HASLAM TORCH FUND

H1 Performance Report

10/01/2023 – 09/30/2024

Managers: Beckett Anderson, Parker Erdman, Libby Gordon, Preston Massie, Matthew Shaughnessy, Brayden Snead, Ava Takvoryan, Matthew White, Anna Williams

Dear Mr. and Mrs. James A. Haslam II,

Foremost, the Haslam Fund would like to express our profound gratitude for your devoted support of this program. Your generous contributions provide great educational opportunities for students pursuing futures in business finance at the University of Tennessee. The Haslam Fund is thankful for the knowledge and experience we have each gained in our development as portfolio managers. The Torch Fund program has instilled in us the ideals of diligence, responsibility, and teamwork while also furthering our comprehension of financial markets. Thanks to your generosity, we have been granted hands-on experience managing real investments, a privilege that has helped us grow as students, teammates, and portfolio managers, and that will distinguish us as we begin our professional careers. We recognize the great privilege of these experiences, and we are dedicated to honoring your investment in us. We are grateful for your support and are committed to pursuing excellence during our tenure as Haslam Fund managers and beyond.

Over the fiscal year, the Haslam Fund returned 26.30%, narrowly outperforming our 60/40 benchmark of the S&P 500 and the U.S. Aggregate Bond Index. We would also like to highlight that our risk-adjusted returns for the fiscal year were the highest of the four Torch Funds. Unfortunately, during the second half of the year, returns only reached 6.47%, underperforming our benchmark by 1.86%. We attribute this underperformance to carrying more risk than was optimal during the retreat of equity indices seen over the summer.

During H2, the Haslam Fund approached investment decisions with consideration of key factors such as strong U.S. economic data, uncertainty regarding future interest rates, and geopolitical tensions. We developed a slightly optimistic macroeconomic outlook and began to reflect this stance in our addition of moderate risk to the Haslam portfolio. We targeted an increased allocation to equities through investments that demonstrated durability and strong returns, purchasing holdings such as Applied Industrial Technologies (AIT) and J.P. Morgan Nasdaq Equity Premium Income ETF (JEPQ).

Each Haslam Fund student manager would like to express sincere gratitude for the invaluable opportunity to learn and grow through this rewarding program. We deeply appreciate your investment and confidence in us, and we are committed to delivering strong performance and driving long-term success for the Haslam Fund in the coming years.

Sincerely,

Your Haslam Torch Fund

Beckett Anderson, Parker Erdman, Libby Gordon, Preston Massie, Matthew Shaughnessy, Brayden Snead, Ava Takvoryan, Matthew White, Anna Williams

Fund Manager Bios

Beckett Anderson

Beckett is a senior pursuing a bachelor's degree in finance with a collateral in international business. As a second-semester manager for the Haslam Torch Fund, he covers the Information Technology sector. On campus, he is the President of the Financial Management Association, works as a Senior Bloomberg Analyst in the Masters Investment Learning Center, and is a member of the Excel eSports team. He is also a member of the Smith Global Leadership Scholars Honors Program. This summer, Beckett worked as Financial Analyst Intern with Eastman Chemical Company. After graduation in May 2025, Beckett plans to pursue a career in institutional asset management.

Parker Erdman

Parker is a senior majoring in finance and marketing with a collateral in entrepreneurship. As a first-semester manager, Parker covers the Materials and Real Estate sectors. On campus, he is a peer mentor for 27 freshmen, a member of Kappa Sigma fraternity, and involved with the Investment Club. Outside of school, he works as a server in market square and is a life-long golf addict. This past summer, Parker completed a financial advising internship with Strategic Financial Partners in Nashville, where he learned strategies for maintaining strong client relationships and competed in case competitions against outside offices.

Libby Gordon

Libby is a senior from Nashville, Tennessee, pursuing a bachelor's degree in finance with a collateral in information management. As a first-semester manager, she oversees the Healthcare sector. On campus, Libby holds the position of Vice President of Marketing for both Women in Finance and The University of Tennessee Investment Group. Additionally, she is a member of Alpha Delta Pi and works as a Senior Bloomberg Analyst in the Masters Investment Learning Center. This past summer, Libby completed a Strategy and Innovation internship at BlueCross BlueShield of Tennessee, where she collaborated with private equity and venture capital firms managing BCBST's investments.

Fund Manager Bios

Preston Massie

Preston is a senior pursuing a bachelor's degree in finance with a collateral in accounting. As a first-semester manager, he covers the Financial sector. On campus, he participates in club meetings with the University of Tennessee Investment Group and the National Society of Leadership and Success. Over the summer, Preston completed a sales internship with Southwestern Advantage. After graduating, Preston plans to pursue a career in portfolio management.

Matthew Shaughnessy

Matthew is a senior pursuing a bachelor's degree in finance and accounting with a collateral in information management. As a first-semester manager, he covers the Communication Services sector. On campus, he is the Treasurer of The Tennessee Undergraduate Consulting Club and has previously held leadership roles as the Director of Finance for the University of Tennessee Entrepreneurship Club and Treasurer of the Club Volleyball Team. This past summer, Matthew completed a rotational public accounting internship at Elliott Davis, where he assisted with audits and tax preparation. After graduating with his undergraduate degree, he plans to pursue a master's degree and obtain his CPA license.

Brayden Snead

Brayden is a senior pursuing a bachelor's degree in finance with a collateral in accounting. He is a first-semester manager covering the Fixed Income sector of the portfolio. This past summer, he completed an internship at the public accounting firm LLME, where he assisted with tax preparation. Upon graduation, Brayden plans to pursue a career in wealth management, where he can leverage the skills he has gained through his experience with the Torch Fund.

Fund Manager Bios

Ava Takvoryan

Ava is a senior finance major with a concentration in international business. As a first-semester manager for the Haslam Torch Fund, she covers the Consumer Staples and Consumer Discretionary sectors. On campus, Ava is involved in OPHIA, a service sorority, and Women in Finance. Outside of academics, she has a longstanding passion for weightlifting, a hobby she's enjoyed for over ten years. This past summer, Ava studied abroad in Spain, and after graduating in May 2025, she aims to pursue a career in portfolio management.

Matthew White

Matthew is a senior finance major with a collateral in accounting. As a second-semester manager, Matthew covers the Energy and Utilities sectors. On campus, he is a Student Leader at the Christian Student Center and an avid intramural player. Outside of school, you can find him watching sports or playing golf. During college he has worked as a Student Assistant in the Vol Card office and as a summer youth intern at Clear Creek Church of Christ in Chattanooga, TN. This past summer, Matthew continued his internship with the Tennessee Valley Authority (TVA) on their financial planning team.

Anna Williams

Anna is a senior pursuing a bachelor's degree in finance with a collateral in leadership, as well as a minor in political science. She is a first-semester manager covering the Industrials sector for the Haslam Torch Fund. On campus, Anna holds part-time tutoring positions with both the Judith Anderson Herbert Writing Center as an Experienced Undergraduate Tutor and a Flagship Program Tutor and with the Vol Study Center as a Peer Learning Assistant for several courses. Outside of class, Anna is manager of a small farm and loves to spend free time enjoying the outdoors and dance classes. Following her graduation in August 2025, Anna plans to attend law school and pursue a legal career.

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Economic Outlook

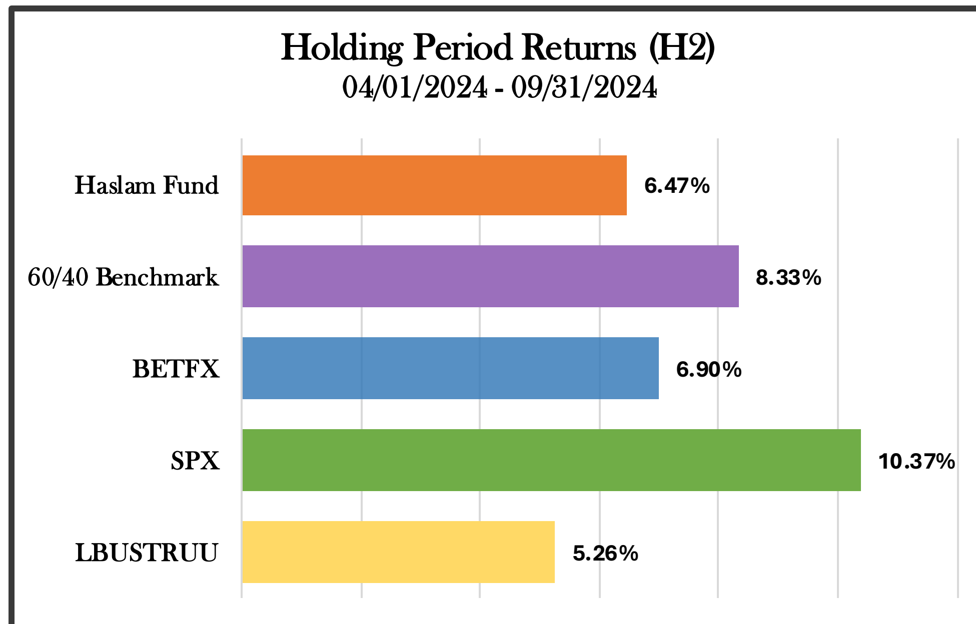
Macroeconomic Outlook:
The Haslam Fund adopted a slightly optimistic outlook entering H2, with optimism from strong economic data partly offset by interest rate uncertainty and expanding geopolitical conflict. Initially, the fund anticipated an interest rate cut by the end of H1, but conflicting inflation and employment data led to fluctuations in our outlook. As H2 progressed, however, consistent indicators of a cooling labor market and declining inflation increased our optimism for a rate cut. The ongoing cycle bolsters our confidence in a positive economic trajectory. Looking ahead to H2, we remain slightly pessimistic, as our optimism is tempered by uncertainties in the global economy and political volatility.

Domestic Economy:
Throughout the fiscal year, expectations for interest rates have fluctuated, contributing to our uncertainty. The April 2024 Consumer Price Index (CPI) revealed early signs of cooling inflation, which reignited speculation about potential rate cuts. As inflation continued to decline, the Fed executed a 50 basis points cut, lowering the Fed Funds rate to 4.75% - 5.00%. Fed Chair Jerome Powell also projects an additional 50 basis points cut by year-end. While it's premature to assess the full impact of these cuts, we remain optimistic about the potential benefits for businesses. The strong September job report further bolstered our outlook, showing an unexpected drop in the unemployment rate to 4.10% and the creation of 254,000 new jobs—surpassing analyst expectations by 104,000. However, September's core CPI of 2.40%, slightly above forecasts, raises concerns about whether the Fed has achieved its desired soft landing, making upcoming inflation reports critical.[1] Moreover, the impending November election introduces another facet of uncertainty, though markets typically recover post-election as uncertainty diminishes. In light of these factors, we are exercising caution in our investment selections, carefully considering allocation strategies based on the new administration's policies and the sectors poised for growth.

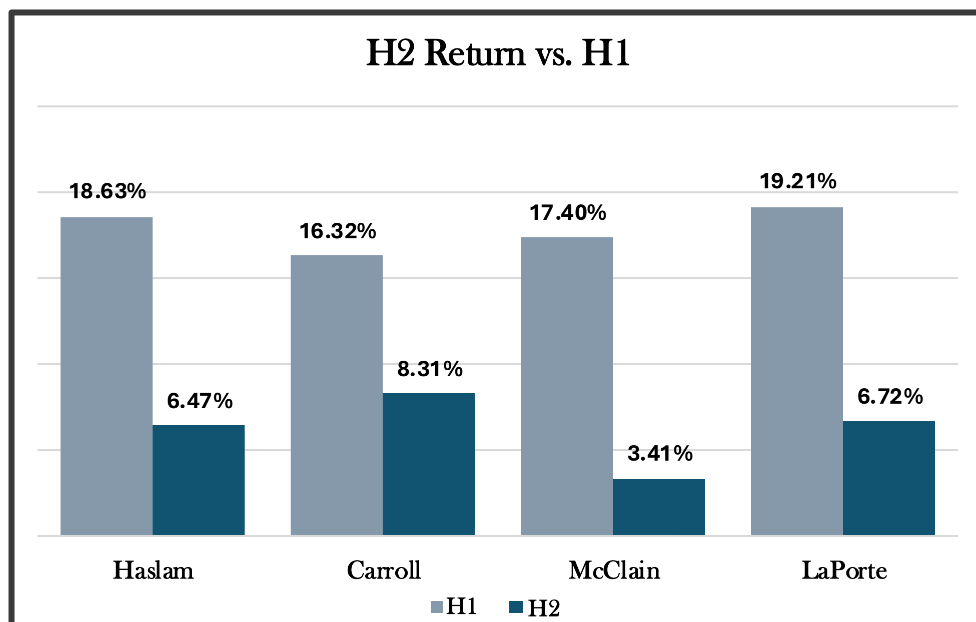
Global Economy:
Our global outlook remains slightly pessimistic due to persistent geopolitical tensions. While the global interest rate environment is easing, and global inflation is expected to decline to 3.50% by the end of 2025—aligning with pre-pandemic averages—uncertainty prevails.[2] Ongoing conflicts in Gaza and Ukraine, with no sign of slowing, have created pervasive global uncertainty. While the defense and energy sectors may benefit from ongoing conflict, the volatility has caused us to adopt a more internationally conservative approach. Additionally, increasing tensions between the U.S. and China, particularly regarding trade and Taiwan, contribute to market volatility.

Economic Outlook Implementation:
Our cautious stance led us to adopt a defensive approach in our investment strategy. The liquidation of Halliburton Company (HAL) has proven beneficial, as shares have declined approximately 26.30% since our exit. Our acquisition of RTX Corp. (RTX) benefitted from heightened U.S. government demand and ongoing geopolitical conflict, capitalizing on global uncertainty and returning 69.30% for the fiscal year. The fund also increased our Dollar General Corp. (DG) holdings by 29.30%, aiming to leverage the potential upside to offset losses following an unexpected earnings miss. With no current international exposure, the portfolio is somewhat insulated from global uncertainties. As we move forward, we anticipate that uncertainty will ease following the election results. We will continue to monitor inflation, employment, and core CPI data closely, adjusting our portfolio positions as our outlook evolves.

Summary of Portfolio Performance

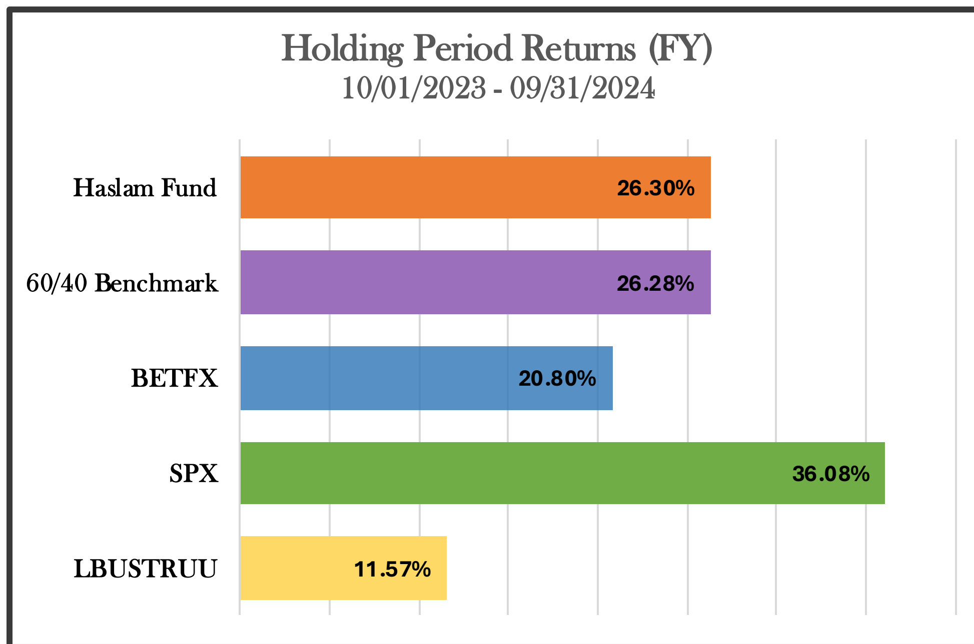


The chart above examines absolute returns for the S&P 500 (SPX), a Morningstar ETF representing a 60/40 allocated portfolio (BETFEX), our 60/40 benchmark, and the U.S. investment grade bond market (LBUSTRUU) during H2. The Haslam Fund unfortunately underperformed both our benchmark and BETFX. This can be attributed to increased risk in the period, relative to our benchmark, not paying off.

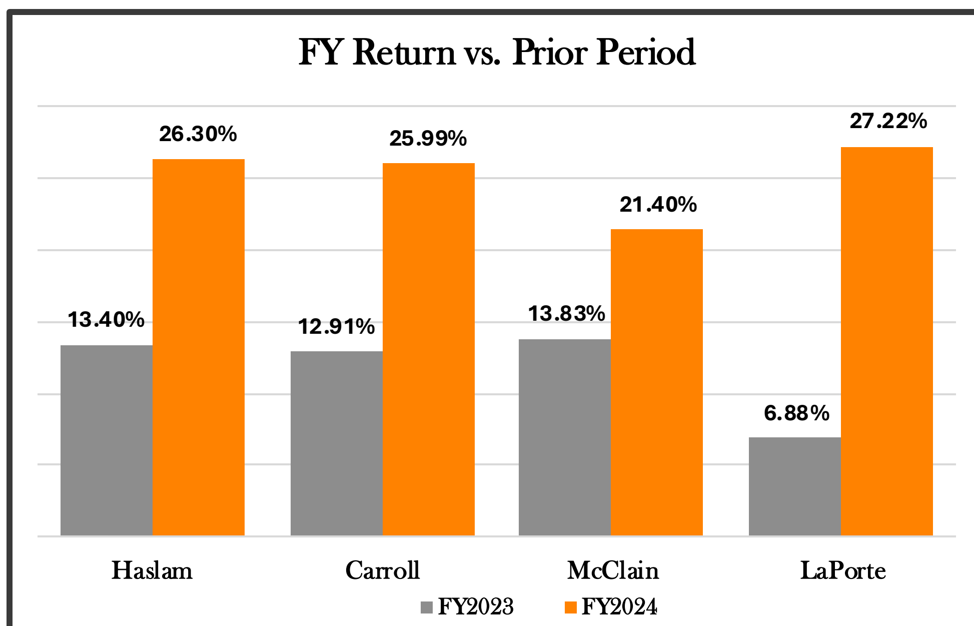


Absolute returns for H2 were 6.47%, ranking third among the four Torch Funds. Every fund experienced sharp declines in the second half of the year. During the summer, the labor market showed signs of cooling which led to slower growth. These fears have largely subsided and the first half-point rate cut from the Fed was encouraging.

