,090.55	$8,923.80	-19.54%	$0.00

Jacobs Solutions Inc. (J)

Holding Description

Jacobs Solutions Inc. (J) is a professional services company that serves the government and the private sector with consulting, project delivery, scientific, and technical services. J also has a majority investment in PA Consulting. J operates in many markets, including city planning, environmental & sustainability consulting, manufacturing, energy, space, national security, and health & life sciences. The firm operates in more than 40 countries and has approximately 60,000 employees. The main goal of J is to provide manufacturing, data and technology, environmental, energy, health and life sciences, infrastructure, space, and national security solutions worldwide.[1]

Impacts from H2

During H2, J returned $880.00 or 6.50% for the Carroll Fund, outperforming the rest of the Carroll Fund's Industrials holdings by more than 5.0%. Meanwhile, the S5INDU returned 8.25%, and the average return for our fund's Industrial sector holdings was 1.37%.[2] At the end of H2, J's EV/EBITDA ratio was 12.83, a 12.97% decrease over H2. Additionally, J's market capitalization was $16.26B and a total revenue of $16.95B (TTM), with net revenue increasing by 1.00% YoY.[3] Furthermore, on the last day of H2, J completed its spin-off of its Critical Mission Solutions and Divergent Solutions businesses, creating a new publicly traded company, Amentum Holdings. The spin-off is intended to simplify J's operations to focus on critical infrastructure and sustainability, advanced manufacturing, cities & places, energy, environmental, life sciences, transportation and water, data solutions, and digital technologies.[4]

Outlook

J acquired a 65.00% stake in PA Consulting in March 2021, increasing J's presence in robotics, machine learning, autonomous technology, and geospatial technology. This acquisition is projected to increase the total revenue for J's larger potential market by about $100B by 2025.[5] Furthermore, thanks to the spin-off of the Critical Mission Solutions and Divergent Solutions businesses, J can now focus on higher-margin businesses, such as infrastructure or environmental solutions. Benefits from this new focus may come in the form of reduced operating costs or increased profitability. Due to J's high number of revenue-generating projects and opportunities, we hold a positive outlook on the firm.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$12,012.00	$13,528.24	13.03%	$48.40
H2	$13,528.24	$11,519.20	6.50%	$51.04
FY	$12,012.00	$11,519.20	20.35%	$99.44

Lockheed Martin Corporation (LMT)

Holding Description

Lockheed Martin Corporation (LMT) develops, integrates, maintains, manufactures, and designs technology services and products as a global security and aerospace leader. The company primarily serves commercial customers, the United States government, and international governments. LMT mainly specializes in homeland security, defense, information technology, intelligence, and space, operating in the following segments: Aeronautics, Rotary & Mission Systems, Space, and Missiles & Fire Control sectors. The firm has 122,000 full-time employees and is based in Maryland.[1]

Impacts from H2

LMT delivered a return of $1,947.66 or 30.59% for the Carroll Fund during H2, largely outperforming the S5INDU and the rest of the portfolio's Industrials holdings. At the same time, the S5INDU returned 8.25%, and the average return for the Carroll Fund's Industrial sector holdings was 1.37%.[2] During H2, LMT's EV/EBITDA ratio increased by 21.73%, resulting in an EV/EBITDA of $15.35. At the end of H2, LMT's market capitalization was $139.33B.[3] with its Aeronautics segment generating $7.28M in net sales, Missiles & Fire Control segment generating $3.10M, Rotary & Mission Systems generating $4.55M, and Space generating $3.20M for a total net sale of $18.12M. In the same quarter, LMT's Aeronautics sales increased by 6.00% due to supply chain improvements, including increased volume support for its F-35 fighter jets and increased production of its F-16 fighter jets.[4] Also, on July 8th, the Defense Advanced Research Projects Agency awarded LMT a $4.6M contract to develop AI tools for airborne missions as a part of its A.I. Reinforcements program.[5]

Outlook

In Q2 2024, LMT's Missiles & Fire Control sales increased by 13.00%, primarily due to continued international conflict.[6] Missiles & air defense systems are in high demand, and LMT continues to expand its production volume. With continued geopolitical conflict and global strife, we can expect to see the demand for missiles and air defense systems remain inflated. Additionally, we will continue to see its production keep up with demand thanks to LMT's impressive cash flows. Due to its solidified reputation, inflated demand for defense products, and remarkable cash flows, we expect continued outperformance from LMT.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$5,725.44	$6,368.18	12.00%	$44.10
H2	$6,368.18	$8,183.84	30.59%	$132.30
FY	$5,725.44	$8,183.84	46.02%	$176.40

United Parcel Service Inc. (UPS)

Holding Description

United Parcel Service Inc. (UPS) is a global leader in package delivery and supply chain management solutions. UPS offers distribution services, contract logistics, customs brokerage & insurance, ocean & air freight, and transportation & delivery services. UPS operates in two distinct segments: United States Domestic Package and International Package. Together, these segments make up UPS' global small package operations. UPS serves over 220 countries, delivering approximately 22.3 million packages each business day. UPS has more than 500,000 employees and has over 1,000 package operating facilities.[1]

Impacts from H2

During H2, UPS delivered a return of -6.08% with a total loss of $478.59, for the Carroll Fund, underperforming the S5INDU and the rest of our portfolio's Industrials holdings. Meanwhile, the S5INDU returned 8.25%, and the average return for the Carroll Fund's Industrial sector holdings was 1.37%.[2] At the end of H2, UPS' EV/EBITDA ratio was $10.71, a 4.08% decrease over H2 along with a market capitalization of $116.79B.[3] The United States Domestic Package and International Package segments decreased in revenue from Q2 2023 to Q2 2024. The domestic segment had a decrease of -1.90% primarily due to changes in UPS' products and services, and the international segment had a decrease of -1.00% primarily due to decreases in average daily volume.[4] Furthermore, as of June 30th, UPS' market capitalization and enterprise value have steadily declined YoY. The market capitalization has decreased by -23.59%, while the EV has decreased by -19.53% since June 30, 2023.[5]

Outlook

In a strategic partnership between UPS and the Luzon International Premier Airport Development Corporation, UPS will generate untapped revenue in its growing Asia Pacific market, with operations beginning in late 2026. Additionally, in July 2024, UPS announced its pending acquisition of the Mexican Logistics Solutions & Express Delivery company Estafeta to connect UPS with Mexico's growing global trade and manufacturing operations.[6] However, UPS seems to be falling behind in terms of the latest technology. This is mainly attributable to the Labor Union, Teamsters, to which many of the company's employees belong. The union makes it difficult for UPS to cut labor costs because it fights autonomous e-commerce fulfillment to protect warehouse jobs and autonomous vehicles to protect drivers' jobs. [4] In conclusion, we have a negative outlook on UPS due to its consistently disappointing financials and lack of solid growth opportunities in lucrative markets.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$8,032.42	$7,877.39	-0.85%	$86.39
H2	$7,877.39	$7,226.02	-6.08%	$172.78
FY	$8,032.42	$7,226.02	-6.81%	$259.17

Information Technology

Managed by: Aydan Hawk

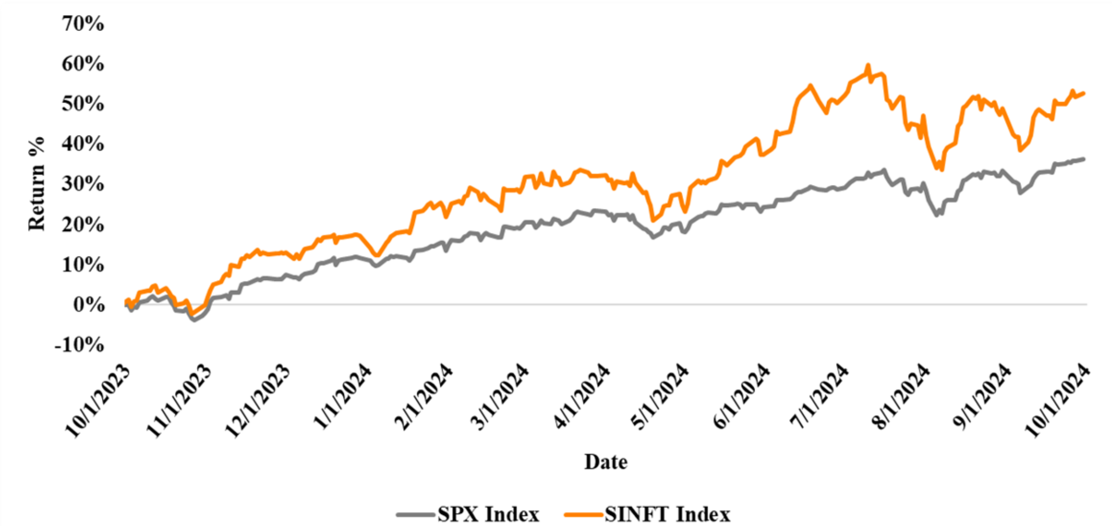
Sector Overview

The Information Technology (IT) sector is the largest within the S&P 500, comprising 32.23% of the index with a market capitalization of $15.68T.[1] IT includes three primary industries: (1) Software & Services, (2) Semiconductors & Semiconductor Equipment, and (3) Technology Hardware & Equipment. By revenue share, these industries represent approximately 36%, 23%, and 41% of the sector, respectively.[2] The IT sector encompasses companies specializing in computer hardware and software, consumer devices, information systems, cybersecurity services, cloud services, and AI products. Innovation drives growth within IT; companies that innovate are most likely to succeed.

