



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 2021 — “Covid-19 Fatigue”

Dear Valued Clients and Friends,

**MARKET PERSPECTIVE:** MARKET PERSPECTIVE: The stock market, and most people, seem to be suffering from a case of Covid-19 Fatigue after a year of dealing with the effects of the pandemic. Never in my lifetime has there been a period in which we have experienced so much uncertainty, fear and anxiety as has been created by the Corona Virus. The US stock market after a very solid 2020 has remained resilient until showing signs of weakness late in the 1<sup>st</sup> quarter of 2021. Many catalysts for higher stock prices, the passing of the massive stimulus package, a very accommodative fed policy, historically low interest rates, and the roll out of the Covid vaccines, have come and gone with no meaningful advance in stocks. This coupled with very solid Q4 2020 corporate revenue and earnings reports and extremely optimistic forecasts have failed to propel the stock market higher. Apparently, these factors have already been priced into stock pricing as most of the major US stock indexes have either failed to make new highs or sold off. Thus, the expression, buy rumor, sell the fact. The exception to this has been the DJIA which has held up nicely, likely due to the large number of cyclical companies it contains. While I do believe the US economy is going to improve nicely, I think it is premature to invest heavily in cyclical industries that must depend on a strong economy to grow their top and bottom lines.

Keeping the above in mind we continue to maintain a defensive posture in the market which has been to sell into strength on stocks that advanced too rapidly, sell stocks that that have broken down fundamentally or technically while we wait patiently for the outlook to improve.

After our outstanding prior year performance, we are extremely pleased with our 1<sup>st</sup> quarter results. The S&P 500 led Q-1 returns at plus 6.00% followed by The Russell 2000 Growth Index 4.90%, Rocket Small Cap Growth 4.81, and our benchmark, the Morningstar Small Cap Growth coming in at -1.01%.

**TECHNICAL PERSPECTIVE:** Most US stock indexes advanced very nicely in Q-1 with a couple even making new all-time highs. Looking at the charts and other technical factors the message remains mixed. While the charts on the indices remain in uptrends, after analyzing over 1000 chart patterns weekly as I do, many individual stocks are losing momentum, are correcting, or have corrected and are building new base patterns. In addition, investor sentiment statistics as published by Investors Intelligence and the American Association of Individual Investors both suggest that there are far more bulls than bears. Who is left to convince? Taking all of this into account we will continue to approach the market cautiously holding a larger amount of cash than normal while we patiently wait for the charts themselves to suggest it is time to buy.

**SECTOR COMMENT:** Since our Winter newsletter we have seen a number of the strongest sectors in the market over the last several years such as Healthcare & Software fall out of favor as investors rushed into sectors directly tied to a strengthening economy. These stronger sectors are Energy, Leisure, Airlines, Restaurant, Retail, and infrastructure related groups. We will look to add to our holdings in Consumer Discretionary and Banks and Finance. In Information Technology Hardware we will look to add positions in Semiconductor Manufacturing & Equipment and Telecom Infrastructure. The software group is in a corrective phase at present so will hold off purchases for now. Lastly the market leading Healthcare group is also under selling pressure with the exception of the Medical Systems & Equipment Sector.

**PORTFOLIO ADJUSTMENTS:** In the 1<sup>st</sup> Quarter of 2021 we added just two positions to the portfolio, Avid Technology Inc. (AVID\*19.52), and Carecloud Inc (MTBC\*7.60). We also sold outright, Ring Central Inc. (RNG\*325.22), and The Trade Desk Inc. (TTD@686.07) because they were no longer small cap and had become overpriced. We also sold out entirely Cloudera (CLDR\*12.15), Velodyne Lidar (VLDR@12.15), and Inseego Corp. (INSG\*8.44) as they had deteriorating fundamentals and charts. Lastly, we trimmed OptimizeRx Corp. (OPRX\*46.6) because it was overextended technically.

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**COMPANY HIGHLIGHT:** COMPANY HIGHLIGHT: AVID Technology Inc (AVID\*19.52) is the leading provider of professional content creation tools. The company's products are used to edit virtually every TV show, movie, commercial or piece of music one sees or hears daily. This extensive list of tools and solutions has enabled Avid to grow their revenue and profitability consistently over the last couple of years and is expected to do so going forward. AVID also featured an excellent chart on the day of purchase.



As always, we are grateful for the confidence our investors have shown in investing their hard earned assets with Rocket Capital and we take that responsibility very seriously. While the future remains uncertain, we remain confident that our disciplined, pragmatic approach to investing in the stock market will serve us well in the future as it has in the past. We welcome your questions or comments so feel free to reach out to us at any time.

Sincerely,

**J.D. Hurd**  
*President / Senior Portfolio Manager*

**Jim Nelson**  
*Research Analyst / Operations*

**Ben J. Scheibe**  
*Sr. Vice President*

*The Morningstar US Small Growth as an index more comparable to the portfolio make up of the Rocket Capital Small Cap composite. All indexes and our composite are reflective of dividend reinvestment. Our composite does not represent all accounts of Rocket Capital Management, just those invested in that strategy. Past performance is not an indication of future returns. Individual investment returns may be different than the composite returns presented.*

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