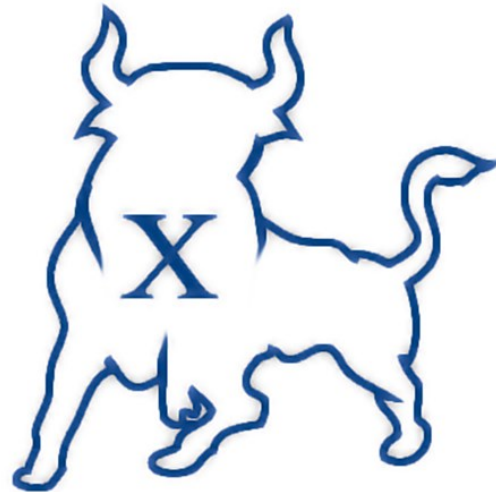

D'ARTAGNAN CAPITAL FUND

2016 ANNUAL FUND PERFORMANCE

April 1, 2016 – March 31, 2017

Williams College of Business
Xavier University
3800 Victory Parkway
Cincinnati, OH 45207-5162

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D'Artagnan Capital Fund Family and Friends:

First and foremost, thank you for taking the time to review our annual report. We are extremely proud to present our work to you following the Fund's seventh year. This fiscal year presented a unique challenge for our team, as we were surrounded by drastic changes in presidential policy, geopolitical tension, and global uncertainty. Despite being a bottom-up fund, our interpretations and implementation of these factors were considerably important in our valuations and reports.

We performed well on an absolute basis, providing an 11.20% return over the annual reporting period of April 1st, 2016 to March 31st, 2017. As with most active managers in an expansionary period, however, we struggled to keep up with the S&P 500 benchmark. Our portfolio contained 41 holdings for a total value of $2,541,720 at the end of the period.

One of our greatest successes this year was improving our process and continuity. The first step managers took involved collaborating in the creation of an analyst starter pack containing valuation instructions and examples, tips for staying on top of sector news, and presentation guidelines; this enabled our analysts to hit the ground running. Shortly thereafter, weekly economics and analytics presentations kicked off, providing our team with additional insights and facilitating discussions. We emphasized the learning process and acted as resources from the first day to the last. With an emphasis on transparency and strengthening communication between analysts and managers, we were able to lead our cohesive team more efficiently.

Many thanks to those who contributed to our knowledge this year, especially our guest speakers at the Academic Forum; Keith Wirtz, who challenged us in performance analytics; Dr. Pawlukiewicz, who assisted in the edit of this annual report; and Dr. Hyland, our professor providing feedback along the way.

It has been an honor to lead a committed team of analysts and managers whose hard work will be evident in the pages to follow. We are confident that our contributions as a team this annual period will advance the student investment fund well into the future, adding value both in terms of return for the endowment, as well as educational experience for our students.

Kristen Brauer

Chief Executive Officer

Strategy Statement:

The D'Artagnan Capital Fund is an actively-managed, opportunities fund which values large-cap equities within the S&P 500, utilizing a bottom-up approach. Our analysts extensively research company financials, management, and industry competitors in formulating financial valuation models, which lead to investment decisions. Our goal as a fund is to continuously outperform our benchmark, the S&P 500, on a risk-adjusted return basis while remaining in compliance with our prospectus.

Summary

The D'Artagnan Capital Fund is a bottom-up fund focused on extensive coverage of each sector of the S&P500. First semester students serve as sector analysts responsible for conducting valuations and extensive research for the Fund. Second semester students are assigned roles as sector managers responsible for overseeing analyst research and strategy for their sectors. In addition, a select number of students are assigned leadership positions, responsible for directing management and investment meetings.

Chief Executive Officer, Kristen Brauer

The D'Artagnan Capital Fund's CEO oversees total operations of the Fund by organizing and executing manager meetings, acting as a liaison between fund members, faculty, and outside consultants, and implementing strategic objectives. In addition, the CEO leads the compilation of the annual report, as well as major presentations to audiences such as the Board of Executive Advisors and Board of Trustees.

Chief Financial Officer, Jack Bainbridge

The Chief Financial Officer serves as stakeholders' primary contact regarding Fund performance; as such, the CFO acts as the Fund's key performance liaison throughout the semester. The CFO's paramount responsibilities include: performance reporting, budgeting, invoicing, and working with the C-Suite to enhance the operational quality of Fund meetings and portfolio decisions.

Chief Investment Officer, Jake Haas

The CIO's primary responsibility is to manage the analysts and lead meetings where their stock pitches are completed. In doing so, he creates a stock presentation calendar, ensures that the analysts are ready to present their pitches, and also contacts professionals in the Greater Cincinnati Area to speak to the Fund. Additionally, the CIO records the trades made and sends them to the faculty advisor for execution.

Chief Operating Officer, Emily Johnston

The COO is responsible for overseeing the managers, coordinating the Fund's events, and communicating the Fund's activities to external contacts through various outlets such as the Fund's website and social media accounts.

Chief Compliance Officer, Danielle Burns

The Chief Compliance Officer is responsible for ensuring that the Fund's holdings remain consistent with the prospectus at all times. She also confirms that potential trades are within the bounds of our prospectus as well.

Chief Economist, Grant Hettinger

The Chief Economist is responsible for monitoring the macro-economic environment and communicating this research to the Fund in order to help achieve its strategic objectives set by the CEO.

Controller, Mariana Tamburro

The Controller's primary responsibility is to assist the CFO with calculating the monthly, semi-annual, and annual performance reports., along with other metrics the Fund tracks. She also documents the trades executed and monitors the performance calculating tools to ensure accuracy.

Co-Directors of Community Outreach, Emily Johnston & Mariana Tamburro

The Co-Directors of Community Outreach are responsible for organizing and promoting the Fund's youth mentoring program with Alliance Academy, a local grade school. They schedule mentoring sessions throughout the semester in which mentees are taught personal finance skills and are encouraged to begin planning for higher education.

Director of Financial Modeling, Michael Uba

The Director of Financial Modeling is responsible for proof-reading analysts' valuation models before presentations and helping analysts create the best models possible.

Fund Management

Consumer Discretionary

Manager: Adam Tortelli

Analysts: Gabe VanDyke, Joe Bartoletti, & Carson Korn

Consumer Staples

Managers: Ryan Behrndt & Alex Huff

Analysts: Gabe Araujo & Peter Chopra

Energy

Managers: Jim Knowles & Grayson Moore

Analysts: Brooke Coughlan & Matt Hoagland

Financials

Manager: Brian High

Analysts: Grant Paulson, Josh Ulery, & Tim Morse

Healthcare

Managers: Nick Musso & Michael Pica

Analysts: Alex Moore & Matt Nola

Industrials

Manager: Cameron Cooke

Analysts: Anthony Petretti & Connor Crory

Information Technology

Managers: Michael Uba & Aaron Peterson

Analysts: Christian Glass & Nick Strader

Materials

Manager: Richard Froio

Analyst: Jude Krauss

Real Estate

Manager: Caitlin Krabach

Analysts: Joe Woeste & Kenny DePrez

Telecommunications

Managers: Michael Uba & Aaron Peterson

Analysts: Christian Glass & Nick Strader

Utilities

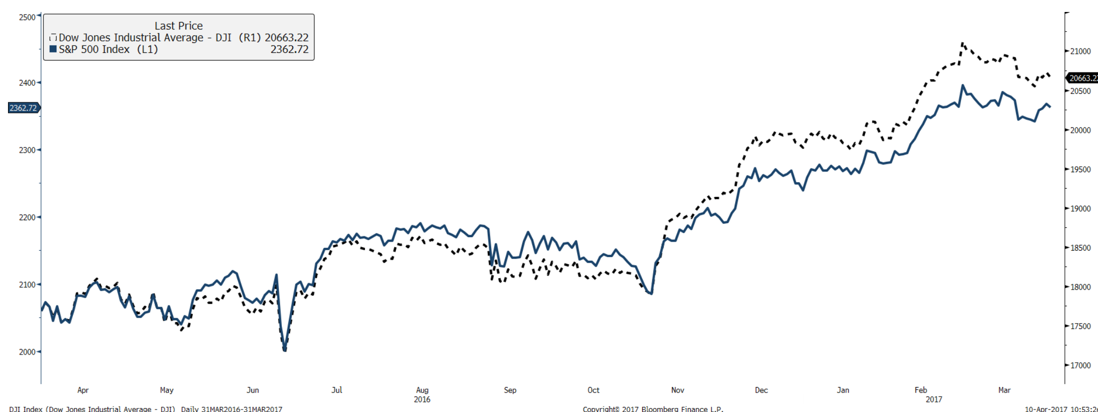
Managers: Jim Knowles & Grayson Moore

Analysts: Brooke Coughlan & Matt Hoagland

During the Annual Reporting period from April 1st, 2016 through March 31, 2017, the benchmark experienced some volatility, but did fairly well since the election. The return for the benchmark for the year was 17.17%, the Dow Jones Industrial Average returned 19.88%, and the NASDAQ returned 22.75%. The annual period included major events, such as the Dow Jones reaching 20,000 for the first time ever, as well as the United Kingdom voting to leave the European Union, bringing into question how the international landscape may change along with relations in the Eurozone.

Dow Jones hits 20K

On January 25th, 2017, the Dow Jones Industrial average broke 20,000 for the first time after US stocks closed at record highs. This was a result of President Donald J. Trump's executive orders which communicated a bullish attitude toward equities, driving the market up as part of what is commonly referred to as the "Trump Rally." By this time, US stocks had increased post-election by 6.57% in the benchmark. This gain, however, was contingent on Trump's policies to deregulate certain sectors, lower corporate taxes, and increase government spending. The Dow hit 21,000 shortly thereafter, but more recently has fallen as investors are beginning to question Trump's ability to carry out his agenda. On Monday, March 27th, 2017, the Dow fell 45 points, or 0.2%, marking the worst losing streak since 2011 by being down 1.9% over eight days. The S&P 500 and NASDAQ have also been negatively affected recently. It is clear that the market is moving according to Trump's behavior and orders, which will be essential to monitor moving forward.



Brexit's Impact and Trigger of Article 50

On June 23, 2016, Britain voted to leave the European Union in what would become more informally known as "Brexit.". US markets initially took a hit because of the uncertainty in how the US economy would be affected by the event; however, the US dollar became stronger against the pound, gaining 6.3% in a single day. The major fear was that the pound would not recover and it would thus continue to negatively impact trade and exports. The market has since recovered since the initial shock of Brexit. However, as of March 29th, 2017, Brexit became a definite reality with the UK government officially triggering Article 50 of the Lisbon Treaty, setting off the legal process of Britain leaving the EU and defining an expected end date of March of 2019. Prime Minister, Theresa May, hopes for a clean break and regained control of immigration. These talks will have huge implications on the future state of Britain and could potentially have major effects on the United States and the rest of the world.

Total Return

The portfolio underperformed the benchmark on a total return basis for the fiscal year ended March 31, 2017. The portfolio return of 11.20% and the benchmark returned 17.17%, giving an excess return of –5.98%. For this calculation, the modified Dietz method was used.

Beta

For the period ending March 31, 2017, the DCF beta was 1.10. The trailing 12-month beta is calculated using monthly returns.

Sharpe Ratio

The Sharpe Ratio measures performance on a total risk basis, using portfolio standard deviation over the period. The Sharpe Ratio of 0.858 for the portfolio was less than the benchmark's ratio of 1.682, indicating the Fund underperformed the benchmark on a total risk basis.

Treynor Ratio

The Treynor ratio measures performance adjusted for systematic risk, using the portfolio's beta. The Fund underperformed the benchmark in terms of systematic risk as the portfolio's Treynor Ratio was 0.098 compared to the benchmark Treynor Ratio of 0.168.

Jensen's Alpha

Alpha is a performance measure showing the excess return of the portfolio relative to the return of the benchmark. The portfolio's alpha was –7.71%. This is in line with the Fund's Treynor ratio, illustrating the fact that the portfolio underperformed the benchmark during the year ended March 31, 2017.

M^2

The portfolio returned an M^2 value of –10.60%. This indicates that the total risk-adjusted return for the portfolio was less than the benchmark return. This measure coincides with the portfolio's Sharpe ratio indicating fund underperformance.

Portfolio At Risk

Using a 95% confidence interval, our current one day Value-at-Risk is 1.37%. When interpreted, this indicates that the D'Artagnan Capital Fund can expect the portfolio to gain or lose up to 1.37%, or $34,881, on any given day. Since a 95% confidence level was used, there is a 5% chance that our losses or gains could be more than that value. This means that one day out of 20, we can expect higher gains or losses than 1.37%. The benchmark, the S&P 500 has a Value-at-Risk of 1.41%. The sectors with the largest VaR were Materials and Healthcare.

Performance Metric	DCF	S&P 500
Total Return	11.20%	17.17%
Excess Return	-5.98%	-
12 Month Beta	1.10	1.00
Sharpe Ratio	0.858	1.682
Treynor Ratio	0.098	0.168
Jensen's Alpha	-7.71%	-
M^2	-10.60%	-

Portfolio Snapshot as of 3/31/17

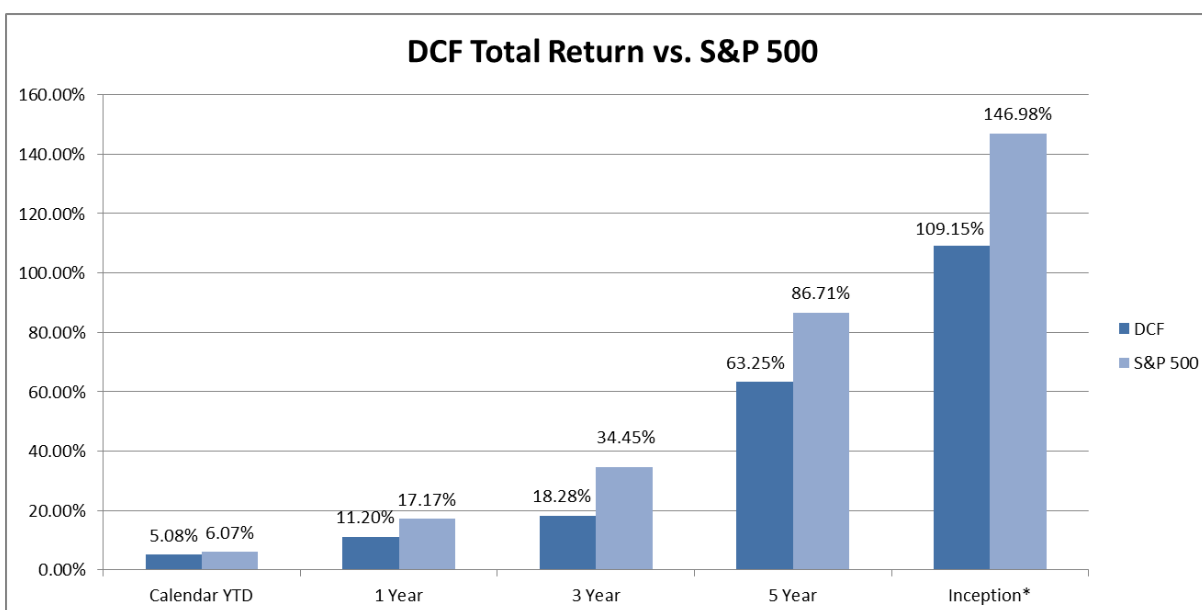
Portfolio Value:	$2,541,720
Number of Holdings:	41
Annualized Turnover Ratio:	60.27%
Portfolio Style:	Large-Cap Opportunity

Sector Allocations

Consumer Discretionary	11.45%
Consumer Staples	12.01%
Energy	5.66%
Financials	15.16%
Health Care	15.23%
Industrials	10.15%
Information Technology	21.09%
Materials	2.14%
Real Estate	1.55%
Telecommunications	2.18%
Utilities	2.82%
Cash	0.33%
Other	0.26%

Performance Review

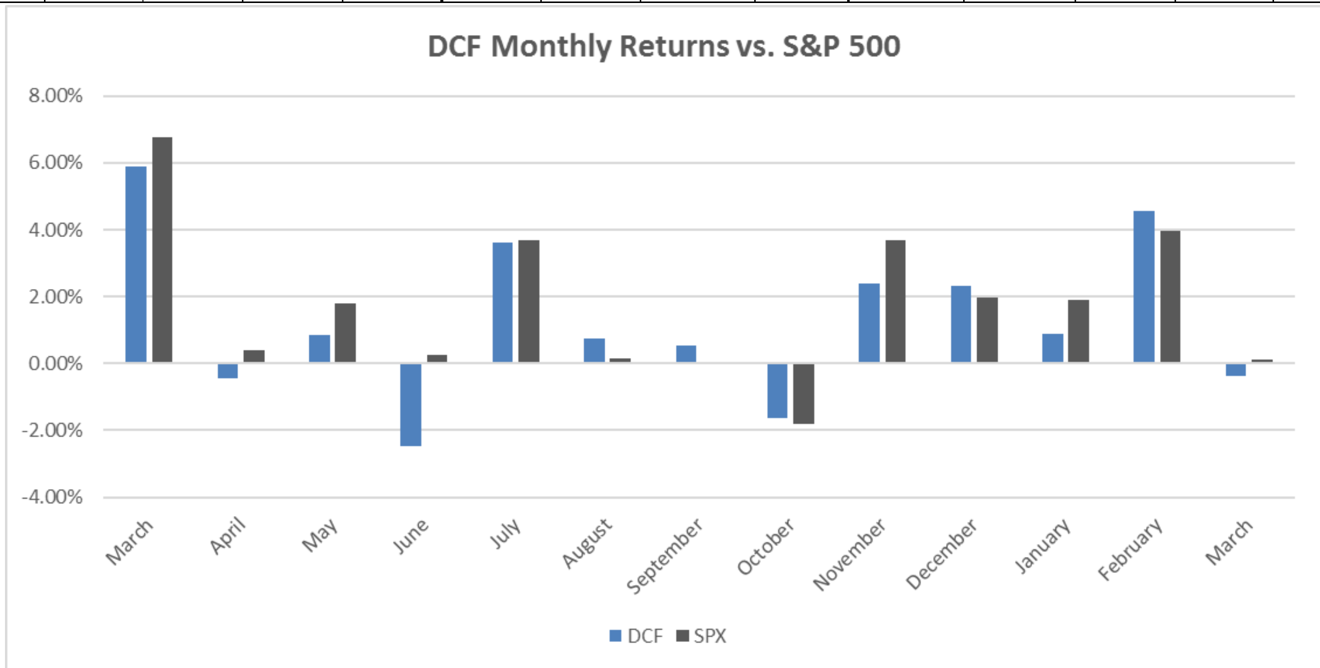
The D'Artagnan Capital Fund had a return of 11.20% from April 1, 2016 to March 31, 2017. During the Fund's fiscal year, the benchmark returned 17.17%. Overall, the Fund underperformed the benchmark by 598 basis points. However, the Fund still earned a solid, double-digit return. The Fund underperformed the benchmark on total risk measures such as the Sharpe Ratio, Jensen's Alpha, and M^2, as well as on a systematic risk measure, as seen in the Treynor Ratio. The DCF Beta of 1.10 was higher than that of the market, 1.0, and we returned less than the market, so a negative alpha of 7.71% resulted. Overall, the Fund underperformed the benchmark on total risk and risk-adjusted measures.