Impacts from H2

In H2, the Information Technology sector index (S5INFT) returned 15.61%, outperforming the S&P 500 which returned 10.37%. IT's outperformance was driven by AI tailwinds and lofty expectations assigned to semiconductor stocks. Relative to H1, IT experienced setbacks in H2 that weighed on performance. In late April, Taiwan Semiconductor Manufacturing Company forecasted slowing demand in the semiconductor industry, and semiconductor equipment manufacturer ASML reported lower-than-expected earnings, triggering a minor selloff.[3] Shortly thereafter, a blowout earnings announcement from AI chip giant Nvidia fueled IT to new heights. The sector experienced volatility when the Japanese central bank unexpectedly hiked interest rates, dealing a blow to yen carry traders. An IT selloff ensued as carry traders were forced to sell massive IT positions. Investors identified an overreaction, and IT recovered quickly.[4] In early September, the sector faced another decline as investors reeled from high valuations following dull economic and Nvidia earnings releases.[5] Nonetheless, IT rallied on AI tailwinds throughout the holding period. IT retains grand expectations as AI-related productivity gains support massive growth projections. Still, elevated valuations remain vulnerable, and a full rate-cutting cycle could inspire further rotation into small and mid-cap stocks, damping IT's growth trajectory.

Performance



Advanced Micro Devices Inc. (AMD)

Holding Description

Advanced Micro Devices Inc. (AMD) manufactures semiconductor devices, including microprocessors, fabless chips, graphics, and video products. Its products fall into four revenue segments: (1) Data Center (30%), (2) Gaming (25%), (3) Embedded (25%), and (4) Client (20%). AMD markets its products under the AMD Ryzen, Athlon, A-Series, and Radeon brands. AMD operates globally, with ~35% of revenue being generated in the United States and the remainder internationally.[1]

Thesis for Exiting

Over the Carroll Fund's holding period, AMD returned 101.13%, fueled by AI-related growth expectations. In early April, the Carroll Fund identified valuation and profitability concerns, as well as stiffening competition from semiconductor-producing rivals Nvidia and Intel, prompting a full liquidation of our position in AMD. At the time, AMD presented P/E and EV/EBITDA ratios of 44.4x and 36.8x, respectively, against a peer average of 33.6x and 23.8x, indicating an unjustified premium.[2] Regarding profitability, AMD achieved an ROA of only 1.53% compared to a peer median of 10.65%. Moreover, AMD's profit margin of 4.58% fell well below the peer median of 22.44%.[3] Further, AMD has been consistently overshone by Nvidia's dominance within the fabless semiconductor manufacturing industry. The Carroll Fund acknowledged that the gap was widening when Nvidia released its Blackwell AI architecture, further motivating the liquidation of our AMD position.[4]

To illustrate Nvidia's competitive advantage, the company priced its Blackwell GPUs at $40,000, with AMD's flagship MI300X AI chip commanding a price of only $15,000. Economically, Nvidia's significant pricing advantage pointed to higher demand for its products compared to AMD's. The Carroll Fund decided it would not rely on a company utilizing price discounts to remain competitive. Lastly, AMD's top-line growth experienced a concerning slowdown. In 2023, the company's revenue declined by 3.90%. In the lens of comparison, Nvidia and Broadcom grew revenues by 125.85% and 7.88%, respectively.[5] AMD's future revenue projections also paled in comparison to its competitors. Given AMD's relative underperformance in terms of profitability and topline growth, premium valuation, and increasing competitive pressures, the Carroll Fund felt it best to liquidate the position before a potential correction.

New Transactions

The Carroll Fund sold 105 shares of AMD at $170.85 on April 9, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$10,796.10	$18,951.45	75.54%	$0.00
H2	$18,951.45	$17,938.69	-5.34%	$0.00
FY	$10,796.10	$17,938.69	66.16%	$0.00

Apple Inc. (AAPL)

Holding Description

As of September 30th, Apple Inc. (AAPL) is the most valuable company in the world, boasting a market capitalization of $3.53T. AAPL manufactures an array of consumer devices, including smartphones, tablets, personal computers, smartwatches, and other accessories. Alongside its devices, it provides and sells software products like cloud storage, payment, and subscription services, enjoying handsome margins across its software platforms. AAPL operates across the globe, generating 42% of its sales in the Americas, 33% in Asia, and 25% in Europe.[1]

Impacts from H2

In H2, AAPL outperformed the broader IT sector, returning 36.17% compared to the S5INFT's 15.61%, aided by industry-wide AI momentum. Its performance closely correlates to sales expectations surrounding its iPhone upgrade cycles. Early in H2, AAPL lagged due to faltering iPhone 15 sales in China, with Reuters attributing the slowdown to heightening competitive pressures from rival Chinese tech giant Huawei.[2] However, AAPL rebounded with a robust sales forecast and a record $110B share buyback program. On June 9th, AAPL and OpenAI jointly announced plans to integrate OpenAI's premier large language model ChatGPT into AAPL's product lineup, fueling positive sentiment.[3] In mid-July, AAPL shares pulled back from yearly highs following sector woes associated with the yen carry trade. This setback was exacerbated as mega-cap peer Alphabet faced a negative ruling regarding search exclusivity in its antitrust trial.[4] Since then, AAPL's price action has been primarily driven by initial sales estimates for the iPhone 16, released on September 20th.

Outlook

AAPL's upcoming earnings announcement on October 31st will provide insights into iPhone and Mac sales, including the performance of the new M4 processor. The success of the iPhone 16 upgrade cycle will depend on the implementation of Apple Intelligence AI features, the bulk of which are set to debut in December. While annual releases encourage upgrades, the Carroll Fund is cautious regarding the delayed launch of flagship features for the iPhone 16. Still, AAPL's strong global brand presence lends a measure of optimism to our outlook.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$32,016.27	$32,066.76	0.44%	$89.76
H2	$32,066.76	$43,571.00	36.17%	$93.50
FY	$32,016.27	$43,571.00	36.66%	$183.26

First Trust NASDAQ Cybersecurity ETF (CIBR)

Holding Description

The First Trust NASDAQ Cybersecurity ETF (CIBR) is an exchange-traded fund that tracks the performance of the cybersecurity industry. The fund invests in companies that develop and manage cybersecurity systems to safeguard data from breaches. Before its 0.59% expense ratio, the fund aims to replicate the returns of its benchmark, the NASDAQ CTA Cybersecurity Index.[1] The fund's five largest holdings are Broadcom (AVGO), Cisco Systems (CSCO), CrowdStrike Holdings (CRWD), Infosys Ltd (INFY), and Palo Alto Networks (PANW).

Top 10 Holdings			
Broadcom Inc.	8.43%	Leidos Holdings Inc.	4.09%
Cisco Systems Inc.	8.38%	Booz Allen Hamilton Holding Corporation	4.08%
CrowdStrike Holdings Inc.	8.05%	Fortinet Inc.	4.02%
Infosys Ltd.	7.61%	Check Point Software Technologies Ltd.	3.99%
Palo Alto Networks Inc.	7.50%	Akamai Technologies Inc.	3.94%

Impacts from H2

During H2, CIBR returned 5.17%, underperforming the sector's 15.61% return. This underperformance was primarily due to the fund's diversification and limited exposure to the AI-driven gains that benefited other tech industries. Initially, CIBR lagged due to weak performance from INFY, which only saw an uptick after it raised its sales outlook in mid-July.[2] Although this outlook provided a temporary boost, the fund encountered a significant setback soon after: CRWD released a software update that inadvertently crashed the Windows operating system for approximately 8.5M users.[3] This malfunction led to a ~40% fall in CRWD's share price over the following two weeks, which significantly affected CIBR's performance. The long-term fallout from this outage continues to affect CIBR, with companies like Delta Airlines seeking compensation for lost business. CIBR tracked the sector for the remainder of the period, with AI-related sentiment-lifting holdings like PANW and INFY.

