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.

Spring 2022 — "Uncertain Times Call for Disciplined Strategies"

Dear Valued Clients and Friends,

MARKET PERSPECTIVE: Where to begin? In our Winter Newsletter we chronicled the correction which had begun in the 4th Quarter of 2021 and our assessment was the stock market was struggling greatly with the combination of a rapidly rising inflation rate coupled with the significantly more aggressive posture from the Federal Reserve. Since that time inflation has consistently risen more than expected and while the fed hasn't aggressively raised interest rates, it is highly likely that they will do so at their next meeting in May. We are beginning to hear chatter about Stagflation which is the combination of high inflation and a slower growth economy. At this point the economy hasn't shown signs of stagnating but there is a perception that it will. If so, we would have the worst of both worlds. Just when we thought the news couldn't get much worse the conflict in the Ukraine broke out leaving investors across the globe trying to figure out what consequences might be for the people of that region and for their economies. The problem is that it is impossible to handicap what the outcome will be, but whatever it is, it is extremely unlikely to be positive for anyone involved.

On the corporate side, early into earnings season I would say that revenue, earnings reports and guidance going forward have been good, not great, but most importantly we haven't seen a great many companies slashing their forecasts due to the issues outlined above. Having said that, we have and will continue to hear about margin pressures driven by higher costs in just about everything and the ongoing supply chain constraints. Also, we haven't had a lot of negative pre-announcements from companies who have yet to report which is positive.

All in all, the US economy, American consumers and companies have held up remarkably well thus far when you consider the very uncertain times we are living in. Investors however have not fared nearly as well with most major indices trading lower, anywhere from -12.7% in the case of the S & P 500, -21.02% for the NASDAQ Composite and whopping -27.07% in the Russell 2000 Growth Index since their highs in the fourth quarter, 2021. It's no wonder that investors are concerned. Evidence of this can be found in the most recent report of American Association of Individual Investors Sentiment Survey which shows that just 16.4% are bullish about the next 6 months, and 59.45% are bearish. This compares with Historical Averages of 38% bullish and 30.4% bearish. In fact, you must go back to March 2009 to find these levels of pessimism. This gives us reason for optimism as a low bullish sentiment reading is usually a market positive. In addition, small-cap stock valuations are near 20-year lows when compared to large-cap valuations which is another reason for optimism.

TECHNICAL PERSPECTIVE: It doesn't take a Rocket Scientist to determine that the short and intermediate term trends in the stock market are down and the long-term trend is in question. Over the last six months we have seen the stock market sell off on several occasions and in each case, it has attempted to rally several times and failed to make a new high each occasion. More recently the market has traded in a wide range moving between the highs made in early January and the lows made in mid-March. This type of consolidation can be construed as constructive technically and ultimately bullish if the market can breakout to the upside with good leadership and breadth. Unfortunately, the major stock market indices recently took out the lows established in mid-March which doesn't mean the next move has to be lower, just that a sharp upside reversal will be needed to avoid a new leg down. If that reversal does happen, and it holds those levels, we can start the clock on the time needed to repair the damage done to the charts over the last several months. As expected, our weekly review of over 1000 stock charts featured a scarcity of charts which have completed acceptable base patterns and have broken out so we will continue to preserve our outsized cash balance to take advantage of the market correction as the charts dictate.

SECTOR COMMENT: Very little has changed since our Winter Newsletter in that the extremely cyclical industrial sectors such as the Steel industry, Energy Oil & Gas, Chemicals, Coal and Metals Mining are dominating the leaderboard. The Banks, and other groups which should thrive in a higher interest rate environment are holding their own but not exactly setting the world on fire. The sectors that traditionally lead the market such as the Information Technology, both Hardware & Software remain out of favor. The exception is those in the Telecom sector. The Healthcare group including the Medical Products, Systems, and Services are also notably absent. Lastly, consumer related groups are mixed with a few pockets of strength such as Retail-Discount Chains, Retail-Convenience Stores and some areas of leisure.

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PORTFOLIO ADJUSTMENTS: PORTFOLIO ADJUSTMENTS: In the 1st Quarter of 2022 we added the following positions, Inotiv Inc. (NOTV*14.58), Magnite Inc. (MGNI*9.85), and Northern Oil & Gas (NOG*25.48). We also repurchased shares of Optimizerx (OPRX*28.92) and Celsius Holdings (CELH*52.16). In addition, we sold the following positions outright, Sunpower (SPWR*16.66), Liveperson (LPSN*22.73), Emcore Corp (EMKR*3.46), Turtle Beach Corp (HEAR*16.88). We trimmed The Bank Corp (TBBK*23.55) and Avid Technologies (AVID*31.43).

COMPANY HIGHLIGHT: Zeta Global Holdings (ZETA*11.14). Zeta Global is a leading omnichannel data-driven cloud platform that provides enterprises with consumer intelligence and marketing automation software. They empower their customers to target, connect and engage consumers through software that delivers personalized marketing across all addressable channels, including email, social media, web, chat, connected TV, and video. Zeta also features a very solid chart, excellent relative strength, very rapidly growing top and bottom lines and outstanding visibility of growth going forward.

In summary, the 1st quarter of 2022 picked up where the 4th quarter of 2021 left off with the stock market resuming its downtrend ultimately bottoming out in late January. In the two months that followed, the market appeared to be well into a consolidation phase and at several points appeared to be poised to break into on the upside. Unfortunately, the breakout failed to materialize, and the market has been down ever since. Fortunately, our strategy is driven by a highly pragmatic and disciplined approach to investing in stocks which has served us extremely well over a very long period of time. We remain extremely confident that it will do so in the future. At times like these, it is imperative to remind ourselves we own a portfolio of innovative companies, doing exceptional things run by good people, not just a basket of stocks. When the market turns higher, and it will, this will be reflected in higher stock prices.

The last six months have proven to be one of the most challenging stock market environments we have experienced in quite some time. I will be reaching out to you or your advisor to discuss our strategies in more detail. As always, your consideration of Rocket Capital Management is greatly appreciated, and I look forward to speaking with you soon.

Sincerely,

J.D. Hurd
President / Senior Portfolio Manager

Ben J. Scheibe
Sr. Vice President

Jim Nelson
Research Analyst / Operations

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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.

319 Barry Avenue, Suite 210
Wayzata, MN 55391
Jnelson@rocketcapital.com
www.rocketcapital.com