



THERE IS LUCK.

AND THERE IS SCIENCE.

Investing is a science.

It requires a plan and

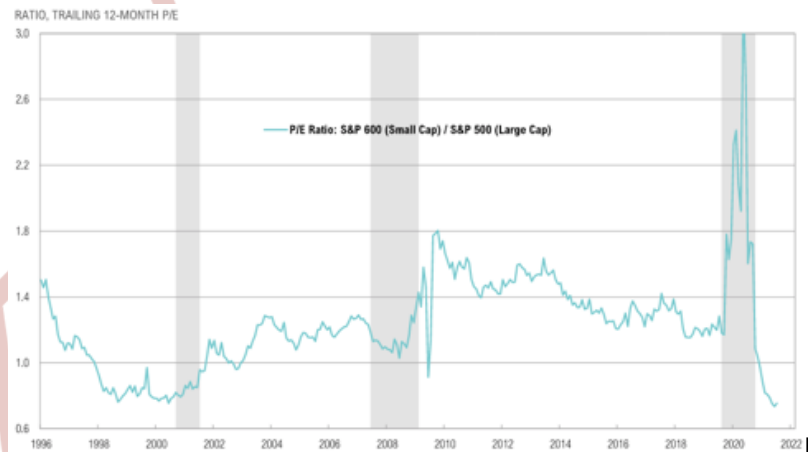
discipline to follow the plan.

Anything short thereof is blind exploration.

Winter 2022 — “Every Picture Tells a Story”

Dear Valued Clients and Friends,

MARKET PERSPECTIVE: Since the Covid Collapse in March of 2020, the US stock market has gone up in almost non-stop fashion until the market reversed abruptly in mid-November and has been in a downtrend ever since. Growth stocks, Large, Medium & Small which outperformed handsomely, have taken the brunt of the selling pressure as investors turned to cyclical industries which traditionally perform better in times of higher inflation and interest rates. What was the cause of this sudden reversal you might ask? Our opinion is the dramatic change in the Federal Reserve Board’s rhetoric from a methodic tapering of their US Treasury buying program and a gradual increase in interest rates to a more dramatic increase in the speed of the tapering process and the likelihood of multiple rate increases in 2022. The fear is that the Fed will raise rates to an economy which is improving but for how much and how long. The 4th Quarter corporate revenue and EPS releases and forecasts have been quite good thus far but the reaction to those reports has been less than exciting as many stocks have reacted negatively. This suggests the news was already baked into stock prices. The impression I get from many of our companies and the analysts that cover them is that revenues and earnings might well come in much better than expected which makes it difficult to understand why the stocks are down in some cases in excess of 50% from recent highs. The good news for investors is the rampant over speculation in the Meme stocks, Cryptocurrencies, and Spacs, has been replaced with rampant pessimism. This is evidenced by the extreme readings from the American Association of Individual Investors Sentiment Survey showing just 23.1% Bullish and 52.9% Bearish investors which compares with historical averages of 38% Bullish and 30.5% Bearish respectively. While these numbers don’t assure that the low is in, the low bullish readings typically occur around important stock market lows. We shall see. **The attached chart depicting the current valuation disparity on the S&P 600 Small Cap Growth Index and the S&P 500 suggests that this may be the best time to overweight in small cap stocks vs. large cap stocks in over 20 years.**



While we are never pleased when we give up hard fought gains, we are happy with our 2021 returns finishing the year plus 6.57% which favorably compares to our benchmark, the Morningstar Small Cap Growth Index, which finished minus 1.85% for an 8.42% differential. In addition, our 1,3,5 and 10 Year performance measures continued to improve as well as our upside-downside capture ratio. *Please refer to our 4th Quarter 2021 Factsheet for more details.*

TECHNICAL PERSPECTIVE: The technical outlook is less than pleasant as small cap growth stocks have been in steep declines since the peak in mid-November leaving very few charts in the sector that are still in uptrends. The good news for Rocket Capital Investors is that because so many of the stocks in our portfolios had become dramatically overextended technically, we automatically trimmed them into strength at much higher levels. The obvious benefit of this strategy is that not only did we lock in meaningful gains at lofty levels we built up our cash position to roughly 31%. The trend in the market remains down until proven otherwise so will continue to approach new purchases very cautiously. As always, we will let the stock charts themselves dictate our next action.

SECTOR COMMENT: As was the case in the third quarter, the sectors leading the market are those that would benefit from higher prices (inflation sensitive) and higher interest rates. We have added new positions in both the Energy Sector and Regional Banks Groups which have traded strongly on a relative basis. However even the strongest sectors have had limited success bucking the overall downtrend. Not coincidentally, the sectors which traditionally lead the market, Information Technology, both Hardware and Software and Healthcare related groups remain in downtrends since growth stocks reversed sharply in November.

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PORTFOLIO ADJUSTMENTS: In the fourth quarter we bought, Hut 8 Mining (HUT*5.76), Veritone Inc (VERI*14.10), Earthstone Energy (ESTE*13.31), and Zoura Inc (ZUO*15.23). We trimmed OptimizeRx (OPRX*40.15) and Silvergate Corp (SI*98.48) because they were overextended both technically and fundamentally. We also sold Carecloud Inc (MTBC*5.39) and Luna Innovations (LUNA*6.81) because they had broken down technically, fundamentally, or both.

COMPANY HIGHLIGHT: Earthstone Energy (ESTE*13.31) is a growth-oriented independent energy company engaged in developing and operating oil & gas properties. Their primary assets are located in the Midland Basin of West Texas and the Eagle Ford trend of south Texas. Earthstone has experienced extremely rapid top and bottom-line growth over the last several quarters and is expected to do so for the foreseeable future. This fine company is in a leading sector, has an excellent chart, and strong relative strength.



In summary, the 4th Quarter of 2021 was one of the most challenging market environments we have had to deal with in recent years and very difficult to analyze. As I am sure you are aware, the downtrend in the market continued in 2022 just where it left off in 2021 but remember bull markets follow bear markets. Most importantly, we have great confidence in the pragmatic, disciplined approach we have used over the last several decades and strongly believe it will serve us well going forward. It is times like these we have to remember these investments are not just stocks but innovative, well-run companies that do exceptional things and at some point, the market will value them accordingly. We look forward to speaking with you in the near future and do not hesitate to reach out with any questions that you may have.

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 TD Ameritrade'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.