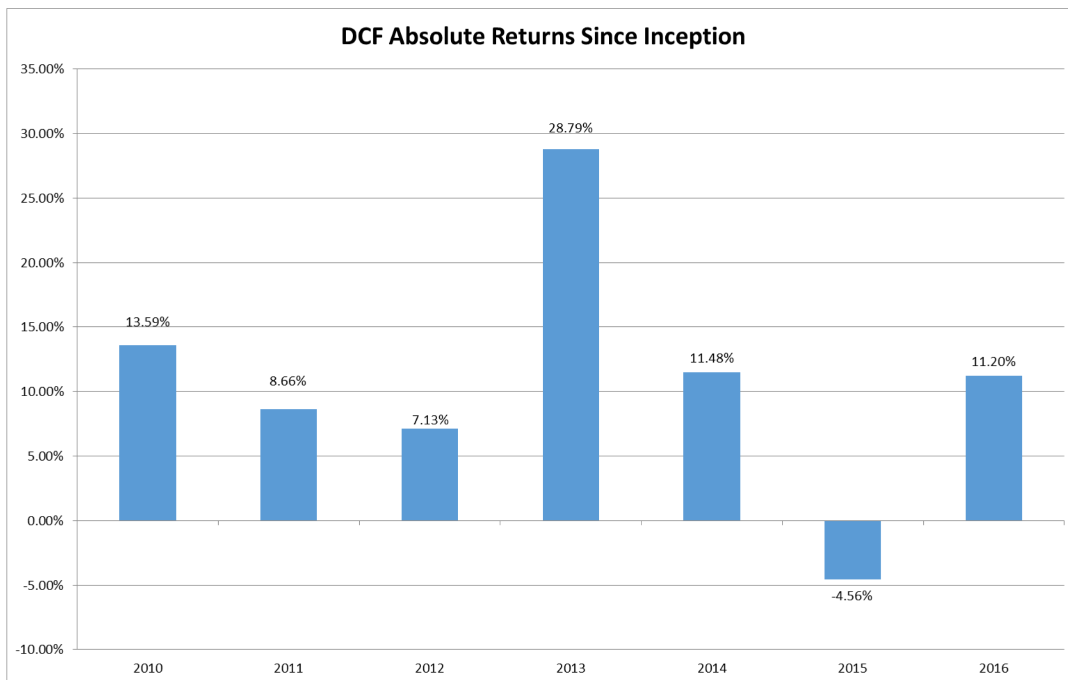
** 12/31/2009 to 3/31/2017*

DCF Returns vs. S&P500

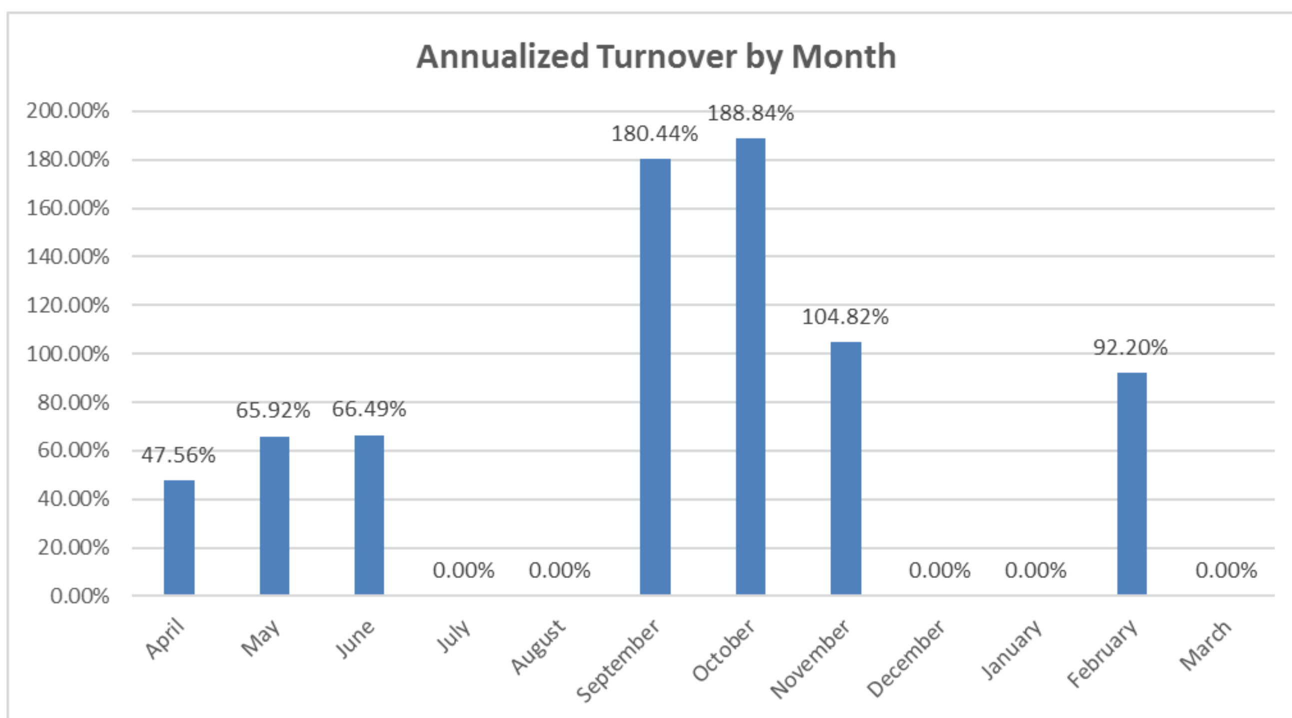
DCF Monthly Returns vs. S&P 500													
	March	April	May	June	July	August	September	October	November	December	January	February	March
DCF	5.88	-0.44	0.86	-2.46	3.63	0.76	0.53	-1.64	2.39	2.33	0.89	4.55	-0.37
SPX	6.78	0.39	1.80	0.26	3.69	0.14	0.02	-1.82	3.70	1.98	1.90	3.97	0.12
Excess	-0.90	-0.83	-0.94	-2.72	-0.06	0.62	0.51	0.18	-1.31	0.35	-1.01	0.57	-0.49



Although the Fund underperformed the benchmark collectively, our portfolio was able to outperform the benchmark in the months of August, September, October, December, and February. On a month-by-month basis, we can see when and where our decisions played out against the market. Our best performing month was August, with an excess return of 0.62%, closely followed by February with an excess return of 0.57%. The worst month during the fiscal year was June, where we underperformed by 2.72%. November also weighed on our annual performance, given its negative excess return of 1.31%. The chart below shows the Fund's absolute performance since inception. This year's double-digit return was a strong bounce-back from last fiscal year's loss.



For the fiscal year ended March 31, 2017, the D'Artagnan Capital Fund turned over 60.27% of the portfolio. The chart below shows the Fund's portfolio turnover annualized for each month of the fiscal year. Portfolio turnover varies by month due to new managers taking over the Fund each semester. Each new group of students has a slightly different outlook for the fund, and this leads to varied turnover. It is not surprising to see higher turnover during September and February because these are the months when the new managers take over the Fund. Managers of the Fund for the spring 2017 semester were confident in the December holdings and wanted to give the portfolio time to reach its intrinsic prices. The Fund's fiscal year portfolio turnover was 60.27%; simply put, given the Fund's activity throughout the year, it turned over 60.27% of the portfolio value.

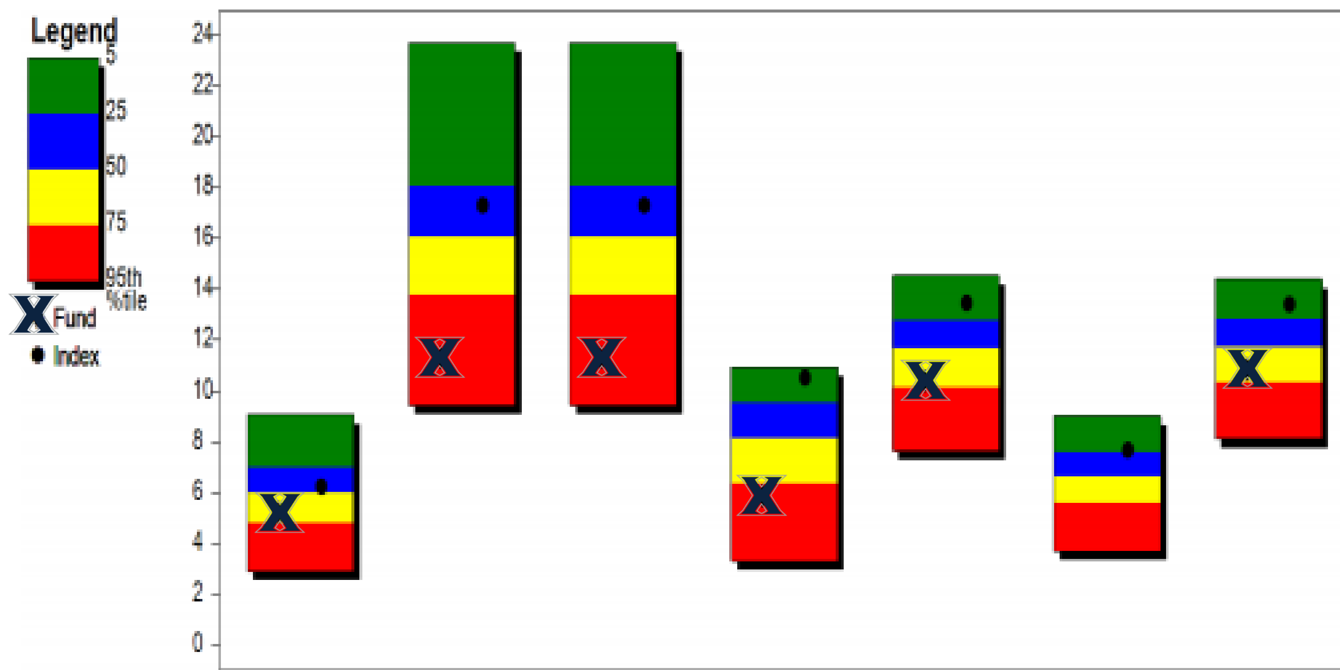


Large Cap Equity Universe Ranking:

The Morningstar Universe data encompasses all equity managers of large-cap stocks. This snapshot allows the Fund to gauge performance in comparison to other equity managers for different periods of time. For the most recent fiscal year, the D'Artagnan Capital Fund ranked in the 92nd percentile for the fiscal year to date. Looking at longer periods of time, the Fund faired slightly better. For the 3 year, 5 year, and inception time periods, the Fund ranked in the 82nd, 74th, and 70th percentiles. Although the Fund struggled against the benchmark during the past fiscal year, the DCF has still managed to outperform many other active managers. If we stretch out the time period, the Fund has consistently outperformed around 30% of active managers. Looking at the most recent data, the Fund performed better in comparison to other large-cap managers by scoring in the 71st percentile.

Report Period: 12-31-09 to 03-31-17
Fiscal Year Ends: March

Universe Comparison for Fiscal Periods
Universe Composition: 100% Equity



	Latest Quarter	Fiscal Yr to Date	Latest Year	Latest 3 Years	Latest 5 Years	Latest 10 Years	From 12/31/09
Student Account Equity							
Rate of Return	5.07	11.15	11.15	5.75	10.29	N/A	10.71
Percentile	71	92	92	82	74	N/A	70
S&P 500							
Rate of Return	6.07	17.17	17.17	10.37	13.30	7.51	13.29
Percentile	49	38	38	10	15	29	16

1 Year Sector Attribution Analysis (%)				
	Relative Weight	**Asset Allocation**	**Security Selection**	**Excess Return**
Energy	-0.93	0.03	0.36	0.38
HealthCare	1.32	-0.08	-1.31	-1.39
Financials	0.80	0.12	-1.27	-1.16
Consumer Discretionary	-0.88	0.04	-1.37	-1.33
Information Technology	-0.99	-0.07	0.73	0.66
Industrials	0.07	0.00	-0.40	-0.40
Utilities	-0.37	0.04	-0.13	-0.09
Consumer Staples	2.71	-0.30	-2.03	-2.33
Real Estate	-1.39	0.25	0.15	0.40
Materials	-0.70	-0.01	-0.48	-0.50
Telecommunications	-0.20	0.03	-0.16	-0.12
Other	0.26	-0.04	0.01	-0.04
Cash	0.33	-0.06	0.00	-0.06
Total		-0.06	-5.91	-5.98

The Fund uses attribution analysis to better understand sources of excess performance. Attribution analysis was calculated by sector, dividend yield, and company market capitalization. Over the course of the fiscal year, both asset allocation and security selection contributed negatively to performance. In total, asset allocation contributed –0.06% to performance, while security selection contributed –5.91% to performance.

Some of the sectors that contributed positively to excess return were Energy, Information Technology, and the newly-formed Real Estate Sector. Energy experienced a good run up during early parts of the fiscal year and resulted in some nice returns due to security selection. Historically, the Fund does very well with the Information Technology sector with healthy returns from Apple, Facebook, Alphabet, and Microsoft. Students in the Fund are tuned into technology and understand the core businesses; this acumen results in a track-record of positive security selection in the IT sector. For the year ended March 31, 2017, the IT sector contributed 73 basis points to excess return as a result of security selection.

Traditionally, the Fund focuses upon security selection to earn most of its returns. This is why the Fund matches asset allocation fairly close to the benchmark's allocation. As a result, total asset allocation should only contribute a few basis points each year. Interestingly, cash contributed negative 6 basis points to asset allocation. The Fund clearly missed out on some opportunities in the markets by holding on to dividends too long. Poor security selection in Healthcare, Financials, Consumer Discretionary, and Consumer Staples were significant drags on performance over the past 12 months. Future managers could benefit from matching asset allocation amounts to the benchmark, resisting overreaction to market hiccups, and retaining a strong sense of sell-discipline based off of intrinsic prices.

Top Holdings:	Dollar Allocation	% of Fund
Berkshire Hathaway Inc. - B	116,919.13	4.60
JPMorgan Chase & Co.	109,293.97	4.30
Apple Inc.	103,702.19	4.08
Allergan Plc	97,347.88	3.83
Alphabet Inc. - C	86,926.83	3.42

3 Year Sector Attribution Analysis (%)				
	Relative Weight	Asset Allocation	Security Selection	Excess Return
Energy	1.13	-0.54	0.04	-0.49
HealthCare	0.12	0.00	-1.87	-1.87
Financials	0.30	0.00	-1.96	-1.96
Consumer Discretionary	-1.31	-0.06	-3.35	-3.42
Information Technology	-1.71	-0.34	-2.93	-3.27
Industrials	0.62	-0.03	-0.78	-0.80
Utilities	-0.45	0.00	-0.34	-0.34
Consumer Staples	2.45	0.01	-2.85	-2.84
Real Estate	-1.41	0.19	-0.05	0.15
Materials	-0.20	0.04	-0.79	-0.76
Telecommunications	-0.96	0.10	-0.18	-0.07
Other	0.28	-0.10	0.00	-0.10
Cash	1.14	-0.39	0.00	-0.39
Total		-1.12	-15.05	-16.17

March 31, 2014 through March 31, 2017

5 Year Sector Attribution Analysis (%)				
	Relative Weight	Asset Allocation	Security Selection	Excess Return
Energy	2.27	-1.78	0.33	-1.45
HealthCare	-1.03	-0.24	-3.36	-3.60
Financials	-0.99	-0.12	-5.25	-5.37
Consumer Discretionary	-1.15	-0.23	-5.11	-5.34
Information Technology	-0.99	-0.06	-1.86	-1.92
Industrials	1.29	0.03	-3.01	-2.98
Utilities	-0.54	0.07	0.69	0.77
Consumer Staples	1.20	-0.09	-1.74	-1.83
Real Estate	-1.21	0.62	0.27	0.88
Materials	-0.20	0.06	-1.34	-1.28
Telecommunications	-0.90	0.24	-0.33	-0.09
Other	0.35	-0.30	-0.68	-0.68
Cash	0.93	-0.81	0.01	-0.80
Total		-2.61	-21.08	-23.70

March 31, 2012 through March 31, 2017

Top Performers	Return (%)	Contribution to Return (%)
JPMorgan Chase & Co	52.52	1.97
Apple Inc	34.60	1.54
Micron Technology, Inc.	63.05	1.07
Time Warner Inc.	26.03	1.06
Microsoft Corporation	35.12	0.82

*Note, these securities are ranked based on their contribution to the portfolio, which is due to their weighting in the portfolio.

Top Performers Overview

The D'Artagnan Capital Fund's contribution during the reporting period was heavily driven by the overweighting and return from the Information Technology sector. Apple, Micron, and Microsoft were all top contributors during the reporting period. Apple Inc. continues to be a top performer, beating analyst expectations for earnings in each of the last three quarters. This was primarily due to their strategy of using cash to stimulate innovation in the smartphone and tablet industries. Apple was able to combine this strategy with their unmatched customer loyalty and take time to improve the services they offer (e.g. App Store, iTunes, and Apple Pay). Micron Technology, Inc. was able to bounce back from a steep drop last period and allow the Fund to experience a 63.05% return. Micron stock has been improving with the increase in price of their memory chips, along with the new acquisitions of Elpida and Rex Chip. Micron has been able to increase production of their DRAM products, as well as increase their research and development divisions. Since the extreme volatility in chip prices remains, the Fund chose to liquidate its position in Micron in September. Microsoft Corporation's "cloud" based revenue has continued to improve and increase, providing strong organic growth. Microsoft has also begun to focus more on the mobility of their business and recently acquired LinkedIn, contributing over 30% to company return during the reporting period.

The return seen by JPMorgan Chase & Co. during the period has been largely driven by the November election. JPM saw a large boost after the Trump election due to the potential eases on regulatory burdens on banks and much anticipated interest rate increases that have recently been announced by the Federal Reserve.

Time Warner Inc. has shown the ability to increase profit margins through new innovations in smartphone applications and the PC gaming segment. They also experienced success in the movie box office segment with their Warner Brothers subsidiary. TWX also possesses highly popular television rights that have been historically proven to be profitable. The Fund sold out of its TWX position in October 2016 as Time Warner continued to hover at its highest ever stock price and above our analysts' intrinsic range.