Summary of Portfolio Performance



For the FY, the Haslam fund was able to beat our benchmark by a slim margin as well as BETFX. Despite less than stellar returns during the second half of the year, our risk-averse strategy ultimately paid off.



Across the 4 Torch Funds, performance during the FY was significantly better than the prior. As interest rates reached their peak in 2023, the markets were slower. Optimism grew and inflation cooled in 2024, which led to solid returns during the period.

Overview of Performance Metrics

Betas	H1	H2	Tenure
Beta Compared to Benchmark	0.86	0.98	0.93
R-Squared of Beta	0.89	0.90	0.89
Beta Compared to S&P 500	0.74	0.67	0.70
R-Squared of Beta	0.80	0.87	0.83

Sharpe Ratios	H1	H2	Tenure
Haslam Fund Portfolio	4.17	1.04	4.17
Benchmark	3.31	1.50	2.37
S&P 500	3.45	1.26	2.25
BETFX	2.79	1.19	2.25

Treynor Ratios	H1	H2	Tenure
Haslam Fund Portfolio	0.36	0.09	0.22
Benchmark	0.27	0.13	0.20
S&P 500	0.40	0.17	0.28
BETFX	0.24	0.11	0.17

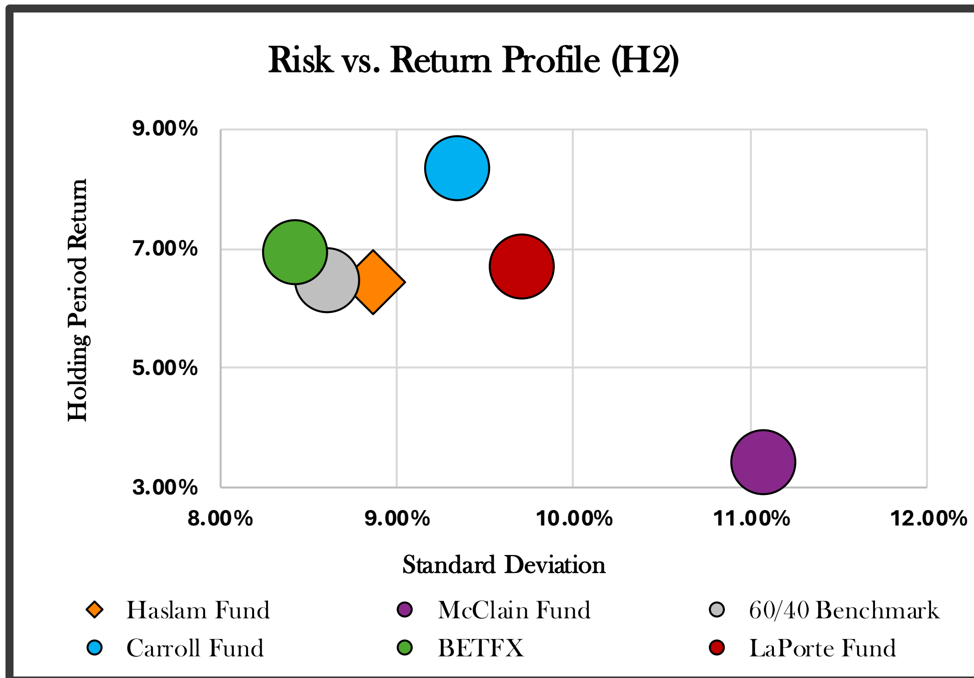
Other Metrics	H1	H2	Tenure
Standard Deviation (%)	7.51	8.86	8.22
Tracking Error	0.03	0.03	0.03
Information Ratio (Benchmark)	1.49	-1.33	0.06

Note: All calculations presented are annualized and calculated using daily returns over the reporting period.

*The primary benchmark for the Haslam Torch Fund is a 60-40 portfolio, weighted 60.00% of S&P 500 returns and 40.00% of Bloomberg Barclays U.S. Aggregate Bond Index returns.

**BETFX is Morningstar Balanced ETF Asset Allocation Portfolio Fund.

Overview of Performance Metrics

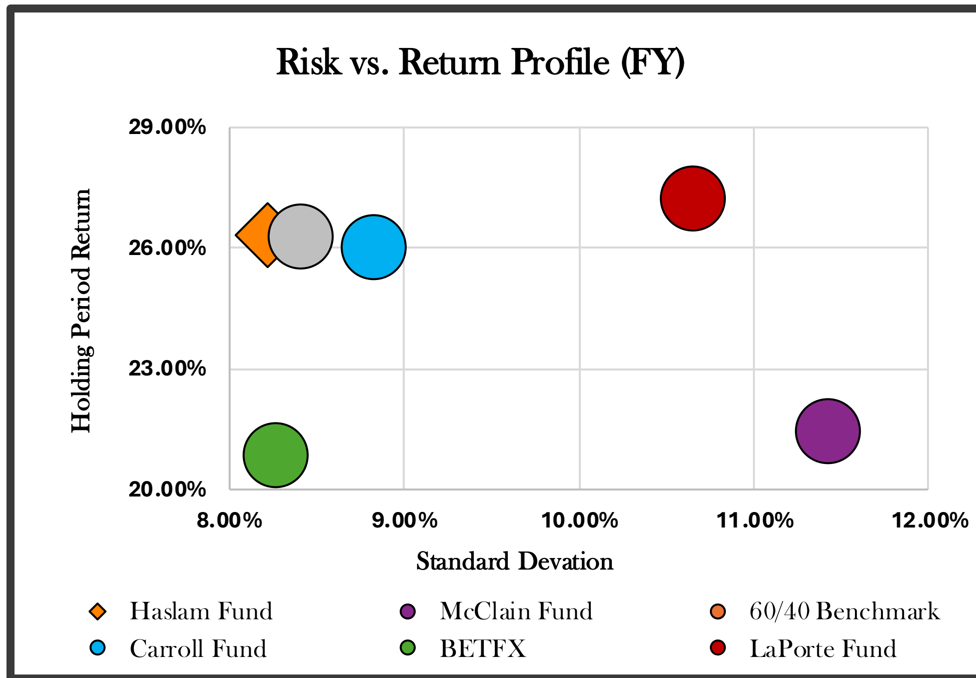


The graph above plots each fund's holding period return against the standard deviation of their portfolio, as well as our benchmarks. Unfortunately, we took on more risk than our benchmark and BETFX and still underperformed. In comparison to the other funds, we took on the least risk and finished in third for overall returns, missing second place by 25 basis points.

H2	Holding Period Return (%)	Standard Deviation	Sharpe Ratio	Treynor Ratio
Haslam Fund	6.47	8.86	1.04	0.0942
McClain Fund	3.41	11.08	0.33	0.0431
60/40 Benchmark	8.33	8.61	1.50	0.1288
SPX	10.37	13.48	1.26	0.1698
Carroll Fund	8.31	9.35	1.36	0.1250
BETFX	6.91	8.44	1.19	0.1061
LaPorte Fund	6.72	9.71	1.01	0.0921

After a strong performance in H1, the Haslam Fund fell just short of the 60/40 benchmark in H2. The Haslam Fund finished second among the four Torch Funds in terms of Sharpe ratio at 1.04, and second in Treynor ratio at 0.0942 for H2. The Sharpe ratio includes standard deviation in the denominator of the calculation, while the Treynor includes beta. The Haslam Fund sustained a lower standard deviation than all other funds at 8.86%, which led to having the second highest Sharpe ratio.

Overview of Performance Metrics



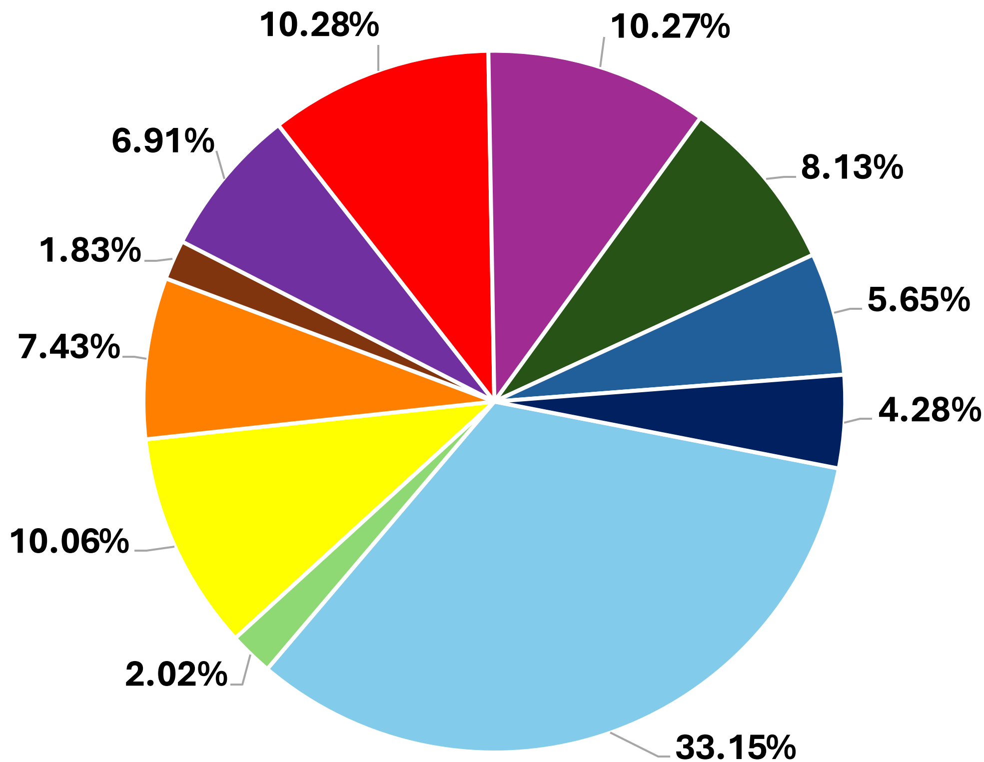
Although we experienced underperformance in H2, our FY performance was strong on both an absolute and risk-adjusted basis. During the period we outperformed both our 60/40 benchmark and BETFX, while taking on less risk. Although we came in second place amongst the four Torch Funds in absolute returns, we did so with the lowest standard deviation. In the chart below, you will see how our fund compared across several metrics.

FY	Holding Period Return (%)	Standard Deviation	Sharpe Ratio	Treynor Ratio
Haslam Fund	26.30	8.22	2.45	0.2176
McClain Fund	21.40	11.43	1.44	0.1977
60/40 Benchmark	26.28	8.42	2.37	0.1997
SPX	36.08	12.55	2.25	0.2827
Carroll Fund	25.99	8.84	2.25	0.2041
BETFX	20.80	8.28	1.96	0.1722
LaPorte Fund	27.22	10.65	1.97	0.1955

During the FY, the Haslam Fund was able to outperform our 60/40 benchmark and had the second highest absolute returns amongst the four Torch Funds. Additionally, we finished first in terms of both Sharpe and Treynor ratio. The Haslam Fund sustained a lower standard deviation than all other funds at 8.22%, which led to having the highest Sharpe ratio. We are proud of our ability to produce strong and competitive returns with a lower risk profile.

Portfolio Allocation

Equity Sector Weighting



- Information Technology
- Materials
- Health Care
- Communication Services
- Utilities
- Consumer Discretionary
- Industrials
- Financials
- Consumer Staples
- Energy
- Real Estate

Asset Type	End of H2 ($)	(%) Portfolio
Equities	1,402,823.25	60.37
Fixed Income	921,049.41	39.63
Cash	52.92	0.00
TOTAL	**2,323,925.58**	

*Weights are as of 09/30/2024

Largest & Smallest Holdings and Best & Worst Performers

Largest Holdings	Weight (%)
BlackRock Municipal Income Trust (BFK)	9.91
WisdomTree Floating Rate (USFR)	9.21
iShares Core U.S. Aggregate Bond ETF (AGG)	6.98
Microsoft Corp. (MSFT)	5.94
Janus Henderson AAA CLO ETF (JAAA)	4.97

Smallest Holdings	Weight (%)
Cameco Corporation (CCJ)	0.42
CVS Health Corporation (CVS)	1.00
Lockheed Martin Corp. (LMT)	1.05
Entergy Corporation (ETR)	1.13
Abbott Laboratories (ABT)	1.14

Best H2 Performers	Return (%)
Welltower, Inc. (WELL)	38.39
Apple, Inc. (AAPL)	35.36
Walmart, Inc. (WMT)	34.89
Evercore, Inc. (EVR)	32.37
Broadcom Inc. (AVGO)	31.71

Worst H2 Performers	Return (%)
Dollar General Corp. (DG)	-38.91
CVS Health Corporation (CVS)	-19.50
Albertsons Companies, Inc. (ACI)	-12.81
Merck & Co. (MRK)	-12.77
Haliburton Company (HAL)	-6.99

*Weights are as of 09/30/2024

Best & Worst Performers (FY)

Best FY Performers	Return (%)
Broadcom Inc. (AVGO)	99.22
Evercore, Inc. (EVR)	86.00
RTX Corp. (RTX)	69.31
Welltower, Inc. (WELL)	59.34
Walmart, Inc. (WMT)	53.12

Worst FY Performers	Return (%)
Dollar General Corp. (DG)	-13.85
CVS Health Corporation (CVS)	-12.81
Cameco Corp. (CCJ)	-12.77
Haliburton Company (HAL)	-8.66
WisdomTree Floating Rate Treasury Fund (USFR)	2.37

Summary of Individual Holdings

Holdings	H1 Return (%)	H2 Return (%)	Tenure Return (%)	Current Weight (%)
Equities				
AAPL	0.44	35.36	35.80	4.65
ABT	18.45	1.28	19.95	1.14
ACI	0.77	-12.81	-12.13	-
AIT	-	13.93	13.93	2.73
AMAT	49.42	-1.60	40.54	4.34
AMZN	41.90	3.30	46.58	4.26
AVGO	60.21	31.71	99.22	3.79
BAC	39.37	-1.29	37.58	-
BMY	7.26	-2.38	4.71	1.48
BWA	7.99	-0.25	7.72	-
CCJ	-	-3.26	-3.26	0.42
CPT	6.15	27.63	34.90	1.17
CVS	16.06	-19.50	-6.22	1.00
DG	50.13	-38.91	-13.85	1.73
DIS	16.50	-	16.50	-
ET	16.59	6.09	23.41	3.06
ETR	16.69	25.08	36.16	1.13
EVR	40.78	32.37	86.00	2.65
GOOGL	14.58	10.15	26.21	2.72
GPK	31.57	2.09	34.61	1.24
HAL	-1.85	-6.99	-8.66	-
JEPQ	-	12.24	12.24	1.73
JPM	39.57	6.42	48.43	1.65
KKR	21.57	-	21.57	-
LMT	12.00	30.59	46.02	1.05
MET	19.46	12.76	34.49	1.91
MRK	29.63	-12.77	13.26	2.71
MSFT	33.72	2.91	33.42	5.94
PANW	21.20	4.27	26.37	-
PAVE	0.82	-	0.82	-
PG	12.53	7.99	21.52	1.39
RHHBY	-3.07	-	-3.07	-
RTX	35.21	25.52	69.31	2.56
TTWO	-	5.13	5.13	1.87

Summary of Individual Holdings (Cont.)

Holdings	H1 Return (%)	H2 Return (%)	Tenure Return (%)	Current Weight (%)
Equities				
VZ	18.68	-	18.68	-
WELL	15.55	38.39	59.34	1.47
WMT	13.22	34.89	53.12	1.90
XLC	15.55	-1.90	14.45	-
XLU	13.30	-2.32	10.72	-
Fixed Income				
AGG	5.92	5.24	11.38	6.98
BFK	16.38	5.23	22.34	9.91
JAAA	4.08	3.47	7.58	4.97
PSK	10.75	5.36	16.51	4.97
SCHO	2.81	3.75	6.59	2.24
USFR	1.60	1.92	2.37	9.21

Summary of Actions for the Period

H2 Actions:

Wisdom Tree Floating Rate Treasury Fund (USFR)

- Purchased 54 shares for $2,716.73 (04/01/2024)

Wisdom Tree Floating Rate Treasury Fund (USFR)

- Purchased 52 shares for $2,618.71 (04/05/2024)

BorgWarner, Inc. (BWA)

- Sold 413 shares for $14,311.36 (04/05/2024)

Bank of America Corp (BAC)

- Sold 1,087 shares for $40,425.20 (04/05/2024)

Applied Industrial Technologies, Inc. (AIT)

- Purchased 278 shares for $54,627.00 (04/05/2024)

Utilities Select Sector SPDR Fund (XLU)

- Sold 156 shares for $10,004.19 (04/12/2024)

Cameco Corporation (CCJ)

- Purchased 202 shares for $9,972.74 (04/12/2024)

Wisdom Tree Floating Rate Treasury Fund (USFR)

- Sold 716 shares for $36,190.29 (04/19/2024)

J.P. Morgan Nasdaq Equity Premium Income ETF (JEPQ)

- Purchased 716 shares for $36,498.10 (04/19/2024)

Take-Two Interactive (TTWO)

- Purchased 276 shares for $40,353.96 (05/03/2024)

Communication Services Select Sector SPDR Fund (XLC)

- Sold 394 shares for $31,563.16

Palo Alto Networks, Inc. (PANW)

- Sold 120 shares for $35,552.11

Summary of Actions for the Period

H2 Actions:

Haliburton Company (HAL)

- Sold 950 shares for $35,552.11 (05/03/2024)

Entergy Corporation (ETR)

- Purchased 81 shares for $8,749.62 (05/03/2024)

Wisdom Tree Floating Rate Treasury Fund (USFR)

- Purchased 395 shares for $19,896.15 (05/06/2024)

Microsoft Corp. (MSFT)

- Purchased 30 shares for $12,265.50 (05/06/2024)

Broadcom, Inc. (AVGO)

- Purchased 5 shares for $6,420.00 (05/06/2024)

Applied Materials, Inc. (AMAT)

- Purchased 46 shares for $9,444.26 (05/06/2024)

Apple, Inc. (AAPL)

- Purchased 43 shares for $7,838.04 (05/06/2024)

Wisdom Tree Floating Rate Treasury Fund (USFR)

- Purchased 446 shares for $22,487.32 (08/21/2024)

Albertsons Companies, Inc. (ACI)

- Sold 1850 shares for $34,140.79 (09/27/2024)

Wisdom Tree Floating Rate Treasury Fund (USFR)

- Purchased 819 shares for $41,130.18 (09/27/2024)

Dollar General Corp. (DG)

- Purchased 105 shares for $8,871.45 (09/30/2024)

Wisdom Tree Floating Rate Treasury Fund (USFR)

- Sold 172 shares for $8,638.73

Fixed Income

Fund Manager: Brayden Snead

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	781,723.51	844,437.06	8.02	5.99
H2	844,437.06	881,611.33	4.40	5.26
Tenure	767,043.86	881,611.33	12.78	11.57

H2 Analysis:
During H2, fixed income investments were swayed by macroeconomic factors, central bank policies, and shifting market dynamics. This period saw a stabilizing interest rate environment and ongoing geopolitical considerations, which collectively shaped investor sentiment and asset performance. Overall, bonds enjoyed a very strong H2 as they demonstrated excellent performance, specifically throughout the summer. Investors have also observed a departure from the positive correlation between equities and bonds, signaling investor confidence in fixed income investments while their equities are struggling.