Outlook

Looking ahead, should the Fed continue cutting interest rates, a low-interest rate environment could lift CIBR as stimulated business activity bolsters demand for cybersecurity products. As cloud services further integrate into business operations, the demand for cybersecurity solutions is expected to grow. Moreover, CIBR provides exposure to a flourishing subindustry while minimizing firm-specific risk. Given these factors, the Carroll Fund remains optimistic regarding CIBR's future growth capabilities over a three- to five-year investment horizon.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$8,151.37**	**$8,176.55**	**0.35%**	**$3.44**
H2	**$8,176.55**	**$8,588.35**	**5.17%**	**$11.17**
FY	**$8,151.37**	**$8,588.35**	**5.54%**	**$14.61**

JPMorgan Nasdaq Equity Premium Income ETF (JEPQ)

Holding Description

JP Morgan NASDAQ Equity Premium Income ETF (JEPQ) is an actively managed exchange-traded fund designed to generate income while maintaining the prospect of capital gains. JEPQ invests in the NASDAQ 100 and provides monthly cash distributions to investors. The fund implements a covered call option strategy by buying NASDAQ 100 assets and writing far, out-of-the-money call option derivatives. JEPQ effectively trades away some upside for immediate cash generation, resulting in relatively lower volatility. Currently, JEPQ manages $15.32B in assets and utilizes a proprietary data science investment approach.[1]

Top 10 Holdings			
Apple Inc.	7.70%	Alphabet Inc.	3.90%
Microsoft Corporation	6.90%	Broadcom Inc.	3.80%
Nvidia Corporation	6.70%	Tesla Inc.	2.50%
Meta Platforms Inc.	4.50%	Netflix Inc.	1.90%
Amazon.com Inc.	4.40%	Costco Wholesale Corporation	1.60%

Impacts from H2

In H2, JEPQ returned 8.60%, underperforming its benchmark (XNDX) and the S5INFT, which returned 10.34% and 15.61%, respectively. This can be attributed to the fund's emphasis on cash generation. While the AI-driven gains experienced over the period boosted the value of JEPQ's underlying assets, the prevailing price action was not conducive to the fund's outperformance. JEPQ tends to excel only in sideways and declining markets. Therefore, the IT sector's pullback in late July, spurred by the Japanese interest rate hike, aligned better with the fund's investing strategy.[2] While capital depreciation of this magnitude could not be offset with covered call income, this downturn enabled JEPQ to partially close the gap in return differential. As the sector recovered, JEPQ's underlying assets appreciated and drove the fund's growth.

Outlook

Moving forward, a declining interest rate environment is expected to propel the cyclical holdings of JEPQ. While the fund's strategy will cap upside, it also limits volatility, resulting in smaller price movements. Apple's upcoming earnings report on October 31st will be critical in shaping JEPQ's performance. Anticipating moderate volatility in the coming months, we are optimistic regarding JEPQ's return potential. The ETF's ability to hamper volatility while providing an attractive 12.34% dividend yield makes JEPQ a prudent investment choice amid market uncertainty.[1]

New Transactions

The Carroll Fund bought 210 shares of JEPQ at $52.69 on April 30, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$11,063.89	$11,535.30	8.60%	$479.98
FY	$11,063.89	$11,535.30	8.60%	$479.98

Microsoft Corporation (MSFT)

Holding Description
Microsoft Corporation (MSFT) is a leading software company that delivers cloud services, productivity applications, and device operating systems. MSFT also sells a variety of hardware products including computers, tablets, gaming consoles, and related accessories. Furthermore, MSFT operates the business professional-oriented social media platform LinkedIn and advertises across its platforms, including MSN and Outlook. MSFT's business can be divided into three revenue segments: (1) Intelligent Cloud (43%), (2) Productivity & Business Processes (32%), and (3) More Personal Computing (25%). MSFT is the second most valuable company in the world with a market capitalization of $3.198T.[1]

Impacts from H2
In H2, MSFT returned 2.63%, significantly underperforming the IT sector, which returned 15.61%. MSFT's share price movements have largely been in reaction to its cloud revenue reports. Although MSFT initially lagged, an April 25th earnings report highlighted a roughly 31% growth in Azure sales, MSFT's cloud service, which cemented MSFT's role within the AI industry and boosted the share price.[2] However, in mid-July, MSFT faced a sharper pullback than the rest of the sector when the infamous CrowdStrike outage crashed over 8.5M Windows operating systems.[3] Compounding these challenges, Azure cloud revenues fell about 2% short of analysts' expectations in its July 30th earnings report. Because this segment represents MSFT's primary growth catalyst, investors reeled.[4] For the remainder of the period, MSFT traded in line with the sector, experiencing a notable drop in early September along with its Magnificent 7 peers. Due to its July and August woes, MSFT never regained its lost ground.

Outlook
Regarding future events, MSFT's performance will hinge on its October 30th earnings announcement, with particular focus placed on growth in its Cloud Services segment. Continued growth in cloud revenue will cement MSFT's position in the AI landscape. The Carroll Fund considers this likely and holds an optimistic outlook on MSFT's future performance.

New Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$31,259.25	$41,651.28	33.72%	$148.50
H2	$41,651.28	$42,599.70	2.63%	$148.50
FY	$31,259.25	$42,599.70	37.23%	$297.00

Palo Alto Networks Inc. (PANW)

Holding Description

Palo Alto Networks Inc. (PANW) is a global provider of cybersecurity solutions. Its products span across all sectors and are designed to protect enterprise-wide networks from data breaches. PANW generates revenue in two business segments: Products and Subscriptions & Support, with the latter accounting for nearly 80% of revenue. In 2023, the Subscriptions & Support segment experienced a growth rate of 20.90%, compared to a modest 1.60% growth in Product revenue. This disparity highlights PANW's recent focus on cybersecurity platformization. Accordingly, PANW seeks to leverage AI and automation to establish best-in-class cybersecurity protocols.[1]

Impacts from H2

In H2, PANW outperformed the IT sector, achieving a 20.30% return compared to the S5INFT's return of 15.61%. While general AI tailwinds contributed to this success, investor enthusiasm surrounding their year-old platformization strategy played a crucial role. This innovative approach aims to revolutionize the cybersecurity business model. However, PANW faced initial challenges amidst investor concerns regarding the execution of this strategy. In the ensuing fiscal Q3 earnings report, investors were disappointed as management lowered prior sales forecasts, citing macroeconomic concerns.[2] Despite this, PANW's share price tracked upwards with the rest of the industry until mid-July. Then, PANW suffered as investors rotated out of cybersecurity equities following the global CrowdStrike outage.[3] On August 19th, PANW released earnings, revising guidance upward and showcasing impressive operating margins for its new platform. The stock made substantial gains as investors recognized the validity of the new strategy.

Outlook

The Carroll Fund is extremely optimistic regarding PANW's growth potential and will consider making it our primary cybersecurity investment. Along with growing cybersecurity demand, the company revolutionizes the industry with its platformization strategy. This strategy is already seeing success and has yet to capitalize on the wider market. With a focus on subscription-based cybersecurity, PANW looks to offer a comprehensive security suite for all business networks, solidifying its status as an industry leader.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$16,176.36	$19,604.97	21.20%	$0.00
H2	$19,604.97	$23,584.20	20.30%	$0.00
FY	$16,176.36	$23,584.20	45.79%	$0.00

Taiwan Semiconductor Manufacturing Company Ltd. (TSM)

Holding Description

Taiwan Semiconductor Manufacturing Company Ltd. (TSM) dominates the semiconductor manufacturing subindustry, commanding around a 30% market share. TSM's extensive product offerings include wafer manufacturing, wafer probing, assembly & testing, mask production, and design services. Its semiconductor chips power computers, communications equipment, consumer devices, automobiles, and industrial equipment. Headquartered in Hsinchu City, Taiwan, TSM operates globally with almost 65% of its revenue derived from United States customers.[1]

Impacts from H2

In H2, TSM delivered an impressive return of 28.28%, significantly outperforming the IT sector, which returned 15.61%. This outperformance stems from its position as the largest manufacturer of AI-related semiconductor chips. The share price exhibited strong momentum until mid-July when a tech selloff ensued as carry traders withdrew their capital from United States tech mega-caps. Additionally, Nvidia, TSM's second largest customer, reported earnings in August; despite beating revenue and EPS estimates, investors were disappointed with future sales projections.[2,3] Investors quickly identified a value gap, and TSM's shares recovered in the following two weeks. Notably, TSM's monthly revenue reporting revealed a YoY revenue growth of ~39% for the first nine months of 2024, prompting the share price to surge near its former highs.[4] The stock sustained this growth in anticipation of an earnings beat on October 17th.

Outlook

The Carroll Fund is optimistic regarding TSM's future performance. This optimism stems mostly from TSM's position within the semiconductor supply chain; TSM provides silicon chips to the largest and most successful companies in the world. At the base of the supply chain, TSM's demand is relatively inelastic. Lastly, TSM is expanding its operations to the United States, receiving funding from the federal government through the CHIPS Act.[5] This diversifies TSM's operations and negates the geopolitical risk associated with the firm's proximity to an aggressive China.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	**$20,160.80**	**$31,563.60**	**57.42%**	**$220.02**
H2	**$31,563.60**	**$40,291.44**	**28.28%**	**$251.14**
FY	**$20,160.80**	**$40,291.44**	**101.70%**	**$471.16**