Worst Performers	Return (%)	Contribution to Return (%)
Under Armour Inc. - A	-43.75	-1.10
CVS Health Corporation	-21.14	-0.98
Gilead Sciences Inc	-19.58	-0.90
Kroger Co.	-21.82	-0.71
Delta Airlines, Inc.	-14.29	-0.58

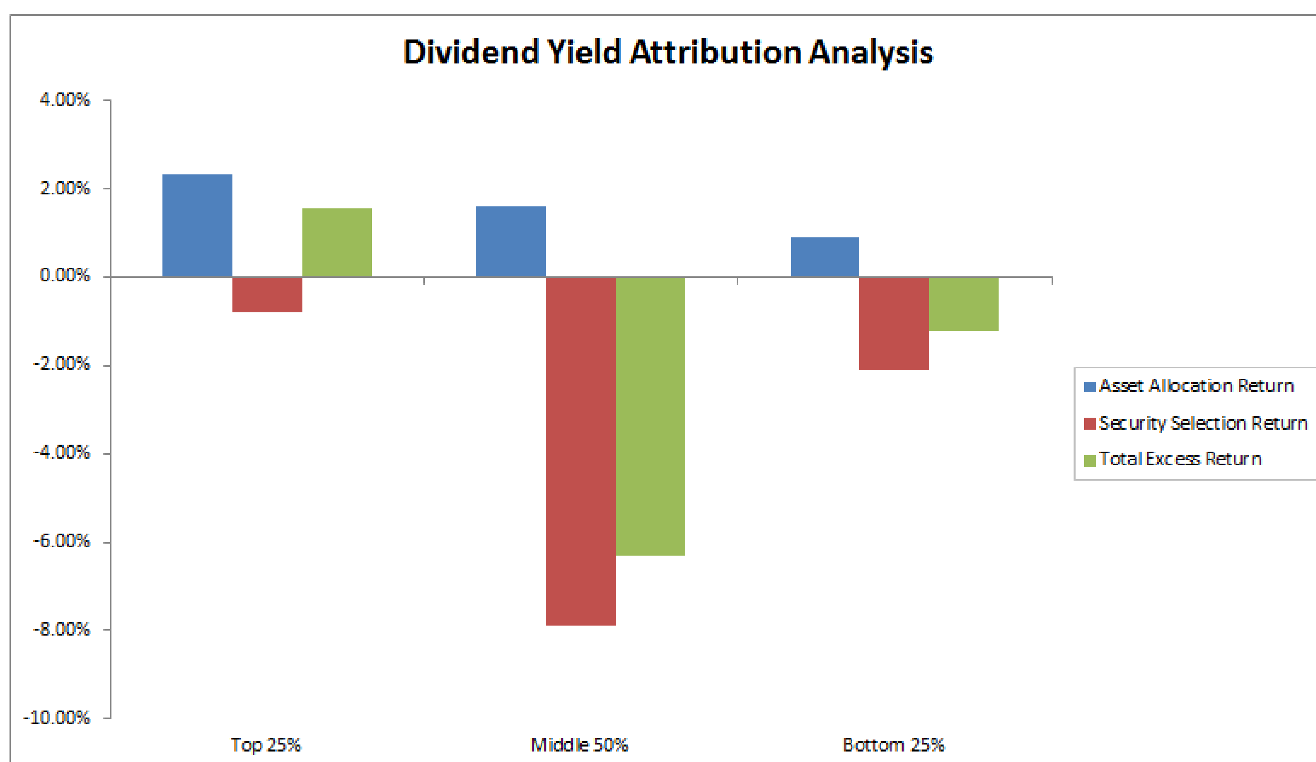
*Note, these securities are ranked based on their contribution to the portfolio, which is due to their weighting in the portfolio.

Worst Performers Overview

The D'Artagnan Capital Fund's losses were largely driven by consumer demand for products with bottom contributors coming from Under Armour, Inc, CVS Health Corporation, The Kroger Co, and Delta Air Line, Inc. After a tough summer, Delta Air Lines, Inc. reported revenue fell 5.6% year-over-year and continued to guide down on earnings. Shortly after the summer of 2016, the stock was able to rebound due to the election, in which the Trump administration expressed plans for improvements in air traffic control and infrastructure on the horizon. For these reasons, we still believe Delta presents an opportunity for growth to the Fund. The Kroger Co. saw heavy losses in the first half of 2016 due to record lows in the Consumer Price Index. After a rebound heading into 2016 Q4 earnings, Kroger hit a 52-week low after earnings as they reported their first decrease in same-store sales growth in 13 years. With the rebound in the CPI expected as well as steps taken to combat healthy fresh food stores like Whole Foods, the Fund still sees growth ahead for Kroger, which has provided an over 25% return to the Fund since purchasing shares in 2012.

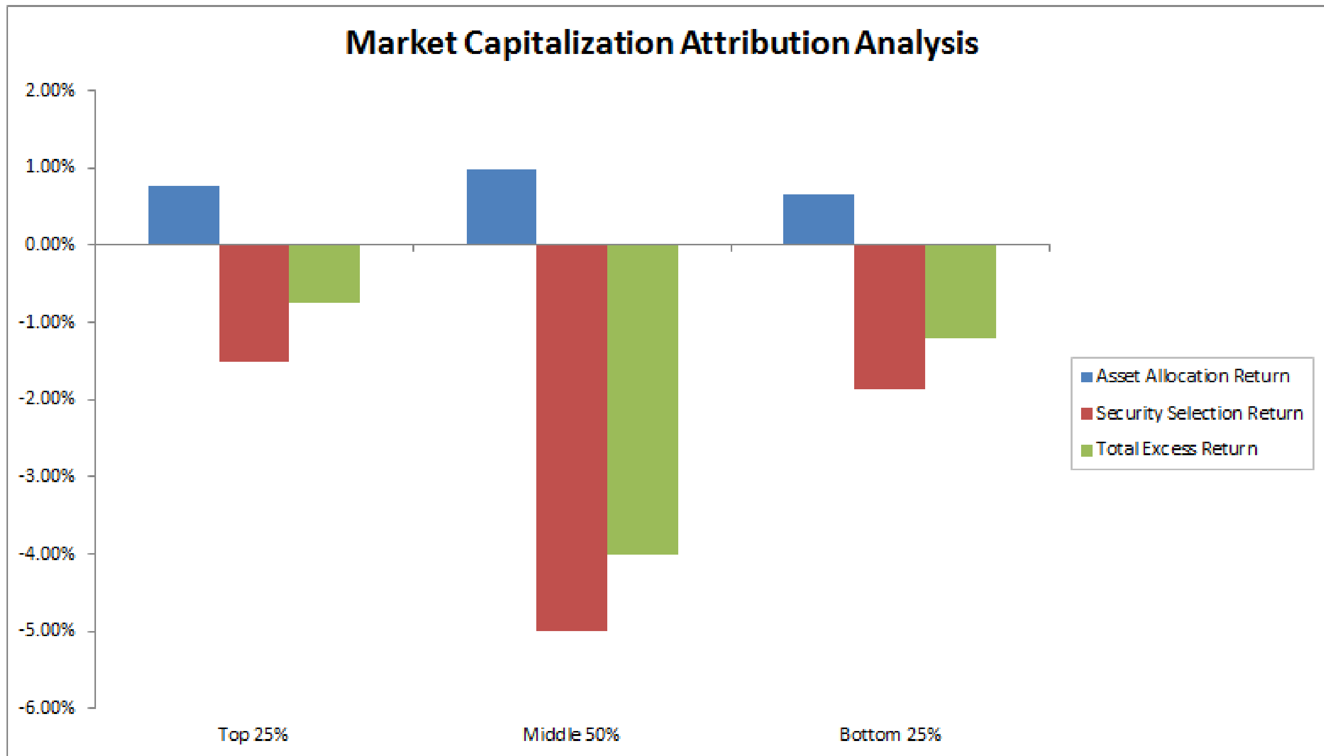
CVS Health experienced a rough 2016 with their chief competitor, Walgreens Boots Alliance, signing a deal with the leading PBM Prime Therapeutics. Just a month later Tricare, the insurance program for the U.S. military, stated that it was leaving CVS for Walgreens. CVS subsequently lost a large pool of customers and dialed back guidance for the year which caused a large reaction by investors. With continued pressure from Walgreens, as well as political uncertainty over CVS' pricing model, the Fund sold out of CVS in February 2017. The D'Artagnan Capital Fund's worst performer both in performance and contribution was Under Armour, Inc. Under Armour, Inc. stock plummeted roughly 25% following 2016 earnings misses due to lack of international growth on the scale of competitors like Nike and Adidas, as well as sales of leisure products and the decline of brick and mortar stores. The Fund sold out of UAA in February 2017 due to uncertainty surrounding their ability to be a growth firm in the near future such as they have been in the past.

While Healthcare was positive in the sector's overall contribution to the D'Artagnan Capital Fund, the sector also experienced heavy losses from Allergan PLC and Gilead Sciences, Inc. After a large drop from 2016 Q3 earnings, Allergan has recovered in the start of 2017 and the Fund still sees large growth potential in Allergan's pipeline and products, as well as the overall industry. Gilead has experienced declining sales for Hepatitis C virus (HCV) drugs Harvoni and Sovaldi. In addition, several of its potential pipeline candidates have flopped this year and were subsequently scrapped. Due to this and the ineffectiveness of drugs relative to comparable companies, the Fund liquidated its position in Gilead in February 2017.



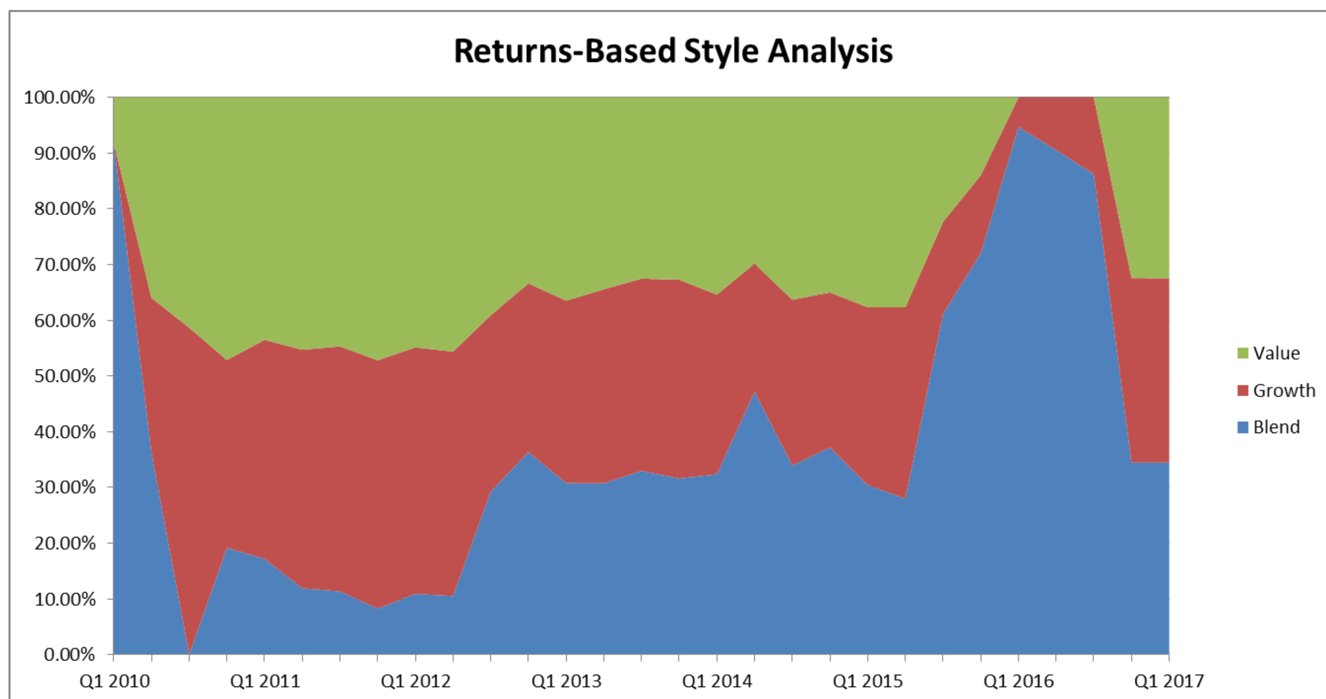
Dividend Level	Relative Weight (%)	Asset Allocation (%)	Security Selection (%)	Excess Return (%)
Top 25%	-14.71	2.33	-0.78	1.55
Middle 50%	8.77	1.57	-7.89	-6.32
Bottom 25%	5.99	0.89	-2.10	-1.21
Total		4.80	-10.77	-5.98

This analysis helps explain how dividend-paying stocks affected the Fund's overall performance. By analyzing this information, insight can be reached about the sources of the Fund's under and over-performance. The S&P 500 was divided up into three different buckets: top 25% dividend yield stocks, middle 50%, and bottom 25%. Then, each stock within the portfolio was put into its respective bucket based on where it fell in the S&P 500 rankings. The Fund was overweight in the middle 50% and bottom 25% dividend yield stocks, while significantly underweight in the top 25%. These decisions led to a positive return for asset allocation; however, the Fund struggled to succeed with security selection during the fiscal year. While 4.80% was gained through asset allocation, -10.77% was lost through poor security selection. Although there is not significant focus on dividend yield during trade decisions, the Fund likes to use this style of attribution analysis to see how the added dividends affect our portfolio.

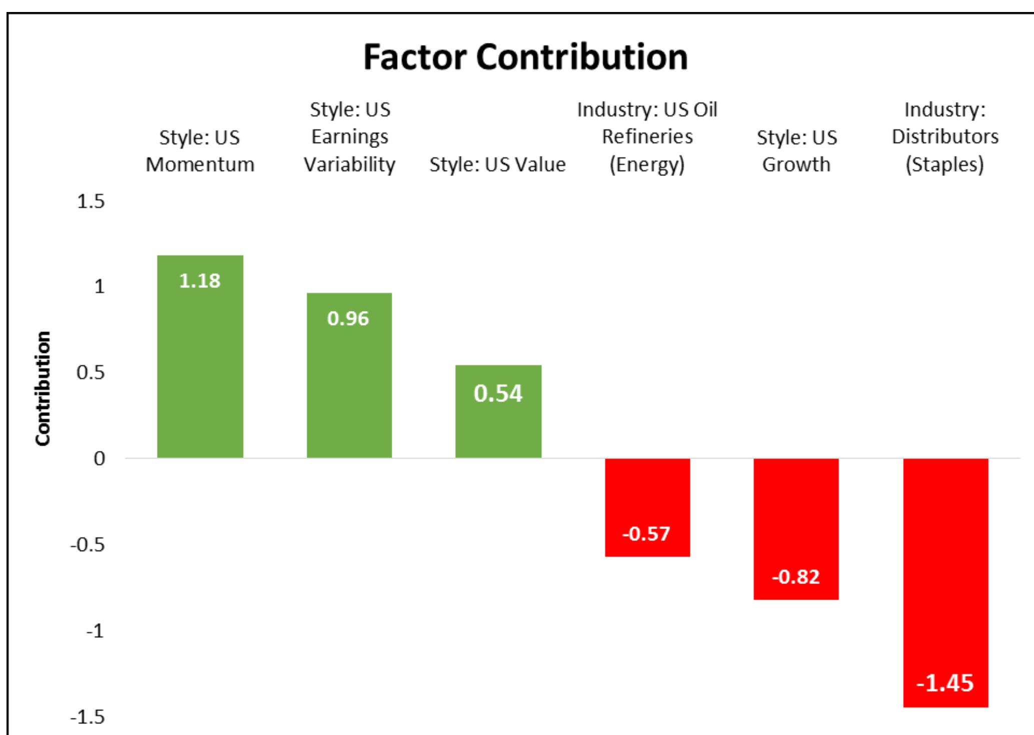


Market Cap. Level	Relative Weight (%)	Asset Allocation (%)	Security Selection (%)	Excess Return (%)
Top 25%	-6.02	0.77	-1.52	-0.75
Middle 50%	3.17	0.97	-4.99	-4.02
Bottom 25%	2.89	0.66	-1.86	-1.21
Total		2.40	-8.38	-5.98

For this analysis, the S&P 500 was once again separated into three different categories. However, the categories were based off of market capitalization for the top 25%, middle 50%, and bottom 25% of the S&P 500 this time. The D'Artagnan Capital Fund holdings were also then segregated into the three different buckets based off of respective market capitalization. The Fund was short on the top 25%, and long on both middle 50% and bottom 25%. These decisions contributed positively to asset allocation with 2.40% gained. However, the Fund did not do well choosing the best stocks to invest in given these categories. Negative security selection can be to blame for a significant portion of the Fund's negative excess return in comparison to the benchmark. When we discuss trade decisions, one of our main points is discussing the company's market capitalization. This is important for us because we are held by certain standards put forth in the Fund's prospectus. The D'Artagnan Capital Fund Prospectus states that our investments must meet the features of the S&P 500 index, concerning market capitalization and marketability.



Returns-based style analysis is a statistical technique utilized to dissect the performance and returns of the investment fund to better explain what style portfolio would have most closely replicated our holdings. This technique reflects the Fund's strategy as well as its exposure to various market factors. The D'Artagnan Capital Fund operates as a large-cap opportunities fund. Simply said, the DCF seeks to invest within the most undervalued large-cap stocks regardless of style. The above graph reinforces this idea by showing the Fund has fluctuated over the years between value, growth, and blend stocks; this is expected from an opportunities fund. Currently, the Fund is split fairly evenly amongst the three styles, but this has not always been the case and will not always be the case going forward. The Fund will continue to invest its capital in the companies that are perceived to be the most undervalued by the market.



Factor analysis aids the Fund in actively managing portfolio risk. There are several types of factors that can better explain our exposures, including momentum, dividend yield, and size to name a few. The graph on the left shows the three best and worst contributors to return this past fiscal year. Overall style and industry were the factor groupings that had the largest impact. Style contributed 2.05% while industry exposures detracted from returns with –1.52%. Total factor exposures for the period were net 0.55%.

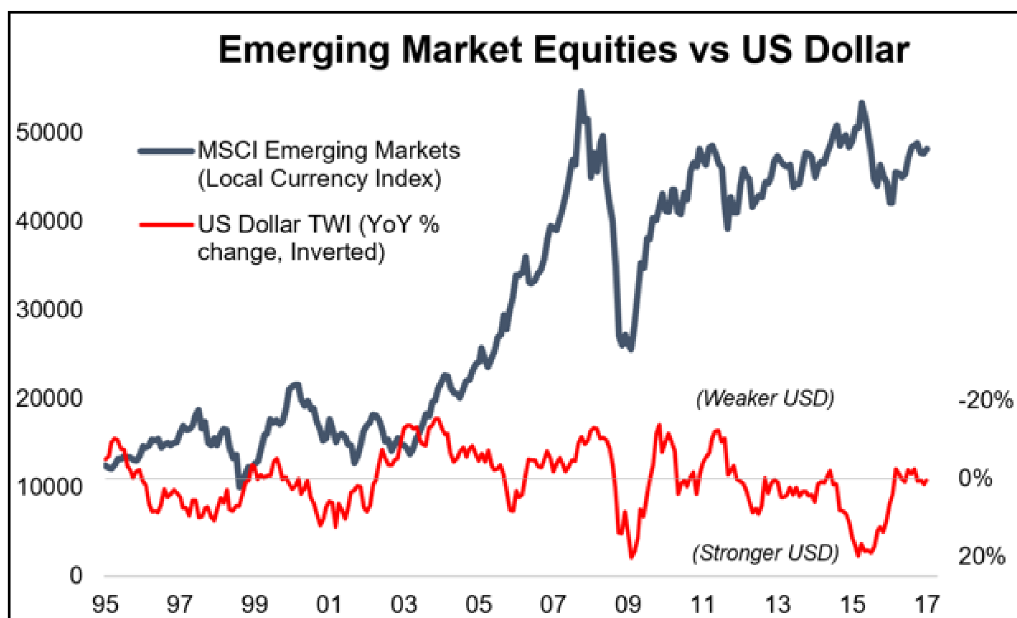
Global Economy

Throughout the annual reporting period the D'Artagnan Capital Fund economics team has been carefully monitoring various macroeconomic events that have affected our investment strategy and overall portfolio. Some of the large economic events throughout the reporting period that will be discussed in this report are the election of Donald Trump, rising interest rates, the announcement of Brexit, and changes in the GDP of emerging markets.