The U.S. yield curve is beginning to exit the longest period of inversion it has ever experienced. In the past when the yield curve inverts, a recession follows; however, the Fed is seemingly confident they will break this trend and successfully execute their "Soft landing." Improving inflationary metrics encouraged the Fed to apply a cut of 50 basis points to the Fed Funds Rate in their September meeting, marking the beginning of a rate cut cycle. Since this meeting, investors have recognized the beginning stages of a normalizing yield curve, with the short-term side moving the most. Leading up to the rate cut, the long end of the curve had begun to fall. However, since the cut, it has risen slightly. Overall, there has still been very little movement from the long-term side, but this is not necessary for the curve to fully normalize.[1]

Moving Forward:
The performance of fixed income investments in the next several months will likely revolve around interest rate environments and the performance of equities. It is anticipated that the Fed will continue to cut rates throughout the remainder of the year. We will closely monitor their actions and determine possible impacts on the bond and fixed income markets.[2] While doing this, the fund also plans to remain focused on inflation metrics as well as data releases on job markets. The upcoming election may affect our decision making as well. Tariffs and trade relations could have an effect on bond markets, and rising tension between foreign countries are also likely to play a role.[3] How the new president chooses to handle these situations will certainly warrant close attention. We also anticipate that both candidates plan to increase spending, leading us to closely monitor the debt-to-GDP ratio.[4] With all this considered, we do remain slightly optimistic about the future of bond markets, and plan to demonstrate that with our portfolio allocations and holdings.

BlackRock Municipal Income Trust (BFK)

Sector: Fixed Income
Fund Manager: Brayden Snead

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	129,120.59	220,059.99	16.38	2.12
H2	220,059.99	225,172.71	5.23	2.90
Tenure	129,120.59	225,172.71	22.34	5.02

H2 Actions: Held. Total dividend payment of $6,390.90 during this period.

Holding Description:
The BlackRock Municipal Income Trust (BFK) is a closed-end fund that primarily invests in a diversified portfolio of municipal bonds, aiming to provide investors with a steady stream of tax-exempt income. It has a distribution rate of 5.68% and invests in higher quality bonds.[5] With an active management approach, BFK aims to navigate interest rate fluctuations and credit risks associated with municipal bonds, providing investors with the potential for both income and capital appreciation. BFK is the largest holding in our portfolio; it has a weight of 24.63% within our fixed income sector and accounts for roughly 10.00% of overall portfolio weight.

Positive Drivers:
The slowdown in inflation that has been demonstrated in the economic data since June is surely one of the more encouraging outcomes for BFK. In this period of growing investor confidence in the likelihood of rate cuts, the price for these municipal bonds increased significantly. Also, BFK is well diversified among many different states, sectors, and credit qualities, which implies safety and stability. These qualities allow BFK to capture returns from both favorable interest rate environments and slightly risky credit quality. Its investments in state and local tax-backed sectors create confidence with its investors. Therefore, BFK would be better prepared for an economic downturn than other types of bonds that do not have these capabilities, like corporate bonds.[6] BFK's highest state weightings come from Texas, California, and New York respectively; the three states that issue the highest amounts of municipal bonds.

Negative Drivers:
If BFK were to perform poorly, it would likely be due to the following. First, rising interest rates typically lead to falling prices for municipal bonds, which can adversely affect the value of BFK's holdings. However, we do not anticipate rate hikes being likely in the near future. Also, if economic conditions worsen, state and local governments may face financial challenges, in turn increasing the risk of defaults and negatively impacting the credit quality of the bonds in the trust. Changes in tax policies that affect the tax-exempt status of municipal bonds can also diminish their appeal, leading to reduced demand and ultimately lower the price. Any political or regulatory developments that create uncertainty regarding municipal financing could lead to increased volatility and losses for BFK. Additionally, the very high expense ratio of 3.53% could eat away at gains.

iShares Core U.S. Aggregate Bond ETF (AGG)

Sector: Fixed Income
Fund Manager: Brayden Snead

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	147,266.64	153,374.04	5.92	1.78
H2	153,374.04	158,588.82	5.24	1.84
Tenure	147,266.64	158,588.82	11.38	3.62

H2 Actions: Held. Total dividend payment of $2,824.10 during this period.

Holding Description:
iShares Core U.S. Aggregate Bond ETF (AGG) is an ETF that tracks the entirety of the investment grade U.S. Bond market through the Bloomberg Barclays U.S. Aggregate Bond Index (LBUSTRUU).[7] LBUSTRUU is also the fund's Fixed Income benchmark. Its focus on a mix of maturities and credit qualities allows AGG to deliver a constant income stream with minimal risk. AGG has a duration of 5.93 and an expense ratio of 0.03%.[8] AGG is our third largest holding among our fixed income investments, making up 17.11% of the sector.

Positive Drivers:
AGG performed well over the period for a multitude of reasons. When interest rates decline, bond prices generally rise, which can enhance AGG's total return since it holds a diversified portfolio of bonds. We observed this throughout the year, as AGG demonstrated strong performance, particularly through the summer months, when investors started to show their confidence in the upcoming rate cut cycle. Additionally, during times of economic uncertainty or recession, investors often seek safer investments like bonds, leading to increased demand and higher bond prices. During the summer, the negative correlation between bonds and equities made its return, reestablishing a sense of normalcy that has been absent since the onset of the pandemic. Moreover, if inflation stabilizes or declines, which we have seen reflected in economic data since June, the real returns on bonds become more attractive, potentially leading to price appreciation in AGG's underlying holdings. AGG also helps anchor us to our benchmark, LBUSTRUU.

Negative Drivers:
While AGG performed strongly throughout the period, we are monitoring a collection of future scenarios that could have adverse effects. If interest rates rise, bond prices typically fall, which can lead to decreased returns for AGG as its underlying bond values decline. Additionally, in a strong economic environment, investors may prefer equities over bonds, resulting in lower demand for fixed income assets like those held in AGG. Inflationary pressures can also pose a threat, prompting the need for an interest rate hike cycle, which could reduce real returns. An increase in corporate defaults or credit downgrades can negatively impact the credit quality of bonds within AGG's portfolio, leading to price declines. Meanwhile, a steepening yield curve—where short-term rates rise faster than long-term rates—can cause a shift in investor preference, which may adversely affect AGG.

Janus Henderson
AAA CLO ETF (JAAA)

Janus Henderson INVESTORS

Sector: Fixed Income
Fund Manager: Brayden Snead

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	111,732.60	112,642.80	4.08	3.27
H2	112,642.80	112,953.60	3.47	3.19
Tenure	111,732.60	112,953.60	7.58	6.46

H2 Actions: Held. Total dividend payment of $3,597.75 during this period.

Holding Description:
Janus Henderson AAA CLO ETF (JAAA) focuses on investing in AAA-rated collateralized loan obligations. CLOs are structured financial products backed by a diversified pool of loans, with the AAA rating indicating a lower risk of default. This makes JAAA appealing to risk-averse investors seeking consistent cash flows.[9] Their goal is to provide attractive yields while maintaining a focus on capital preservation by investing primarily in the highest-rated tranches of CLOs. JAAA offers investors exposure to floating-rate investments, which can help mitigate interest rate risk. Additionally, the ETF boasts a current yield of 6.53% and a duration of 0.12.[10]

Positive Drivers:
Strong demand for AAA-rated CLOs can lead to price appreciation, enhancing JAAA's value and providing investors with attractive yields. Additionally, the overall health of the credit quality within the loan market plays a crucial role. If credit quality remains stable and default rates remain low, the underlying assets of the CLOs are likely to perform well. Furthermore, increased investor interest in diversified income sources can lead to inflows for JAAA, driving its price higher. Lastly, as investors seek to balance risk in their portfolios, the focus on high-quality, AAA-rated securities can position JAAA as a reliable choice for those looking for both income and capital preservation in periods of greater market volatility. The liquidity that JAAA provides is another benefit, as exposure to CLOs can sometimes be troublesome, due to how challenging it can be to quickly buy or sell them.

Negative Drivers:
If there is a significant increase in corporate default rates or deteriorating credit quality in the underlying loans, the performance of the AAA-rated CLOs could be negatively impacted, leading to declines in JAAA's value. Moreover, changes in regulatory environments or market sentiment that reduce demand for structured products can lead to decreased liquidity and price declines for CLOs. If economic conditions worsen, resulting in increased risk aversion among investors, JAAA may experience outflows as investors seek safer assets. Lastly, any negative developments in the broader fixed income market, such as inflationary pressures or geopolitical tensions, could also hurt the performance of JAAA, as investors become more cautious about risk exposure.

Schwab Short-Term U.S. Treasury ETF (SCHO)

charles SCHWAB

Sector: Fixed Income
Fund Manager: Brayden Snead

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	99,754.87	100,421.43	2.81	2.14
H2	100,421.43	102,025.34	3.75	2.16
Tenure	99,754.87	102,025.34	6.59	4.30

H2 Actions: Held. Total dividend payment of $2,164.23 during this period.

Holding Description:
Schwab Short-Term U.S. Treasury ETF (SCHO) is designed to provide investors with exposure to a portfolio of short-term U.S. Treasury securities, which typically have maturities ranging from one to three years. This ETF aims to deliver a low-risk investment option that offers liquidity and stability, making it suitable for conservative investors or those seeking to preserve capital while earning income. By focusing on short-term Treasuries, SCHO helps minimize interest rate risk compared to longer-duration bonds, providing a buffer against market volatility. SCHO has a duration of 1.90 and an expense ratio of 0.03%.[11]

Positive Drivers:
A stable or declining interest rate environment, which is exactly what we observed throughout H2, can improve the appeal of short-term Treasury securities, as their prices typically rise when rates fall, leading to capital appreciation. Additionally, in this period of economic uncertainty or market volatility, investors often seek the safety of U.S. Treasuries, resulting in increased demand for SCHO and potentially creating a capital gain. This is even more encouraging as we recognize a return of the negative correlation between bonds and equities. SCHO's focus on short-term maturities helps minimize interest rate risk. For the entirety of H2, the yield curve has been inverted, which has allowed SCHO to take advantage of those higher yields coming from the short end of the curve. It also boasts a relatively low expense ratio, allowing for a greater capture of gains.

Negative Drivers:
In a period where the Fed increases rates aggressively, the negative effect on bond prices can outweigh the benefits of reinvesting in newly issued, higher-yielding securities. Although we do not anticipate aggressive rate increases being likely over the next year, this relationship is worth noting. Additionally, in this period where economic conditions are beginning to improve, investors may shift their focus from safe-haven assets like Treasuries to equities or higher-yielding investments, reducing demand and placing downward pressure on SCHO's performance. Any political or fiscal uncertainties that affect investor confidence in U.S. debt, such as the upcoming election, can also lead to volatility and diminished performance for SCHO. While SCHO's focus on short-term securities minimizes interest rate risk, it also limits potential capital appreciation. Holding higher duration bond funds may be more beneficial in the current economic climate, as it allows investors to capture more of the expected gains from rate cuts.

SPDR ICE Preferred Securities ETF (PSK)

STATE STREET GLOBAL ADVISORS

Sector: Fixed Income
Fund Manager: Brayden Snead

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	102,898.20	110,537.90	10.75	3.33
H2	110,537.90	113,042.20	5.36	3.10
Tenure	102,898.20	113,042.20	16.51	6.43

H2 Actions: Held. Total dividend payment of $3,423.60 during this period.

Holding Description:
SPDR ICE Preferred Securities ETF (PSK) offers investors exposure to a diversified portfolio of preferred securities, which are hybrid financial instruments that possess characteristics of both equity and debt. PSK primarily invests in preferred shares issued by U.S. companies, as well as certain foreign issuers, focusing on securities that provide fixed dividend payments. By targeting preferred stocks, PSK aims to deliver attractive income potential while offering a more stable investment than common equity, as preferred shares typically have a higher claim on assets in the event of liquidation. PSK is passively managed and aims to track the ICE Exchange-Listed Fixed & Adjustable-Rate Preferred Securities Index.

Positive Drivers:
A favorable interest rate environment can enhance the appeal of preferred securities, as their fixed dividend payments become more appealing compared to traditional fixed income investments. If interest rates decline, which they have and are expected to continue, the prices of preferred shares typically rise, benefiting PSK's value. Additionally, strong corporate earnings, especially within the financial sector, led to great returns over this period, as PSK holds most of their preferred securities within this sector.[13] Throughout the fiscal year, the financial sector was the fourth best performing sector in the S&P. Moreover, if financials continue to outperform, growing demand could lead to inflows that further support PSK's performance. Any positive developments in the broader equity market can enhance investor sentiment toward preferred securities, driving up demand and contributing to PSK’s positive performance. Falling Treasury yields throughout the year have also had a positive influence on PSK’s performance.

Negative Drivers:
The concentration of holdings within the financial sector leads to potential risks if that sector demonstrates poor performance. Additionally, if corporate earnings weaken or if there are increased defaults among issuers, the perceived credit risk associated with preferred securities can rise, negatively impacting their valuations. Economic downturns or market volatility can also lead to a general flight to safety, prompting investors to move their capital into more traditionally safe assets, such as U.S. Treasuries, further pressuring PSK's performance. However, PSK combats this with the inclusion of some floating-rate securities. Changes in regulatory policies that affect financial institutions and their ability to pay dividends can also create uncertainty, contributing to negative sentiment surrounding the preferred securities. Lastly, if the overall equity market experiences a downturn, it can adversely impact investor confidence in preferred securities, leading to further outflows from PSK.[12]

WisdomTree Floating Rate Treasury Fund (USFR)

Sector: Fixed Income
Fund Manager: Brayden Snead

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	176,270.96	165,504.39	1.60	2.53
H2	165,504.39	209,266.74	1.92	2.67
Tenure	176,270.96	209,266.74	2.37	5.20

H2 Actions: Bought 1,767 shares for $88,899.57 and sold 891 shares for $44,929.98 at various dates throughout the period. Total dividend payment of $4,234.42 during this period.

Holding Description:
WisdomTree Floating Rate Treasury Fund (USFR) is designed to provide investors with exposure to U.S. Treasury securities that have floating interest rates. USFR primarily invests in Treasury bills and notes that adjust their yields based on prevailing interest rates, offering a unique way to benefit from rising rates while maintaining the safety and security of U.S. government debt. By focusing on floating-rate securities, USFR aims to mitigate interest rate risk, while also offering a low expense ratio of 0.15%.[14] With its focus on capital preservation and potential for yield enhancement, USFR would be an excellent choice for navigating changing interest rate environments or to store uninvested cash.

Positive Drivers:
USFR would stand to benefit as interest rates rise. The floating-rate nature of the Treasury securities held allows them to benefit from increasing yields, enhancing its income potential.[15] This makes it particularly appealing in a rising rate environment. Additionally, the safety associated with U.S. Treasury securities is attractive during periods of economic uncertainty or market volatility, driving demand for USFR. Furthermore, USFR's low expense ratio helps maximize returns, making it a cost-effective choice for investors looking to enhance their fixed income exposure. Throughout H2, USFR served as our cash account, delivering higher yields than our money market account SPAXX.

Negative Drivers:
If interest rates stabilize or decline, the income generated from floating-rate securities may not keep pace with fixed-rate alternatives, leading to reduced attractiveness for investors. Additionally, if economic conditions improve significantly, investors might shift their focus from ultra safe assets like Treasuries to higher-yielding equities or riskier investments, resulting in decreased demand for USFR and potential price declines. Also, if inflationary pressures were to return, it could erode real returns on Treasury securities, making them less appealing. The upcoming presidential election could create some short-term volatility for USFR as well. Lastly, while the floating-rate structure helps mitigate interest rate risk, it may limit potential capital appreciation compared to longer-duration bonds in a falling rate environment, which we are currently experiencing.

Communication Services

Fund Manager: Matthew Shaughnessy

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	90,028.08	88,470.93	24.23	28.42
H2	88,470.93	104,286.01	5.57	11.19
Tenure	90,028.08	104,286.01	16.15	42.74

H2 Analysis:
During the second half of the year, the S&P 500 Communication Services Index returned 11.19%, outperforming the S&P 500 by 0.82%. The 50-basis point cut on September 18th, intended to facilitate a soft landing, created opportunities for more affordable expansion within the sector.[1] Companies are increasingly leveraging AI to reduce operational costs, particularly within the wireless industry. By deploying chatbots, they can enhance customer support and streamline marketing efforts.

In early H2, we liquidated our position in the Communication Services Select Sector SPDR Fund (XLC) and subsequently opened a position in Take-Two Interactive Software, Inc. (TTWO). We saw an opportunity with TTWO, which was trading at an 18.00% discount prior to its Q4 2024 earnings call.[2] Analysts were optimistic due to recent acquisitions and cost-cutting measures. We chose to exit XLC to reallocate capital to other high-performing companies within the sector, which experienced significant returns during this period. Our risk-averse approach stemmed from macroeconomic uncertainty, with political and economic headwinds impacting our performance. As a result, our communication services holdings underperformed the sector index by 5.62%.

Moving Forward:
In November, the U.S. will elect a new president. A Democratic administration may introduce increased regulation, particularly regarding net neutrality and data privacy, while a Republican administration may prioritize deregulation and limit governmental control over technology.[3] Regardless of the outcome, AI-driven growth is expected to thrive as companies continue to invest in computing power, AI engineering talent, and expansive datasets. AI could also drive growth in digital advertising by further reducing marketing costs. Monitoring for potential signs of a recession remains essential, such as nonfarm payrolls and high unemployment rate, as the sector is inherently cyclical. A strong labor market and low inflation would support sustained growth in Communication Services. Considering the holiday season is approaching, the sector could see an added boost in demand.

Alphabet, Inc. Class A (GOOGL)

Sector: Communication Services
Fund Manager: Matthew Shaughnessy

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	-	56,296.89	14.58	-
H2	56,296.89	61,862.05	10.15	0.27
Tenure	49,135.29	61,862.05	26.21	0.27

H2 Actions: Held. Total dividend payment of $149.20 during this period.

Holding Description:
Alphabet, Inc., widely known as Google (GOOGL), is a multinational technology conglomerate that operates through three distinct segments: (1) Google Services, (2) Google Cloud, and (3) Other Bets, which includes early-stage business startups.[4] GOOGL continues to be a dominant force in the tech industry, excelling in web-based search and display advertising and a wide array of other services and products. In September, GOOGL announced that customers can now run Oracle Database Services on its platform, a move expected to drive growth in this segment.[5] As of September 30, GOOGL's share price stands at $165.85, with a market cap of $2.06 trillion.

