



THERE IS LUCK.

AND THERE IS SCIENCE.

Investing is a science.

It requires a plan and

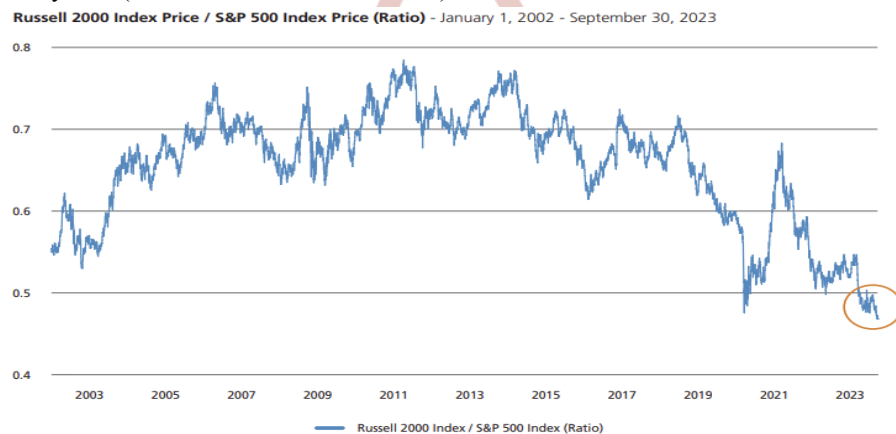
discipline to follow the plan.

Anything short thereof is blind exploration.

Winter - 2023 — “Revenge of the Small Caps”

Dear Valued Clients and Friends,

MARKET PERSPECTIVE: Despite being out of favor going all the way back to late 2021, the small cap segment of the stock market finally began to gain some traction early in the 4th quarter of 2023 after underperforming the large cap indexes. The US stock market finished 2023 in fine fashion led by the large cap segment of the market even though the vast majority of gains were attributable to a handful of glamorous high-tech companies. Having said that, if even a small fraction of the proceeds from the sale of these behemoth large cap names finds its way into high quality, rapidly growing small cap companies, the results could be prolific. Adding to my conviction that this scenario will play out is the fact that small caps are at the largest discount to large cap companies that we have seen in over 20 years. (Please see the attached chart.)



Source: Morningstar Direct. Small caps are represented by the Russell 2000 Index and large caps are represented by the S&P 500 Index. Past performance is not a guarantee of future results.

More recently, most of the stock market indices are at or near recent highs and will most likely need a well-deserved correction or a lengthy period of consolidation before another meaningful advance can take place. The determining factor in what happens next in stocks remains the direction of short-term interest rates as dictated by the Fed's next action and as importantly, the commentary regarding that move. While odds currently favor no decline in interest rates in March, a rate decrease still looks significantly more probable later in 2024. Another remaining headwind is the escalating situation in the battle between Israel and Hamas, not to mention the heightened friction between the United States and Iran backed militants.

TECHNICAL PERSPECTIVE: From the technical perspective, the stock market internals improved nicely featuring a much-needed improvement in the advance-decline lines, a larger number of stocks trading above their moving averages and the moving averages themselves turning up. In addition, and most importantly, my weekly review of over 1000 chart patterns reveals that there are now significantly more constructive chart patterns than negative ones. There are many more stocks breaking out of lengthy base patterns and lastly there are more sectors participating. All things considered we will be using any setbacks to add additional positions in the strongest sectors.

SECTOR COMMENT: Since our Fall Newsletter the market-leading Oil & Gas Exploration sector has cooled off and is now consolidating after a much-needed pullback from recent highs. Information Technology, both software and hardware have resumed their uptrends with the best action found on the software side led by Computer Software-Financial, Software-Security, and Enterprise Software. On the hardware side we are focusing on the Elec-Semiconductor Fabless, Elec-Semiconductor Equipment and Computer Networking. Lastly, after a lengthy hiatus, the Healthcare industry is coming back to life led by the Medical-Biomed/Biotech and Medical-Systems/Equipment sectors. We anticipate adding new names in the healthcare sector in the coming months.

PORTFOLIO ADJUSTMENTS: In the 4th Quarter we added five new positions. We added Cellebrite Inc. (CLBT*9.10), MiMedix Group, MDXG (MDXG*7.88), Ceco Environmental, (CECO*19.47), Applied Digital, (APLD*5.01), and Intapp Inc, (INTA*43.69) because they had excellent charts and strong fundamentals. We also sold one security, Alpha & Omega Semiconductor, (AOSL*25.89) as it had a weak chart pattern, and deteriorating fundamentals.

Continued On Back

COMPANY HIGHLIGHT: Intapp, (INTA*43.69) is a leading provider of industry specific cloud based, AI-powered software solutions to the world's premier, investment banking, legal, accounting, and consulting firms. Intapp enables them to deliver timely insights to their professionals, operate more competitively, and meet rapidly changing client, investor, and regulatory requirements. INTA also features very impressive revenue and earnings per share growth as well as an excellent chart.



In summary, it goes without saying that 2023 was a challenging and disappointing year for small cap growth investors but we remain confident that the disciplined, pragmatic method that we have been using for over three decades will enable us to provide positive long-term results. We also believe that while the small cap segment of the stock market has been out of favor for the last several years, that the recovery we saw in late 2023, coupled with a decent showing in early 2024 strongly suggests that we are likely in the early stages of sustained period of out performance. As always the confidence you have shown in Rocket Capital Management is greatly appreciated and please feel free to reach out to us at any time to discuss things in more detail.

Sincerely,

A handwritten signature in blue ink, appearing to read "J.D. Hurd".

J.D. Hurd
President / Senior Portfolio Manager

A handwritten signature in blue ink, appearing to read "Ben J. Scheibe".

Ben j. Scheibe
Sr. Vice President

A handwritten signature in blue ink, appearing to read "Aaron Williams".

Aaron Williams
Research Analyst / Operations

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 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.