One of the most frequently discussed events of the year was the election of Donald Trump. His unexpected victory not only changed the future of United States politics, but impacted the financial markets as well. A bull market has occurred since the election and it has continued to rise up to this point. His platform of putting America first has consumers excited and confident in the economy. However, along with President Trump comes great uncertainty about what he will actually do with various regulations and policies such as trade, healthcare, and business in general. Some of these issues will be discussed later on in this section.

Another huge event which took the world by surprise was the Brexit vote. Great Britain decided to leave the European Union in June 2016. The process now continues as Prime Minister Theresa May recently triggered Article 50, officially beginning Great Britain's departure from the European Union. Brexit is expected to be completed by April of 2019, and its impact on the D'Artagnan Capital Fund will be discussed further in the Market Summary section of this annual report.

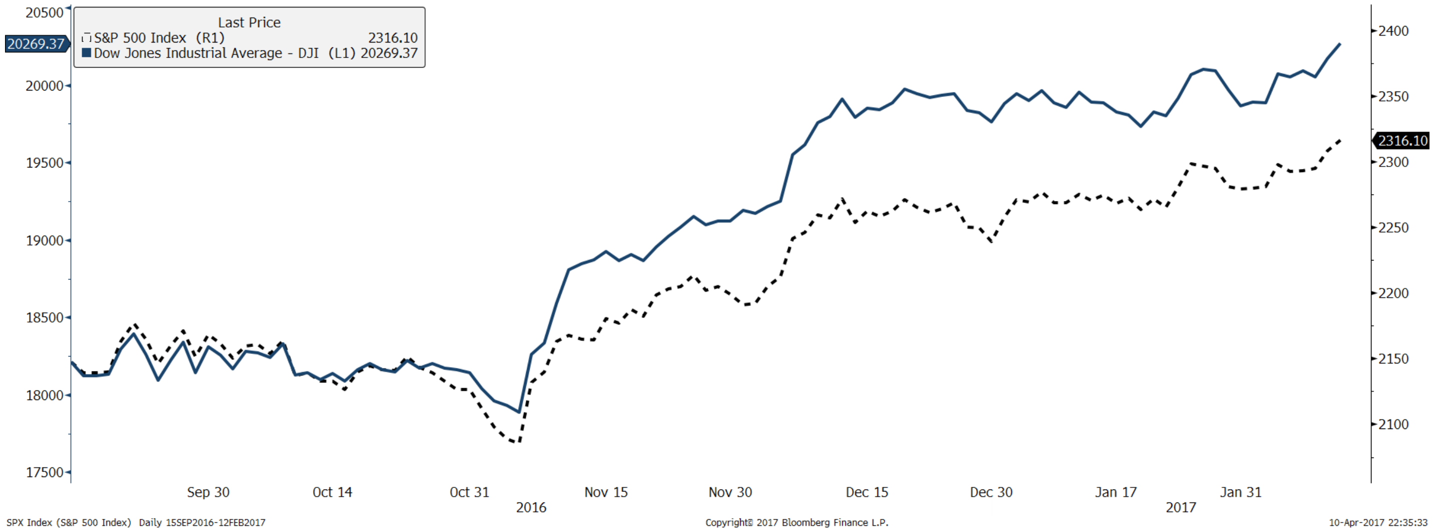
In addition, the Fund has been monitoring changes in GDP among emerging markets against mature economies. Recently, the trend shows emerging markets taking over a large percentage of the world GDP, with the majority of this growth coming from India and China. This trend is expected to continue into the future, however not necessarily led by India and China. One trend that economists have continued to witness is the inverse relationship between the value of the US Dollar and emerging market equities. The emerging markets appear to be poised for strong growth in both GDP and equities and this could result in a decline in value of the US Dollar, thus squeezing out profits from the international companies in our portfolio. Due to this trend and the potential repercussions, the economics team has monitored the emerging markets GDP and equity to minimize our exposure to potential losses.



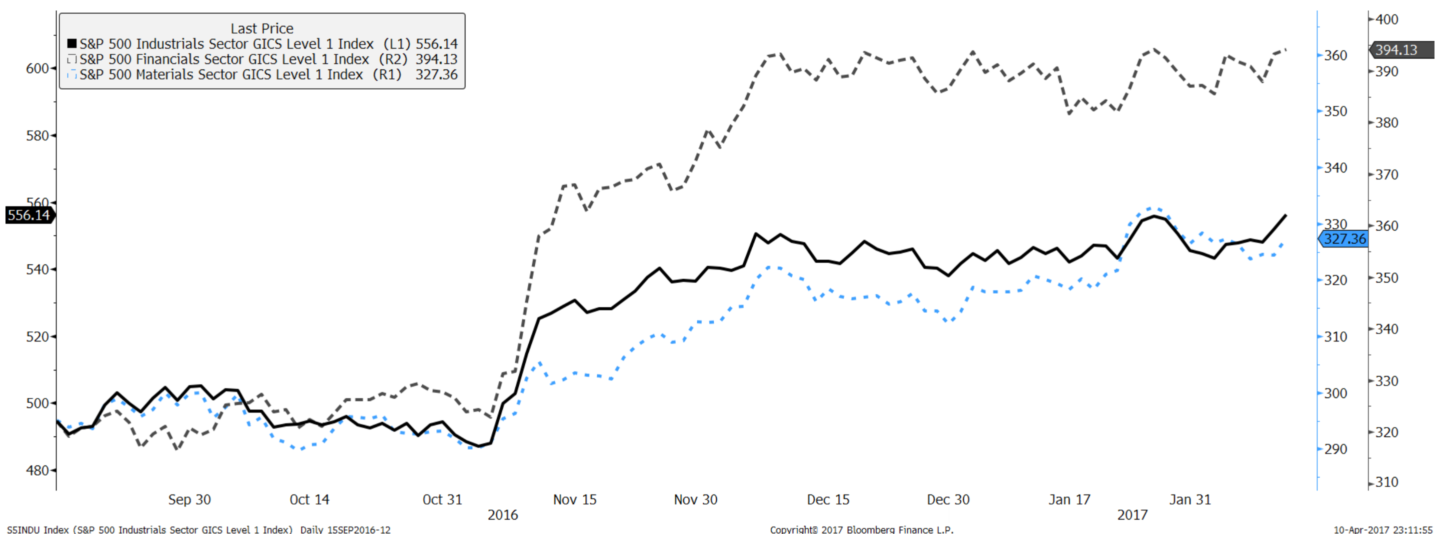
Source: Seeking Alpha

Trump's Economic Policies

One of the biggest national and global events of the year was the election of Donald Trump by the American people. In the early morning of November 9, 2016 it was confirmed that Donald Trump had won the presidency, and his victory has since come with a lot of changes to the markets. The S&P 500 soared in the weeks following the election, primarily driven by the financial, industrial, and material sectors. These major changes in market value were boosted by anticipated changes in both government regulations and government spending.



The primary beneficiary of the administration's deregulation plans is the financial sector. The financial sector is anticipating large changes to Dodd-Frank legislation, as well as the total repeal of the Fiduciary Requirement, which is placed on retirement financial advisors. The financial sector would also benefit from any change in current US corporate tax laws; however, the current problem with this sudden increase in market value is that none of these regulations have been changed. This leads to a precarious situation since much of the current market gains rely on future events taking place. The same can also be said for increases in both the industrial and material sectors, where the change in market value has been primarily motivated by anticipated increases in government infrastructure spending. Combined, these three sectors have driven the overall market's increase in value since the election.

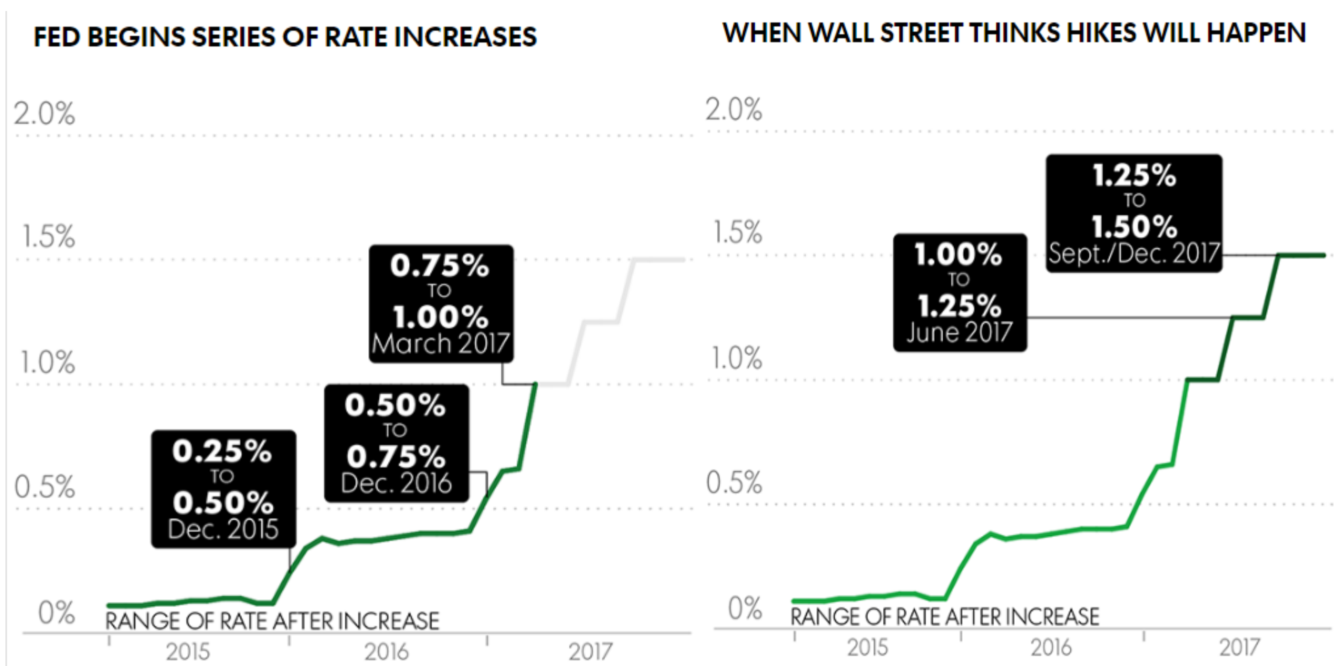


Interest Rates

Another highly anticipated economic event in the United States during the Fund's reporting period was the rise of interest rates. Throughout the year, investors tuned in to Federal Reserve Chairwomen, Janet Yellen's press conferences awaiting an interest rate hike announcement. The latest announcement came toward the end of our annual reporting period on March 15, 2017 when Yellen mentioned how the United States economy was healthy and the Fed believed that it was the correct time to raise rates.

Interest rates were raised about a quarter of a percent from a 0.50%-0.75% range up to 0.75%-1.00%. Investors, as well as the market, were not totally surprised about the announcement in March since it had been delayed several times. In addition, the Federal Reserve announced that they are planning on raising rates again two more times over the year. The Fund is going to continue to monitor the interest rate situation so that we can be more aware of the market environment.

On March 15, 2017, the day of the announcement, investors piled into the market causing an abrupt increase that day. In the following week however, the market declined and suffered losses. In addition to market reactions to rate hikes, political fallouts with the Affordable Healthcare Act caused continued losses. The inability of the Trump Administration to meet their established deadlines for a replacement worried some investors about the potential for other political disruptions. As a result, markets took a slight hit but have been on the rise since initial drops.



Source: USA Today

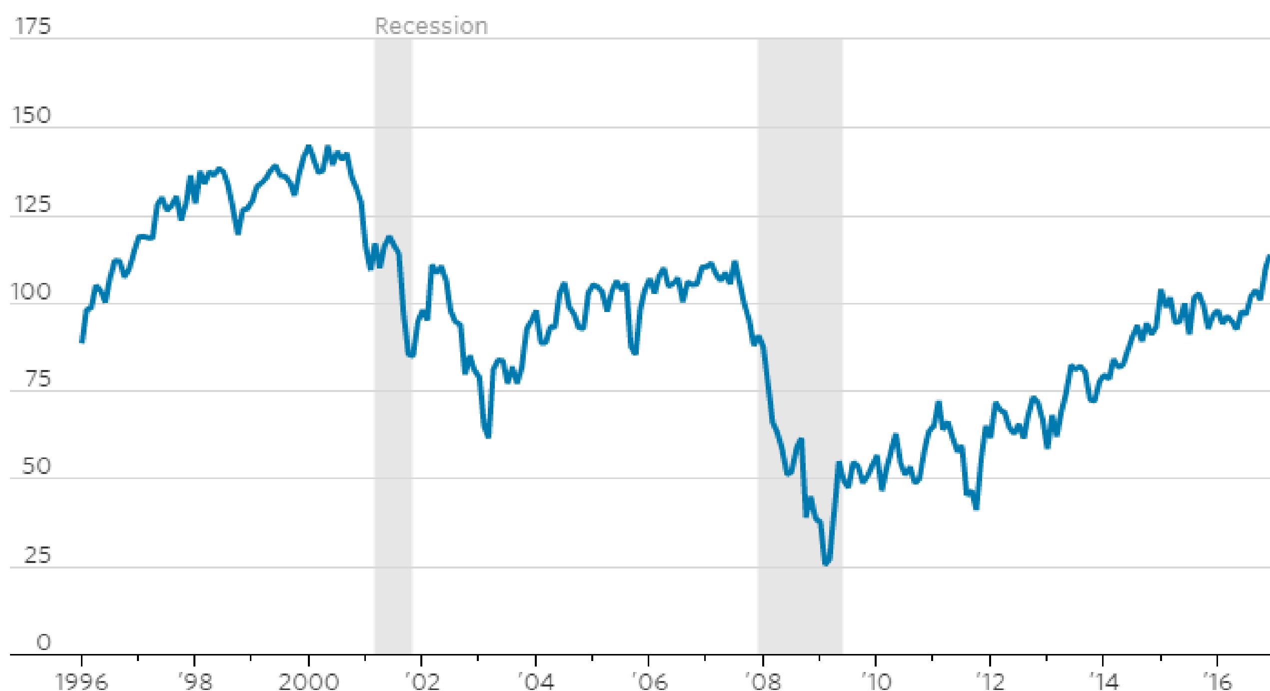
The images above highlight the recent interest rate hikes by the Fed along with the expected two additional interest rate hikes this year.

High P/E Ratios

A major trend that the economics team discovered over the course of the reporting period was that price to earnings ratios were at high levels for dividend paying stocks. As a fund, we believe that many companies are still trading at prices higher than justified; therefore, there should not be as many purchasing opportunities present in the marketplace. We stress this to analysts to ensure that we do not end up in a position holding overvalued stocks. Additionally, one of the reasons price-to-earnings increased for these dividend paying stocks was that bond investors were operating in a low interest rate environment and searching for return elsewhere. Thus, they have turned to high divided paying stocks for better returns, which in turn bumps up the P/E ratios for those companies.

Consumer Confidence

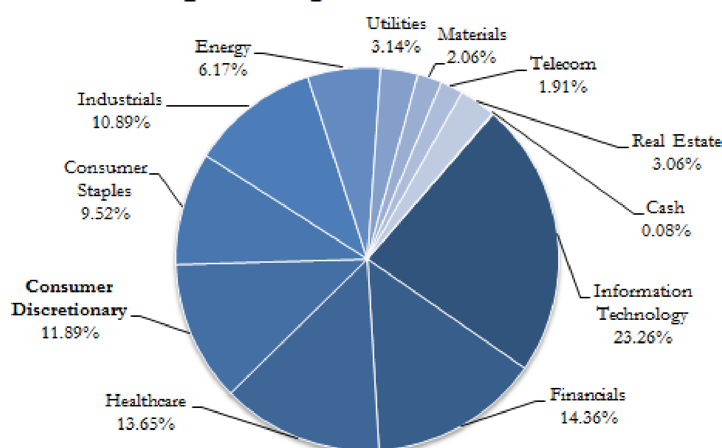
A positive trend that has been noticeable lately is the boost in consumer confidence among Americans. In fact, consumer confidence is at an all-time high since December of 2000. As Federal Reserve Chair Janet Yellen mentioned, the United States economy is in a healthy state at the moment and consumers have faith in the strength of the economy. Many are excited for tax reforms in hopes of lower taxes, along with the stimulus boost to the United States economy.

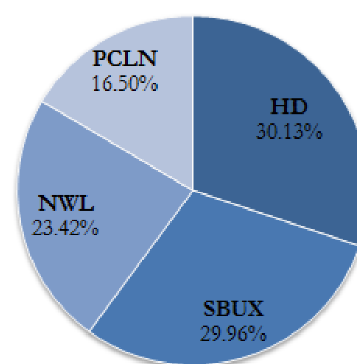


Consumer Discretionary Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
Home Depot Inc/The	HD	Home Products	30.13	3.58	91,034.60	16.56
Starbucks Corp.	SBUX	Restaurants	29.96	3.56	90,504.50	8.81
Newell Brands Inc.	NWL	Housewares and Specialties	23.42	2.78	70,755.00	-9.42
Priceline Group Inc./The	PCLN	Internet and Direct Marketing Retail	16.50	1.96	49,839.16	11.07





Sector Overview

The Consumer Discretionary sector was led in performance by Home Depot this fiscal year when the security returned 16%. The DCF also realized a large return when we liquidated the position of Time Warner. During the same period the sector's lowest performer was Under Armour, which dropped 20% after they missed earnings.

The DCF purchased a position in Priceline Group during February of 2017 for their global dominance as an online travel agency, sustainable gross profit margin, and growth opportunity from acquiring the largest European online agency. In less than two months from acquisition to reporting period end, the stock price has increased by over 11%.