International

Managed by: Christian O'Brien

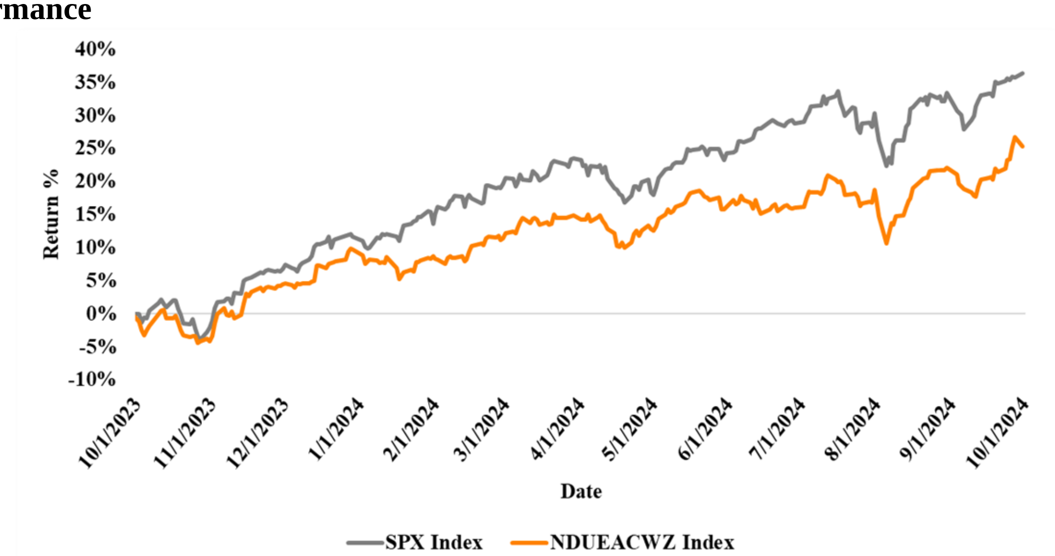
Sector Overview

The International sector encompasses investments outside the United States, utilizing vehicles such as Exchange-Traded Funds (ETFs), American Depository Receipts (ADRs), and direct listings. Countries are classified into three market types: Developed Markets, Emerging Markets, and Frontier Markets. Developed Markets are the most advanced, characterized by high per capita income, reliable regulatory systems, and strong liquidity.[1] Examples include Germany, Japan, and the United States.[2] Emerging Markets are transitioning toward developed economies, exhibiting rapid GDP growth and increasing per capita income. However, they carry higher risks due to political instability and currency fluctuations.[3] Notable examples include India, Peru, and Saudi Arabia. Frontier Markets, in contrast, represent less advanced, developing economies that face significant risks, such as political instability and poor liquidity; examples include Croatia, Iceland, and Pakistan.[4] The Carroll Fund currently holds the iShares MSCI India ETF as our sole investment within the International sector.

Impacts from H2

As H2 approached, persistent global conflicts such as the Russia-Ukraine war and the Israel-Hamas conflict continued to shape the economic landscape. Tensions in the Middle East raised concerns about crude oil supply. However, weaker demand from China, a key oil consumer, partially offset these supply constraints, though this was insufficient to prevent a rise in oil prices. On a macroeconomic level, conditions for Developed Markets improved as the Federal Reserve and the European Central Bank lowered interest rates alongside declines in headline inflation. The easing of monetary policy towards a neutral stance strengthened the currencies of Emerging Markets, reducing import inflation pressures and allowing these countries to pursue their own disinflation paths.[5] The iShares MSCI ACWI Ex US ETF (NDUEACWZ), which covers about 85% of the global economy outside the United States, returned 8.64% in H2, underperforming the S&P 500.

Performance



iShares MSCI India ETF (INDA)

Holding Description:
The iShares MSCI India ETF (INDA) is an investment vehicle that allows investors to gain exposure to Indian equities. INDA tracks the MSCI India Index, investing in large and mid-cap companies within the Indian market. The ETF's top three sector allocations are (1) Financials (17.46%), (2) Technology (9.26%), and (3) Energy (8.26%).[1]

Top 10 Holdings			
Reliance Industries Ltd.	6.63%	Bharti Airtel Ltd.	3.23%
HDFC Bank Ltd.	5.44%	Tata Consultancy Services Ltd.	2.85%
ICICI Bank Ltd.	4.89%	Mahindra and Mahindra Ltd.	2.13%
Infosys Ltd.	4.59%	Axis Bank Ltd.	2.08%
Blk Cash Fund Treasury SL Agency	4.27%	Larsen and Toubro Ltd.	1.82%

Impacts from H2
In H2, INDA delivered a total return of 13.45%, outperforming the NDUEACWZ by 4.19%. India reported a YoY GDP growth of 7.80% for Q1 2024 on May 31st, a slowdown from the previous quarter's 8.40%, primarily due to political uncertainties related to the general election. However, share prices of INDA appreciated amid positive exit polls predicting a victory for incumbent Prime Minister Modi.[2] This was followed by a 6.10% drop in share price on June 3rd, due to Modi's Bharatiya Janata Party winning the election without a majority, necessitating a coalition with other parties for policy making.[3] Despite this initial setback, INDA's share price quickly rebounded. The ETF faced over $200 million in redemptions as investors grew cautious of monetary policy decisions, leading to slight price depreciation.[4] However, INDA's resilience was evident as investors in the United States sought to hedge against a potential fed funds Rate cut by investing in emerging market bond ETFs.[5]

Outlook
Despite the political tensions in H2, INDA outperformed the S&P 500. Notably, India's foreign direct investment increased at the end of August, signaling continued interest from multinational companies in the Indian economy.[1] Additionally, India benefits from an attractive labor market, as it houses the world's largest youth population.[6] The Carroll Fund identified significant growth opportunities within India's economy and views INDA as an opportunity to diversify our portfolio and hedge against risks in the United States economy.

Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$12,602.70	$14,703.15	16.67%	$0.00
H2	$14,703.15	$16,681.05	13.45%	$0.00
FY	$12,602.70	$16,681.05	32.36%	$0.00

Materials

Managed by: Lily Hatfield

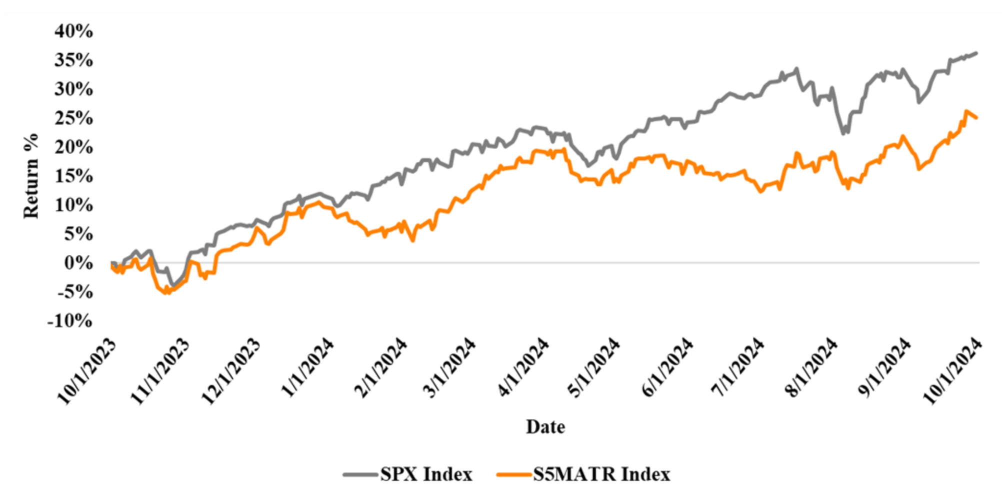
Sector Overview

The Materials sector includes all businesses that extract, develop, and process basic materials, including specialty chemicals, metals & mining, and forestry products. The sector has a market capitalization of $1.11T, with specialty chemicals being the largest subsector and a market weight of about 40%.[1] These materials are essential to the production of consumer goods and are considered the first step in the supply chain. Basic materials (including plastic products), construction, medications, and technology, are used in every consumer good. Due to its cyclical nature, the sector's performance depends heavily on the health of the global economy. When the economy is in an expansionary phase, we can expect an increased demand for consumer goods and thus increased demand for basic materials. During recessionary phases, we can expect an overall product demand decrease, which hurts the sector. The Carroll Fund only holds Albemarle Corporation with an asset allocation weight of 0.86%, making us underweight by 1.47% compared to the Materials Sector of the S&P 500.

Impacts from H2

During H2, the Materials sector index (S5MATR) returned 4.71% and underperformed compared to the S&P 500, which returned 10.37%. The underperformance can be attributed to consumer uncertainty and geopolitical tensions. Although inflation was on a downward trend, consumers still felt uncertainty surrounding the economy, causing a decrease in product demand. Additionally, consumers are still feeling pressured by extremely high housing prices. Lumber prices hit a low in July due to higher borrowing costs, which led to decreased project starts. Ongoing geopolitical tensions disrupt global supply chain operations, resulting in more volatile commodity prices. Commodity prices like lithium, a specialty chemical, have struggled over the last year because of oversupply by foreign countries and slowed demand for electric vehicles. Although the sector fell short, we still believe that it will perform better in the future. The Carroll Fund hopes the sector can rebound, citing the recent interest rate cut and inflation trends.