Positive Drivers:
GOOGL's diversification strategy extends beyond its core search and advertising business, as demonstrated at the Pixel 24 event, where it showcased Gemini's integration across various GOOGL apps. This integration enables GOOGL to collect valuable data for personalized large language model-based recommendations, further enhancing user experiences. Furthermore, advancements in generative AI offer a sustainable competitive advantage that could drive ongoing revenue growth and maintain a robust operating margin. GOOGL's commitment to innovation is reflected in its average revenue-per-share growth rate of 21.30% over the past five years.[6] As competition for market share in search intensifies, GOOGL is also expanding its focus on the Cloud segment by investing heavily in infrastructure.

Negative Drivers:
Despite substantial growth, GOOGL faces multiple legal challenges, including lawsuits over privacy, intellectual property, and monopolistic practices. The Department of Justice (DOJ) recently intervened to address GOOGL's dominance in digital advertising, where it currently holds a 25.60% market share.[7] On November 20, the DOJ is expected to decide whether GOOGL will be required to divest parts of its business -- a ruling that could have significant repercussions. GOOGL's heavy reliance on advertising makes it particularly vulnerable to competitors, especially if the DOJ ruling is unfavorable. GOOGL has also faced recent headwinds in Europe, where the European Commission fined it $2.65 billion for abusing its dominant search engine position. In addition, OpenAI's Search GPT presents a formidable challenge to GOOGL's search dominance by aiming to offer more current information.[8]

Communication Services Select Sector SPDR FUND (XLC)

STATE STREET GLOBAL ADVISORS

Sector: Communication Services
Fund Manager: Matthew Shaughnessy

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	55,537.79	31,174.04	15.55	0.28
H2	32,174.04	-	-1.90	-
Tenure	55,537.79	-	14.45	0.28

H2 Actions: Sold 394 shares of XLC on 5/3/2024 for $31,563.16. No dividend payments during this period.

Holding Description:
The Communication Services Select Sector SPDR Fund (XLC) is an exchange-traded fund (ETF) that tracks leading stocks in the communication services sector using a "replication strategy." It typically invests at least 95.00%-–and often 100.00%-–of its assets in the securities comprising its index. As a passively managed, open-ended fund with a gross expense ratio of 0.09%, XLC is only available for purchase at the end of each trading day, unlike stocks that can be traded throughout the day. The largest sector weightings in the fund, in order, are Technology (41.58%), Consumer Discretionary (36.59%), Telecommunications (13.13%), and Consumer Staples (8.50%).[9]

Liquidation Thesis:
Our decision to liquidate XLC was driven by several factors, including its persistent underperformance relative to the sector index, limited exposure to high-performing stocks within the sector, and a strategic shift toward a more focused investment approach aimed at optimizing returns. For instance, the fund's ETF structure resulted in smaller proportional gains from high-performing companies like Meta Platforms. In the fiscal year, META gained 87.13%, while XLC achieved only a 38.32% return. With META representing only 20.47% of the ETF, XLC missed out on substantially higher returns.[10] Our team believes that a more targeted selection strategy will yield better performance relative to the benchmark, rather than relying on the ETF's broad exposure. Following this liquidation, the fund plans to adopt a more active role in selecting investments within the communication services sector, aiming for improved performance and the ability to generate alpha through specific market conditions. This underperformance has highlighted the need for a more aggressive approach and a willingness to embrace increased volatility in pursuit of higher returns. Ultimately, this liquidation reflects our commitment to a more concentrated, risk-tolerant investment strategy designed to outperform our benchmark and maximize returns.

Take-Two Interactive Software (TTWO)

Sector: Communication Services
Fund Manager: Matthew Shaughnessy

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	-	-	-	-
H2	-	42,423.96	5.13	-
Tenure	-	42,423.96	5.13	-

H2 Actions: Bought 276 shares of TTWO on 5/3/2024 for 40,353.96. No dividend payments during this period.

Holding Description:
Take-Two Interactive Software (TTWO) has grown into one of the largest American video game holding companies. Its diversified portfolio includes prominent subsidiaries like Rockstar Games, known for Grand Theft Auto and Red Dead Redemption franchises, and 2K Sports, which produces popular sports titles such as NBA, PGA Tour, and WWE games.[11] TTWO's distribution spans multiple gaming platforms, with revenue derived primarily from mobile devices (54.00%), followed by consoles (33.00%), and personal computers (8.00%).[12] With a 33.37% market share, TTWO has established itself as a leader in the gaming industry. As of September 30, its share price was $153.71, with a market cap of $26.94 billion.[13]

Positive Drivers:
TTWO is well-positioned for growth, with a steadily expanding international market presence, particularly in Asia, the Middle East, and Latin America. For instance, NBA 2K Online has achieved notable success in China. The mobile gaming sector is also booming, driven by the trend of younger users receiving electronics at earlier ages. The sector is projected to grow from $118.22 billion in 2023 to $417.99 billion by 2031. This growth presents a lucrative opportunity for TTWO to enhance its direct-to-consumer approach, further leveraging its acquisition of Gearbox to increase mobile revenue. TTWO's diverse portfolio, which includes action, sports, and strategy games, attracts a broad audience and fosters brand loyalty across demographics. Its leading subsidiary, Rockstar Games, is also primed for growth with the anticipated release of Grand Theft Auto VI in Fall 2025. [14]

Negative Drivers:
Any delay in the release of this highly anticipated game could significancy impact TTWO's financial performance, as the timing of major releases must align with favorable market cycles to maximize commercial success. TTWO's investment strategy includes short-term bonds, which expose the company to interest rate fluctuations and may lead to reduced income or missed opportunities in periods of lower rates. Additionally, 62.00% of TTWO's cash holdings are in foreign subsidiaries, creating vulnerability to currency devaluations that can negatively affect earnings, as evidenced by the recent decline in the Turkish Lira.[15] A significant portion of revenue (38.00%) relies on third-party consoles, meaning any changes in platform fees or service terms from providers like Sony or Microsoft could increase costs and strain profitability.

Consumer Discretionary

Fund Manager: Ava Takvoryan

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	66,102.40	93,797.60	41.90	17.99
H2	93,797.60	96,891.60	3.30	8.46
Tenure	66,102.40	96,891.60	46.60	27.93

H2 Analysis:.
During the fiscal year, we continued our strong momentum from H1, achieving a return of 46.60% and outperforming the benchmark by 18.67% for the year. Our outperformance highlights the fund's selection skill, as Amazon.com, Inc. (AMZN) was our sole consumer discretionary holding for the period. AMZN's advertising and cloud computing services drove its outperformance during economic volatility, while its business model positioning is resonating with an increasing number of consumers seeking value and convenience. While our limited holding exposure caused us to miss out on strong returns from companies like Tesla, Inc. (TSLA) that returned 49.32% during H2, it afforded us stability from broader volatility, with TSLA's H2 beta at 2.00.[1] The consumer discretionary sector's performance is largely influenced by consumer confidence and, following a peak of 79.40 in the University of Michigan's Consumer Sentiment Index at the end of H1, sentiment dipped through July but rebounded in August. With September's index at 70.50, the highest since H1, there are signs that consumer confidence is improving, potentially leading to increased discretionary spending.[2]

Moving Forward:
The Fund holds a slightly optimistic outlook for the consumer discretionary sector heading into H1. The ongoing rate cut cycle, declining inflation toward the Fed's 2.00% target, and a stabilizing labor market are likely to boost consumer confidence and spending. We expect these macroeconomic shifts will help lower consumer prices over time. We believe that we are well-positioned within the sector, as AMZN's market share growth offsets the overall sector's cyclicity. While remaining confident in our sector's sole security, we will continue to research new consumer discretionary investments to diversify our holdings. With the market remaining volatile with uncertainty, we will closely monitor upcoming core CPI, interest rate cuts, and employment data to assess how these factors impact the sector's performance, especially as short-term uncertainty may ease with the election. As uncertainty eases and confidence continues to increase, we anticipate strong returns from the consumer discretionary sector.

The sector's performance is heavily dependent on AMZN, presenting some concentration risk. However, we believe this will serve us well in H1, as we anticipate strong company earnings from robust cloud computing sales and the holiday season. With AMZN projected to capture 42.10% of U.S. online retail sales during the 2024 holidays, the sector stands to benefit significantly from its dominant market position.[3]

Amazon.com, Inc. (AMZN)

Sector: Consumer Discretionary
Fund Manager: Ava Takvoryan

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	66,102.40	93,797.60	41.90	-
H2	93,797.60	96,891.60	3.30	-
Tenure	66,102.40	96, 891.60	46.58	-

H2 Actions: Held. No dividend payments during this period.

Holding Description:
Amazon.com, Inc. (AMZN), headquartered in Seattle, WA, is a leading U.S. online retailer offering a wide range of products, including books, electronics, and apparel, through 610 North American facilities and 30 international stores. With over 350 million products available from both the company and third-party sellers, AMZN reported a 12.30% YoY revenue growth as of June 30, 2024, underscoring its e-commerce dominance.[4] The company's market cap is currently $2.03 trillion, a 16.00% increase from H1.[5]

Positive Drivers:
AMZN's growth is largely driven by its cloud computing division, Amazon Web Services (AWS), which is the largest in the world. Its "pay-as-you-go" model attracts businesses by allowing them to pay only for the services they use. With a 19.00% YoY increase in revenue in advertising and AWS in Q3 FY2025, AMZN's growth is driven mainly by its operations outside of retail.[5] Within retail, the bi-annual Prime Day event also boosts sales, generating over $14.00 billion in revenue in June 2024, an 11.00% YoY increase.[6] Additionally, the launch of the AI shopping assistant, Rufus, in August 2024 has improved customer engagement by addressing millions of queries, potentially driving impulse purchases. In H2 as well, Amazon Prime Video, AMZN's streaming service, announced an 11-year contract with the NBA starting in the 2025 season, granting it exclusive streaming rights to 66 regular season NBA games and 30 WNBA games. The WNBA in particular has experienced a significant surge in interest, with viewership increasing by 170.00% in the 2024 season.[7] This contributes to Amazon Prime Video's exclusive content, which is critical in a highly competitive streaming industry.

Negative Drivers:
AMZN faces stringent regulations and legal challenges, particularly concerning the Amazon Labor Union (ALU), which is seeking formal union recognition. The current anti-union environment raises the risk of labor disruptions, potentially increasing costs and impacting profit margins. Furthermore, the rise of social media shopping platforms like TikTok Shop and Instagram's shopping features intensifies competition. TikTok Shop has quickly become the ninth-largest beauty and wellness e-commerce retailer in the U.S., appealing to younger consumers and shifting shopping behaviors that could affect AMZN's market share.[8]

Consumer Staples

Fund Manager: Ava Takvoryan

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	74,692.86	157,661.94	35.09	13.37
H2	157,661.94	114,052.52	-10.99	10.35
Tenure	74,692.86	114,052.52	6.80	24.96

H2 Analysis:.
In H2, the Haslam Fund's consumer staples sector returned -10.99%, underperforming the S&P 500 Consumer Staples Index benchmark by 21.34%. Losses from Dollar General Corp. (DG) and Albertsons Companies, Inc. (ACI) drove this decline, though Walmart, Inc. (WMT) and Procter & Gamble Co. (PG). provided some positive offset. We also missed strong returns from top performers like Kellanova (K) and Philip Morris International, Inc. (PM), both up over 35.00% for the fiscal year.[1] Despite the sector's relative stability in volatile markets, challenges arose as consumers restricted spending after persistent financial strain and high prices. While evident in DG's Q2 FY2025 underperformance, we evaluated its initial 32.00% price drop as an overreaction and increased our position for potential recovery. We liquidated our position in ACI due to the increasing likelihood that the Kroger-Albertsons merger will fail, weakening ACIs' ability to drive market share growth independently.

Moving Forward:
Looking ahead, the consumer staples sector is expected to remain resilient despite ongoing volatility. Recent earnings reports show consumers cutting discretionary spending to focus on essentials, ensuring stable demand within the staples sector. While the sector benefits from stable demand, our WMT and PG holdings face heightened risks due to their reliance on international supply chains. With China as the companies' largest international supplier, escalating U.S.-China tensions could threaten the continuity of supply, increase costs, and disrupt inventory management, potentially impacting profitability and market share.

Our sector's performance will also be heavily influenced by the success of our DG position. Although the company faces challenges, we believe improving economic conditions and its unique business model will drive positive performance going forward. Monitoring same-store sales, EPS, and consumer discretionary spending will be essential, particularly since these areas lagged in Q2 FY2025. While the consumer staples sector is notoriously competitive, we are confident in our sector holdings because of their strong business models.

Albertsons Companies, Inc. (ACI)

Sector: Consumer Staples
Fund Manager: Ava Takvoryan

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	-	39,664.00	0.77	0.53
H2	39,664.00	-	-12.81	1.12
Tenure	39,664.00	-	-12.13	1.65

H2 Actions: Sold 1,850 shares for $34,132.50 on 09/27/2024.
Total dividend payment of $444.00 during this period.

Holding Description:
Albertsons Companies, Inc. (ACI) is a prominent food and drug retailer operating 2,270 stores across nearly 35 states, under more than 20 banners, including Jewel-Osco and Safeway. The company offers a diverse range of products, with non-perishable goods accounting for 50.00% of sales and fresh items comprising 30.00%. In addition to its grocery offerings, ACI provides pharmacy services and fuel, positioning itself as a convenient choice for consumers in various markets. [2]

In October 2022, The Kroger Co. (KR) announced their merger with ACI, pledging to purchase ACI's outstanding shares for a deal valued at $24.60 billion, or $34.10 per share. If successful, the deal would be the largest supermarket merger in U.S. history, and ACI stood to gain significantly from the merger. Facing tough competition from Walmart, Inc (WMT), KR and ACI argued that the agreement would enable them to compete effectively with other grocery companies. [3]

Liquidation Thesis:
The Haslam Fund initially invested in ACI during H1, anticipating that the merger with KR would receive FTC approval by January 2024, potentially elevating ACI's market share from 4.80% to a combined 12.90%.[4] However, our investment thesis faced setbacks when the FTC filed an antitrust lawsuit against the merger just three months after our purchase. During the trial, held from August to September 2024, the FTC presented a strong case against the merger, arguing it would harm competition and increase grocery prices. Additionally, ACI and Kroger are contending with two separate antitrust lawsuits from the attorney generals of Washington and Colorado, where the two companies collectively represent about 50.00% of grocery sales.[5,6]

The judge's decision in the FTC case is uncertain; however, investors are increasingly confident that the merger will be blocked. Many analysts believe that the judge, an appointee of President Joe Biden, may be more likely to rule in favor of public policy rather than corporate consolidation, as the judge is acutely aware of the financial strain consumers feel. Should the merger fail, ACI faces a bleak outlook, as the CEO has already mentioned possible store closures, layoffs, or exits from certain markets.[7] ACI's reliance on this merger for growth suggests it would struggle to expand independently. Given the increased risk surrounding the merger and the weakness of our initial investment thesis, we determined that liquidating our position was the best course of action.

Dollar General Corp. (DG)

Sector: Consumer Staples
Fund Manager: Ava Takvoryan

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	17,678.80	56,337.66	50.13	0.84
H2	56,337.66	39,409.62	-38.91	0.76
Tenure	17,678.80	39,409.62	-13.85	1.60

H2 Actions: Bought 105 shares for $8,871.45 on 09/30/2024.
Total dividend payment of $425.98 during this period.

Holding Description:
Dollar General Corp. (DG) is a leading discount retailer in the U.S. with over 20,000 locations, primarily in underserved communities, as 80.00% of its stores are in areas with populations under 20,000. The company generates most of its revenue from consumables, which accounted for 81.00% of sales in 2024, followed by seasonal, home, and apparel products.[8] Although a top performer for the fund in H1, DG faced challenges in H2 due to decreased spending among its core customer base. In Q2 FY2025, DG missed revenue estimates by 1.50%, despite achieving YoY revenue growth of 4.20%, while EPS fell by 20.60% YoY.[9] Many investors panicked, with a quick sell off that resulted in a 32.00% single-day price drop. While the drop was unexpected, our confidence in DG's fundamentals prompted us to increase our position. Trading 29.00% below its historical average, we added 105 shares, increasing DG's portfolio weight by 0.40% to 1.70%.

Positive Drivers:
DG's extensive store network, which expands about 5.00% per year, ensures that up to 75.00% of the U.S. population live within a five-mile radius of a DG store, allowing it to effectively serve rural areas often overlooked by competitors such as Walmart, Inc. (WMT).[10] To address reduced discretionary spending among its core customers, DG is refocusing its product mix towards consumables to prioritize essentials. The company's business model is well-positioned to attract customers seeking affordable prices and convenience and, while discretionary sales have declined, DG is making operational adjustments to proactively manage controllable challenges.[11] The company is addressing shrinkage losses by eliminating self-checkouts from 12,000 of its 20,000 stores, aiming for total removal. CEO Todd Vasos anticipates this change will improve shrink rates by 2025, enhancing both profitability and operational efficiency.[12]

Negative Drivers:
Despite its strengths, DG faces significant challenges. With its core customer base earning less than $35,000.00, ongoing financial strain may continue to suppress discretionary spending, even as inflation cools and interest rate cuts take effect. This economic backdrop limits DG's ability to drive higher-margin sales. Additionally, unlike WMT, DG has struggled to attract affluent consumers seeking value amid rising prices. To counter this, DG reduced its 2024 new store target from 800 to 730, allocating capital to remodel existing locations—a strategy shown to increase store sales by 8.00-10.00%.[8] These upgrades could enhance DG's appeal to a broader customer base, including more affluent shoppers, while simultaneously improving store conditions and the customer experience.

The Procter & Gamble Co. (PG)

Sector: Consumer Staples
Fund Manager: Ava Takvoryan

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	26,546.52	29,529.50	12.53	1.29
H2	29,529.50	31,522.40	7.99	1.24
Tenure	26,546.52	31,522.40	21.52	2.53

H2 Actions: Held. Total dividend payment of $366.36 during this period.

Holding Description:
The Procter & Gamble Co. (PG) is a global consumer goods leader based in Cincinnati, OH, with operations in over 70 countries. The company's diverse product portfolio includes household and personal care items, with fabric and home care generating 35.00% of revenue, followed by feminine and family care (25.00%) and beauty products (25.00%).[13] PG's strong brand equity and non-cyclical nature have helped it maintain an 8.45% YoY increase in market cap for 2024. PG also reported a 12.00% increase in core EPS for the fiscal year. Additionally, its consistent dividend stream has provided some stability against losses from Dollar General Corp. (DG) and Albertsons Companies, Inc. (ACI).

