



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.

Fall - 2023 — “Melt Down”

Dear Valued Clients and Friends,

MARKET PERSPECTIVE: After showing great promise early in the third quarter, the small cap sector of the market appeared to be poised to play catch up with the large caps led by the “Magnificent 7”. After a very solid first month, the entire market reversed abruptly, and has been in a downtrend ever since. The encouraging up trend in the Advance decline mentioned in the Summer Newsletter also reversed sharply. The returns for the 3rd Quarter of 2023 returns featured the NASDAQ Composite minus 4.12% for the period and + 26.30% YTD, the S&P 500 - 2.08% for Q-3 and + 13.07%. The US Small Cap Growth Index lagged, which was down -6.40% for the quarter and up +7.55% YTD. The market’s advance was crippled by announcements of higher-than-expected economic numbers and inflation, leading to an increase in the Federal Funds Rate and a constant barrage of hawkish comments from Fed Officials. Just when it appeared the market had come to grips with that, Hamas invaded Israel adding yet another large concern to the wall of worry.

TECHNICAL PERSPECTIVE: Unfortunately, the weight of technical evidence suggests that we remain in a downtrend, as our weekly review of 1000 stocks features the number of negative charts outnumbering positive charts by a wide margin. However, there are still many stocks in lengthy base building patterns with the major question being will they be able to break out in this market environment. Only time will tell. Sentiment indicators suggest that investors are becoming more bearish recently but not to the extremes we typically see at market bottoms. All in all, our work suggests that now is a good time to keep a healthy balance of cash on the sidelines. In our case, we currently hold just below 40%, the largest percentage in Rocket History.

SECTOR COMMENT: Of the sectors featured in our last newsletter only the Oil & Gas Exploration and related sectors remain in solid uptrends and are currently consolidating their recent outsized gains. In Technology, both hardware and software groups are in consolidation phases and neutral for now. The consumer-related sectors of the market are mixed. [The majority of](#) healthcare related sectors are in downtrends so we will watch for better entry points.

PORTFOLIO ADJUSTMENTS: In the 3rd quarter of 2023 we added 2 new positions and added to one existing position. We added Alpha & Omega Semiconductor (AOSL*24.14) and Rover Group, (ROVR*6.46) because they had excellent charts and strong fundamentals. We added to our position in Evolve Technologies, (EVLV*3.86) as it continued to meet our technical and fundamental criteria.

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COMPANY HIGHLIGHT: Evolve Technology (EVLV*4.08) provides a seamless screening experience, making it possible for venues of all kinds to keep visitors safe from concealed weapons and intruders. The US based company has a proven track record in screening people efficiently for threats without sacrificing the visitor experience. Their technology can be found in Schools, Stadiums & Arenas, Healthcare, and Industrial workplaces to mention a few. The company has an extremely large and expanding addressable market, extremely rapidly growing recurring revenues, and a large barrier to entry. Lastly, EVLV has a very strong chart.



In closing, the 3rd quarter of 2023 will go down in the record books as one of the most challenging in as long as I can remember particularly when you consider the fact that small caps didn't recover meaningfully when the large cap indexes did earlier in the year. Having said that, historically when there is a period of small cap underperformance, once it bottoms, and it will, they outperform for a lengthy period. Keeping that in mind, we have near record level cash balances to put to work when the time comes. As always, the consideration of Rocket capital management is greatly appreciated and I encourage you to reach out to us if you would like to go through things in more detail.

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 Charles Schwab'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.