



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 2021 — “A Market of Stocks-Not a Stock Market”

Dear Valued Clients and Friends,

MARKET PERSPECTIVE: Many of the items we discussed in our Summer Newsletter which we believed could have justified a meaningful correction in the stock market such as, stubbornly high Headline CPI numbers, the specter of higher interest rates and rapidly rising energy prices still exist and yet the stock market for all practical purposes is unchanged from 2nd Quarter prices. In addition to those concerns, add the ever-increasing disruptions in supply chains across the nation & globe as well as inability of American companies to find, hire, and train new employees. Also, the market hasn't had a traditional correction in a historically long time. The logical conclusion would be that the US stock market is ripe for sharp correction. Talk about a wall of worry? An alternate conclusion might be that the labor shortage which currently exists in the country will have a dampening effect on economic growth which will in turn keep interest rates at historically low levels. Historically the stock market has done very well in a slow growth economic environment with modestly rising interest rates. Lastly, revenue, EPS reports and forecasts thus far have been better than expected which should provide good support for stocks. On the negative side I am still quite concerned by the rampant over speculation in the Crypto, Meme, and SPAC segments of the market.

What this means for investors, and in particular, Rocket Capital investors, is that unlike 2020 where the key to success or failure in the stock market was largely predicated on being more heavily invested in sectors which were unaffected by the Covid 19 Virus than those that were highly impacted. Now, you will need to focus on companies which will grow top and bottom line consistently regardless of what the economy does next. As you will note when looking at Rocket Capital Management's Q-3-2021 and YTD performance, by utilizing our time tested, disciplined, pragmatic approach to investing in the stock market combining both technical and fundamental analysis we have been able to do just that.

After another solid performance in the second quarter, we are extremely pleased with our 3rd quarter and YTD results in a market that essentially finished the quarter unchanged or lower. Rocket Small Cap Growth declined 2.46% for Q-3 and is up 11.62% YTD nicely outperforming the Morningstar US Small Cap Growth index, down 4.96% for Q3 and down 2.64% YTD. The S&P 500 was up .25% for Q3 and up 14.78% YTD and the NASDAQ Composite finished Q3 down .38% and up 12.11% YTD.

TECHNICAL PERSPECTIVE: Many of the major stock market indices managed to make marginal new highs early in Q-3-2021 and spent the balance of the quarter consolidating those gains. What is most interesting about this, as we noted at the time, is that the advance-decline lines on the indexes did not confirm those new highs, leaving us skeptical suggesting a correction was likely. Since then, the indices have corrected modestly and consolidated while the A-D line has steadily improved which is encouraging. The stock market's indecisive action recently was also very apparent in my weekly review of over 1000 individual stock chart patterns showing that they feature some very good patterns, some very bad patterns and a large number that are trading sideways. This action occurs when previous market leaders have peaked out, corrected, and are now consolidating while the new leaders emerge. In all my years of writing this newsletter I have seldom seen so much conflicting data, however my conclusion is this, if there is a meaningful move in the stock market near term it will be higher.

SECTOR COMMENT: The leaderboard continues to be led by sectors which are more cyclical in nature than others such as Materials, Oil & Gas Expiration and Drillers, Transportation Ship & Truck and Transportation Logistics. The only issue with these is that they have had significant short term moves up and appear to be early in a correction. We are being patient here. The financials also remain strong after a correction led by Finance-Investment Management and Regional Banks. In the Information Technology Group we are focusing on the Software segment in which most subsectors have corrected, consolidated and are now moving up nicely. Health Care is a mixed bag as investors sort through the implications of the Delta Variant. We will wait and see. In particular, the Biotech-Biomed sector continues to show weakness.

PORTFOLIO ADJUSTMENTS: In the 3rd Quarter we bought four new companies, Echo Logistics (ECHO* 48.07), Sunpower Corp (SPWR*29.76), Silvergate Capital Corp (SI*148.38), and Zeta Global Holdings (ZETA*8.35). We trimmed 1 position because it was overpriced and overextended technically Celsius Holdings (CELH*95.31). We also sold 3 stocks outright, Q2 Holdings (QTWO*80.41), Five9 Inc (FIVN*160.42), Vericel Corp (VCEL*50.57), because they had broken down technically or fundamentally. Lastly, we sold one other, Echo Logistics (ECHO*48.07) in short order, because it is being acquired.

Continued On Back

COMPANY HIGHLIGHT: Silvergate Capital Corp (SI*148.38) is a Federal Reserve member bank and a leading provider of innovative financial infrastructure solutions and services for the growing digital currency industry. Silvergate leverages their technology platform and management team's experience to develop solutions for many of the largest fintech and digital currency companies. Silvergate also features a very strong chart pattern and exceptional top and bottom-line growth.



In summary we are extremely pleased with our quarterly and YTD results and remain confident that we are very well positioned to take advantage of whatever happens next. Also keep in mind that we have a substantial cash balance to deploy in the event of a decline. As always, your questions and comments are welcome.

Sincerely,

J.D. Hurd
President / Senior Portfolio Manager

Jim Nelson
Research Analyst / Operations

Ben J. Scheibe
Sr. Vice President

Rocket Capital Management is a registered investment adviser. Information presented herein is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed.

Readers of the information contained on this document should be aware that any action taken by the viewer/reader based on this information is taken at their own risk. This information does not address individual situations and should not be construed or viewed as any typed of individual or group recommendation. Be sure to first consult with a qualified financial adviser, tax professional, and/or legal counsel before implementing any securities, investments, or investment strategies discussed.

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 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.

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

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.