Positive Drivers:
PG is well-positioned in a competitive staples industry, benefiting from a robust brand portfolio and strong customer loyalty. The company returned 7.99% in H2, with its brand equity and essential product brands affording it relative stability from the market volatility during the period. Its diverse brand portfolio, ranging from Pepto-Bismol to Tide, provides extensive exposure to consumers. PG provides everyday essential products to over 5 billion consumers, further reinforcing its market leadership and consumer reach.[14] Further, the acquisition of Native Deodorant in 2017 has significantly boosted PG's growth, as Native has expanded into haircare and skincare, becoming the second-largest brand in the U.S. mass beauty market. Native's domestic sales surged 109.00% in 2023 and grew another 43.00% by May 2024, boosted by effective social media marketing.[15]

Negative Drivers:
While PG's extensive brand portfolio captures diverse customer preferences, it exposes the company to widespread risk as PG is exposed to all risks and controversies facing any of their 65 brands. This risk materialized in H2 when a July 2024 UC Berkeley study found toxic metals in tampons, including PG's Tampax, which could harm consumer trust and reduce sales.[16] PG faced further problems after recalling 8.20 million defective bags of Tide, Gain, and other laundry brands for faulty packaging; the company pledged to refund and replace affected packages.[17] Additionally, PG faces challenges in international markets, highlighted by $1.20 billion in restructuring costs in Argentina and Nigeria. In Q1 FY2025, organic sales demand in China dropped 15.00%, impacting PG's second-largest market, which accounts for 10.00% of revenue.[18] With international sales comprising 51.80% of total revenue, PG is susceptible to supply chain and geopolitical risks, particularly due to its reliance on China's Alibaba, which represents 3.56% of their selling, general, and administrative (SG&A) expenses.[19]

Walmart, Inc. (WMT)

Sector: Consumer Staples
Fund Manager: Ava Takvoryan

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	28,467.54	32,130.78	13.22	0.36
H2	32,130.78	43,120.50	34.89	0.69
Tenure	28,467.54	43,120.50	53.12	1.05

H2 Actions: Held. Total dividend payment of $221.62 during this period.

Holding Description:
Walmart, Inc. (WMT), based in Bentonville, AR, is a leading global retailer with discount stores, supercenters, and neighborhood markets. The company operates in three main segments: (1)Walmart U.S., (2) Walmart International, and (3) Sam's Club, with Walmart U.S. accounting for 69.00% of net sales.[20] Over the fiscal year, WMT achieved a remarkable 53.12% return, outperforming both the consumer staples sector and the S&P 500 Index. WMT's outperformance, particularly within the consumer staples sector that consistently underperforms the S&P 500 Index, highlights the company's strong business model and extensive consumer reach.

Positive Drivers:
WMT's impressive fiscal year performance is driven by its thriving e-commerce platform, Walmart Marketplace, which saw over 30.00% sales growth in the past four quarters.[21] With more than 150,000 third-party sellers and over 80 million products, e-commerce revenue increased significantly: 22.00% in the U.S., 30.00% internationally, and 18.00% at Sam's Club in Q2 FY2025. Additionally, WMT holds a dominant 25.20% market share in the grocery sector, significantly outpacing The Kroger Co. (KR).[22] Its focus on value-driven grocery options appeals to consumers, particularly higher-income shoppers looking to offset persistently high prices. The Walmart+ membership program has also proved successful, generating a 16.00% YoY revenue increase in Q2 FY2025 and boosting customer loyalty through tailored promotions.[23]

Negative Drivers:
WMT faces intense competition from retailers like Amazon.com, Inc. (AMZN). Although WMT has diversified its offerings in the past few years, the U.S. market still comprises nearly 80.00% of its sales, making the company highly dependent on domestic consumers; AMZN, however, has expanded their product offerings into advertising and cloud computing, allowing them to diversify their income. Further, in April 2024, WMT announced the closure of its 51 health centers due to high operating costs and unsustainable profits since their launch in 2019.[24] This was a missed opportunity to diversify within the growing healthcare sector. Additionally, in H2, WMT incurred over $56.00 million in settlement expenses, approximately 3.00% of its net income. A significant portion, $45.00 million, was related to a class-action lawsuit for overcharging customers on sold-by-weight groceries, which could damage consumer trust in the company.[25]

Energy

Fund Manager: Matthew White

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	99,266.99	105,607.09	9.44	5.53
H2	105,607.09	79,172.17	1.04	-4.64
Tenure	99,266.99	79,172.17	9.68	0.71

H2 Analysis:
During the period, the S5ENRS Index returned -4.64%, the worst performing sector in the S&P500. Our energy holdings in the portfolio returned 1.04%, beating the benchmark. The portfolio began H2 with a sector weight of over 8.03% (4.05% overweight) and ended at 5.81% (2.49% overweight). Moving into the new fiscal year, the fund is comfortable with our current positions and weightings. Our shift throughout the period reflects our uncertainty about geopolitical conflict causing price disruptions but we remain optimistic about the strength of our individual holdings.

There were two transactions during H2 involving our energy holdings. The first occurred on April 12, 2024, when we purchased 202 shares of Cameco Corporation (CCJ) for $9,972.74. This was funded through the sale of XLU, a utility sector ETF. This trade allowed the fund to have more concentration in our portfolio and bet on nuclear energy. Our second transaction was on May 3, 2024 when we liquidated our position in Halliburton Company (HAL) and used the proceeds to increase our position in Entergy Corp (ETR). The fund was able to exit a holding that had become too risky for its expected payoff, while also further investing in a company that aligned with the fund's long-term goals.

Moving Forward:
There is a lot of uncertainty and risk surrounding the energy sector as the period closes. Conflict in the Middle East continues, creating volatility in the markets. The results of the upcoming presidential election will also have implications on the sector. Although there is a lot of uncertainty, we are confident that our energy holdings are prepared to weather the storm. Energy Transfer's diverse portfolio of energy assets create less downside risk in such environments. The fund's strategy to focus on nuclear energy through Cameco has massive potential regardless of the state of the world, due to the large increase in projected demand for clean and reliable energy. Continuing to monitor our holdings, as well as the broader environment they operate in, will be vital to ensure we continue to provide alpha for the fund.

Cameco Corporation (CCJ)

Sector: Energy
Fund Manager: Matthew White

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	-	-	-	-
H2	-	9,647.52	-3.26	-
Tenure	-	9,647.52	-3.26	-

H2 Actions: Bought 202 shares on 4/12/24 for $9,972.74. No dividend payments during the period.

Holding Description:
Cameco Corporation (CCJ) is a company that "explores, develops, mines, refines, converts, and fabricates Uranium, and is headquartered in Saskatoon, SK, Canada."[1] The company operates in 3 main segments: (1) Uranium (69.2%), (2) Westinghouse (16.8%), and (3) Fuel Services (13.7%). The focus and overall strategy of CCJ rests in nuclear energy where they are "focused on taking advantage of the near, medium and long-term growth occurring in our industry." They drive this home with a vision statement of, "Energizing a clear-air world."[2] As of 9/30/24, CCJ had a share price of $47.76 and market capitalization of $20.78 billion.

Positive Drivers:
As the AI boom continues to unfold, the need for power to meet the electricity demanded for data centers is expected to grow tremendously over the next decade. There is also environmental pressure to produce clean and efficient energy, which presents opportunities for nuclear. A key component of nuclear power is uranium, of which CCJ produced 16% of the world's supply in 2023. This demand materialized at the end of H2 as Microsoft and Constellation Energy signed a 20-year power purchase agreement that focuses on the revamp of Three Mile Island, a nuclear reactor site that has been closed since 2019. It is reasonable to expect other tech companies to follow Microsoft's example of adopting nuclear energy. In addition to increased demand, the supply component of uranium prices isn't expected to rise at the same rate. Some expect the uranium market deficit to last through 2029.[3] Although CCJ faces the risk of losing revenue due to supply shortages, the price of uranium will continue to climb. This presents many opportunities for CCJ and investors.

Negative Drivers:
Despite excitement around nuclear energy, the reputation of nuclear is one hurdle that the industry must clear. There are many notable events in history related to nuclear energy, one even occurring at Three Mile Island in 1979, that make the public wary. Additionally, the costs to build new nuclear plants are extremely high, while building the nuclear plants themselves involve stringent regulatory review. This could affect the rate at which companies are willing to adopt nuclear, thus lowering the demand for uranium. Another factor that could hinder demand is the growing grid connection queue, especially in America. In 2015, the time it took for a new project to become connected to the energy grid was one year. For projects completed from 2018-2023, that number grew to 5 years.[4] Even if more nuclear energy projects are planned, the time it takes for them to become operational could harm CCJ's short-term outlook.

Energy Transfer LP (ET)

Sector: Energy
Fund Manager: Matthew White

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	60,791.99	68,158.09	16.59	4.47
H2	68,158.09	69,544.65	6.09	4.05
Tenure	60,791.99	69,544.65	14.58	8.52

H2 Actions: Held. Total dividend payment of $2,762.29 during this period.

Holding Description:
Energy Transfer LP (ET), headquartered in Dallas, TX engages in midstream, intrastate, and interstate natural gas transportation and storage, "crude oil, NGL and refined products transportation, terminalling and acquisition and marketing activities as well as NGL storage and fractionation services."[5] Most of their revenue comes from 3 sources, (1) crude oil transportation (33.8%), (2) their investment in Sunoco LP (29.3%), and (3) natural gas liquids (NGL) and refined product transportation/storage (23.4%).[6] ET's strategy for continued well-balanced growth is to pursue acquisitions, engage in expansion opportunities, "increase cash flow from fee-based businesses," and enhance existing asset profitability.[5] ET has a desire for growth as well as a strong balance sheet, ample liquidity, and investment grade credit metrics. As of September 30, ET had a share price of $16.05 and market cap of $54.93 billion.

Positive Drivers:
ET remains a leader in the mid-stream oil and gas industry because of their diverse portfolio of assets. They execute their strategy through mergers and acquisitions. In July, the company completed the purchase of WTG Midstream. The deal, valued at around $3.8 billion, added around 6,000 miles of pipeline, eight gas processing plants, and "expands Permian Basin pipeline and processing network".[7] The addition of pipeline and processing is promising and expansion in the Permian Basin highlights strong growth potential for the company. Exploration and drilling innovation in the industry, which has dramatically increased growth in the basin, paired with ET's ability to grab market share through acquisitions positions them well for strong performance. Aside from many midstream activities, the company's portfolio provides access to many facets of the oil supply chain. Their ownership stake in Sunoco LP allows them to capture growth across the industry. This reduces their risk and boosts income for investors

Negative Drivers:
Recently, there has been a significant push to move away from crude oil and toward clean renewable energy. Additionally, concerns about the environmental impacts of hydraulic fracturing create risk in the industry. These factors could negatively affect ET's core businesses, although their exposure to natural gas transportation provides some mitigation. Another source of risk is oil price fluctuation, which can be caused by geopolitical conflict, demand, and regulatory hurdles. Price fluctuations can affect ET's short-term ability to generate revenue and profits, but also can harm their overall strategy and long-term growth.

Haliburton Company (HAL)

Sector: Energy
Fund Manager: Matthew White

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	38,475.00	37,449.00	-1.85	0.81
H2	37,449.00	-	-6.99	-
Tenure	16,767.36	-	-8.66	0.81

H2 Actions: Sold 950 shares on 5/3/2024 for $34,829.95. No dividend payments during the period.

Holding Description:
Haliburton Company (HAL) is a provider of energy services and manufacturer of important products for the energy industry. They operate in two main segments: (1) completion and production and (2) drilling and evaluation. Completion and production accounts for roughly 60.00% of their revenue and includes things such as "cementing, stimulation, specialty chemicals, intervention, pressure control, artificial lift, and completion product services." Drilling and evaluation account for the remaining 40.00% and provide services such as reservoir modeling, drilling, and fluids.[8] They are headquartered in Houston, Texas but have operations across the world. HAL was one of our worst performers over the last year, ultimately causing us to liquidate our position during H2.

Liquidation Thesis:
The fund's original investment thesis for HAL was centered around the stability it provided compared to similar firms in the industry. Overtime, this advantage has deteriorated, increasing risk while also decreasing returns. A major catalyst for HAL's decline was the devaluation of the Egyptian pound and the Argentine Peso, two places where HAL operates. Currency exchange risk made it harder for HAL to divest from certain regions, leading to hundreds of millions in losses. Additionally, HAL has expanded their operations into other countries where similar losses could occur. Over the period, the risk the portfolio took on related to HAL was not reflected in the holding's return. Therefore, the fund saw it best to capture our capital gains and move on to safer, more promising holdings.

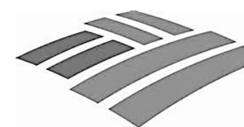
Financials

Fund Manager: Preston Massie

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	155,175.61	161,616.61	31.81	28.02
H2	161,616.61	141,130	-12.68	8.34
Tenure	155,175.61	141,130	45.70	38.61

H2 Analysis:.
Over the past year, the financial sector has risen 38.61% while the financial sector within the Haslam fund has generated returns of 45.70%, beating the benchmark and becoming one of our highest returning sectors. Within our fund, financials accounts for 10.27% of our equity sector weighting. As of November 15th, the financial sector accounted for 13.45% of the S&P 500 ETF.[1] The primary participants in this sector are retail banks, investment banks, insurance providers, investment managers, exchanges and clearing houses, government institutions, and payment processors. This sector is among the most important in the U.S. economy as it provides capital and liquidity. The performance of the financial sector is closely related to the movement of interest rates. Our holdings within the financial sector include J.P. Morgan, Evercore, MetLife, and Bank of America. Over the past year, we have decided to liquidate our position in Bank of America due to the stock being overvalued and judging that Bank of America was not of the highest quality within the banks.

Moving Forward:
Moving forward we expect the financial sector to continue to rise higher with inflation cooling down and the Fed implementing more rate cuts to combat higher unemployment levels. Lower unemployment levels and more disposable income would be a positive driver for our holdings within J.P. Morgan's consumer banking segment. Lower rates would contribute to higher earnings within our investment banking holdings, including Evercore and the investment banking segment of J.P. Morgan, as it would encourage more merger and acquisition activity. However, lower rates would not be beneficial to MetLife as they would earn less interest revenue on their investments.



Bank of America (BAC)

Sector: Financials
Fund Manager: Preston Massie

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	29,762.06	41,219.04	39.37	1.27
H2	41,219.04	-	-1.29	0.63
Tenure	29,762.06	-	37.58	1.90

H2 Actions: Sold 1,087 shares for $40,425.53 on 4/5/2024. Total dividend payment of $260.88 during this period.

Holding Description:
Bank of America (BAC) was founded in 1784 and currently is one of the largest financial institutions in the world, with a market cap of $325 billion.[2] BAC provides banking and financial services to individual consumers, institutional investors, and governments. The company's main sources of revenues can be broken down into four segments: (1) consumer banking, (2) global wealth and investment management (GWIM), (3) global banking, and (4) global markets. Consumer banking offers consumers money market savings account, certificates of deposits, credit/debit cards, and residential mortgages. Global wealth and investment management (GWIM) focuses on investment management, banking, retirement products, and wealth management solutions. Global banking provides lending products, commercial loans, asset-based lending, and treasury solutions. And lastly, global markets focuses on market making, security clearing, risk management products, and security products.[3]

Liquidation Thesis:
On 4/5/2024, we decided to liquidate 1,087 shares for $40,425.53 to fund our purchase of Applied Industrial Technologies (AIT). During 2023, BAC failed to outperform peers and the broader market despite market conditions favoring them with higher interest rates. BAC charged customers higher fees, did not fulfill credit card reward bonuses, and created accounts without the consent of their customers.[17] We aim to invest in only the best companies within their industry and we viewed that BAC did not meet this criteria and choose to liquidate this positions to fund other investments.

Evercore, Inc. (EVR)

EVERCORE

Sector: Financials
Fund Manager: Preston Massie

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	32,815.44	45,836.42	40.78	1.58
H2	45,836.42	49,606.34	-32.37	0.83
Tenure	32,815.44	49,606.34	86.00	2.41

H2 Actions: Held. Total dividend payment of $380.80 during this period.

Holding Description:
Evercore, Inc. (EVR) was founded in 1995 as an independent investment banking firm. EVR generates revenue through investment banking fees, asset management fees, and advisory and wealth management fees. Investment banking fees are generated through mergers and acquisitions, restructuring, and capital raising with 93.65% of their revenue coming from investment banking fees. Asset management fees are generated through assets under management (AUM) and account for 2.71% of their total revenue.[4] Total AUM has risen to $13.16 billion by Q4 of 2024. Wealth management fees are generated through one-on-one financial services to high-net-worth individuals, families, and institutions.[7]

Positive Drivers:
A 50 basis point cut in September and the likelihood of further rate cuts in the future will make mergers and acquisitions more attractive and easier to finance amongst lower interest rates. EVR has been recognized as the #1 Firm in U.S. Equity Research for the third consecutive year with many of their staff gaining recognition. This achievement can be contributed to their talented group of staff within their industry. EVR analysts have achieved the most no. 1 ranked analysts for the second year in a row.[5] Over the past two quarters, EVR has beat eps estimates and we expect this trend to continue with the increasing number of deals for EVR, including Vista choosing EVR to sell their Finastra's unit.[16]

Negative Drivers:
One risk factor is total expenses rising higher than expected by analyst expectations, as they have risen for the last 2 quarters. Recently, there has been more stock selling from the CFO and others as this could signal warning signs for future quarterly and annual earnings reports.[6] The financial sector is one of the most highly regulated within the U.S. economy and, if regulations continue to rise, this will hamper revenue growth. A stricter environment for mergers and acquisitions could put pressure on investment banking fees due to a majority of their revenue coming from investment banking and underwriting fees. Investment banking is highly competitive as EVR must compete with some of the largest firms in the world, such as J.P. Morgan Chase, Goldman Sachs, and Citi Bank. EVR has very little presence outside of the U.S. and therefore lacks a diversified stream of revenue. EVR's sources of revenue themselves are not highly diversified, as 93.65% of their revenue comes from investment banking fees.[7]

JP Morgan Chase & Co. (JPM)

J.P.Morgan

Sector: Financials
Fund Manager: Preston Massie

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	25,813.56	35,653.40	39.57	2.09
H2	35,653.40	36,002.28	6.42	1.14
Tenure	25,813.56	36,002.28	48.43	3.23

H2 Actions: Held. Total dividend payment of $409.40 during this period.