Newell Brands has slowly lost 10.22% since acquisition in September of 2016, but since then has announced two acquisitions, including Jarden and Sistema. The DCF will continue to hold the NWL position until the market recognizes the value of these acquisitions

Sector Overview
DCF Consumer Discretionary Sector Return: 0.97%
Benchmark Sector Return: 13.17%
DCF Sector Weight: 11.45%
Benchmark Weight: 12.33%
Asset Allocation: 0.04%
Security Selection: -1.37%

Sector Team
Sector Manager:
Adam Tortelli
Sector Analysts:
Joe Bartoletti
Carson Korn
Gabe VanDyke

Industry Analysis

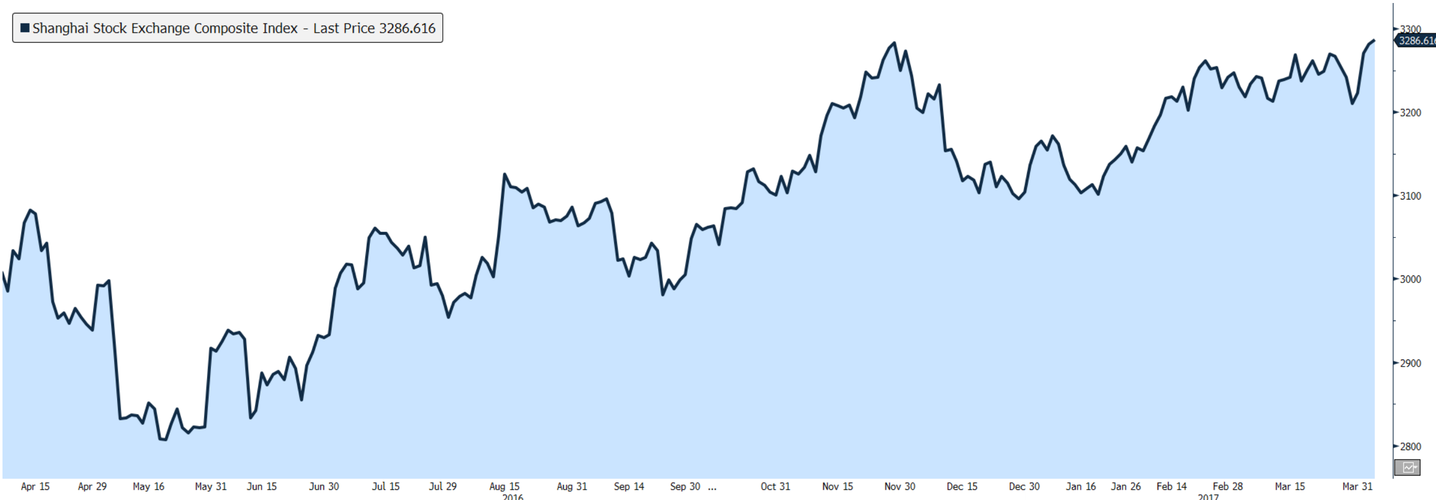
Sub-Sector Returns	
Automobiles & Components	*+8.14%*
Consumer Durables & Apparel	*-2.43%*
Consumer Services	*+13.68%*
Media	*+18.37%*
Retail	*+14.60%*
Overall Sector	***+12.61%***

Positive performance for the Consumer Discretionary sector was driven by the Media and Retail industries. Leading the way for the Media sub-sector were companies such as Time Warner Inc. and CBS Corporation, while Best Buy and Amazon were leaders for Retail.

The weakest portion of Consumer Discretionary stocks came from Consumer Durables & Apparel, the only industry with a negative overall return. Struggling companies for this sub-sector included Under Armour and Lululemon, whose stocks plummeted following missed earnings in quarterly reports. The issue facing apparel companies today is how they market and deliver to consumers. Traditionally, apparel companies could easily rely on selling their products to retailers utilizing traditional brick and mortar stores. However, with the surge in online spending, apparel companies are beginning to target consumers directly via their own websites. The Consumer Durables and Apparel sub-sector significantly lagged the Consumer Discretionary sector, as shown below.

From the perspective of the DCF, we were able to capitalize on the strength of Time Warner by selling to realize a sizeable gain. On the other hand, the DCF also suffered a loss from our position in Under Armour when the company missed earnings and the stock price dropped by over 20%; we sold shortly thereafter considering the new data and calculating an overvaluation of the stock. Since the sale, Under Armour has regained slightly, but has been outperformed by Priceline—the company that we swapped with Under Armour. As the Fund prepares for 2017, we are considering that the global landscape for luxury goods has bright horizons moving forward as experts anticipate growth beyond 6% in 2016. Asian markets are slowly recovering, as displayed below, in addition to increased spending by Americans. Companies such as Burberry, Luxottica, and Tiffany & Co. look to capitalize if these expectations hold true.

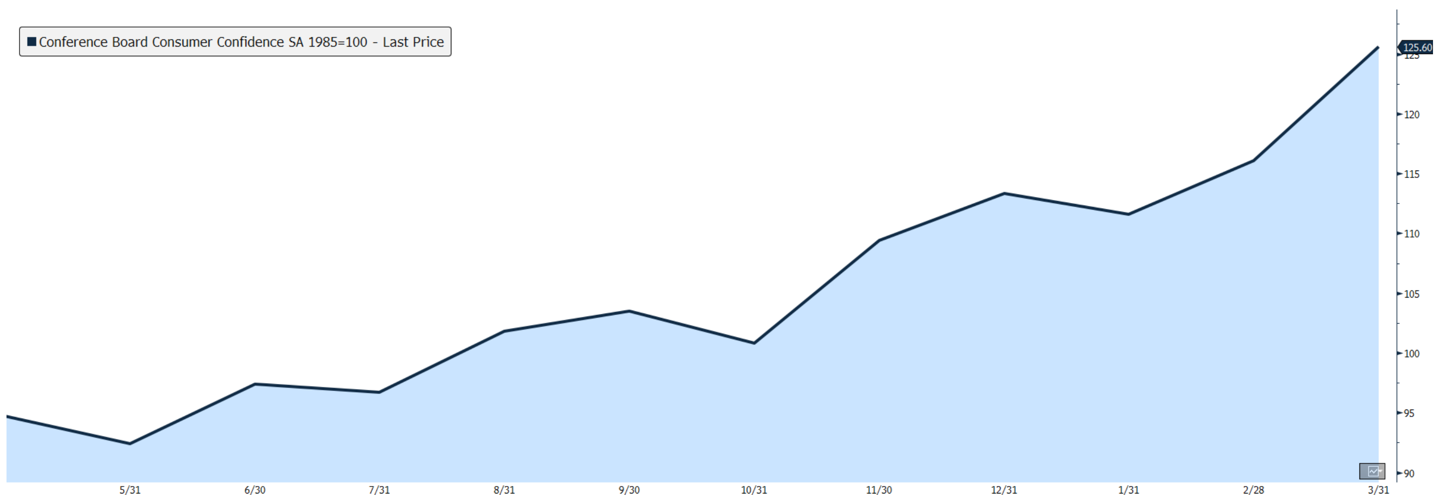
Source: Bloomberg



What's Changing

In the past fiscal year, the Consumer Discretionary sector saw steady positive growth, particularly after the election of President Trump in November. With the president's goal to put more money in the pockets of American people so that they can use it domestically, consumer spending is expected to increase drastically over the next four years; this is where the Consumer Discretionary sector should see widespread growth.

Since November's election, the U.S. economy has steadily improved indicating a positive outlook for the rest of 2017. Under the new administration, Americans should also see a stronger job market that will impact the growth of the Consumer Discretionary sector. Increased employment and stability will continue to allow consumers the peace of mind to spend more on the non-essentials. The graph below demonstrates this boost in consumer confidence, especially surrounding the election period.



Apparel companies will once again be in the spotlight if anticipated trade restrictions and laws created by the Trump Administration come to fruition. If trade and licensing become more difficult, this could radically affect companies that rely on having their products manufactured in foreign countries. Apparel giants such as Nike and Under Armour create their own designs and marketing strategies, but when it comes to making the shirts and shoes that we cannot get enough of, production is transferred to the cheaper markets of China and other Asian countries that have looser workplace standards with significantly lower wage restrictions. This tension can either lead to companies moving out of the U.S. and paying high tariffs or cut into profit margins after being forced to pay Americans for work that costs a fraction of the price in other countries. Either change will likely result in consumers paying higher prices to combat increasing manufacturing costs. Moving forward, the DCF will stay away from apparel-focused companies, as exemplified by the selling of our position in Under Armour earlier this year.

Another global political factor making its presence known within Consumer Discretionary stocks is the execution of Brexit as the United Kingdom plans to withdraw itself from the European Union. Following a significant decrease in the value of the British pound against the American dollar, British goods now appear to be cheap relative to American goods. This will weigh on how Americans decide to spend their excess cash going forward.

Source: Bloomberg

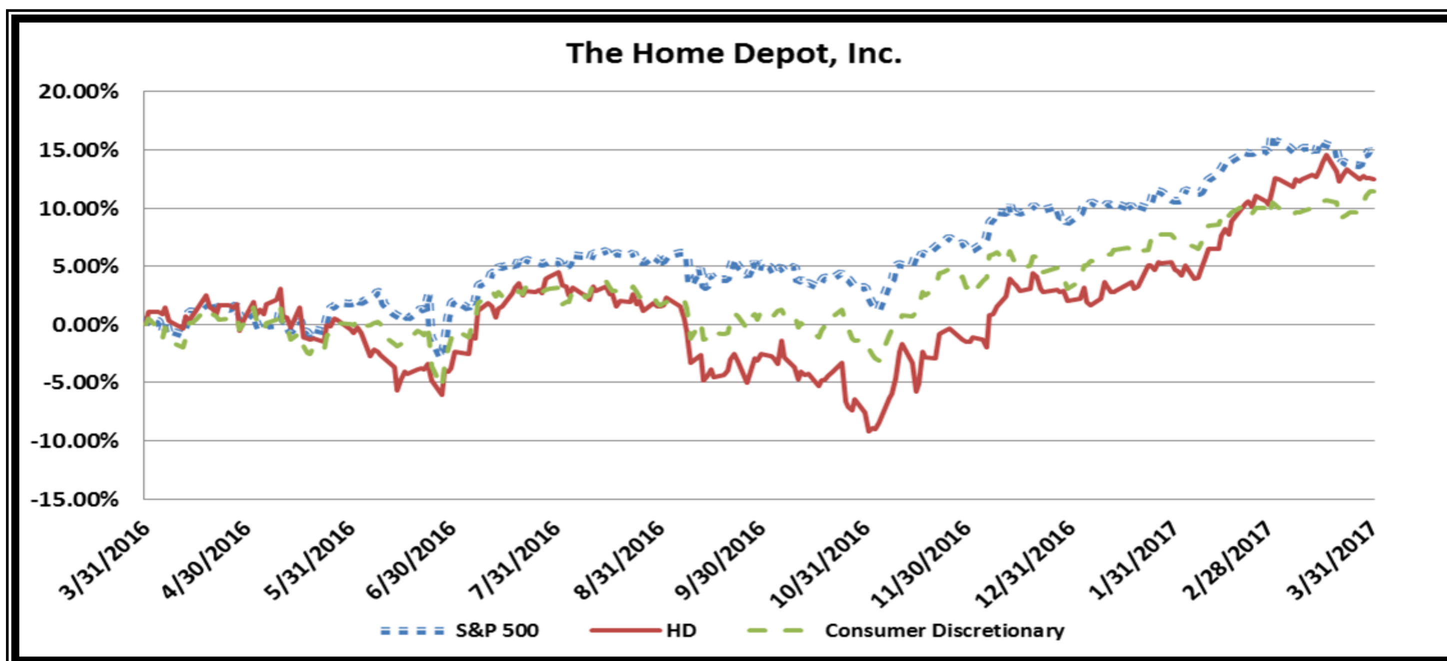
Consumer Discretionary Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
6/14/16	Under Armour Inc.	UAA	Added to Portfolio	56,267.25
6/14/16	Johnson Controls Inc.	JCI	Liquidated Position	61,222.81
9/15/16	Under Armour Inc.	UA	Increased Position	2,867.25
9/21/16	The Home Depot Inc.	HD	Added to Portfolio	51,628.59
9/21/16	D R Horton Inc.	DHI	Liquidated Position	51,800.34
10/21/2016	Time Warner Inc.	TWX	Liquidated Position	107,654.75
10/21/2016	Home Depot Inc.	HD	Increased Position	27,214.52
10/21/2016	Newell Brands Inc.	NWL	Added to Portfolio	78,813.75
11/10/2016	Macy's Inc.	M	Liquidated Position	83,565.95
11/10/2016	Starbucks Corp	SBUX	Added to Portfolio	83,632.40
2/8/2017	Under Armour Inc.	UAA	Liquidated Position	33,080.86
2/8/2017	Priceline Group Inc.	PCLN	Added to Portfolio	44,975.50

The Home Depot, Inc. Home Products

Shares	Weight in Portfolio	Weight in Sector	Annual Return
620	3.58%	30.08%	+12.48%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.06	$ 146.81	$ 153.90	+4.78%



Company Description

Home Depot is a home improvement store in the retail industry, which is headquartered in Cobb County, Georgia.. As the world's largest home improvement chain, they currently own and operate more than 2,200 stores across North America, Mexico and Canada. They target both the do-it-yourself (DIY) and professional markets. Home Depot's product offerings include home appliances, tools, hardware, lumber, building materials, paint, plumbing, flooring, garden supplies, and plants. Home Depot also provides services for the installation of flooring, cabinetry, and other major products.

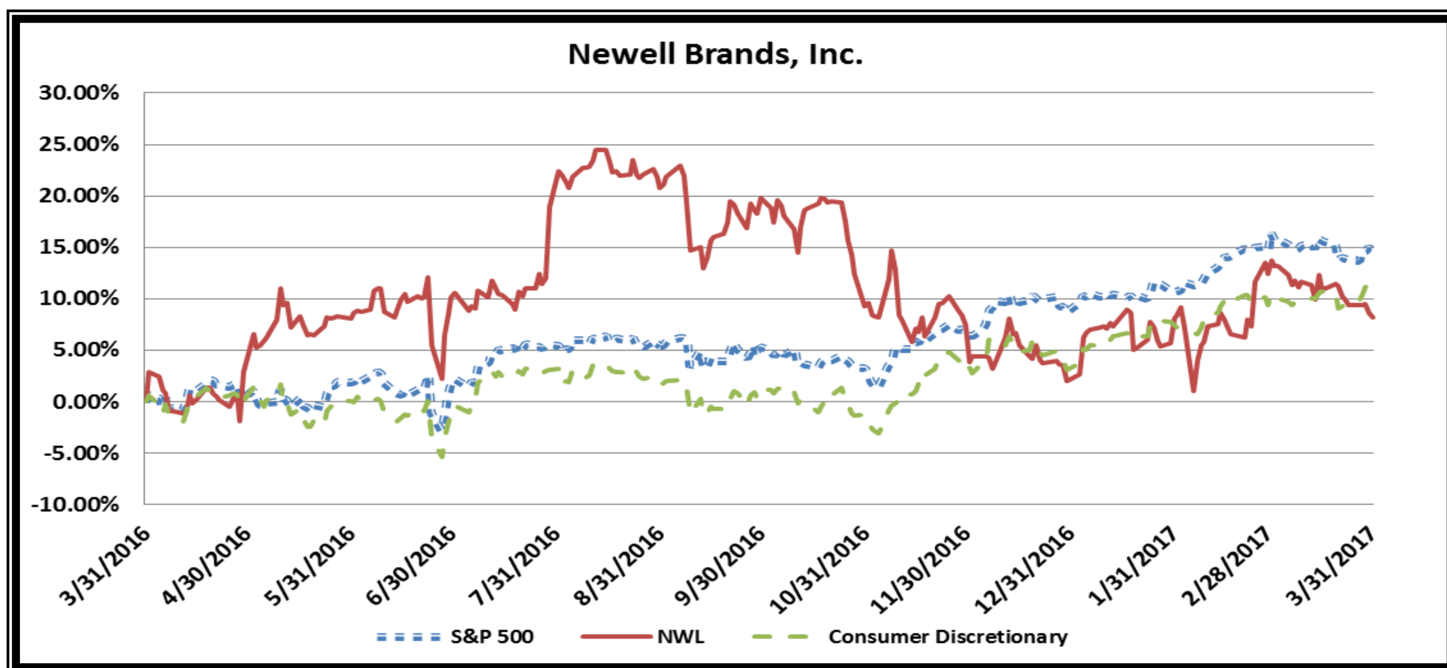
Investment Rationale

The D'Artagnan Capital Fund holds the Home Depot because of its ability to increase revenue while maintaining its cost cutting strategy. Currently, Home Depot is investing into their stores and online presence to fuel this revenue growth. This increase in investment should continue to increase revenue and help Home Depot maintain a large portion of the home improvement industry. This cost cutting strategy can be noticed in their increase in EBITDA margins over the last 5 years. The home improvement industry has a whole has been benefiting from 67% of U.S. housing stock being 27 years old or older, often requiring improvements. Home Depot has shown continued success in their industry and should continue this trend into the foreseeable future.

Competitors	Analyst Coverage
Lowe's	Carson Korn
Sherwin-Williams	
Tractor Supply	

Newell Brands, Inc. Housewares & Specialties

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1500	2.78%	23.42%	-10..22%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.03	$ 47.17	$ 50.86	+7.82%



Company Description

Newell Brands is a leading retailer of consumer products with its headquarters in Atlanta, Georgia. The company has found success in selling an array of products, including houseware, home furnishings, office supplies, tools and hardware, and hair accessories. Newell Brands has operations stretching across the globe from the Americas to the Asia Pacific Region and including the Europe, Middle East, and Africa in between. Up until their acquisition of Jarden in 2016, the company was known as Newell Rubbermaid since its foundation in 1903. Newell's largest revenue stream comes from the Home Solutions segment, accounting for 30% of total revenue. Its primary source of growth is well-timed acquisitions.

Investment Rationale

The D'Artagnan Capital Fund finds value in Newell's cost-saving decisions that will continue to be implemented over the course of 2017. Some of these strategies that have worked best in the past include selling off underperforming segments and finding overlap within acquisitions that allow for synergy expenses to be mitigated. As these strategies are expected to continue with the major acquisition of Jarden, the market will begin to react to an increasing EBIT margin. We believe Newell's well-diversified portfolio of brands such as Sharpie, Goody, and Sunbeam is also a major strength.

Competitors

The Procter & Gamble Company

Church & Dwight Co.

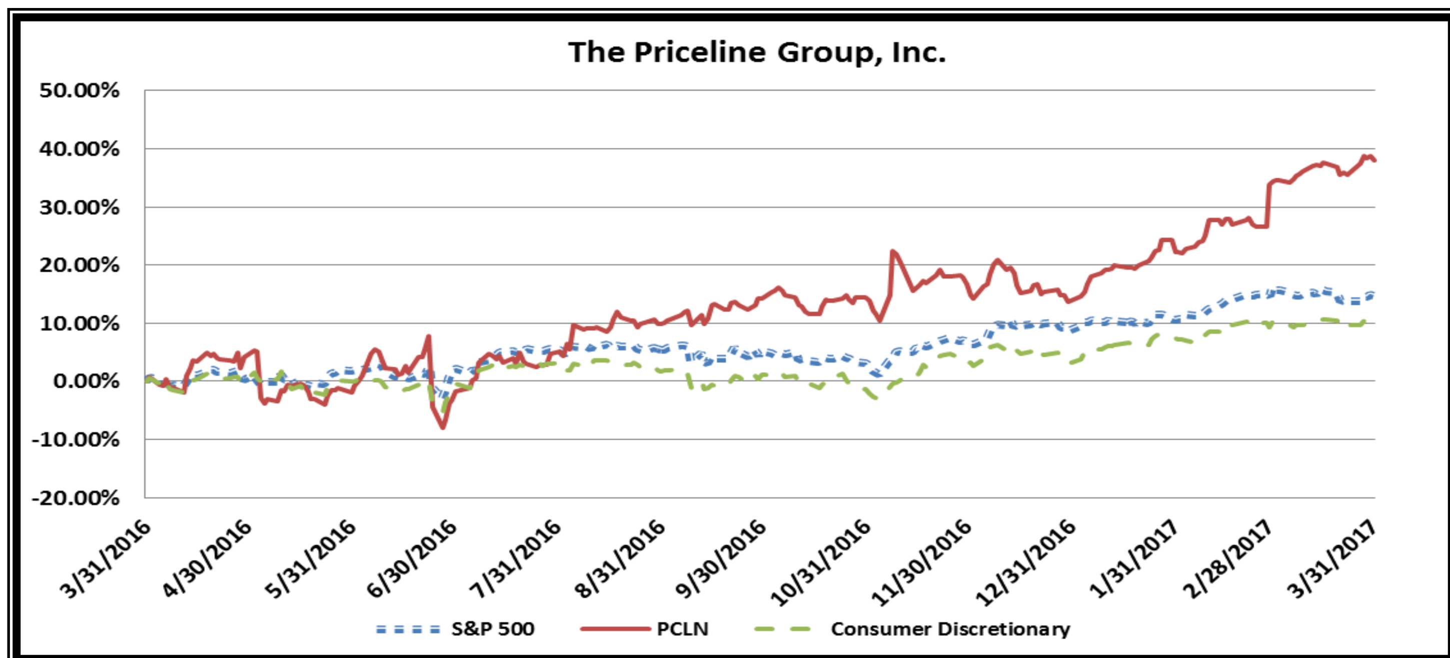
Colgate-Palmolive Company

Analyst Coverage

Carson Korn

The Priceline Group, Inc. Internet and Direct Marketing Retail

Shares	Weight in Portfolio	Weight in Sector	Annual Return
28	1.948%	16.35%	38.81%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.51	$ 1,784.74	$ 1,810.10	3.28%



Company Description

The Priceline Group is the world's leading online travel agency. Priceline offers numerous services related to travel such as hotel rooms, airline tickets, rental cars, and other various vacation packages. The company provides these services to consumers in over 224 countries in Europe, North America, South America, the Asia-Pacific region, the Middle East and Africa in over 42 languages. Priceline Group owns six primary brands that generate its revenue: Booking.com, Priceline.com, Agoda.com, KAYAK, Rentalcars.com, and OpenTable. The mission of the Priceline Group is to help people experience the world.