Performance



Albemarle Corporation (ALB)

Holding Description:
Albemarle Corporation (ALB) is a manufacturing company that produces and develops required chemicals for energy, transportation, and health. ALB operates in three segments of business: (1) Energy Storage, (2) Specialties, and (3) Ketjen, with Energy Storage making up almost 75% of their sales. The Energy Storage segment creates battery-grade lithium products, which is a critical ingredient for electric vehicle batteries. Specialties are focused on various chemical compounds, including bromine. Ketjen creates three main products: clean fuel technologies, catalysts, and additives. All three segments extract materials and turn them into a usable product. ALB sells its products to over 70 countries, and around 90% of its revenues stem from markets outside of the United States. ALB focuses on using cross-functional teams in each segment of business to continue growth, minimize costs, and achieve profit. Since resource availability is crucial to creating profit, ALB focuses on creating joint ventures and partnerships to gain access to resources. Some of ALB's competitors include FMC Corporation, Ashland Inc., Celanese Corporation, and Balchem.[1] The Carroll Fund currently holds 35 shares of ALB, representing 0.39% of our total portfolio. We hold ALB with hopes of profiting from the rising demand for electric vehicles.

Impacts from H2
ALB was our worst performer in H2, with a return of -27.50%. This underperformance can be attributed to the lower-than-expected demand and oversupply of lithium. Lithium prices are very volatile and dropped to a 52-week low in the late summer. ALB's revenues depend on lithium, which makes them sensitive to the commodities' prices. Although demand for electric vehicles slowed throughout H2, China's lithium producers continued to supply lithium, giving them price control. The United States is trying to increase the amount of lithium produced domestically to reduce its dependence on China.

Outlook
The Carroll Fund currently holds a neutral outlook regarding ALB's future performance. Although ALB performed poorly in H2, we believe that the increasing popularity of electric vehicles will help lithium prices stabilize in the long run, benefiting ALB. Moving forward, we will continue to monitor the holding while following news about lithium prices.

Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$5,951.40	$4,610.90	-22.05%	$28.00
H2	$4,610.90	$3,314.85	-27.50%	$28.00
FY	$5,951.40	$3,314.85	-43.36%	$56.00

Real Estate

Managed by: Christian O'Brien

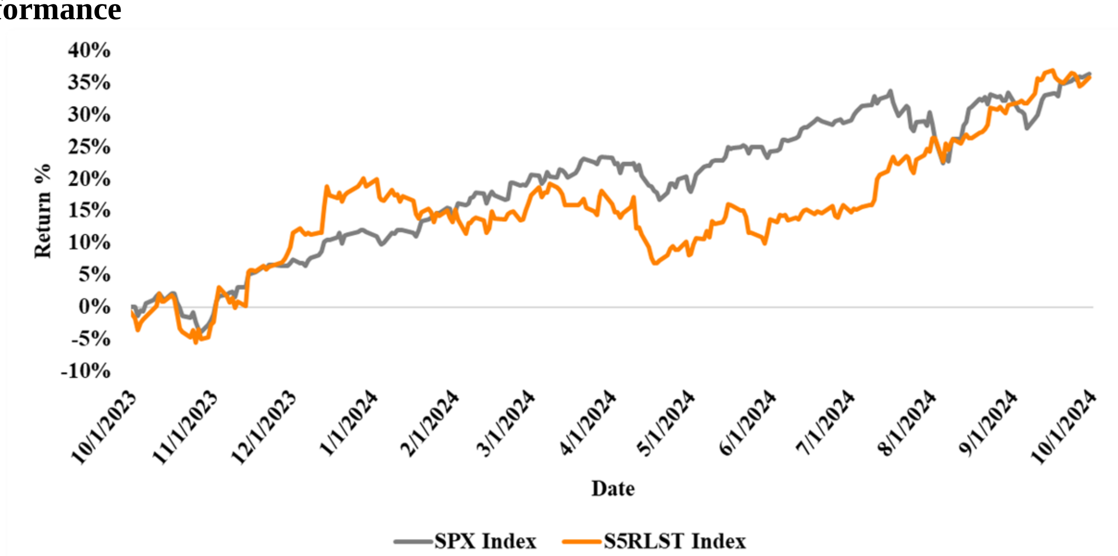
Sector Overview

The Real Estate sector encompasses companies that manage, develop, and lease properties, predominantly in the form of Real Estate Investment Trusts (REITs). The performance of Real Estate is closely tied to the economy, making it cyclical in nature. Thus, during periods of economic expansion, rising consumer confidence and favorable lending conditions typically boost demand, leading to increased property values, construction activity, and occupancy rates, which in turn generate higher returns.[1] Real Estate represents one of the smallest sectors in the S&P 500, accounting for only 2.16% of the index and a total market capitalization of $1.12T.[2] The Carroll Fund's equity allocation in this sector is 2.00%, which places us underweight by 0.16% compared to the S&P 500. Currently, the Carroll Fund holds positions in Prologis Inc. and Welltower Inc., while we fully liquidated our position in Public Storage in early H1.

Impacts from H2

In H2, the Real Estate sector index (S5RLST) returned 14.74%, outperforming the S&P 500, which posted returns of 10.37%. However, the sector underperformed relative to the S&P 500 throughout all of Q3 and the early part of Q4, primarily due to the high-interest rate environment. The Federal Funds rate remained steady in the range of 5.25% to 5.50%. Furthermore, mortgage rates were elevated, ranging between 7.01% and 7.56%.[3] At the Federal Reserve's July meeting, it was noted that the economy had made progress toward the committee's 2.00% inflation target. Following this meeting, on August 1st, the Real Estate sector began to outperform the S&P 500, a trend that persisted for the remainder of the FY. This shift can likely be attributed to the Federal Reserve's indications of economic stability and the potential for rate cuts, which boosted consumer confidence as borrowing costs stabilized or potentially decreased, encouraging increased real estate investment. In the subsequent September meeting, the Federal Reserve lowered its policy rate to 5.00% and adjusted the target range to 4.75% - 5.00%.[2] The Carroll Fund holds a positive outlook on the Real Estate sector if this recent upward trend continues.

Performance



Prologis Inc. (PLD)

Holding Description:

Prologis Inc. (PLD) is a leading global industrial REIT specializing in logistics properties. The company primarily serves business-to-business and e-commerce clients, managing 3,319 facilities and operating across 20 countries on four continents.[1] PLD serves approximately 6,700 customers, with over 90% of its revenue generated in the United States. The company operates through two main segments: Real Estate Operations and Strategic Capital Management. The Real Estate Operations segment includes rental and development activities, serving major customers like Amazon, FedEx, and Home Depot. The Strategic Capital segment focuses on raising funds through partnerships with approximately 160 investors, supporting facility development. PLD invests primarily in high-consumption, high-barrier markets. As of the end of the FY, the company's net assets stood at approximately $57.66B.[2] The Carroll Fund currently holds 40 shares of PLD, valued at $5,051.20.

Impacts from H2

During H2, PLD underperformed, with a return of -0.81%. In Q3, the company's share price declined significantly, largely due to the high-interest-rate environment and higher-than-anticipated CPI data. Elevated borrowing costs led some PLD customers to prioritize cost control, which affected leasing momentum.[3] In the Q1 2024 earnings report on April 17th, PLD lowered its full-year guidance for occupancy rates, same-store growth, and earnings, further impacting its share price. However, in July, market sentiment improved as June inflation data came in "cooler-than-expected," suggesting a potential Federal Funds Rate cut.[4] This outlook led to share price appreciation, and PLD reported better-than-expected Q2 earnings shortly thereafter. Despite this partial recovery, share price fluctuations prevented a positive return for H2.

Outlook

The Carroll Fund remains optimistic about PLD's future potential, particularly given the share price rebound from Q3 to Q4. As economic stability returns and interest rates decrease, we expect improved tenant confidence in managing operating costs, which should support higher occupancy rates.[5] PLD is well-positioned to capitalize on the rising demand for logistics facilities driven by the ongoing growth of e-commerce.

Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$4,488.40	$5,208.80	16.83%	$34.80
H2	$5,208.80	$5,051.20	-0.81%	$115.20
FY	$4,488.40	$5,051.20	15.88%	$150.00

Welltower Inc. (WELL)

Holding Description:
Welltower Inc. (WELL) is a Healthcare infrastructure REIT founded in 1970 and headquartered in Toledo, Ohio.[1] For over 40 years, WELL has focused exclusively on Healthcare real estate. The company owns or holds interest in over 95,000 units across a diversified portfolio that includes senior housing units, post-acute care facilities, and medical office buildings.[2] WELL prioritizes relationship-based investing, building long-term partnerships with leading healthcare operators to enhance care quality and accessibility. The company operates in high-growth markets, including the United States, Canada, and the United Kingdom.[3] As of the end of the FY, WELL's net assets totaled $31.06B. The Carroll Fund currently holds 66 shares of WELL, valued at $8,449.98.