Holding Description:
J.P. Morgan Chase & Co. (JPM) is one of the largest and oldest financial institutions in the world, with a market cap of $584 billion with a business model that primarily focuses on investment banking, financial services, commercial banking, and asset management. JPM has $4.2 trillion dollars in assets, making it the largest U.S. bank by assets.[8] JPM's business can be broken into four business segments: (1) consumer and community banking, (2) corporate and investment banking, (3) asset and wealth management, and (4) commercial banking. Consumer and community banking makes up the largest source of revenue for the bank, making of 43.00% of their total revenue. Services provided under consumer & community banking include deposit and investment products, cash management, payment solutions, mortgage orientation, credit card issuance, and auto loans.[9]

Positive Drivers:
In September, the Fed cut interest rates by 50 basis points and, with the likelihood of more rate cuts by the end of the year, these rate cuts could prove to be growth factors for an increase in company-issued loans. The yield curve normalizing would indicate that JPM would be paying borrowers less on the short-term rates and lending at higher interest rates toward the longer end of the curve. In Q3 of JPM's earnings release, they raised projections for their net interest income and beat current expectations among lower interest rates and an inverted yield curve. JPM has prepared for a cycle of rate cuts and is still raising projections for net interest income in FY 2024.[10]

Negative Drivers:
A continuous increase in the amount that JPM set aside in the credit loss provision potentially indicates they see more borrowers defaulting on loans amidst falling rates.[11] In the last several years, the financial sector, especially banks, have seen a massive increase in regulations, which could pose a threat in future years. Due to increased regulations, JPM recently had to pay a $348 million fine to regulators. Future geopolitical risks such as the ongoing wars in Ukraine and Israel could pose a threat to the global economy, as outlined by their CEO Jamie Dimon warning of these very risks. In JPM's Q3 earnings release, Jamie Dimon calls geopolitical risk "treacherous" and states they are "getting worse."[12] JPM operates in many countries outside of the U.S., including Mexico, Venezuela, Brazil, and Canada, which could put downward pressure on revenue.

MetLife, Inc. (MET)

Sector: Financials
Fund Manager: Preston Massie

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	33,027.75	38,907.75	19.46	2.81
H2	38,907.75	36,849.75	12.76	1.47
Tenure	33,027.75	36,849.75	34.49	4.28

H2 Actions: Held. Total dividend payment of $572.26 during this period.

Holding Description:
MetLife, Inc. (MET) was founded in 1863 and currently is the 8th largest insurance company in the U.S. with a market capitalization of $50.99 billion. MET has been awarded multiple accomplishments like America's Most Just Companies (top 100: 2021-2024) and Fortune's 100 Best Companies to work for in the U.S. during 2023-2024.[13] MET covers certain risks for consumers and in exchange for a premium, which MET then invests in assets that will generate interest. MET offers a variety of insurance products to their customers, including life insurance, health insurance, disability insurance, dental and vision insurance. MET's business segments can be broken up into group benefits, retirement and income solutions, Asia, MetLife holdings, and corporate.[14]

Positive Drivers:
Advances in technology and AI are an opportunity for MET to streamline services and offer more custom packages for their consumers. MET operates in over 60 countries globally and this presence offers a path for MET to grow revenues in faster-growing economies outside of the U.S. MET has consistently raised its dividend since 2011. The company has had a 9% annual compound growth rate since 2011, with a current dividend yield of 2.94%.[15]

Negative Drivers:
A decrease in interest rates would mean lower rates of return on invested capital. Increased regulations could lead to more fines and penalties. Competition among the many insurance companies could make it harder for MET to grow in the future. Insurance companies are highly competitive with some of MET's competitors including Marsh & McLennan Company, Humana, Aflac, Allstate Corporation, and Travelers Company.[14]

Healthcare

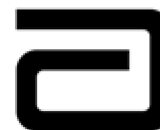
Fund Manager: Libby Gordon

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	137,495.82	161,765.71	18.96	15.75
H2	161,765.71	144,113.80	-9.11	5.02
Tenure	137,495.82	144,113.80	6.30	21.51

H2 Analysis:.
In the second half of the year, the healthcare sector of the Haslam Fund portfolio returned -9.11%, compared to the sector benchmark return of 5.02%. Early in 2024, healthcare stocks were better positioned to track the S&P 500 Index, but they have since lagged, primarily due to the surge in the technology sector.[1] The emergence of GLP-1 drugs by companies like Eli Lilly (LLY) and Novo Nordisk (NVO) has driven growth in the sector; however, the companies held in the portfolio do not have developments in the GLP-1 space, leading to underperformance relative to peers in this area. Although we did not capture potential gains from weight-loss drug developers, our holdings remain strong, featuring companies that continue to produce innovative technologies, life-changing medical treatments, and meaningful health solutions. Among our holdings, Abbott Laboratories delivered the highest return as demand for medical devices—constituting a significant portion of its revenue—continues to grow. Conversely, CVS Health was the worst performer due to ongoing challenges in its Health Benefits segment and the efficiency and profitability of its storefronts.[2] At the close of the period, the healthcare sector within the Haslam Fund was slightly underweight at -1.04%.

Moving Forward:
Looking ahead, the healthcare field presents numerous viable opportunities as new developments continue to emerge. One of the most notable growth drivers in the healthcare providers and services industry is the transition from fee-for-service healthcare models to value-based care (VBC) models. VBC is an alternative payment approach designed to address the misaligned incentives inherent in the fee-for-service system, which can lead to fragmented and costly care for patients.[3] While the healthcare sector faces challenges such as regulatory hurdles, workforce shortages, and rising costs, the potential for growth and innovation demonstrates the sector's resilience and distinctiveness. The inelastic demand for healthcare services offers opportunities for outperformance compared to other sectors during economic downturns. However, this same characteristic may lead us to adopt a neutral stance on the sector during periods of economic expansion, as healthcare typically underperforms relative to others in booming economies. The healthcare sector of the Haslam Fund will continue to identify and pursue growing opportunities within the industry, making strategic decisions that align with our investment strategy.

Abbott Laboratories (ABT)



Sector: Healthcare
Fund Manager: Libby Gordon

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	22,081.80	25,914.48	18.45	1.09
H2	25,914.48	25,994.28	1.28	0.97
Tenure	22,081.80	25,994.28	19.95	2.06

H2 Actions: Held. Total dividend payment of $250.80 during this period.

Holding Description:
Abbott Laboratories (ABT) is a leading global healthcare company specializing in the discovery, development, and manufacturing of established pharmaceuticals, diagnostic tests, nutritional products, and medical devices. While operating approximately 90 manufacturing facilities worldwide, ABT serves individuals in over 160 countries, with international sales comprising around 61.50% of its total revenue.[4] ABT's growth strategy focuses on meeting the healthcare needs of emerging markets through an expanded product portfolio, the introduction of new off-patent and differentiated medicines, and intensified medical sales efforts.

Positive Drivers:
ABT's highly diversified product portfolio fuels growth across multiple revenue segments, supporting the company's high single-digit organic revenue growth. The medical devices segment, which comprises approximately 42.10% of ABT's revenue, has been a particularly strong driver, with sales rising by 10.20% to $4.73 billion in the second quarter.[5] In June, the FDA approved ABT's Lingo and Libre Rio, over-the-counter continuous glucose monitoring systems, underscoring the company's commitment to the diabetes care industry.[6] These innovations are anticipated to create significant new growth opportunities and position ABT as a leader in emerging segments.

Negative Drivers:
In its Q2 earnings press release, ABT reported lower growth in diagnostic sales, primarily due to a decline in COVID-19 testing-related revenue. While ABT's diversified portfolio has provided some stability, it has not fully offset the impact of this decrease, which continues to affect several diagnostic testing providers. Additionally, ABT faces a $495 million lawsuit for allegedly failing to warn that its infant formula could potentially cause necrotizing enterocolitis (NEC), particularly in premature infants.[7] The outcome of this lawsuit could negatively impact ABT's pediatric nutritional products. However, in August, ABT announced an expansion of its Pure Bliss line to include the only organic liquid infant formula available in U.S. retail stores.[8] If successful, this expansion could help mitigate potential financial setbacks from the lawsuit.

Bristol-Myers Squibb (BMY)

Sector: Healthcare
Fund Manager: Libby Gordon

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	-	35,249.50	7.26	-
H2	35,249.50	33,631.00	-2.38	2.21
Tenure	35,249.50	33,631.00	4.71	2.21

H2 Actions: Held. Total dividend payment of $780.00 during this period.

Holding Description:
Headquartered in Princeton, New Jersey, Bristol-Myers Squibb (BMY) discovers, develops, and delivers innovative medications to address serious diseases.[9] BMY combines the agility of a biotechnology firm with the reach and resources of an established pharmaceutical company, allowing it to maintain a diverse portfolio of both growth and legacy products. Its history of strategic partnerships and acquisitions, substantial investments in research and development, and commitment to innovative treatments make BMY attractive holding in the biopharmaceutical industry.

Positive Drivers:
Recent acquisitions of Mirati Therapeutics, RayzeBio, and Karuna Therapeutics have strengthened BMY's long-term growth portfolio, notably adding KarXT—a novel treatment for schizophrenia. While various effective treatment options exist, KarXT is the first drug in its class targeting the M1 and M4 receptors, addressing mental and mood disturbances uniquely.[10] Developed by Karuna Therapeutics, KarXT is a promising addition, as schizophrenia impacts approximately 24 million people worldwide. [11] As cancer incidence is projected to increase by over 12 million cases by 2050, this highlights a significant growth opportunity for BMY's oncology division.[12]

Negative Drivers:
The upcoming patent expirations on top-selling medications are a key concern for BMY. The patent for its highest-revenue treatment, Eliquis, is set to expire in 2028, after which it will face competition from generic brands. Eliquis is a top-selling drug worldwide, and accounts for approximately 27.10% of BMY's branded drug sales. BMY is implementing a defense strategy that includes label expansions and efforts to strengthen brand recognition, though it will ultimately contend with increased competition. Additionally, in June 2023, BMY filed a lawsuit challenging the constitutionality of a provision in the Inflation Reduction Act (IRA), arguing that it violates the Fifth Amendment and infringes on free speech rights. The IRA statute mandates that drugmakers offer their innovative medications at government-set prices.[13] While BMY has publicly supported efforts to improve patient access and reduce individual healthcare costs, it has joined Merck in legally challenging certain measures of the act.

CVS Health Corporation (CVS)

Sector: Healthcare
Fund Manager: Libby Gordon

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	25,344.66	28,952.88	16.06	1.82
H2	28,952.88	22,825.44	-19.50	1.67
Tenure	25,344.66	22,825.44	-6.22	3.49

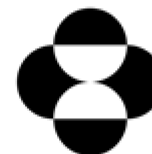
H2 Actions: Held. Total dividend payment of $482.80 during this period.

Holding Description:
CVS Health Corporation (CVS) is a retail pharmacy and health solutions provider, operating approximately 9,000 retail locations and over 1,200 walk-in and primary care clinics across the U.S. and Puerto Rico. The company's multi-faceted business model spans segments such as (1) Health Services, (2) Pharmacy and Consumer Wellness, (3) Healthcare Benefits, and (4) Corporate/Other. As a leader in the pharmacy benefit management (PBM) segment, CVS serves around 108 million plan members, contributing approximately 25.80% of its total revenue.[14] CVS's ability to integrate its diverse assets to deliver comprehensive customer solutions stands as a key strategic differentiator.

Positive Drivers:
CVS has a history of strategic mergers and acquisitions activity aimed at driving integrated value and expanding its product and service offerings. Through acquisitions, CVS has broadened its capabilities, particularly in software solutions, value-based care models, and virtual care. One key initiative, CostVantage, is designed to reshape the traditional pharmacy reimbursement model by promoting pricing simplicity and transparency. This program will establish defined drug costs and related reimbursements in partnership with contracted pharmacy benefit managers (PBMs) and payors, with a rollout planned for 2025.[15] CVS believes its consumer-centric strategy will drive sustainable, long-term growth and deliver value to its shareholders.

Negative Drivers:
CVS is currently facing challenges in its Health Benefits segment following the announcement of executive changes, including the departure of Brian Kane, who has left after less than a year as head of the segment. Karen S. Lynch, the interim President and CEO, will assume direct leadership due to ongoing concerns regarding the segment's performance.[16] This situation was underscored in CVS's second-quarter earnings report, where the company reduced its full-year guidance due to Aetna facing challenges related to elevated utilization rates.[17] CVS has now cut its earnings guidance for 2024 for the fourth time in nine months, attributing these revisions to issues with Medicare. While CVS reported revenue of $91.23 billion in Q2 2024, a substantial portion of this revenue was offset by increased medical costs. The adjusted earnings per share (EPS) of $1.83 reflects a 17.20% decrease compared to the previous year.[18]

Merck & Co. (MRK)



Sector: Healthcare
Fund Manager: Libby Gordon

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	55,901.85	71,648.85	29.63	1.46
H2	71,648.85	61,663.08	-12.77	1.17
Tenure	55,901.85	61,663.08	13.26	2.63

H2 Actions: Held. Total dividend payment of $836.20 during this period.

Holding Description:
Merck & Co. (MRK), a global pharmaceutical and biotechnology company, delivers health solutions through a diverse portfolio that includes prescription medicines, vaccines, biologic therapies, animal health products, and consumer care items. In the U.S., MRK produces vaccines for ten of the eighteen serious diseases recommended for routine vaccination by the CDC.[19] MRK is dedicated to meeting patients' needs and generating long-term value for both patients and shareholders by investing in an extensive pipeline of treatments.

Positive Drivers:
MRK experienced a significant increase in its research and development to sales ratio in 2023, with a trailing 12-month ratio of 50.79%, up from 22.85% in 2022. As of Q2 2024, the ratio stands at 32.69%.[20] Ongoing investments in research and development have expanded MRK's pipeline, which now includes over 80 programs in Phase 2, more than 30 programs in Phase 3, and 11 programs under review. Keytruda, the primary growth driver for MRK's oncology segment, generated $7.3 billion in sales during Q2 2024, fueled by increased uptake in earlier-stage cancers and continued strong global demand from metastatic indications. MRK has the largest immuno-oncology clinical research program in the industry, with more than 1,600 trials studying Keytruda.[21]

Negative Drivers:
Summit Therapeutics recently presented data at the World Conference on Lung Cancer, introducing Ivonescimab as a potential competitor to Keytruda. This new drug demonstrated a 49% reduction in the risk of disease progression or death compared to Keytruda.[22] With Keytruda's patent set to expire in 2028 and given its status as a significant revenue driver for MRK, this emerging competitor poses potential downside risks for the company. Additionally, regulatory requirements, such as those outlined in the Inflation Reduction Act (IRA), present further challenges for MRK, as pricing restrictions in key markets could limit its ability to manufacture and distribute essential treatment offerings.

Industrials

Fund Manager: Anna Williams

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	66,060.68	79,811.69	23.74	25.28
H2	79,811.69	144,153.90	18.76	8.25
Tenure	66,060.68	144,153.90	33.92	35.54

H2 Analysis:
Our industrials sector holdings in the Haslam portfolio returned 18.76% over the second half of the year, outperforming the index benchmark by 9.65%. Raytheon (RTX) was a strong outperformer in the sector, boasting our portfolio's third highest absolute return over the fiscal year. We are currently overweight in Industrials by 1.78%, as our sector weight sits at 10.28% and the S&P 500 Index sector weight sits at 8.50%.[1] Due to both our macroeconomic outlook and our optimistic outlook for industrials, we aim to maintain our slightly overweight position in the sector going forward. We will look for opportunities to improve sector performance with this goal in mind. Throughout H2, we took action on two major decisions within our industrials sector. On April 9th, we liquidated our position in Borgwarner (BWA) due to concerns regarding their corporate strategy and the stability of our investment in the stock going forward. Using partially those funds, we bought Applied Industrial Technologies (AIT) to diversify our industrials holdings, as we found it to be an undervalued company showing resilience, stability, and strong growth. This investment has proved valuable and has been a key driver of our industrials sector success.

Moving Forward:
Future decisions within the industrials sector of the Haslam portfolio will be driven by both our macroeconomic outlook and our desired sector weighting. Factors such as recent and expected rate cuts as well as hurricane rebuilding efforts offer growth opportunities within the industrials sector, inviting us to further diversify our coverage of the sector. Our Aerospace & Defense holdings, Lockheed Martin (LMT) and RTX, are set to benefit from high demand and growth opportunities fueled by ongoing global conflicts, most notably in Eastern Europe and the Middle East. These opportunities give us confidence in the industrials sector moving forward.

Applied Industrial Technologies (AIT)

Sector: Industrials
Fund Manager: Anna Williams

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	-	-	-	-
H2	-	62,030.14	13.93	.65
Tenure	-	62,030.14	13.93	.65

H2 Actions: Bought 278 shares of AIT on 04/09/2024 for $54,627.00. Total dividend payment of $205.72 during this period.

Holding Description:
Applied Industrial Technologies (AIT) is a leading U.S. distributor of products and services for the maintenance, repair, and operations (MRO) and original equipment manufacturer (OEM) markets. Featuring many different brands, AIT specializes in offering fluid power, flow control, automation technology, and maintenance solutions.[2] AIT takes pride in both its current position as an industry leader and its potential for growth and expansion going forward.

Positive Drivers:
AIT's strong market performance has caught the eye of investors, giving the firm an opportunity to capture market share and gain attention. The U.S. accounts for the vast majority of AIT's revenue stream, so the country's economic future could be both an opportunity and a risk for success, as the firm depends on healthy demand from its broad domestic customer base. As inflation cools, AIT stands to benefit from its high profit margins, staying ahead of competitors. Further, the firm seeks growth opportunity by taking action to expand its automation platform, advance technological capabilities, and conduct mergers and acquisitions to expand business areas and locations.[3]

Negative Drivers:
As previously mentioned, AIT boasts a high profit margin; however, cost of sales makes up most of the firm's expenses.[4] This means that if inflation takes another upturn, pushing prices up for the supply chain, AIT could potentially face challenges maintaining those profit margins and staying ahead of competitors. Competition does pose a threat for AIT, as the firm's diverse products could be bought from other brands through many competing distributors throughout North America, Puerto Rico, Australia, New Zealand, and Singapore.[5] Therefore, AIT cannot afford to become complacent in its leadership position or unaware of the strategies of competitors.

BorgWarner (BWA)

Sector: Industrials
Fund Manager: Anna Williams

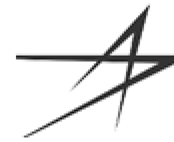
Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	-	14,347.62	7.99	.54
H2	14,347.62	-	-.25	-
Tenure	14,347.62	-	7.72	.54

H2 Actions: Sold 413 shares of BWA on 04/09/2024 for $14,311.36. No dividend payments during this period.