Investment Rationale

Priceline Group has over two-thirds of their overall revenue coming from outside North America, displaying their global strength. They have managed to increase revenues by an average of 20% for the last five years while decreasing operating costs absolutely. Priceline Group is first in market share globally and second in market share in the United States behind TripAdvisor. Priceline is now heavily invested in the hotel, restaurant, rental car, and international online booking industries, keeping them well-diversified while providing a great competitive advantage against other online travel agencies (OTA's). Three major reasons why stock in Priceline Group was purchased by the D'Artagnan Capital Fund were massive room for growth in the online booking industry, the current global competitive advantage, and an industry-leading gross profit margin.

Competitors

TripAdvisor Inc.

Ctrip.com International Ltd.

Expedia, Inc.

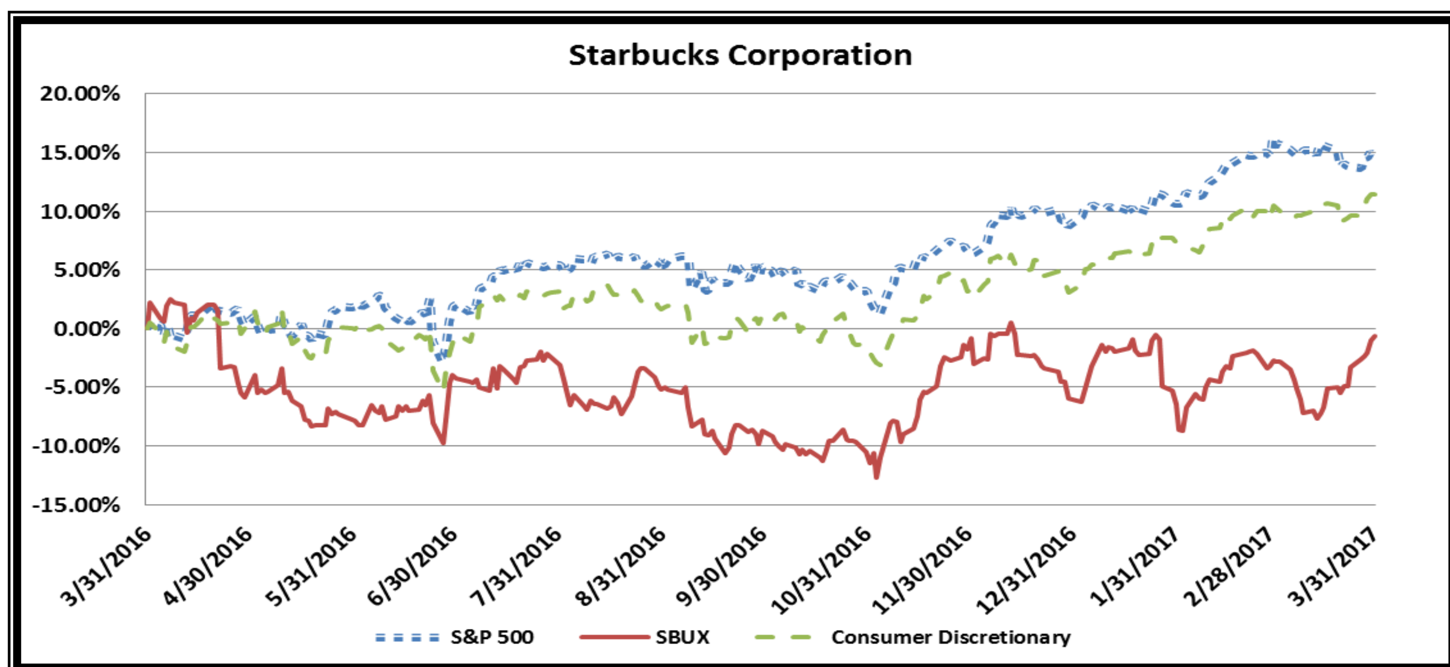
Groupon, Inc.

Analyst Coverage

Joe Bartoletti

Starbucks Corporation Restaurants

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1550	3.49%	29.33%	+5.17%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.99	$ 56.81	$ 60.37	+6.27%



Company Description

Starbucks Corporation (Starbucks), incorporated on November 4, 1985, is a roaster, marketer and retailer of coffee. As of October 2, 2016, the Company operated in 75 countries. The Company operates through four segments: Americas, which is inclusive of the United States, Canada, and Latin America; China/Asia Pacific (CAP); Europe, Middle East, and Africa (EMEA), and Channel Development. The Company purchases and roasts coffees that it sells, along with handcrafted coffee, tea and other beverages and a range of fresh food items, including snack offerings, through Company-operated stores. The Company also sells a range of coffee and tea products and licenses its trademarks through other channels, such as licensed stores, grocery and foodservice accounts. In addition to its Starbucks Coffee brand, the Company sells goods and services under various brands, including Teavana, Tazo, Seattle's Best Coffee, Evolution Fresh, La Boulange and Ethos.

Investment Rationale

The D'Artagnan Capital Fund believes in its ongoing value for its continued growth in emerging markets, new technology, and menu diversification. In addition to prospering revenues in China, Starbucks recently announced an expansion plan into Italy which carries a high-risk, high-reward opportunity. In 2016, Starbucks rolled out an updated app that allows customers to load all gift cards or other funds into one place and pay for their orders directly through their devices.

Competitors

McDonald's

Dunkin' Donuts

Panera Bread

Restaurant Brands International

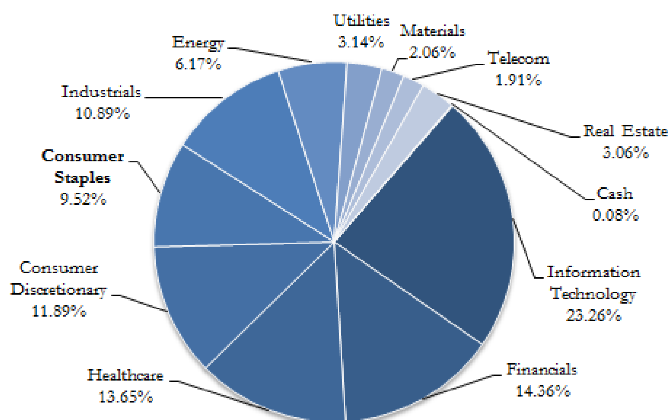
Analyst Coverage

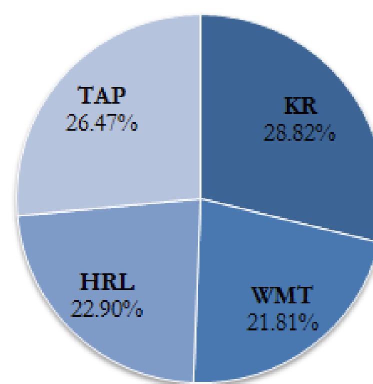
Joe Bartoletti

Consumer Staples Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
Kroger Co./The	KR	Food & Drug Stores	28.82	2.74	69,714.36	-21.82
Wal-Mart Stores, Inc.	WMT	Mass Merchants	21.81	2.08	52,762.56	8.29
Hormel Foods Corp.	HRL	Packaged Foods	22.90	2.18	55,408.00	-1.09
Molson Coors Brewing Co.	TAP	Beverages	26.47	2.52	64,029.99	-7.68





Sector Overview

The Consumer Staples sector of the S&P 500 returned 4.35% for the period of April 1, 2016 to March 31, 2017. In comparison, the Consumer Staples sector of the D'Artagnan Capital Fund returned -11.75% for the same period. The Fund is slightly underweight in the Staples sector in comparison to our benchmark, which resulted in an asset allocation of –0.30%. The Fund's return compared to the S&P 500 was disappointing, but we are confident with the position the sector is in in regards to the portfolio as a whole.

At the conclusion of the reporting period, the Consumer Staples sector of the Fund held relatively equal weighted positions in The Kroger Co, Wal-Mart Stores, Inc., Hormel Foods Corporation, and Molson Coors Brewing Company. A strong dollar and price deflation negatively impacted each company, but all have shown positive signs of growth moving forward. Wal-Mart specifically was able to return 8.29% to the sector in large part due to tangible growth against Amazon in their e-commerce during the last 8 months.

Sector Overview

DCF Consumer Staples Sector Return: -11.75%

Benchmark Sector Return: 4.35%

DCF Sector Weight: 9.52%

Benchmark Weight: 10.28%

Asset Allocation: -0.30%

Security Selection: -2.03%

Sector Team

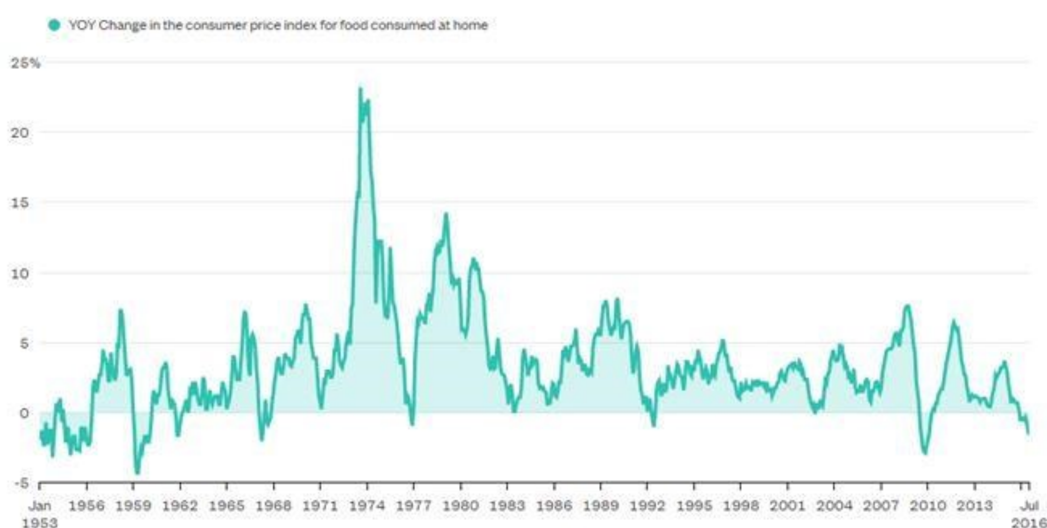
Sector Managers:
Ryan Behrndt
Alex Huff

Sector Analysts:
Peter Chopra

Industry Analysis

Much of the sector, including the Fund's current holdings, were susceptible to price deflation during the reporting period, as well as a strong US dollar. This resulted in companies having to choose between lowering prices to meet consumer demands or holding at current prices and swallowing the losses. Companies also cited these pressures as reasoning to reexamine supply chain efficiencies, turning attention away from new product innovation.

The Kroger Company played a large part in why the Consumer Staples sector of the Fund struggled during the annual reporting period. For the first time in 49 years, supermarket food prices dropped as stores were hit hard by price deflation, as shown in the figure below. This resulted in Kroger reporting an end to their 13-year streak in same-store sales growth.



U.S. food inflation tanked at the end of 2016 but is slowly rebounding, which bodes well for Kroger and the grocery industry as a whole moving forward. Continual pressure over prices and the trend towards healthy living has also fueled competition between grocers like Kroger, Wal-Mart, and Whole Foods, among others. Packaged food companies like Hormel and Tyson Foods continue to try to introduce new healthier options, but had a quiet year in regards to M&A activity. Many of the industry leaders have maintained strong balance sheets that would position them well for a future acquisitions, but they are also looking to boost weak organic sales growth going forward.

The alcoholic beverage industry continues to be shaken by the Anheuser-Busch In Bev and rival SABMiller merger, as well as political noise over impending changes in trade by the Trump Administration and the growth of craft beers. Beverage companies continue to seek growth via emerging markets like Southeast Asia or through the expansion of product lines to include more craft options. Companies heavily levered in Mexico saw a drop following the election, but have since rebounded as changes in trade between the United States and Mexico do not seem imminent.

Just as the Consumer Discretionary sector has been forced to deal with competition from ecommerce, the Consumer Staples sector has also been affected by this change in customer preference. Grocers have increased online order and curb side pickup to try to combat services such as Amazon.com's Prime Pantry and innovate in a once stable industry. Companies have also attempted to fight the competition by decreasing delivery charges and cutting down delivery time for these alternative services.

What's Changing

The Consumer Staples sector of the Fund will continue looking for opportunistic investments, as there are a number of positive factors also happening within the sector. We have seen strong growth in food products in the past five years, but have experienced slower rates of growth over the past year due to volatility in food prices that have had large effects on our holdings. Because of this trend we have begun looking at other sections of our sector that we see continued growth in. A number of Consumer Staples retailers such as Kroger and Wal-mart have been cutting costs at a high rate in an attempt to combat the recent volatility each has been feeling in food prices. These changes have been made in order to remain competitive against online delivery services. Development and implementation of these e-commerce services in grocery and personal care products has shown to be fruitful over the past year. These strategies have provided increases in revenue in all companies that are currently held by the Fund. In February 2017, trades were made to balance the portfolio and to fund the purchase of 1600 shares of Hormel Foods. The goal of this balancing of the portfolio was to invest in a company that has strong external growth capability while also maintaining internal revenue stability.

Many food retailers continuing in this process of improving their e-commerce business companies are not excluded from the trend. Walmart's e-commerce business has continued to grow after the acquisition of Jet.com, Inc., which can be considered their alternative to Amazon. Strong emphasis is placed on the "free shipping to store" option offered on purchases on Walmart.com. The Kroger Co. has continued growing their e-commerce businesses and their online grocery via the ordering service, ClickList, which allows customers to order groceries online, then pick them up at the store. The concept has been introduced in over 500 stores as of November 2nd, 2016 and has been an overall success for Kroger. Wal-Mart, in contrast, has plans to roll out a similar system by 2018. Coupled with Walmart's direct investment in human capital via increased training and higher wages to support this world of online grocery shopping, we see these strategies paying off in returns to investors down the road.

There are macroeconomic forces that the DCF Consumer Staple sector will continue to be warry of in the coming years. These include fluctuations in food prices and the strength of the dollar against other currencies, which we saw as major contributors to our negative return rate for this fiscal year. Other factors include commodity prices of wheat, barely, and hops as we continue holding Molson Coors, and additional healthcare legislation that could affect drug prices specifically as we look into various chain pharmacies, such as previously held CVS Health and Walgreens. As an opportunities fund, we will continue to be diligent about major market shifts as to capitalize on any mispricing that may occur as a result.

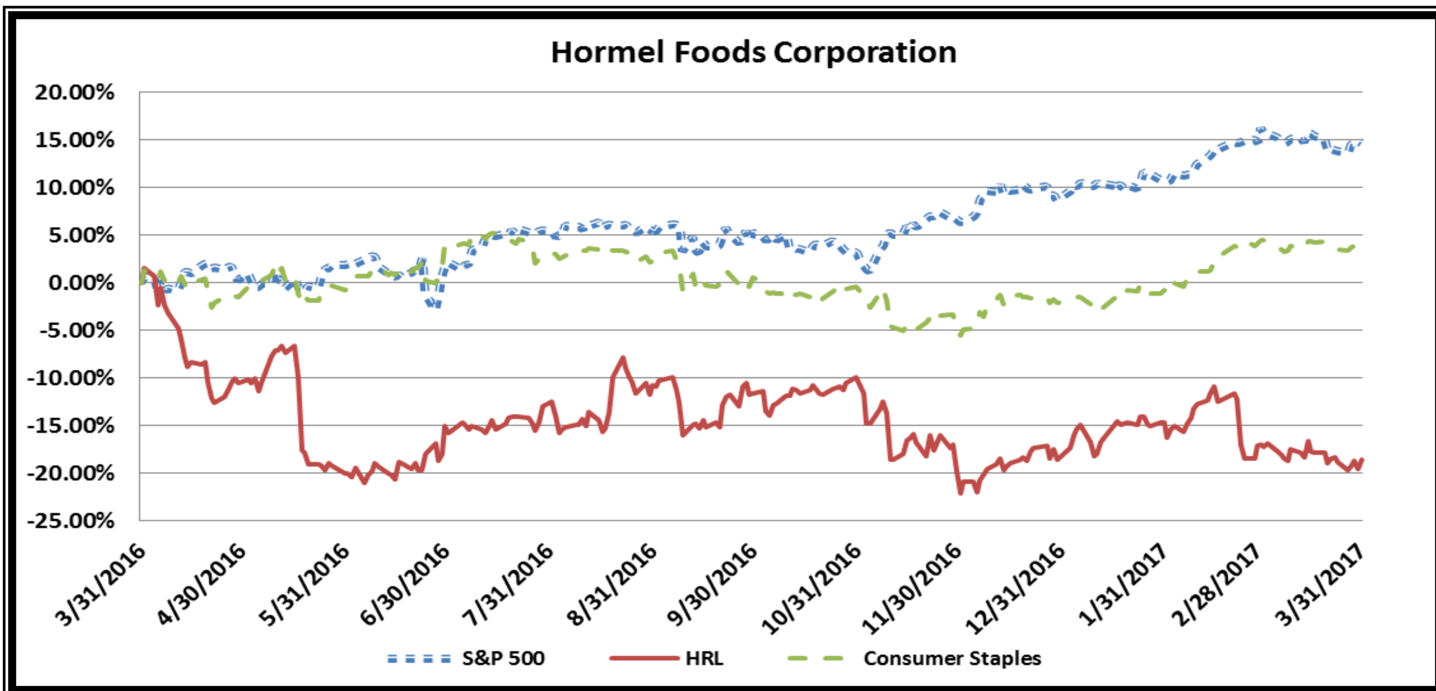
Consumer Staples Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
5/4/2016	Archer-Daniels-Midland Co	ADM	Liquidated Position	61,270.90
5/4/2016	CVS Health Corp.	CVS	Increased Position	35,421.69
5/4/2016	The Kroger Co.	KR	Increased Position	26,534.42
9/15/2016	CVS Health Corp.	CVS	Increased Position	2,505.65
9/27/2016	Anheuser-Busch InBev	BUD	Liquidated Position	43,805.09
9/27/2016	Molson Coors Brewing Co.	TAP	Added to Portfolio	43,924.23
10/11/2016	Brown-Foreman Corp.	BF/B	Liquidated Position	52,957.35
10/11/2016	Molson Coors Brewing Co.	TAP	Increased Position	12,044.34
2/23/2017	CVS Health Corp.	CVS	Liquidated Position	73,669.37
2/23/2017	Hormel Foods Corp.	HRL	Added to Portfolio	56,101.25
2/23/2017	Molson Coors Brewing Co.	TAP	Increased Position	13,912.20
3/23/2017	Wal-Mart Stores Inc.	WMT	Increased Position	4,782.25

Hormel Foods Corporation Packaged Foods

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1600	2.18%	22.90%	-1.09%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.58	$ 34.63	$ 45.61	+31.71%



Company Description

Hormel Foods Corporation is a meat and food producer headquartered in Austin, Minnesota. The company was founded in 1928 and currently operates under five different business segments, including Grocery Products, Refrigerated Foods, Jennie-O-Turkey Store, Specialty Foods, and International & Other. Nearly 95% of Hormel Foods' revenue comes from the United States, and the majority of their revenues overseas come from China. Hormel Foods has over 30 brands that are market share leaders. Some of the company's main products are Muscle Milk, Applegate, SPAM pork and ham, Jennie-O-Turkey, Skippy peanut butter and Wholly Guacamole.