Impacts from H2
WELL's performance in H2 was notable, achieving a holding period return of 38.39%. Despite a slight dip in early Q3, the company's share price steadily climbed throughout the second half of the FY. On April 29th, WELL reported Q1 2024 results, with same-store net operating income growth of 12.90%, driven by increased profitability in its Senior Housing Operating (SHO) segment. This growth included a YoY occupancy increase of 3.40% and a 4.80% increase in revenue per occupied room.[4] The growth trend continued through Q2, with same-store net operating income increasing by 11.30%. WELL also announced the conversion of 47 triple-net leased properties to Senior Housing Operating (RIDEA) structures, allowing for a more substantial share in senior housing cash flow growth.[5]

Outlook
The Carroll Fund remains confident in WELL's ability to deliver positive returns as it continues expanding its senior housing operations. This expansion positions WELL to meet increasing demand driven by demographic trends, particularly the aging Baby Boomer population. The market reflects this growth potential, with analysts forecasting adjusted FFO per share to increase from $3.64 in 2023 to $4.18 in 2024 and $4.70 in 2025.[6]

Transactions
No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$5,406.72	$6,167.04	15.55%	$80.52
H2	$6,167.04	$8,449.98	38.39%	$84.48
FY	$5,406.72	$8,449.98	59.34%	$165.00

Utilities

Managed by: Lily Hatfield

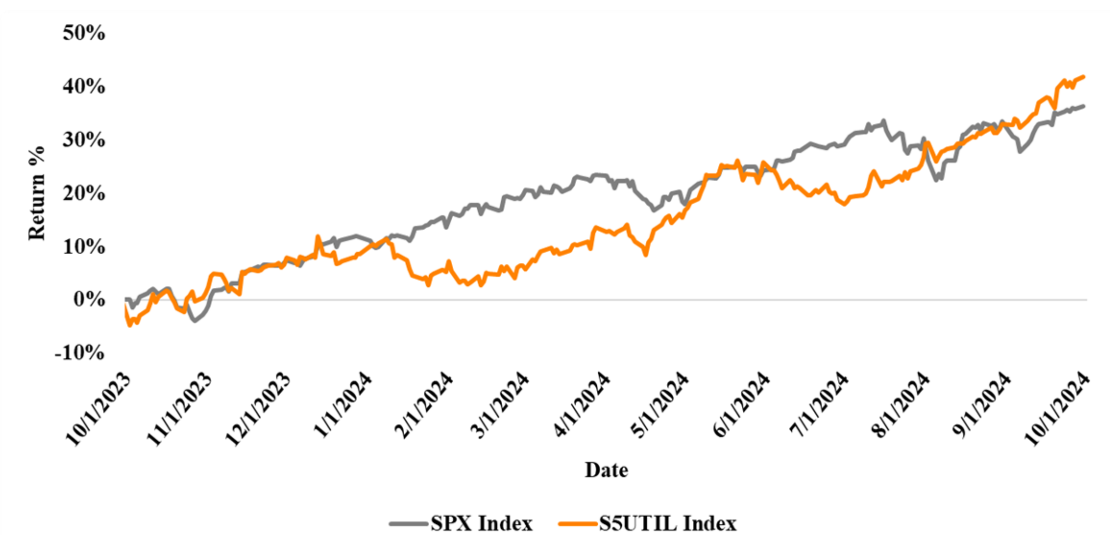
Sector Overview

The Utilities sector includes all companies that supply essential services, including electricity, gas, water, and sewage to businesses and households. Services are divided into six different subsectors: (1) Regulated Electric, (2) Renewable, (3) Diversified, (4) Regulated Gas, (5) Independent Power Producers, and (6) Regulated Water. Utility companies are subject to regulatory laws that protect customers from being overcharged for essential services, carrying large amounts of debt from infrastructure on their balance sheets. Natural monopolies are common in this industry because of barriers to entry, including high start-up costs and economies of scale. The market capitalization is $1.55T, with Regulated Electric having the largest market weight of almost 70%.[1] As a defensive sector, the Utilities sector tends to outperform during a recession compared to the S&P 500. The Carroll Fund is currently overweight by 0.80% compared to the Utilities sector of the S&P 500, with one holding, NextEra Energy, having an asset allocation weight of 3.14%.

Impacts from H2

During H2, the Utilities sector index (S5UTIL) returned 24.73%, which outperformed the S&P 500 with returns of 10.37%. Over the summer, the economy slowed, leading many to expect an interest rate cut. Japan's interest rate hike, paired with the high valuation of Information Technology stocks caused the S&P 500 to experience turmoil over the late summer.[2] The extraordinary returns from the sector can be attributed to uncertainty about the economy and the rise in AI. The 2024 presidential election, expected rate cuts, and conflicts in the Middle East have caused investors to hold more pessimistic views on the economy, increasing the attractiveness of stable, defensive stocks. Over the last year, AI has become increasingly more popular, and it uses significantly more energy than a regular search engine like Google. As the demand for AI continues to rise, utility stocks that supply power and energy will thrive. The Carroll Fund holds NextEra Energy as a stable, long-term investment to reduce our portfolio volatility.

Performance



NextEra Energy Inc. (NEE)

Holding Description

NextEra Energy (NEE) is a clean energy company that sells power generated by wind, water, solar, nuclear, and gas sources. NEE has the advantage of a natural monopoly, holding the largest market share in the Utilities sector at almost 12%. Business operations are performed through two subsidiaries, Florida Power & Light Company (FPL) and NextEra Energy Resources LLC (NEER). FPL is the largest electric utility in Florida and represents approximately 65% of NEE's total revenues. Given both cost and geographical advantages, FPL can create franchising agreements that require residents to use their services; however, rates are subject to laws in the area. NEER generates renewable energy and provides power to utility companies and electric suppliers in both the United States and Canada.[1] NEE profits from its assets and capital expenses, but not from daily activities and operating expenses. Additionally, NEE has a limited partnership with NextEra Energy Partners (NEP), which is focused on owning contracted, clean energy assets that provide long-term cash flows.[2] The Carroll Fund holds 233 shares, making up 2.32% of our total portfolio.

Impacts from H2

NEE was one of our top performers in H2, with returns of 33.88%. NEE's outperformance can largely be attributed to the rising demand for clean energy. Over the last few years, consumers and businesses have begun switching to renewable energy sources as a result of environmental concerns. As the largest generator of clean energy in the United States, NEE has ample resources to capitalize on changing consumer preferences. NEE stays ahead with technological advancements because of its access to infrastructure and global communities.

Outlook

The Carroll Fund has a positive outlook regarding NEE's future performance, especially after H2. We expect NEE to continue generating revenue growth, specifically because of increased energy demand. Technological advancements, including AI and green infrastructure, require vast energy inputs. Although a potential expansion period may lead to underperformance in the near future, we believe that holding NEE will continue to protect our portfolio during times of economic uncertainty.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$8,650.79	$14,891.03	12.25%	$190.59
H2	$14,891.03	$19,695.49	33.88%	$240.00
FY	$8,650.79	$19,695.49	49.79%	$430.59

Fixed Income

Managed by: Geetha Kasibhatla

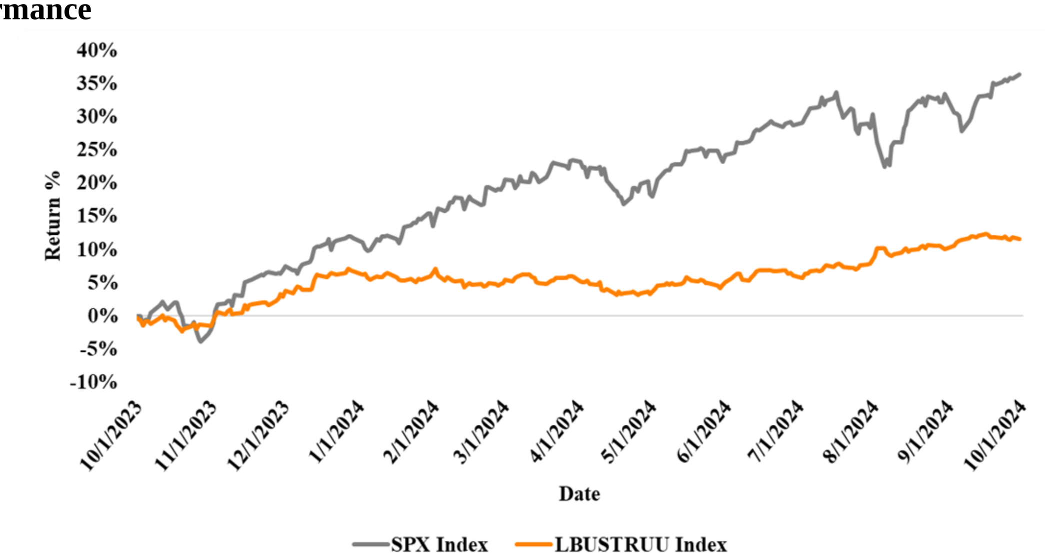
Sector Overview

The Fixed Income sector provides our portfolio with asset class diversification through securities that provide more predictable returns and often fixed coupon or interest payments over a defined period. Also referred to as debt capital markets (DCM), bond issuances are various forms of debt instruments used to raise capital with government, agency, and corporate issuers. These securities typically offer lower returns than equities but provide a steadier source of income, making Fixed Income more appealing to risk-averse investors. The majority of Fixed Income trades are over the counter (OTC), including categories like corporates, municipals, mortgage-backed securities (MBS), agencies, asset-backed securities (ABS), and international and emerging (and non-United States sovereign) bonds. The Treasury market, however, trades electronically, making it one of the most liquid assets within Fixed Income.