Holding Description:
BorgWarner (BWA) is a U.S. automotive and electric vehicle supplier originally founded in 1880. BWA has recently shifted its focus from manufacturing combustion engine components, which the firm has long been known for, to investing in the production of electric and hybrid vehicle components. BWA aims to pursue this strategy wholeheartedly, becoming a market leader in electric vehicle (EV) systems and reaching carbon neutrality over the next decade.[6]

Liquidation Thesis:
BWA's decision to place a heavy reliance on the volatile EV market for its future revenue generation put the firm in a delicate financial position, and we decided to liquidate our position. On April 9, 2024, we sold our 413 shares of BWA at $34.65/share, a price which was just slightly above our original cost basis of $32.37/share. We used the proceeds to fund a new industrials investment in AIT. Due to BWA's major shift in corporate strategy, we found our investment in the firm to be unsafe. Uncertainty was growing among investors such as ourselves regarding BWA's ability to maintain its combustion components base while shifting resources to grow electric and hybrid component sales within the changing EV market.[7] BWA's multiple mergers and acquisitions in the EV industry represented hefty expenses and failed to convince us of impending success; rather, we became skeptical of the firm's dependence on the demand and growth of this singular market area.[6] Ultimately, our worry over the financially precarious position of BWA outweighed our faith in the firm's adaptability and growth capabilities.

Lockheed Martin Corporation (LMT)



Sector: Industrials
Fund Manager: Anna Williams

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	16,767.36	18,649.67	12.00	.77
H2	18,649.67	23,966.96	30.59	2.08
Tenure	16,767.36	23,966.96	46.02	2.85

H2 Actions: Held. Total dividend payment of $387.45 during this period.

Holding Description:
Lockheed Martin (LMT) is a premier U.S. aerospace and defense company, providing top-of-the-line defense technology for customers such as the U.S. Army, Navy, Air Force, Marine Corps, NASA, and over 50 foreign allies. LMT aims to achieve superiority in their business areas by investing heavily in research and development. LMT sees itself as a visionary company, anticipating the needs of the future and creating technology to overcome challenges and surpass expectations.[8]

Positive Drivers:
LMT is heavily dependent on government spending, and it is worth noting that the U.S. government is responsible for a vast majority of the company's revenues and funds for research and development. Although this reliance can be a weakness, it can also be perceived as a strength. Strained international relations and ongoing global conflicts represent a growth opportunity, as these situations increase military spending and, therefore, demand for LMT's products. For example, following Iran's attack on Israel, the U.S. sent more military aid to Israel, Ukraine, and Tiawan in April, no doubt bolstering growth for LMT and its peers in the Aerospace & Defense subsector.[9] LMT also seeks to further incorporate AI and machine learning (ML) into their products and processes, bringing opportunity and efficiency. LMT is investing heavily in research and development, which can bring abundant technological advancement as the firm seeks to improve.[8]

Negative Drivers:
As previously mentioned, LMT is heavily reliant on its limited customer base, and government decisions on trade policies, foreign aid, budgets, and environmental protections can have a strong impact on the firm. With the U.S. presidential election and Congressional elections quickly approaching, this fact deserves consideration as a risk as well, as these government decisions will be remade in the upcoming months. In addition, LMT may be challenged to keep up with increasing tech demands and specifications of orders. Recently, LMT faced a withholding of payment by the Pentagon in the amount of $5 million per aircraft due to unmet specifications; although the withheld amount adds to just 6% of the charge per aircraft, this situation is an example of the challenge for LMT to meet customer demands.[10]

Raytheon (RTX)

Sector: Industrials
Fund Manager: Anna Williams

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	17,272.80	46,814.40	35.21	1.64
H2	46,814.40	58,156.80	25.52	1.29
Tenure	17,272.80	58,156.80	69.31	2.93

H2 Actions: Held. Total dividend payment of $604.80 during this period.

Holding Description:
Raytheon (RTX) is an American multinational aerospace and defense firm that supplies ground, space, air, and sea solutions for the U.S. government, worldwide allies, and private businesses. RTX is a conglomerate company composed of the following three businesses: Collins Aerospace, Pratt & Whitney, and Raytheon. RTX's focus is to envision and develop transformative technology to meet the demands of the future.[11]

Positive Drivers:
RTX is heavily focused on creating pioneering technology, most notably through work with sustainable aviation fuel and the development of electric and hybrid-electric propulsion technology.[11] These are impressive efforts toward sustainable aviation and will be a great opportunity due to environmental regulations and rising consumer preferences for environmentally-friendly products. International conflicts may bolster demand for the firm as well, because a chunk of RTX business is attributed to the U.S. government and its allies. RTX has won several major contracts recently, including a $1.05 billion deal with the U.S. Air Force on August 29th. On that same day, RTX hit a record high price of $121.36.[12] The growth opportunity given by this strong government demand could also be considered a risk, but RTX does enjoy a degree of diversification due to its Pratt & Whitney business and its airport management solutions.

Negative Drivers:
As mentioned previously, U.S. government decisions regarding defense budgets and foreign aid packages are an important factor for aerospace and defense industry demand. The U.S. presidential election is almost upon us, and this leader will play a key role in foreign policy decisions, U.S. budget decisions, and pitching environmental regulations. In addition, legal troubles may continue to be a burden for the firm. RTX has faced multiple government investigations recently, resulting in heavy "one-time" legal costs.[12] The glaring disparity between reported and adjusted numbers in RTX's Q2 report allude to these expenses as well as the firm's current ratio, which dropped .08 since Q1 ended and is now reported at .99.[13]

Information Technology

Fund Manager: Beckett Anderson

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	286,744.11	374,855.47	31.13	31.97
H2	374,855.47	465,076.48	22.48	15.61
Tenure	286,744.11	465,076.48	56.22	52.50

H2 Analysis:
Throughout the year, the information technology sector was a top performer for our portfolio. Strong returns for the year were driven by our holdings in the "Magnificent 7" stocks and companies involved in semiconductor manufacturing. Although this sector of our portfolio underperformed the sector benchmark, absolute returns remained very strong. We saw two very strong periods from Broadcom with strong returns from Apple and JEPQ in H2. Our holdings in Applied Materials and Microsoft underperformed significantly in comparison to the prior period as well as the sector benchmark. Looking to the short-term future, we see the information technology sector as one that holds a lot of promise as semiconductors continue to rise in demand and more opportunities present themselves in emerging technologies. To manage risks around upcoming earnings releases and the election, we may look toward alternative tactics to preserve these strong gains.

Moving Forward:
Moving forward, the information technology sector becomes a very interesting space to be a part of with many moving pieces creating opportunities and risks alike. Jerome Powell, alongside the Fed, deemed unemployment and inflation figures to be at the necessary level to make a 50-basis point cut to the Fed Funds rate. With these cuts beginning, we will see lower lending prices, and this data has a direct inverse correlation to the levels of mergers and acquisitions activity.[1] This data is very appealing when it comes to smaller firms in IT because of the heavy involvement venture capital and private equity have on these firms. Internally, these tech companies have further resources once debt is less expensive, which can lead to investments in other initiatives and projects. For example, according to S&P Global, "For every 100-basis-point increase in the Fed funds rate, research and development spending at public companies has historically fallen by between 1% and 3%" which leads the fund to believe that the inverse must also be true.[2] These further investments, theoretically, can only lead to better products, more growth, and larger revenue figures - making us bullish on the information technology sector moving forward in the long term.

Apple, Inc. (AAPL)

Sector: Information Technology
Fund Manager: Beckett Anderson

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	70,367.31	70,478.28	0.44	0.28
H2	70,478.28	105,782.00	35.36	0.43
Tenure	70,367.31	105,782.00	35.80	0.43

H2 Actions: Bought 43 shares of AAPL on 5/6/2024 for $7,838.04. Total dividend payment of $227.00 during this period.

Holding Description:
Apple, Inc. (AAPL), is a communications equipment and consumer technology company classified in the information technology sector of the S&P 500 by the Global Industry Classification Standard. AAPL, "designs, manufactures, and markets a variety of consumer electronics, telecommunications, and entertainment services" and aims to provide innovative products and services to a global market of end users.[3] The company looks to be the market leader in the consumer electronics space and has done so thus far with much of the U.S. and even much of the modern world (Western Europe, Japan, China, etc.) consuming Apple products. AAPL has also revolutionized the smartphone market with advancements in photography integration, such as panoramic mode (2012) and LiDar scanning (2020).[4]

Positive Drivers:
As AAPL continues to advance and add more technology to its line of products, the Apple ecosystem becomes a very valuable asset to the company. Simply put, this is the range of products and services sold by AAPL that operate cohesively with one another in a seamless manner - creating a sort of interconnected ecosystem. With the operating systems in Mac products (iOS and MacOS) occupying every product, AAPL can create ways to synergize the user experience. The connection between products drives sales organically for the company as users develop a sort of psychological dependency on these products in their daily lives. Another strong growth factor for AAPL in the coming years is the development of its services line, which is an alternative sales avenue that works with its established product line. Although the services segment currently makes up only around 17.00% of revenue for the company, it has a high profit margin and very strong growth potential as AAPL integrates more in-house services into its product line.[5]

Negative Drivers:
One of AAPL's largest threats is U.S. relations with the Chinese government. With tariffs possibly being introduced or increased, AAPL has the potential to incur much higher manufacturing and distribution costs. However, AAPL is very aware of this risk and has taken precautions to move some of its production facilities to surrounding countries such as Taiwan, South Korea, and India. AAPL has also seen declining revenue figures in China, because of increased smartphone market competition. AAPL's market share has fallen over the last few years with current levels at 14.00%, as of the second quarter of 2024.[6]

Applied Materials, Inc. (AMAT)

Sector: Information Technology
Fund Manager: Beckett Anderson

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	61,194.90	91,153.66	49.42	0.46
H2	91,153.66	98,600.40	-1.60	0.79
Tenure	61,194.90	98,600.40	40.54	0.79

H2 Actions: Bought 46 shares of AMAT on 5/6/2024 for $9,444.26. Total dividend payment of $390.40 during this period.

Holding Description:
Applied Materials, Inc. (AMAT) is an American multinational technology manufacturing company headquartered in Santa Clara, CA. AMAT, "develops, manufactures, markets, and services semiconductor wafer fabrication equipment and related spare parts for the worldwide semiconductor industry."[7] The products that AMAT sells function as intermediates in other production operations that add value by improving end products.

Positive Drivers:
The demand for semiconductors has been on the rise in the last half a decade. Uses in artificial intelligence, machine learning, advanced consumer electronics, personal computers, and more are driving demand higher. As these industries stay in the spotlight and companies are focused on investments in technology, AMAT's products will be purchased. AMAT has also proved more than once that it has the ability to pivot and adapt to the changing needs of consumers in the technology sector. Throughout the history of the company, they have made several smart mergers and acquisitions but have also made very smart divestiture decisions. For example, entering the solar energy market with technology that enabled the processes, but then discarding pieces of the industry when they were no longer important for revenue generation.[8]

Negative Drivers:
AMAT describes a "dependence on our timely supply of equipment, services, and related products to meet the changing requirements of customers. AMAT must ensure timely delivery of parts, materials, and services from suppliers and contract manufacturers."[9] As a link in the holistic supply chain, AMAT is responsible for collecting materials from primary manufacturers, making intermediate products, and then providing those to customers of their own. Supply chain disruptions or inconsistencies in the demand-to-supply relationship can be harmful to the company and our investment. Additionally, the semiconductor industry has grown at an alarming rate. The risk is stated by AMAT as, "The global semiconductor, display, and related industries are characterized by ongoing changes that impact demand for and the profitability of our products and services".[10] In other words, the company is constantly in a "keep up or get left behind" situation.

Broadcom, Inc. (AVGO)

Sector: Information Technology
Fund Manager: Beckett Anderson

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	37,376.10	59,643.45	60.21	0.63
H2	59,643.45	86,250.00	31.71	1.23
Tenure	37,376.10	86,250.00	99.22	1.23

H2 Actions: Bought 5 shares of AVGO on 5/6/2024 for $6,420.00. Total dividend payment of $471.00 during this period.

Holding Description:
Broadcom, Inc. (AVGO) is a technology manufacturing company headquartered in San Jose, California that, "designs, develops, and supplies semiconductor and infrastructure software solutions to customers worldwide."[11] AVGO is the fourth largest company in the information technology sector index with a market capitalization of $805.67 billion.[12] However, this size seems rather small compared to the three companies above it: Apple ($2.98T), Microsoft ($3.20T), and NVIDIA ($3.54T). AVGO focuses on providing a large portfolio of products and services targeted toward the information technology sector with a focus on leading innovation in select industries.[13] The company values diversification among its products and services so as to not be siloed in a single vulnerable market and take on more risk.

Positive Drivers:
In November of 2023, AVGO made the acquisition of VMware LLC, a cloud computing and virtualization technology company, for $69 billion. The acquisition, which was announced in May of 2022, aims to increase AVGO's software business. When the acquisition of VMware was made, AVGO made an adjusted EBITDA target of $8.5 billion within three years of the transaction and has stated that the company is "well on the path to achieving or exceeding that target."[14] Artificial Intelligence (AI) has been a major growth driver for AVGO over the past year. The semiconductors responsible for operating high-end artificial intelligence platforms are an extremely relevant key performance indicator for the company - i.e. growth for AVGO can be visualized through semiconductor sales growth.

Negative Drivers:
Since the acquisition of VMware, AVGO has been on a mission to simplify the company's product offering. Not only are AVGO moving to shrink the portfolio and simply the product line, but they are also changing VMware's operational structure to create stable revenue streams. AVGO relies heavily on its relationships with business-to-business customers - primarily distributors of the company's products. AVGO states, "sales to distributors accounted for 57% of net revenue in FY 2023" and then goes on to discuss risks associated with this reliance.[15] Although relationships remain strong, both internal and external demand fluctuations can severely impact the forecast vs. actual revenue and earnings figures and adversely impact the firm's equity share price.

J.P. Morgan Nasdaq Equity Premium Income ETF (JEPQ)

J.P.Morgan

Sector: Information Technology
Fund Manager: Beckett Anderson

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	-	-	-	-
H2	-	39,329.88	11.42	12.03
Tenure	-	39,329.88	11.42	12.03

H2 Actions: Bought 716 shares of JEPQ on 4/19/2024 for $36,498.10. Total dividend payment of $1,334.94 during this period.

Holding Description:
J.P. Morgan Nasdaq Equity Premium Income ETF (JEPQ) is an actively managed exchange-traded fund owned and operated by J.P. Morgan Chase bank, launched in May, 2022. As described by Bloomberg, "the fund seeks to provide the majority of returns associated with the fund's primary benchmark, the NASDAQ 100 Index, while exposing investors to less risk through lower volatility and still offering incremental income."[16] To do this, portfolio managers write covered calls on equities in the NASDAQ 100 index. The covered call strategy involves a combination of long stock and short call positions on the same basket of holdings.[17]

Positive Drivers:
With the election upcoming, the NASDAQ is set up for a period of volatility and associated risk for investors. Moves in voting for one party or the other could cause a spike or a trough. The economy is also showing signs of slowing down as inflation drops and unemployment rises, and these economic changes could bring about short-term losses in the Nasdaq index. However, as we see borrowing rates fall and the election firmly decided, this high volatility period will likely come to an end. One very important positive of our holding in JEPQ is that the covered call strategy is in place entirely for uncertainty like this.

Negative Drivers:
Many of the companies held in the NASDAQ come with the same risks that the information technology sector has at this time. The largest risk in this sector stems from the valuation of companies in the semiconductor and consumer electronics industries, which have been propelled very far upward by what some are calling the "AI Boom." While, yes, artificial intelligence is proving very useful and has helped make strides in countless areas of business, there is still risk of overvaluation. Also, although the information technology sector is the main player and will affect the vast majority of the fund's performance, there are areas of both consumer discretionary and consumer staples that will be affected by the rise in unemployment and decrease in consumer spending

Microsoft Corporation (MSFT)

Sector: Information Technology
Fund Manager: Beckett Anderson

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	89,673.00	119,484.48	33.72	0.71
H2	119,484.48	135,114.20	2.91	0.77
Tenure	89,673.00	135,114.20	33.42	0.77

H2 Actions: Bought 30 shares of MSFT on 5/6/2024 for $12,265.50. Total dividend payment of $471.00 during this period.

Holding Description:
Microsoft Corporation (MSFT) "is one of the world's leading technology companies with products that include the Windows operating system, cross-device productivity, cloud services, and collaboration applications.[18] MSFT begins their latest annual filing with the following statement which details their strategy moving forward into a new age of technology. The statement is as follows: "Microsoft is committed to making digital technology and artificial intelligence (AI) available broadly and doing so responsibly, with a mission to empower every person and every organization on the planet to achieve more. We create platforms and tools, powered by AI, that deliver innovative solutions that meet the evolving needs of our customers."[19]

Positive Drivers:
Although MSFT is not a company that will be profiting directly from the growth of artificial intelligence hardware like many others that have been put in the spotlight recently, they have been one of the first and most effective to implement it into their products. MSFT also has some of the best history of any company when it comes to consumer technology and application development - the main field generating revenue from end market users. The current products on offer with AI implemented include Dynamics, COPILOT, and Azure, with plans to bring more into Microsoft Office programs.[20] MSFT's Cloud platform has also provided a major tailwind for revenue in the last year. Amy Hood, EVP and CFO of the company, stated: "Microsoft Cloud revenue was $35.1B, up 23% YoY, driven by strong execution by our sales teams and partners."[21]

Negative Drivers:
A risk that has always been present in MSFT's business, but is particularly relevant at the time of writing this report, is the risk of failing to meet consumers' expectations for reliability. Looking at current events, in July of this year, MSFT's cybersecurity platform, CrowdStrike, released an update that had a failure and caused Windows computers to crash and several apps and services to have issues.[22] These effects were felt in many different industries of business. With the extremely large number of users that are involved with MSFT software on a daily basis, MSFT must be able to keep data centers stable. Another large risk for MSFT is its exposure to cyberattacks and hacking. In July, groups of Microsoft Azure customers experienced outages due to a DDoS (distributed denial of service) cyberattack.[23]

Palo Alto Networks, Inc. (PANW)

Sector: Information Technology
Fund Manager: Beckett Anderson

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	28,132.80	34,095.60	21.20	0.00
H2	34,095.60	0.00	4.27	0.00
Tenure	28,132.80	0.00	26.37	0.00

H2 Actions: Sold 120 shares of PANW on 5/3/2024 for $35,553.11. No dividend payments received during this period.