Investment Rationale

Hormel Foods Corporation has consistently maintained a strong balance sheet that has allowed the company to make great strategic acquisitions in an industry that is known for being highly acquisitive. The company's favorable position in the M&A front also allows it to preserve market share, improve margins, and expand product base year after year. Hormel Foods' recent international expansion in China is another great growth opportunity that has not yet been realized by the market. In the second half of 2017, the company is expected to deliver its first plant in the Asian country, which will represent the beginning of in-country meat production there.

Competitors

Tyson Foods, Inc.

Campbell Soup Company

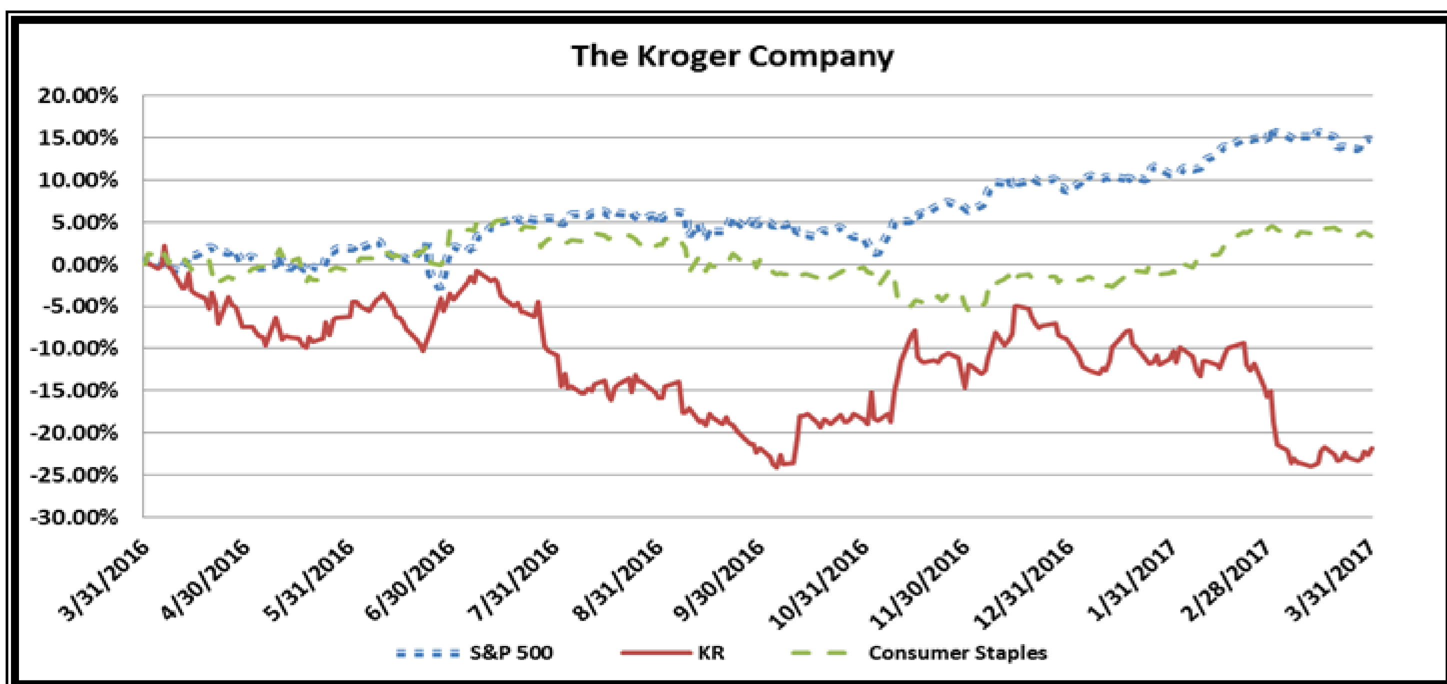
General Mills, Inc.

Analyst Coverage

Gabe Araujo

The Kroger Co. Food & Drug Stores

Shares	Weight in Portfolio	Weight in Sector	Annual Return
2364	2.74%	28.82%	-21.82%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.88	$ 29.49	$ 38.52	+30.62%



Company Description

The Kroger Co. is one of the largest U.S. supermarket chains, with 2,625 supermarkets. The company also operates 782 convenience stores, 326 jewelry store locations, and 37 food processing plants. Retail foods stores are operated under four formats: combo stores, multi-department stores, marketplace stores, and price-impact warehouse stores. The company operates supermarkets and multi-department stores under the banner names of Kroger, Food 4 Less, Fred Meyer, and Harris Teeter to name a few. In addition, the company has 1,360 supermarket fuel centers. The Kroger Co. was founded in 1883 and is headquartered in Cincinnati, Ohio.

Investment Rationale

The Kroger Co. has shown stable revenue growth over the last ten years in a thoroughly competitive market. The market has undervalued the company's growth, innovation with online shopping, investment, ability to create customer loyalty through private label items, and continued commitment to keep prices low without cutting quality. Kroger is also expanding through the acquisition of Roundy's, which gives Kroger 151 Stores and 101 pharmacies in the Midwest region. Another growth strategy that Kroger is implementing is online grocery shopping, which is an emerging segment that can lead to more customers choosing Kroger over a competitor. The desire to grow is something that makes Kroger an attractive stock while they have been a strong company for years. Kroger has returned 25.51% to the Fund since its acquisition in October 2012.

Competitors

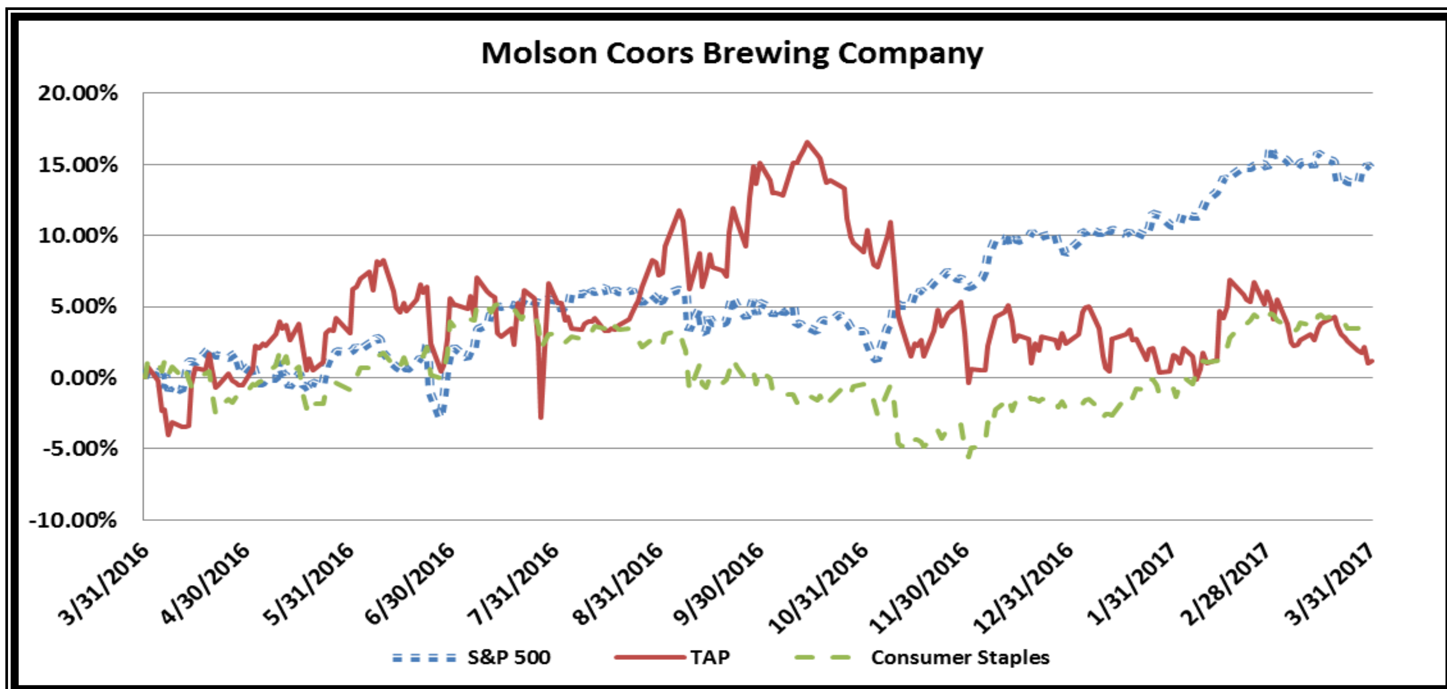
Target Corp.
Costco Wholesale Corporation
Whole Foods Market Inc.
Sprouts Farmers Market, Inc.

Analyst Coverage

Peter Chopra

Molson Coors Brewing Company Beverages

Shares	Weight in Portfolio	Weight in Sector	Annual Return
669	2.52%	26.47%	-7.68%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.68	$ 95.71	$ 113.91	+19.02%



Company Description

Molson Coors Brewing Company is a leading global brewer that is committed to offering quality products and deriving value for investors. They currently operate within four distinct segments: Canada, the United States, Europe, and Molson Coors International. They have a diverse mix of brands, including main core brands such as Carling, Coors Light, Molson Canadian, and Staropramen, and Miller Lite, as well as craft beers such as Blue Moon, Cobra, and Doom Bar. The main focus of MCBC is to create high quality products that appeal to people's different tastes and styles across the globe.

Investment Rationale

Molson Coors Brewing Company is a leader in the beer industry both domestically and internationally with a diverse mix of products that allows them to reach a broad number of consumers. The company has been focusing on investing in their brand and trying to grow its recognition worldwide. Another area that Molson Coors has been working hard on is their cost cutting, as they expect to cut costs and save 50-70 million dollars per year for the next 2 years. They have been restructuring their supply chain in Canada and China while also shutting down a few breweries; the money saved from these cost cutting procedures will be used to reinvest in the company. Over the last 1, 3, and 5 year horizons, Molson Coors has consistently beat the S&P 500 benchmark and remained committed to paying a dividend. Molson Coors has returned -9.43% to the Fund since its acquisition in September 2016.

Competitors

Anheuser-Busch InBev

The Boston Beer Company

Constellation Brands, Inc.

Analyst Coverage

Peter Chopra

Wal-Mart Stores, Inc. Mass Merchants

Shares	Weight in Portfolio	Weight in Sector	Annual Return
732	2.08%	21.81%	+8.29%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.69	$ 72.08	$ 80.80	+12.10%

Company Description

Wal-Mart Stores is the world's largest company by revenue and is the leading retailer in the world with over 2.3 million employees. The company was founded in 1962 in Rogers, Arkansas, and now operates more than 5,300 stores in the U.S. in addition to more than 6,100 locations worldwide. The chain of discount department stores operates through three main segments: Wal-Mart US, Wal-Mart International, and Sam's Club. Wal-mart offers more than 1,000,000 products through its website, and has nearly 260 million customers visiting their stores and websites each week.

Investment Rationale

Wal-Mart Stores has had astonishing growth in the retail segment, and is now one of the most well-known companies in the world. The company has been investing heavily in the e-commerce portion of their business, and is yet to fully capitalize on their recent acquisition of one of the fastest growing e-commerce companies in the U.S., Jet.com. The approximate $3 billion deal promises to make Wal-Mart more significant in the e-commerce segment, allowing them to better compete against Amazon in the global retail business. In addition, Wal-Mart is reinvesting in human capital in order to optimize their services. The company plans on investing over $2 billion in the next couple of years in wages, education, and training for their employees.

Competitors

Target Corp.

Costco Wholesale Corporation

The Kroger Co.

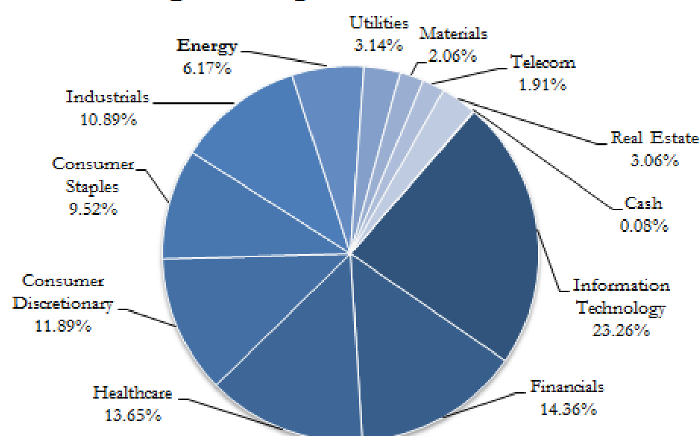
Analyst Coverage

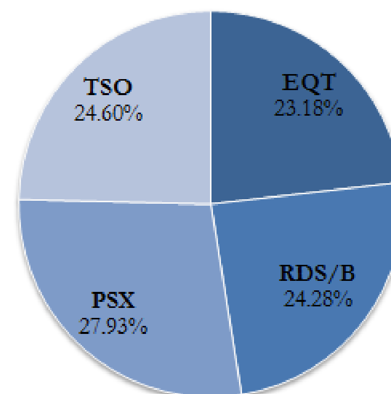
Gabe Araujo

Energy Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
EQT Corp	EQT	Oil & Gas Exploration & Production	23.18	1.43	36,354.50	-5.73
Royal Dutch Shell PLC	RDS/B	Oil & Gas Refining & Marketing	27.93	1.72	38,076.06	4.49
Phillips 66	PSX	Oil & Gas Refining & Marketing	24.28	1.49	43,808.66	-0.64
Tesoro Corp	TSO	Oil & Gas Refining & Marketing	24.60	1.52	38,584.56	-3.21





Sector Overview

The Energy sector is made up of companies that explore, drill, refine, and sell oil, natural gas, and various other fossil fuels for consumer use. During the annual holding period of April 1st, 2016 to March 31st, 2017, the Energy sector of the Fund saw a high turnover rate of 65.19% as we tried to completely overhaul the sector after the less than satisfactory performance of 2015.

Overall, the Fund saw an annual return of 21.79%, beating the S&P 500 benchmark return by 7.53%. High returns were expected for the year, so strong performance from the energy companies came as no surprise. However, there was a slump in oil and natural gas prices between January and March that took sector prices down to around the level that they were in the beginning of November. Before the winter, we decreased the energy sector's allocation in order to offset the uncertainty in prices, but once prices went up in December we reallocated money back to the sector. The majority of the sector turnover was between September and December during our period of repositioning.

Sector Overview

DCF Energy Sector Return: 21.79%

Benchmark Sector Return: 14.26%

DCF Sector Weight: 5.66%

Benchmark Weight: 6.59%

Asset Allocation: 0.03%

Security Selection: 0.36%

Sector Team

Sector Managers:

Grayson Moore

Jim Knowles

Sector Analysts:

Brooke Coughlan

Matt Hoagland

Industry Analysis

For the first several months of the annual holding period, the Energy sector had steadily growing returns. In mid-November, however, both oil and natural gas prices skyrocketed and as a result the entire sector benefited greatly. Most of the pre-November growth was due to rising oil and gas prices coupled with companies taking initiative and divesting large amounts of assets in order to cut costs and focus more on the revenue generating sections of their business. In late September it was announced that OPEC members would be cutting oil production for the first time, and as a result stock prices for producers soared while prices for refiners dropped. After the OPEC announcement, prices remained high for most of October and dropped back to the pre-OPEC announcement price level by the end of October.

Right after prices leveled out post-OPEC, Trump had his surprise victory over Clinton and the markets reacted by sending oil and natural gas prices skyrocketing once more, which in turn sent the energy sector as a whole on an uphill climb until its' peak in mid-December. From that point on, there was a steady decrease in Energy sector prices until right before the end of our reporting period. The reason for the three-month decline in sector prices was that inventories for oil and natural gas were well above expected levels due to a mild winter. The high inventory levels continued until mid-March where they finally evened out with an increase in US exports once OPEC production cuts came into effect.

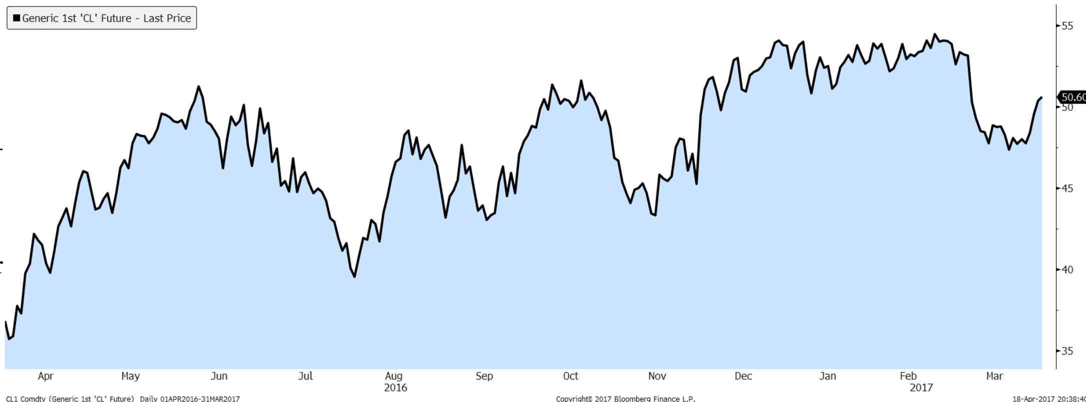
The Energy sector is comprised of two main sub-sectors. The first is Energy and Equipment Services and it provides drilling and production management services to a variety of companies. The sub-sector saw lower returns in the first half of the reporting period, yet staged a turnaround in the latter period with increased U.S. oil and gas production. The second sub-sector is Oil, Gas, and Liquid Natural Gas, which is split into Upstream, Midstream, and Downstream segments of operation. The Upstream segment deals with companies that primarily find and drill for oil and natural gas so that it can be refined. The Midstream segment focuses on the transportation of the oil and natural gas through pipelines and tankers so that it can reach refineries and go to market. The Downstream segment is comprised of the refiners themselves, as well as the companies that actually sell the refined oil and gas to consumers. Many companies focus on one or two of these segments, but there are some companies that are fully integrated and combine all three segments into their business operations.