Impacts from H2

During H2, Fixed Income was characterized by consistency throughout the period compared to equities, with our benchmark (LBUSTRUU) returning 5.26% over the period in comparison to the S&P 500's 10.37% return. Due to the market's expectations for a fed funds rate cut, Fixed Income securities saw a small rally during H2, but prints of economic data caused spikes in volatility within the bond market. Conflicting signs within the labor market, combined with the cooldown of inflation, led to increased uncertainty within Fixed Income markets throughout H2. The yield curve showed signs of normalization in September when the 10-year Treasury yield rose above that of the 2-year Treasury for the first time since July 2022.[1] Later that month, the Federal Reserve cut rates for the first time in over a year, with the fed funds target rate going from 5.25–5.50% to 4.75–5% (a 50-basis point cut). Following this change in policy, short-term yields rallied, but long-term yields were relatively unchanged or even fell in price due to the market effectively pricing in a 50-basis point cut. As this rate cut cycle continues, the Carroll Fund will continue to update its Fixed Income strategy to reflect our outlook.

Performance



Global X Variable Rate Preferred ETF (PFFV)

Holding Description

The Global X Variable Rate Preferred ETF (PFFV) is a passively managed ETF that invests in a broad range of United States floating-rate preferred stocks, with around 73.57% being fixed-to-float, 22.16% being floating only, and 4.27% being fixed. The fund tracks the ICE U.S Variable Rate Preferred Securities Index, slightly underperforming the index with a NAV YTD return of 8.74% as opposed to the index's 8.99%. Preferred stock is a hybrid security that, like bonds, pays out fixed dividends to investors while still representing ownership in a company like equities. While much of this market has fixed-rate coupons, around 20% of the market is made up of securities with variable-rate coupons. Investors can take advantage of rising interest rate environments and invest in these securities for a greater return from coupon payments. With around $258.32M in assets, PFFV holds 56 securities with a large amount, 91.69%, allocated to the Financials sector.[1]

Thesis for Exiting

Initially, the Carroll Fund bought 1,580 shares of PFFV in April 2022; we added 1,095 shares to the position in December 2022. This transaction followed the first rate hike in March 2022 after a period of extremely low borrowing rates. We added to our position with the goal of reducing our interest rate risk, as variable-rate securities have less duration. However, in anticipation of a rate cut in September 2024, we wanted to instead allocate the preferred shares portion of Fixed Income to our current holding, the iShares Preferred and Income Securities ETF. Variable-rate securities tend to outperform in rising-rate environments because of increasing coupon rates that protect the investor from interest rate risk. Conversely, in a falling-rate environment, they may be refinanced as interest rates drop, cementing our decision to switch into an investment more suitable to the current rate environment.

New Transactions

The Carroll Fund sold 2,675 shares of PFFV at $23.95 on September 12, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$61,418.00	$63,344.00	7.08%	$2,421.48
H2	$63,344.00	$64,050.79	4.60%	$2,209.58
FY	$61,418.00	$64,050.79	11.83%	$4,631.06

iShares Core US Aggregate Bond ETF (AGG)

Holding Description

The iShares Core US Aggregate Bond ETF (AGG) tracks the performance of the total United States investment-grade bond market (tracking our benchmark LBUSTRUU). With 11,967 holdings, the ETF is passively managed and weighted based on the actual distribution of investment-grade Fixed Income securities in the market.[1] It is still a relatively lower-risk investment as it maintains a low cost and allows us to track the overall bond market. AGG's diversification allows the Carroll Fund to receive exposure from the many sub-sectors within the Fixed Income market. This holding acts as an anchor for our Fixed Income investments, allowing us to track the changes in our holdings' risk and return.

Impacts from H2

During H2, AGG yielded 5.24%, tracking very closely with our benchmark and its tracking index, which only slightly outperformed at 5.26%. This holding saw a small rally and increased volatility during the period due to investors attempting to price in rate cuts across the spectrum of Fixed Income products. Following the first rate cut in over a year in September 2024, AGG remained relatively stable, with small downward price revisions due to longer-term securities yields slightly rising. This is indicative of the market expecting continued resilience from the United States economy, therefore implying the long-term 'neutral' interest rate may be higher than previously thought.

Outlook

The Carroll Fund continues to invest in AGG due to its benchmark-tracking duration and yield, providing us with the means to compare risk and return between AGG and our other holdings. With a 6.01-year duration, this ETF increases the portfolio's overall duration while adding diversification through the wide variety of investment-grade Fixed Income securities.[1] As the Federal Reserve continues its rate cut cycle, we expect to see short-term rates rally. However, given the continued strength of the economy, long-term rates may remain steadier, causing an outsized stabilizing effect on AGG's price due to increased duration on the longer end of the curve.

New Transactions

No new transactions in H2.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$57,928.64	$60,331.04	5.92%	$1,028.33
H2	$60,331.04	$62,382.32	5.24%	$1,110.89
FY	$57,928.64	$62,382.32	11.38%	$2,139.22

iShares Preferred and Income Securities ETF (PFF)

Holding Description
The iShares Preferred and Income Securities ETF (PFF) provides investors exposure to the United States preferred stock market. Preferred stock refers to a hybrid security that, like bonds, delivers coupon payments to investors; however, preferred shares allow investors to have a greater claim on a company's assets than equity holders should the firm be liquidated. This means that, in case of default, preferred shareholders will be paid before equity holders, but after the senior and subordinated debtholders. Unlike holding equities, preferred stock does not grant voting rights to holders. PFF tracks the whole preferred stock market, benchmarking and market weighting based on the ICE Exchange-Listed Preferred & Hybrid Securities Index. The majority of issued preferred stock has a fixed-rate coupon, with the fund having around 75.60% allocated to fixed-coupon securities.[1]

Impacts from H2
Since our purchase of PFF on September 12th, the holding returned 1.19% to the portfolio. The preferred stock market stayed consistent and showed resilience throughout H2, proving to be a valuable spread product for our portfolio. We exited our position in another variable-rate preferred shares holding, purchasing PFF to increase our portfolio's duration since the ETF tracks the entire preferred shares market and contains mostly fixed-coupon instruments.

Outlook
We initiated this position in PFF primarily due to its higher duration profile and larger percentage of fixed coupons compared to the Global X Variable Rate Preferred ETF. We remain confident that this, combined with the preferred stock market's wider historical spreads, will allow the Carroll Fund to diversify the portfolio while likely seeing some price appreciation as the current rate cut cycle continues.

New Transactions
The Carroll Fund bought 1,964 shares of PFF at $32.85 on September 12, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$0.00	$0.00	0.00%	$0.00
H2	$64,498.70	$65,263.72	1.19%	$0.00
FY	$64,498.70	$65,263.72	1.19%	$0.00

iShares 20+ Year Treasury Bond ETF (TLT)

Holding Description

The iShares 20+ Year Treasury Bond ETF (TLT) is a passively managed fund that tracks the ICE US Treasury 20+ Years Bond Index to gain exposure to long-term Treasuries. With around $61.03B in assets and 46 holdings, TLT provides the Carroll Fund with an extremely high-duration asset that has virtually no credit risk due to its entire portfolio being composed of Treasuries (therefore, the only issuer in the top ten holdings listed is the United States Treasury at 99.30% of the fund). Around 3.12% is allocated to 15–20 year Treasuries, while 20+ year Treasuries take up another 96.18%.[1]

Impacts from H2

As the market rallied in H2 in anticipation of rate cuts, TLT benefited from the large moves in price at the longer end of the curve due to the significant duration risk exposure. TLT has a duration of 16.63 years, making this holding highly sensitive to changes in interest rates.[1] Over the holding period, TLT yielded 6.88% as the market attempted to price in potential long-term interest rates before a rate cut. Following the rate cut, longer-term securities such as TLT were revised downward due to the economy's resilience, which indicates higher neutral long-term borrowing rates.

Outlook

TLT provides exposure to safe, liquid assets and holds the majority of our duration risk in the portfolio. Following the small upward revisions in long-term yields after the September rate cut, we are slightly cautious in the short term as the market attempts to predict the trajectory of this rate cut cycle. However, as the FOMC continues to adjust fiscal policy, long-term yields are expected to rally in the future as the curve steepens.

New Transactions

The Carroll Fund bought 343 shares of TLT at $88.65 on April 22, 2024 and bought 85 shares of TLT at $93.84 on June 21, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$27,227.83	$29,048.34	8.68%	$543.73
H2	$29,048.34	$72,103.50	8.66%	$1,171.60
FY	$27,227.83	$72,103.50	12.51%	$1,715.33

Janus Henderson AAA CLO ETF (JAAA)

Holding Description

Janus Henderson AAA CLO ETF (JAAA) is an actively managed ETF composed of AAA-rated CLOs, or collateralized loan obligations. This holding closely tracks the performance of the J.P. Morgan CLO AAA Index (CLOIE). CLOs are types of securitized debt where corporate leveraged loans that have poor credit ratings are repackaged and securitized. They are then divided into debt tranches that start at AAA and work their way down. Investors can choose the safer investment-grade tranches or earn higher returns by buying the riskier tranches at the bottom of the stack. As the name suggests, JAAA is invested only in the AAA tranches of these floating-rate CLOs, providing safety and liquidity to the portfolio with a short weighted average maturity of 4.72 years and an effective duration of 0.12 years.[1]

Impacts from H2

JAAA returned a mere 2.85% over the holding period, significantly underperforming our benchmark of 5.26%. This may have been due to the market's expectations that short-term interest rates would remain higher for a longer duration due to the economy's resilience, despite a restrictive rate environment. Additionally, as rates rallied over H2 and the short end of the curve shifted following the September rate cut, some CLOs may have been reissued at lower rates. We sold around a third of our position in late April to add to an existing position in TLT, another one of our Fixed Income holdings, reducing JAAA's weight within Fixed Income from around 35.25% to 21.59% at the end of the period. This decision was made to add duration to our portfolio in anticipation of rate cuts later in 2024, as well as to increase our diversification by shrinking our large position in JAAA.