Holding Description:
Palo Alto Networks, Inc. (PANW) is a global cybersecurity company headquartered in Santa Clara, California. "The company offers firewalls that identify and control applications, scan content to stop threats, prevent data leakage, integrated application, user, and content visibility."[24] Palo Alto attributes the majority of its revenue to the company's subscription and support segment, which houses many of the subscription-based cybersecurity platforms that the company has on offer. This segment makes up 80.00% of the total top-line, with the additional 20.00% coming from their product offerings.[25] PANW is not rated by Moody's or S&P at this time, but is rated investment grade, or BBB and IG1, by Egan-Jones, and Bloomberg respectively.[26]

Liquidation Thesis:
The decision to liquidate our shares in PANW was made following the earnings release for Q3 of FY 2024, as it brought a slight increase to our holding in the company after a steep decline in the previous quarter. In Q2 of 2024, the company beat both revenue and EPS estimates by over 12.00%, however also reported weaker guidance, which prompted a 28.44% decline in a single day.[27] After this event, the fund began looking for exit opportunities to recoup losses and help spur growth in the IT sector. To minimize risk and protect against further short-term losses, all 120 shares of PANW were sold on May 3, 2024 for a slight gain in H2. The remaining cash balance that this transaction provided was split between the four other holdings within the sector; bringing the sector weighting closer to the benchmark.

Materials

Fund Manager: Parker Erdman

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	21,299.68	27,896.08	31.87	19.39
H2	27,896.08	28,288.04	1.41	2.09
Tenure	21,299.68	28,288.04	32.81	34.60

H2 Analysis:
The Haslam Fund maintained an underweight position in the Materials sector, making up 2.03% of our portfolio, compared to the S&P 500's 2.22%. Despite being underweight, the Fund outperformed its benchmark with an absolute return of 1.41%. This success was driven by the resilience of Graphic Packaging Holding Company (GPK), the sole holding in the sector, which benefited from strong demand for consumer goods and operational efficiencies. The Fund's focus on quality investments offset the lower weight in the sector, highlighting the importance of strategic stock selection during times of economic uncertainty and fluctuating interest rates. Throughout H2, there were numerous shifts in raw material prices that impacted the overall sector. The most prominent was lithium, where supply moved from a deficit to a surplus, driven by aggressive expansion and increased production.[1] China has taken the initiative, and during Q2, was responsible for 82% of imports.[2] China has led the way in the growing battery market, which looks to expand the overall electric vehicle pool in hopes of decreasing carbon emissions.

Moving Forward:
The materials sector is closely tied to the overall economy, with raw material prices fluctuating in response to economic conditions. The fund will continue to monitor economic indicators, especially as interest rates begin to decrease, which we anticipate could create investment opportunities in certain sectors. We expect areas such as mining and metals to benefit from an uptick in construction and industrial production, fueled by lower borrowing costs that improve debt financing conditions and enhance purchasing power for businesses. While we maintain an underweight allocation to the sector due to its inherent volatility, we acknowledge the potential for increasing our exposure if macroeconomic trends align favorably. Despite concerns around inflation and the possibility of an economic slowdown, the recent Fed rate cuts provide a more optimistic outlook, and we are prepared to capitalize on opportunities as they emerge.

Graphic Holding Packaging Company (GPK)

Sector: Materials
Fund Manager: Parker Erdman

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	21,299.68	27,896.08	31.87	0.90
H2	27,896.08	28,288.04	1.41	0.69
Tenure	21,299.68	28,288.04	32.81	1.59

H2 Actions: Held. Total dividend payment of $191.20 during this period

Holding Description:
Graphic Packaging Holding Company (GPK) is an industry leader in innovation that designs and manufactures goods from renewable resources or recycled materials. These goods are made from items such as cartons, trays, carriers, cups, and bowls. They produce these items in over 100 different locations, operate in 25 countries around the world, and have about 23,000 employees. Their packaging is used by millions of people every day and is broken down into five segments: (1) food, (2) beverage, (3) foodservice, (4) household, and (5) health and beauty. They currently see their total addressable market at around $15 billion and have a market cap of 8.8 billion.[3]

Positive Drivers:
GPK has seen increases in net income dating back to 2020. In Q2 of 2024, they showed a net income of $190 million, which is a noteworthy increase from the prior year of $150 million.[4] They continue to improve market share, largely targeting sustainability-valuing Gen Z, and making sustainability a top priority for GPK moving forward. They already have multiple goals going into 2030 for ways to reduce carbon emissions and improve their environmental footprint. 95.00% of sales result directly from sustainable packaging materials, which puts GPK in the top 15.00% of all global companies. Lastly, GPK constantly looks to expand and grow through their innovative sales program, which accounted for $51 million alone in just Q2 of 2024.[5] Their commitment to sustainability is reinforced by continuous approaches to innovate packaging solutions. GPK positions itself not only as a leader in its industry but also aligns its growth with the increasing global demand for sustainable practices.

Negative Drivers:
GPK's performance is closely linked to economic conditions, making it a cyclical business. If the price for energy, transportation, and other necessary supplies and services increase significantly, GPK may be unable to improve their productivity to reduce costs. GPK's business model is also highly dependent on consumers, which means changing consumer preferences, such as moving from single-use packaging to reusable containers, could harm the company's financials. Additionally, fluctuations in raw material prices could affect production costs, further challenging profitability. Lastly, any disruptions in the global supply chain, such as those caused by geopolitical events, could hinder GPK's ability to meet demand efficiently.

Real Estate

Fund Manager: Parker Erdman

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	41,715.82	45,543.84	10.97	18.10
H2	45,543.84	59,974.78	31.69	14.74
Tenure	41,715.82	59,974.78	43.77	35.21

H2 Analysis:
The Haslam Fund had a 2.06% overweight position in the Real Estate sector, holding only two Real Estate Investment Trusts (REITs): Camden Property Trust (CPT) and Welltower, Inc. (WELL). In Q2 of 2024, home purchases declined by 1.90% due to high mortgage rates.[1] Throughout the second half of the year, the real estate market experienced a significant slowdown. By September, the average home price peaked at $501,000, leading to slower buyer activity.[2] In Q3 2024, the commercial real estate market also faced challenges due to rising vacancy rates. Despite these setbacks, the real estate sector remained resilient in anticipation of potential rate cuts before the end of the year. While the Fed did reduce interest rates in the second half of 2024, its impact on the housing market was limited, as many homeowners remained locked into their current properties due to the large gap between their low mortgage rates and the current higher rates. This situation contributed to a 14.00% drop in existing home inventory, as sellers hesitated to trade their favorable rates for higher borrowing costs.[3] The primary issue facing the housing market is a severe supply shortage, estimated at around 4.5 million homes.[4] Despite high mortgage rates, real estate continues to be a highly sought-after asset class, driven by strong rental demand that supports investment properties.

Moving Forward:
Looking ahead, we remain optimistic about the opportunities in the Real Estate market. The recent 50-basis point interest rate cut is expected to provide significant benefits, as many large corporations will now be able to access capital at more favorable rates, which will help drive investment and development in the sector. As mortgage rates continue to decline, more potential buyers will enter the market, helping to stimulate activity that has been sluggish due to high borrowing costs. It is predicted home prices may bottom out in the coming months but will accelerate as more buyers take advantage of favorable mortgage rates.[5] This shift could provide a window of opportunity for investors, as rising demand should create upward pressure on prices. Although we are currently overweight in Real Estate compared to the S&P 500, we believe we are well-positioned to capitalize on these developments. We are confident that real estate remains a strong asset class, and we will look to take advantage of the opportunities ahead.

Camden Property Trust (CPT)

Sector: Real Estate
Fund Manager: Parker Erdman

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	20,334.70	21,156.00	6.15	2.11
H2	21,156.00	26,558.95	25.54	2.09
Tenure	20,334.70	26,558.95	30.61	4.20

H2 Actions: Held. Total dividend payment of $442.90 during this period.

Holding Description:
Camden Property Trust (CPT) is a real estate investment trust (REIT) that focuses on owning, managing, developing, acquiring, and constructing multifamily apartment communities. Their headquarters are located in Houston, TX and are responsible for 172 different properties containing 58,250 apartment homes across the U.S. CPT operates in 14 states and has capitalized on some of the fastest growing markets, such as Austin, Houston, and Denver.[6] In addition to these completed properties, CPT is currently developing five new properties that will have 1,746 apartment homes for sale. CPT has a strong reputation for its commitment to quality and innovation. They continuously seek opportunities to expand their portfolio by acquiring properties in high-demand urban areas. CPT's successful track record is reflected in their employee base of over 1,600 employees who work to ensure the company's growth and efficiency. With a market cap of 13.04 billion, CPT is one of the largest businesses involved in the multifamily real estate market.[7]

Positive Drivers:
By focusing on high-growth markets, CPT has built a portfolio that spans into both urban and suburban locations, catering to a wide range of residents. Their portfolio consistently achieves impressive occupancy rates of approximately 95%, enabling CPT to generate reliable and steady revenue. As market conditions shift and interest rates begin to decline, CPT is in an advantageous position, with liquidity exceeding $1.3 billion, to capitalize on new growth opportunities.[7] Furthermore, the 42% homeownership rate among 25-34 year olds presents a highly valuable target demographic for CPT, as this age group represents a significant portion of potential renters. In addition to their market expertise, CPT has also achieved impressive operational results, with their move-out rate for the second half of the year dropping below 10%, setting a new all-time record for the company.[8] CPT's wide national presence, from Los Angeles to Miami, ensures they are geographically diversified and able to reach many markets across the United States.

Negative Drivers:
CPT may experience a decrease in occupancy rates as mortgage rates decline. With more first-time homebuyers able to qualify for loans, some renters may choose to purchase homes rather than continue renting from CPT. The company's target market primarily consists of individuals between the ages of 20 and 34, and if mortgage rates become more affordable, CPT could see older tenants (those in the 34+ age range) move out in favor of homeownership.[7] Additionally, if vacancy rates drop, CPT may need to consider whether lowering rent prices would be a more profitable strategy to retain customers and prevent them from entering the housing market or turning to competing properties.

Welltower, Inc. (WELL)

Sector: Real Estate
Fund Manager: Parker Erdman

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	21,381.12	24,387.84	15.5	1.49
H2	24,387.84	33,415.83	37.02	1.37
Tenure	21,381.12	33,415.83	56.29	2.86

H2 Actions: Held. Total dividend payment of $334.08 during this period

Holding Description:
Welltower, Inc. (WELL) is a prominent healthcare real estate investment trust (REIT) at the forefront of innovation in the healthcare sector. WELL focuses on investments in senior housing operations, post-acute medical communities, and health systems, with a significant portion of its revenue derived from triple net leases that provide steady income and financial stability. WELL operates with a high level of diversification, maintaining a strong presence in the United States, Canada, and the United Kingdom. Through strategic partnerships with leading healthcare providers, WELL ensures sustainable growth and access to advanced healthcare facilities. WELL was founded in 1970 in Lima, Ohio, with an initial value of $800,000, and has grown to become a global leader in healthcare real estate. Today, the company is headquartered in Toledo, Ohio, and has a market cap of $77.56 billion.[9] With WELL's broad portfolio and ongoing success, they are poised to succeed in the dynamic and constantly changing real estate healthcare sector.

Positive Drivers:
WELL has achieved an impressive 20% net operating income growth over eight consecutive quarters, thriving in its market position as the demand for senior housing continues to rise alongside an aging population. WELL estimates that approximately $30 billion in capital has been generated through the strong partnerships it has cultivated within the industry, with projections for further growth as the need for senior housing increases. In Q3, the company reported a 120 basis point improvement in occupancy rates, reflecting its strong operational performance. WELL has placed significant emphasis on addressing the needs of the aging population, particularly the 80+ demographic, which is expected to grow substantially in the coming years, creating significant opportunities. Additionally, in July, WELL raised $1.04 billion through exchangeable senior notes that are not due until 2029, ensuring long-term financial flexibility to support its growth initiatives.[10]

Negative Drivers:
As WELL moves into 2024 and 2025, the company faces significant challenges, including over $19 billion in debt repayments, creating financial pressure that demands strong cash flow and effective debt management strategies. Its current occupancy rate, around 82%, adds to this uncertainty, leaving the company vulnerable to potential revenue fluctuations if market conditions shift. In areas not governed by triple net leases, WELL faces criticism for high operating expenses that could outpace rental income growth, further complicating profitability. Additionally, WELL's reliance on healthcare workers introduces operational risks, as a shortage of skilled professionals could disrupt services and impact the quality of care.[10]

Utilities

Fund Manager: Matthew White

Period	Start Value ($)	End Value ($)	Return (%)	Benchmark Return (%)
H1	19,738.08	22,288.92	15.11	13.38
H2	22,288.92	25,663.95	16.04	24.73
Tenure	19,738.08	25,663.95	27.95	40.94

H2 Analysis:
During the period, the S5UTIL Index returned 24.73%, which made it the best performing sector by beating the S&P500 by over 14.00%. Despite strong performance, our holdings underperformed the benchmark, only returning 16.00%. We began and ended H2 with a very similar equity sector weighting of 1.68% (-0.51% underweight) and 1.88% (-0.65% underweight), respectively. As we move into the new fiscal year, the fund is comfortable with our sector weighting for utilities. With it being a counter cyclical sector, being slightly underweight allows us to allocate more money to potentially more lucrative investments.

During H2, there were two transactions within the sector. The first occurred on 4/12/2024 when we liquidated our position of 156 shares of The Utilities Sector Select SPDR ETF (XLU) for $10,004.19. The proceeds of the sale were used to purchase shares of Cameco Corporation (CCJ), a uranium mining company. The second transaction was on 5/3/2024 when we increased our position in Entergy Corp from 114 shares to 195 shares. This transaction was funded by our liquidation of Haliburton Company (HAL). This trade was important for readjusting our equity sector weightings between utilities and energy and both transactions highlight the fund's desire to take more concentrated risks and increase correlation between the energy and utility holdings in our portfolio.

Moving Forward:
There is currently high optimism in the utilities industry with the strong emergence of artificial intelligence. Demand for electricity has never been higher and it will continue to climb. Electricity demanded from data centers, artificial intelligence, and cryptocurrency could double from 2022-2026.[1] Companies that can meet this demand efficiently will reap the benefits. Renewable generation and nuclear energy are viewed as two viable paths to meet this demand, but cost and efficacy concerns remain for both. As a fund, we believe our position in Entergy Corp is one that is well positioned for the future of electricity generation. As interest rates continue to lower, ETR will be eager to invest in their future, as will the rest of the industry. The Haslam Fund is excited about the future of utilities and the opportunities that will be presented.

Entergy Corporation (ETR)

Sector: Utilities
Fund Manager: Matthew White

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	10,545.00	12,047.52	16.69	2.44
H2	12,047.52	25,663.95	25.08	2.89
Tenure	10,545.00	25,663.95	-36.16	5.33

H2 Actions: Bought 81 shares on 5/3/2024 for $8,749.62. Total dividend payments of $349.17 during this period.

Holding Description:
Entergy Corporation (ETR) is a utility company that does business in portions of Arkansas, Mississippi, Texas, and Louisiana. Although they operate under a "single reportable segment, utility," this segment includes the entire process for generation, transmission, distribution, and the sale of electricity to end use customers. In FY23, industrial customers demanded the most energy (44%), followed by residential (30%), commercial (24%), and governmental (2%), totaling 119,858 GWh of retail electricity sales.[2] The biggest drivers of success and profitability for the firm are fuel prices, the amount of electricity demanded, and the company's ability to serve that demand reliably and efficiently. As of September 30, ETR had a stock price of $131.61/share and market cap of $26.51 billion.

Positive Drivers:
There is currently lots of momentum around artificial intelligence and the possibilities that exist. As promising as the technology is, the data centers that power artificial intelligence require lots of energy. This increased demand has driven strong returns for ETR over the last year, and especially in H2. Moving forward, ETR is positioned well to meet this demand in a clean and efficient way. In 2023, 70% of their generation came from either Gas (43%) or Nuclear (27%).[3] ETR has also placed a focus on renewable energy. In June, ETR and NextEra Energy entered into an agreement to develop as much as 4.5 gigawatts of solar and energy storage, in addition to 1.7 gigawatts already in the works.[4] From 2024-2026, they plan to invest $20 billion in capital expenditures.[2] Additionally, ETR enlists a customer centric approach to business which influences their commitment to economic development. This not only drives in-migration to their region but improves the lives of their customers.

Negative Drivers:
One of the biggest events of the year were the hurricanes that devastated much of the southeast. Although ETR's service territory was not affected by Hurricane Helene, they struggled with other storms throughout the period. In early September, Hurricane Francine knocked out the power of more than 400,000 homes and businesses, which led to 297,000 ETR customers being affected.[4] Although human safety is of utmost importance, events like this have the potential to hurt the company's core business. Natural disasters are not going anywhere, which poses a constant risk to ETR. Another area of consistent concern is the intense regulatory environment that utilities operate in. There are often stringent rules about power rates, fuel recovery, and emission requirements. ETR currently does a tremendous job mitigating this risk, through the work of their enterprise risk management team.[5]

The Utilities Select Sector SPDR Fund (XLU)

STATE STREET GLOBAL ADVISORS

Sector: **Utilities**
Fund Manager: Matthew White

Period	Start Value ($)	End Value ($)	Return (%)	Dividend Yield
H1	9,183.08	10,241.40	13.30	0.81
H2	10,241.40	-	-2.32	-
Tenure	9,183.08	-	10.72	0.81

H2 Actions: Sold 156 shares on 4/12/2024 for $10,004.19. No dividend payments during the period.

Holding Description:
The Utilities Select Sector SPDR Fund (XLU) is an exchange-traded fund (ETF) that tracks the performance of stocks in the utilities sector by employing a replication strategy. XLU holds 31 names and seeks to provide "precise exposure to companies from the electric utilities, water utilities, multi-utilities, independent power and renewable electricity producers, and gas utility industries." The largest holdings in the fund, in order, are NextEra Energy (14.06%), Southern Company (7.98%), Duke Energy (7.20%), Constellation Energy (6.58%), and American Electric Power (4.42%). The utility industry greatly benefitted from increased demand for electricity related to data centers and the AI boom. XLU experienced YoY growth of over 36.00%. In addition to a low expense ratio of 0.09%, XLU offers a dividend yield of 2.82%.[6] However, during H2, the fund decided to fully liquidate our position in XLU.

Liquidation Thesis
During the period we liquidated our entire position in XLU, 156 shares for $10,004.19. The proceeds from the sale were used to fund our purchase of Cameco Corporation (CCJ). The decision to liquidate centered around increasing optimism about the broader economic environment and making strategic decisions with specific sectors. Holding a highly diversified utilities ETF is more beneficial when the economy is struggling, but as Fed rate cuts became more imminent, holding counter cyclical positions became less attractive. Additionally, the fund felt that the liquidation of XLU and subsequent purchase of CCJ created more cohesion in the portfolio. For example, CCJ is a uranium mining company and therefore, their products should flow into our only other utility holding, Entergy Corp (ETR), who operates 5 nuclear reactors, supplying 5,000 megawatts of capacity.[7] There were concerns about losing exposure to geographical differentiation with this liquidation, but ultimately there was room in the portfolio for the increased risk and we were confident that our position in ETR mitigated some of these risks.

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Any unattributed statistics are from Bloomberg. These figures are subject to possible error, as they have not been verified against other sources.

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