



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 - 2025 - "Tariff Madness"

Dear Valued Clients and Friends,

MARKET PERSPECTIVE: After a solid finish to 2024, and a decent start to 2025, the stock market began to unravel when the White House began laying out its strategy to impose meaningful new tariffs on the vast majority of our trading partners. This will likely have adverse effects on inflation and the economy. The term "Stagflation", first made public in the late 60's brought back memories of what happened when the economic back drop featured rising inflation and a stagnating economy. The worst of both worlds. The downtrend accelerated on April 2nd, "Liberation Day", when the President announced wide sweeping tariffs with most indexes losing 14% or more in just four sessions. With this set of conditions, the Federal Reserve Board will have very little flexibility to lower short term interest rates in the near term if the economy does take a turn for the worse. Lastly, at the time of this writing, recent corporate revenue and earnings per share reports have been relatively resilient to these trends, however the market reaction to these has been less than comforting.

TECHNICAL PERSPECTIVE: After the decline mentioned above, the stock market bottomed out and rallied sharply shortly thereafter. Since this, the market has been trading in a range between the April 2nd high and recent low. Positively, it is consolidating in the upper end of the range. The advance decline line on the Nasdaq Composite has also turned up nicely but is currently stalling near the higher end of the range. While sentiment numbers have improved somewhat, they are coming off of historically low levels. This is illustrated in Investors Intelligence as recent newsletter writers, bullish vs bearish, was recently 23.50% bulls and 35.30 percent bears. The same measure provided by the American Association of Individual Investors featured only 20.9% bulls and a whopping 59.30 % bears. In previous cycles, readings this extreme have coincided with significant lows. Most importantly my weekly review of over 1000 chart patterns suggests that the worst is over.

SECTOR COMMENT: : In Technology the Computer Software segment has shown strong relative performance led by the strength in Computer Software Education and Computer Software sub-sectors. On the hardware side things are mixed as you expect when you take into consideration the effects of the new tariffs particularly on the Computer Hardware Semiconductor Sector. The Financial Services sector has come back into favor led by the Financial Services-Specialty group and Regional Banks . In healthcare we continue to look in the Biotech/Biomed group, with the Medical Services group showing signs of life as well.

PORTFOLIO ADJUSTMENTS: In the first quarter we added three new positions, Quinstreet (QNST*16.34), Powerfleet, (AIOT*5.10), and Genius Sports,(GENI*10.25). We also sold one holding, Zynex, (ZYSI*2.08) due to deteriorating fundamentals and a broken chart.

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COMPANY HIGHLIGHT: TG Therapeutics, (TGXT*34.71). TG Therapeutics is a biotechnology company whose sole focus is to leverage scientific advances in B-cell biology to develop novel treatments for patients. Their 3-step process helps them develop medicines that have a potential to improve patient outcomes, without compromising convenience. In 2024 TG Therapeutics was recognized as the fastest growing company on the Deloitte Technology Fast 500 List. TG also features very strong top and bottom-line growth as well as a solid chart.



In summary, 2025 got off to a solid start followed by an abrupt reversal and by one of the most challenging declines I have witnessed in my over 40 years investing in the stock market. This sell off can be attributed to the tremendous uncertainty related to the fear of an escalating trade war between the United States and most of our trading partners. As noted above, the impact of this could leave us with a stagnating economy and higher inflation. The good news is that more recently, cooler heads have prevailed allowing the market to bottom and a new uptrend has begun. While it is too early to claim victory, the technical outlook for the market continues to improve week over week, which greatly increases our confidence looking forward. As always, the confidence you have shown in Rocket Capital is greatly appreciated and feel free to reach out to us to discuss things in greater detail.

Sincerely,

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President / Senior Portfolio Manager

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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.