Outlook

The Carroll Fund still believes that JAAA is an advantageous investment as the CLO market has historically offered wider spreads, allowing us to capitalize on higher yields and implement a unique portfolio strategy. S&P-rated AAA CLO tranches have never defaulted, so this holding allows us to invest in a safer security while capturing spread due to the nature of leveraged loans. However, as the rate cut cycle continues, we do have some concerns about the refinancing of CLOs as short-term interest rates continue to rally. It is important to reconsider our allocation to JAAA and possibly reduce our exposure to refinancing risk, which may drive down our returns.

New Transactions

The Carroll Fund sold 600 shares of JAAA at $50.73 on April 22, 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$100,250.00	$101,480.00	3.43%	$2,210.02
H2	$101,480.00	$71,232.00	2.58%	$2,430.77
FY	$100,250.00	$71,232.00	6.05%	$4,640.79

WisdomTree Floating Rate Treasury ETF (USFR)

Holding Description

The Carroll Fund is invested in the WisdomTree Floating Rate Treasury ETF (USFR) in order to provide short-term liquidity for the portfolio. It tracks the Bloomberg US Treasury Floating Rate Bond Index and is a passively managed fund. A Treasury floating rate note, or FRN, is a Treasury with coupons that reset periodically using 3-month T-bill rates. Just like any other security issued by the United States Treasury, it is virtually credit risk-free due to the full backing by the United States government. Due to its extremely low duration profile, USFR is not heavily impacted by moves in interest rates and provides a great source of short-term returns and funding for the Carroll Fund.[1]

Impacts from H2

USFR is one of our more unique Fixed Income holdings as it also provides short-term liquidity for our portfolio. USFR returned 0.65% during H2 in contrast to a mere 0.05% return for our cash portion SPAXX, proving to be a slightly higher-yielding, safe cash balance for the Carroll Fund. Throughout H2, short-term Treasuries remained high as the Federal Reserve maintained its restrictive fed funds rate, so USFR directly benefited from the inverted yield curve over the period. As FOMC lowers the fed funds rate further however, USFR may see diminished returns since FRNs are directly linked to the short-term rates of Treasuries.

Outlook

Moving forward, we believe USFR's performance may be slightly curbed by a drop in floating-rate coupon rates, provided that the Federal Reserve continues to cut rates as expected by the market. However, we still find it beneficial to maintain a position in USFR to have quick access to short-term liquidity while earning at least modest returns on our cash balance. It is important to consider how much of our Fixed Income portfolio should be allocated to USFR, and we may partially exit our position to collect wider spreads in the Fixed Income space.

New Transactions

The Carroll Fund purchased 963 shares of USFR at an average price of $50.42 throughout September 2024.

Period	Beginning Value	Ending Value	% Return	Dividends Received
H1	$129,020.48	$26,603.41	0.84%	$1,028.62
H2	$26,603.41	$58,908.06	0.65%	$784.37
FY	$129,020.48	$58,908.06	0.86%	$1,812.99

Carroll Fund Managers

Aydan Hawk is a senior from Greeneville, Tennessee, pursuing a degree in finance with a collateral in economics and a minor in political science. He is currently in his second semester as a portfolio manager for the Carroll Fund and manages the Information Technology sector. Aydan participates in many student organizations on campus, including the University of Tennessee Investment Group, Financial Management Association, AIM Accounting Alliance, and Beta Alpha Psi Honors Society. Outside of his academic pursuits, Aydan enjoys hiking, fishing, and playing golf with friends and family. After he graduates in May 2025, Aydan plans to pursue a legal degree and eventually practice law in the state of Tennessee.

Ben Siravo is a senior from Sacramento, California majoring in finance with a collateral in supply chain management. This is his second semester on the Carroll Fund, where he oversees the Consumer Discretionary and Staples sectors. Outside of the classroom, he spends his time working out, playing golf, and following sports. After graduating in December, he plans to pursue a career in portfolio management or equity research.

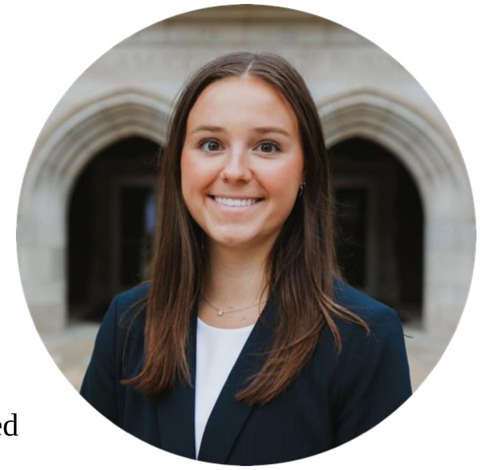
Blake Wyman is a senior from Richmond, Virginia pursuing a degree in finance with a collateral in marketing. He is currently in his first semester as a portfolio manager for the Carroll Fund and manages the Energy sector. Outside of the classroom, he spends his time watching sports, working out, and spending time with his friends and family. After graduation in May 2025, Blake plans to pursue a career in investment banking, equity research, or asset management.

Christian O'Brien is a junior from Long Island, New York, pursuing a dual degree in finance and accounting with concentrations in business analytics and information management. This is his first semester on the Carroll Fund, where he currently manages the International and Real Estate sectors. On campus, Christian participates in several programs, including the University of Tennessee Investment Group, the Financial Management Association, and the University of Tennessee Consulting Club. Outside academics, he enjoys spending time with family and friends, working out, and playing golf. After graduating in May 2026, Christian plans to pursue a career in portfolio management or corporate finance.

Geetha Kasibhatla is a senior from Memphis, Tennessee majoring in Finance with a collateral in Information Management. This is her second semester of managing the Carroll Fund, where she manages the Fixed Income sector. On campus, Geetha serves as the Director of Marketing for Tennessee Capital Markets Society and is a member of both the Women in Finance and Asian Business Clubs. Outside academics, Geetha enjoys spending time with friends and family, weightlifting, and reading. After graduation in May 2024, Geetha hopes to pursue a career in sales and trading or asset management.

Jeet Patel is a senior from Chattanooga, Tennessee, pursuing a degree in finance with a collateral in business analytics. This is his first semester as a manager for the Carroll Fund, overseeing the Communication Services sector. He recently finished a Wealth Management Internship for Raymond James & Associates in his hometown, Chattanooga. Jeet enjoys playing basketball, hanging out with friends and family, and watching comedy movies. After graduation in May 2025, Jeet is looking to build on the skills he attained in managing the Carroll Fund and hopes to pursue a career in asset management, portfolio management, or equity research.

Jessie Deutschmann is a senior from St. Louis, Missouri pursuing a degree in finance with an accounting collateral. She is currently a second semester manager for the Carroll Torch Fund and oversees the Financials sector. Outside of Torch, Jessie is the Co-President of Women in Finance, UT Investment Group Officer, and a member of TCMS, FMA, and Tri Delta Sorority. Jessie also works as a Senior Bloomberg Analyst in the MILC. Outside of the classroom, she enjoys watching the sunset and spending time with family and friends. This summer, Jessie is joining AllianceBernstein in Nashville, Tennessee full time as a Fixed Income Asset Management Analyst.



Lily Hatfield is a senior from Knoxville, Tennessee studying finance with a collateral in economics. She is currently a first-semester manager for the Carroll Fund and oversees both the Utilities and Materials sectors. Outside of the classroom. Lily enjoys playing golf, cooking new recipes, and watching sports. After graduating in May 2025, Lily plans to work in wealth management.

Sydney Pewitt is a senior from Franklin, Tennessee, pursuing a degree in finance with a concentration in business analytics. She is currently in her first semester as a manager for the Carroll Fund, overseeing the Industrials sector. Outside of Torch, Sydney is a tutor for the Thornton Athletics Student Life Center, where she tutors student-athletes in math, finance, accounting, and more. Sydney also enjoys hiking, intramural volleyball, and spending time with friends and family. After graduation in May 2025, Sydney is looking forward to returning to HSBC in New York, New York, to pursue a career as a Wealth and Private Banking Analyst.

Zachary Snipes is a senior from Roswell, Georgia pursuing a degree in finance with a collateral in information management. This is his first semester as a Carroll Fund manager, where he oversees the Healthcare sector. Over the summer, Zachary worked as a Commercial Banking Intern at SouthState Bank in Atlanta, Georgia. Outside of the classroom, he enjoys golfing, traveling, trying new restaurants, and following sports. After graduation in May, he plans to pursue a career in portfolio management.

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