ROCKET
Capital Management

THERE IS LUCK.
AND THERE IS SCIENCE.

Investing is a science.
It requires a plan and
discipline to follow the plan.
Anything short thereof is blind exploration.

Winter - 2023 — "The Calm After the Storm"

Dear Valued Clients and Friends,

MARKET PERSPECTIVE: Since our last Newsletter entitled "Don't Fight the Fed", the stock market has battled against a less than accommodative Fed in an economic environment which appears to be cooling off on a consistent basis. While the Fed appears ratcheting back the size of future rate increases, the rhetoric which follows the statements continues to be extremely hawkish suggesting that they have a long way to go. This coupled with the indecision created in the minds of businesses, investors and people in general anticipating a recession makes it difficult to build a case for higher stock prices over the near term. The problem is that if investors wait until it has become obvious that the Fed has taking it's foot off the brakes to put money to work in the stock market, they will likely have missed a meaningful move higher.

As we are in the very early stages of the revenue & earnings per share season, the one thing I have noted is that while many companies have reported lower EPS and revenues than expected the stocks have not responded all that badly which suggests that perhaps much of the bad news has been priced in. In addition, the strength of the US Dollar and the challenges it represents for companies doing business internationally, appears to have peaked after an extremely powerful move higher over the last eighteen months.

Performance for the 4th quarter of 2022 was mixed with the NASDAQ Composite down 1.03% and minus 33.10% for the year, the S&P 500 did much better, up 7.07% for the period and minus 19.48% for the year. On the small cap side, the Morningstar Small Cap Growth Index posted a gain in Q3 of 3.99% and a loss of 27.39% for the year. Lastly, Rocket Capital Small Cap was up 4.43% for the quarter and down 29.90% for the year.

TECHNICAL PERSPECTIVE: It goes without saying that from the perspective of technical analysis the 2022 market was in a bear market the vast majority of the year, interrupted by a number of sharp contra trend in rallies in both March and June. However, since the most recent new low established in October the market has traded in a wide trading range above that level and in my opinion the longer we stay above those levels the less likely it is that we will make a meaningful new low. Also encouraging is the fact that the advance-decline line on both the S&P 500 and the NASDAQ Composite bottomed in late December and have been trending higher ever since. On the investor sentiment side, the bullish vs bearish investment advisors and individual investors surveys both featured almost twice as many bears as bulls for several weeks. This is typically a bullish indicator. Lastly and of great importance, my weekly analysis of over 1000 charts at random continues to feature more and more individual chart patterns which are in the later stages of the basing process or recently emerged from long bases. All things considered I remain cautiously optimistic and have started to scale a small portion of our outsized cash position into new names which fit our disciplined technical and fundamental criteria.

SECTOR COMMENT: The Oil & Gas Exploration and Production sector of the market is rapidly moving up in rank and is again leading after a period of consolidation and is poised to move higher. We will be adding to positions here. In technology the Telcom-Cable/Satellite segment has been outperforming followed by the Internet Retailing Group. Also, the Semiconductor Equipment Manufacturing group is breaking out of a long base. Most sub-sectors of the Software Group have bottomed out and are in the bottoming process. We will watch for now. The Healthcare Industry is mixed with the standout being the Biotech-Biomed sector which has been on fire. Also, the Medical Product/Device sector appears to be re-emerging.

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COMPANY HIGHLIGHT: High Peak Energy (HPK $29.86) is an independent oil & natural gas company engaged in the acquisition, development, and production of oil, natural gas and NGL reserves. Located primarily in Howard County Texas which lies within the part of the oil-rich Midland Basin. High Peak has the best operating margins among the Permian peers with the highest oil cut percentage among those peers. It also features excellent EPS and Revenue growth and an outstanding chart.

In closing, while we came into 2022 after doing a meaningful amount of selling late in 2021, little did we know that we were about to enter one of the deepest, longest and most challenging bear markets in my 40 year tenure in the investment industry. Having said that, I have never been more confident in our pragmatic, disciplined approach which combines both technical and fundamental analysis. Please take the time to read our attached Factsheet to review our long-term performance. As always, the confidence you have shown in Rocket Capital Management is greatly appreciated. Please feel free to reach out to us via telephone or email if you have any questions or comments.

Sincerely,

J.D. Hurd
President / Senior Portfolio Manager

Ben J. Scheibe
Sr. Vice President

Jim Nelson
Research Analyst / Operations

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The performance shown represents only the results of Rocket Capital's model portfolios for the relevant time period and do not represent the results of actual trading of investor assets. Model portfolio performance is the result of the application of Rocket Capital's proprietary investment process. Model performance has inherent limitations. The results are theoretical and do not reflect any investor's actual experience with owning, trading or managing an actual investment account. Thus, the performance shown does not reflect the impact that material economic and market factors had or might have had on decision making if actual investor money had been managed.
Model portfolio performance is shown net of the model advisory fee of 1.5% the highest fee charged by Rocket Capital and sample trading costs based on our Custodian TdAmeritrade's trading costs. Performance does not reflect the deduction of other fees or expenses, including but not limited to brokerage fees, custodial fees and fees and expenses charged by mutual funds and other investment companies. Performance results shown include the reinvestment of dividends and interest on cash balances where applicable. The data used to calculate the model performance was obtained from sources deemed reliable and then organized and presented by Rocket Capital.
The performance calculations have not been audited by any third party. Actual performance of client portfolios may differ materially due to the timing related to additional client deposits or withdrawals and the actual deployment and investment of a client portfolio, [optional -the reinvestment of dividends], the length of time various positions are held, the client's objectives and restrictions, and fees and expenses incurred by any specific individual portfolio.
Benchmarks: Rocket Capital performance results shown are compared to the performance of the Morningstar Small-Cap Growth Index. The index results do not reflect fees and expenses and you typically cannot invest in an index.
Return Comparison: The Morningstar Small-Cap Growth Index was chosen for comparison as it is generally well recognized as an indicator or representation of the small-cap stock market in general and includes a cross section of equity holdings.

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