Overall the Energy sector has seen high volatility over the past year because of production issues on the U.S. end of things, but in the six months after the OPEC announcement it would seem that U.S. oil and gas companies have finally gotten their production under control and are capitalizing on the increased foreign demand in the wake of the OPEC production cuts. Expect for prices to gradually rise over time and to not have many major spikes in sector prices barring any unforeseen political conflicts.

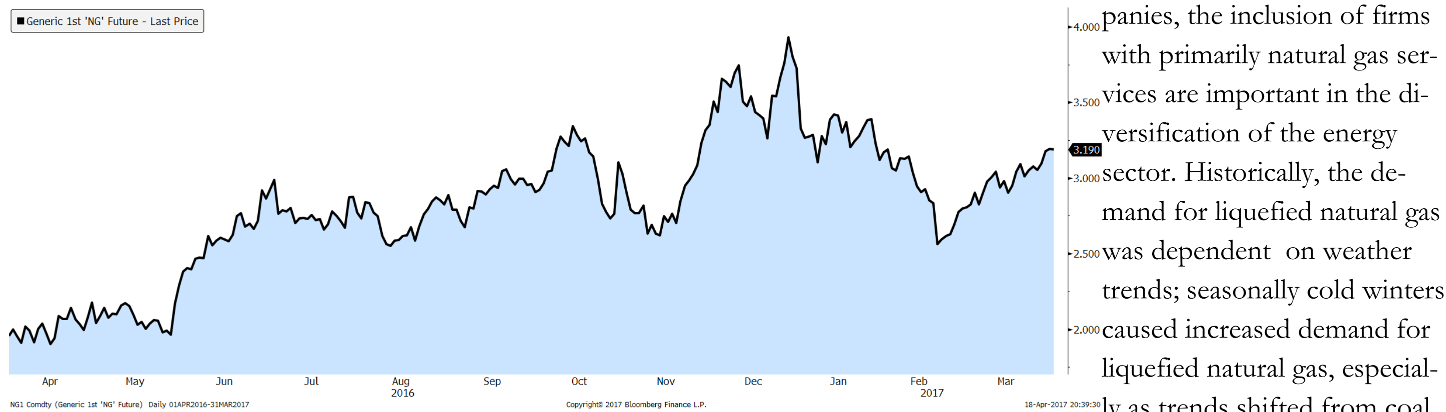
What's Changing

Moving forward, the Fund has three main areas to monitor in the Energy sector: the impacts from government regulation and other political factors, oil and natural gas commodity price volatility, and shifting consumer trends.

Recent production levels of both oil and natural gas have resulted in a global oversupply, which has caused commodity prices to be largely volatile, as shown in both graphs. In response to this, the top oil supplying countries have decided to make production cuts in an attempt to steady commodity prices. Members of OPEC decided in November 2016 to make production cuts by roughly 1.2 million barrels per day. In addition to this, non-OPEC member countries agreed to cut 600,000 barrels per day, and Russia agreed to cut 300,000 barrels per day. Although OPEC's decision to decrease production temporarily boosted commodity prices, the United States, and other non-OPEC countries have ramped up their production levels, creating a potential threat for continued global oversupply.. Looking forward, government regulation under the Trump administration is anticipated to cause minor long-term impacts on the energy sector. Changes primarily include decreased regulation in environmental compliance standards, which are expected to have little material impact on energy companies.



Oil and natural gas commodity prices have suffered from volatility due to global over-supply and decreased consumer demand. Looking forward, the Fund must continue to mitigate the risk of price volatility through diversified investment pickings. Although production and exploration companies are typically the most exposed to price volatility, holding various securities in upstream oil companies is important to the sector's diversification. In addition to midstream and downstream oil companies, the inclusion of firms with primarily natural gas services are important in the diversification of the energy sector. Historically, the demand for liquefied natural gas was dependent on weather trends; seasonally cold winters caused increased demand for liquefied natural gas, especially as trends shifted from coal to gas for electricity. However, looking forward this demand is more heavily influenced by global markets and increased industrial usage. The United States has increased its export of liquefied natural gas to higher-priced markets as its production capabilities are able to meet supply requirements. Industrial manufacturers continue to transition from gasoline usage to liquefied natural gas. It is anticipated that natural gas prices will continue to stabilize, and eventually strengthen in price.



Although the Trump administration has placed emphasis on coal production, consumer trends are anticipated to place stronger preference on the use of natural gases and alternative energy sources in the future. Companies continue to invest in new technology for improvements in renewable energy. Looking forward, the Fund plans to follow trends in alternative energy as consumers may shift their demand from oil to renewable energy sources.

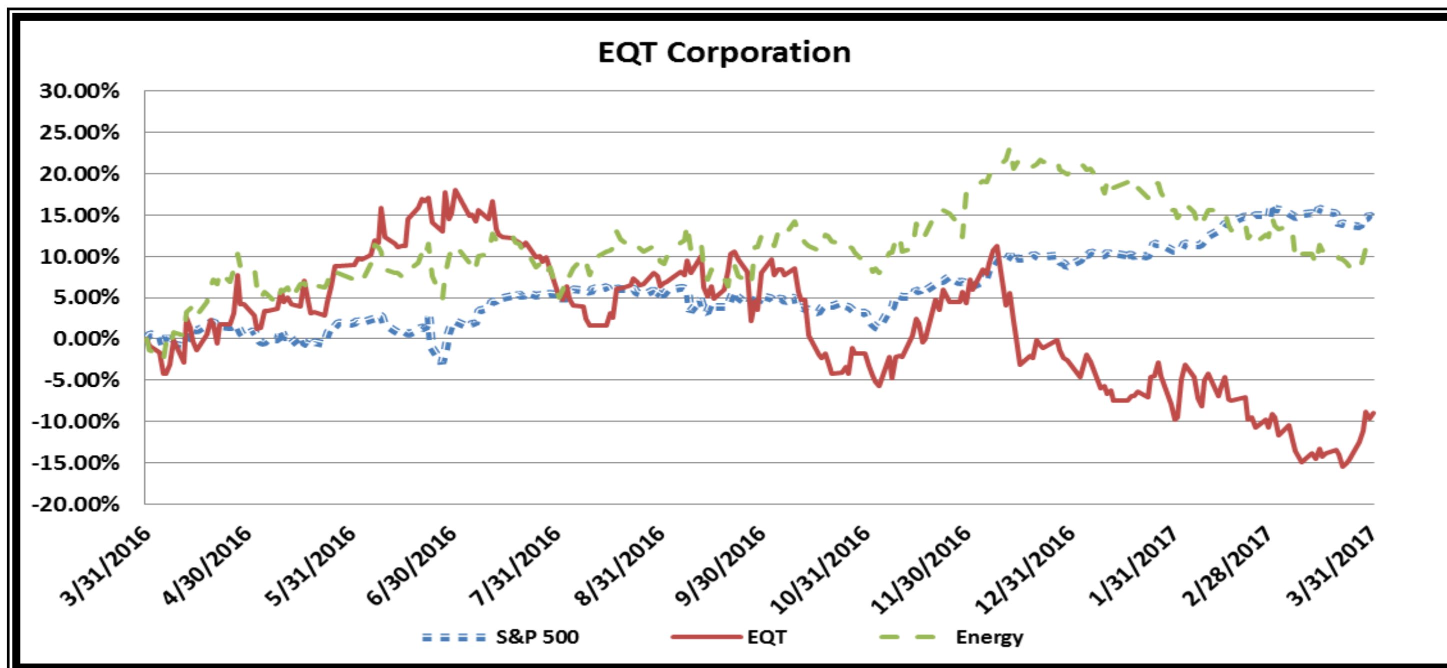
Energy Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
6/14/2016	Pioneer Natural Resources	PXD	Decreased Position	62,512.39
9/15/2016	Tesoro Corporation	TSO	Increased Position	5,722.85
10/11/2016	Marathon Petroleum Corp.	MPC	Decreased Position	24,191.29
10/11/2016	Pioneer Natural Resources	PXD	Liquidated Position	14,390.77
10/11/2016	Phillips 66	PSX	Added to Portfolio	38,494.03
10/14/2016	Marathon Petroleum Corp.	MPC	Decreased Position	14,460.28
10/14/2016	Royal Dutch Shell	RDS/B	Added to Portfolio	31,263.98
11/1/2016	Marathon Petroleum Corp.	MPC	Liquidated Position	29,385.34
11/1/2016	EQT Corp.	EQT	Added to Portfolio	32,468.25
2/10/2017	Tesoro Corp.	TSO	Increased Position	6,124.58
2/10/2017	EQT Corp.	EQT	Increased Position	6,177.88
2/10/2017	Phillips 66	PSX	Increased Position	6,226.43
2/10/2017	Royal Dutch Shell	RDS/B	Increased Position	6,164.06

EQT Corporation Oil & Gas Exploration & Production

Shares	Weight in Portfolio	Weight in Sector	Annual Return
595	1.43%	23.18%	-9.00%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.85	$ 61.10	$ 81.52	+33.42%



Company Description

EQT corporation is an oil and natural gas exploration and production company with holdings in mainstream companies such as EQM Corporation and EQG Corporation. Headquartered in Pittsburg, Pennsylvania, EQT has emphasis on the Appalachian area of natural gas exploration, transportation, and distribution. Within this region, EQT Corporation has proved natural gas reserves of roughly 10.7 trillion cubic feet, primarily in the Marcellus shale basin. Through its midstream partners, EQT operates about 8,200 miles of pipeline and 750 miles of transmission lines.

Investment Rationale

The Fund originally invested in EQT corporation due to the company's promising acquisitions, appropriate divestitures, improving technology, and the general assumption that natural gas prices would rebound from their low 2015 prices. EQT actively invested in the exploration and production of natural gas by acquiring both developed and undeveloped shale fields in the Marcellus region of the Appalachian area for roughly $683 million. In addition to this, EQT made advancements in their drilling technology, which was anticipated to significantly improve cost efficiency, and thus push operating margins to return to their peak levels in 2014. EQT began divesting in assets primarily in their midstream services, allowing the company to more heavily focus on the exploration and production area of the business. In 2016, EQT sold off $250 million in assets within their midstream companies, slimming their portfolio and decreasing their exposure in pipeline transportation of natural gas. Both 2016, and early 2017 have experienced continued commodity price volatility due to global uncertainty in oil and natural gas supply and demand, which has negatively impacted EQT's stock price.

Competitors

Conocho Resources

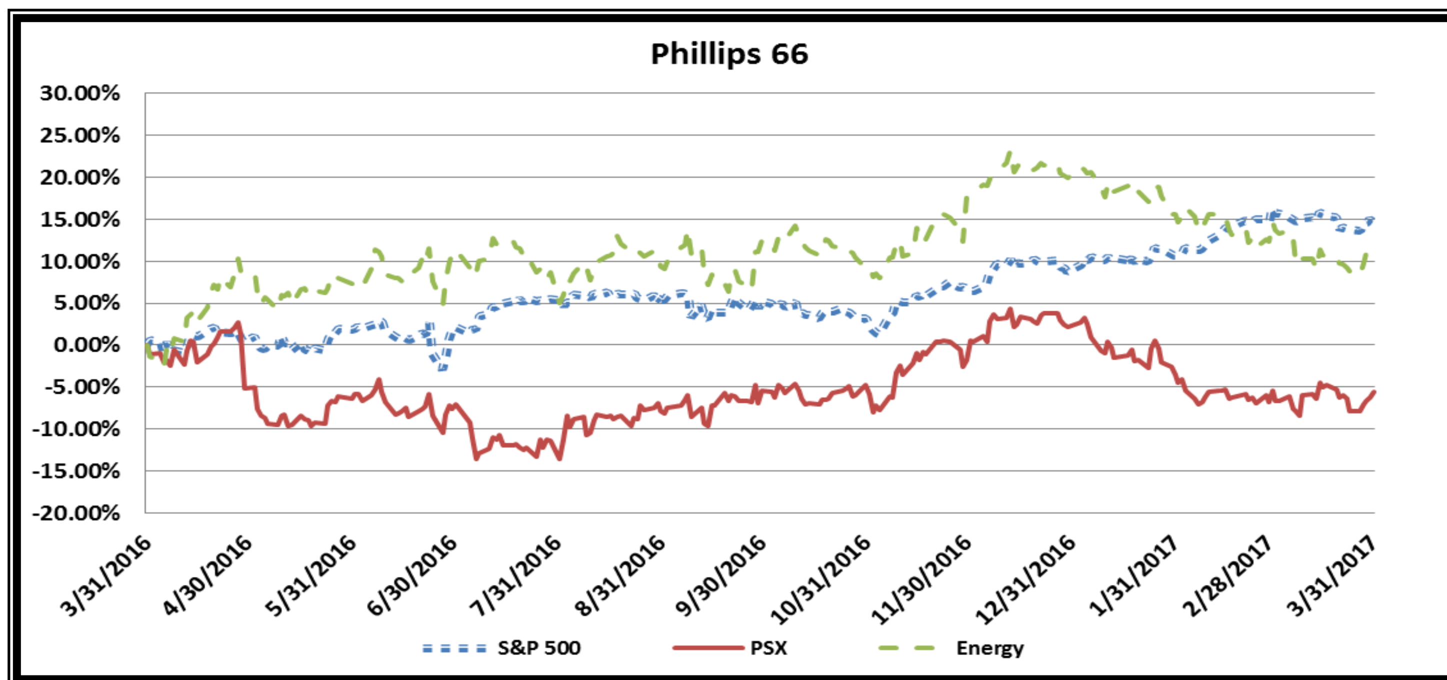
Newfield Exploration Corporation

Analyst Coverage

Matt Hoagland

Phillips 66 Oil & Gas Refining & Marketing

Shares	Weight in Portfolio	Weight in Sector	Annual Return
553	1.27%	27.93%	-5.59%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.08	$ 79.22	$ 71.11	-10.24%



Company Description

Phillips 66 is a downstream and midstream energy company that was created from a spinoff of Conoco-Phillips in 2012. Headquartered in Houston, Texas, Phillips 66 is active in over 65 countries, with its most primary location in the Southwest United States. Through its main subsidiaries, Phillips 66 operates through the transport, refining, and marketing of natural gas liquids (NGLs) and petrochemicals. As of December 2017, Phillips 66 has an asset base of 15 refineries, 10,000 branded marketers, 86,000 miles of pipeline, and over 40 billion pounds of chemical processing capacity.

Investment Rationale

Phillips 66 has been impacted by oil and natural gas prices, which has tightened their profit margins. It is anticipated that Phillips 66 will continue to be affected by low commodity prices in 2017, and is not positioned to outperform its peers. Due to overexposure in its refining business segment, Phillips 66 will continue to have suppressed profit margins in its main refineries on the Gulf Coast. Historically, Phillips 66 is known for its appropriate portfolio of products and services; however, this portfolio balance is anticipated to lose its competitive advantage as the company is becoming increasingly overexposed in its chemicals segment. In addition to this, Philips 66 reached its high-end target leverage ratio of 30% in December 2016, which brings fear that the company is becoming over-leveraged during this challenging time within the industry.

Competitors

Tesoro Corporation

Valero Energy Corporation

Marathon Petroleum Corp.

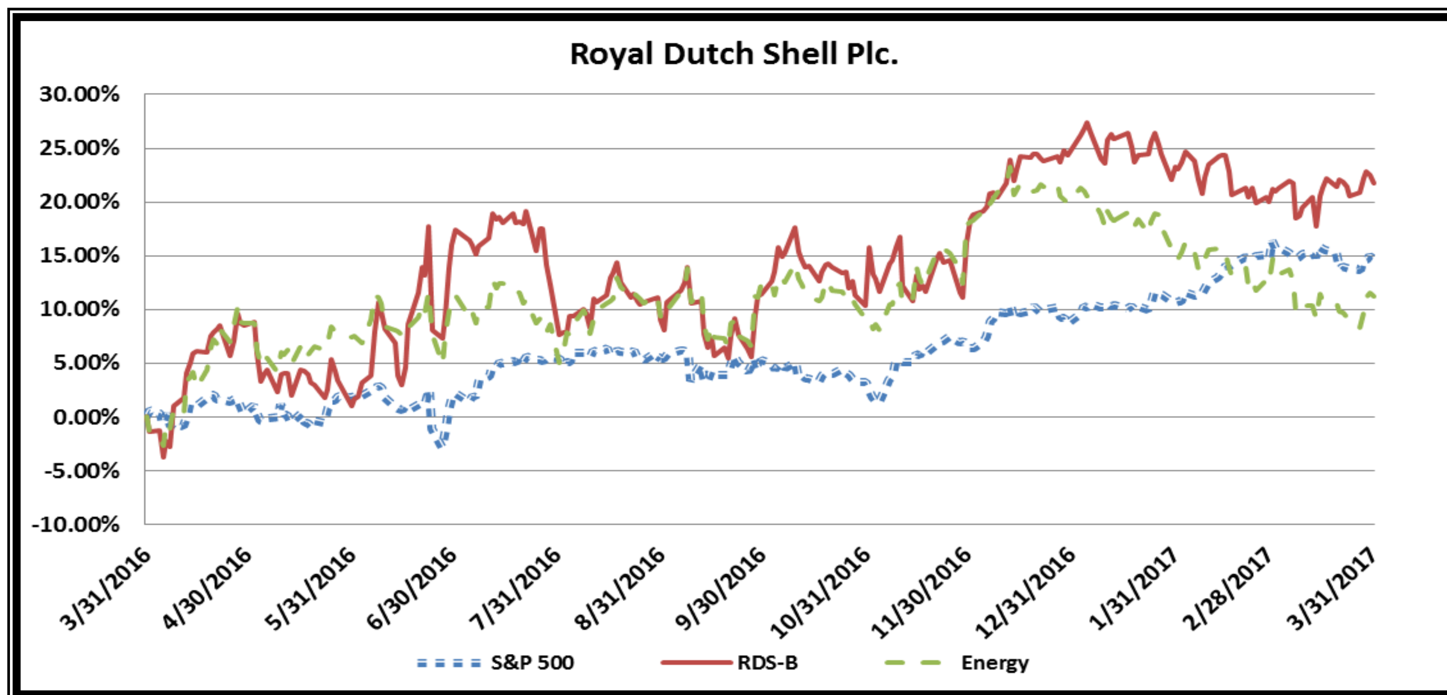
JX Holdings

Analyst Coverage

Brooke Coughlan

Royal Dutch Shell plc -B Oil & Gas Refining & Marketing

Shares	Weight in Portfolio	Weight in Sector	Annual Return
682	1.498%	24.28%	38.03%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.64	$ 56.17	$ 69.06	+23.70%



Company Description

Royal Dutch Shell plc is a Dutch company founded in 1907 that primarily explores and extracts crude oil, natural gas, and natural gas liquids. The company's operations are split into upstream, midstream, and downstream segments that range in scope from exploration and drilling to the sale of gas at gas stations.

Investment Rationale

We invested in Shell primarily due to its 2016 acquisition of BG Group for $47 billion, as well as its plans to divest over $30 billion in assets from 2016 to 2018. The plans to divest around $10 billion a year have most recently led the company to divest their assets in Gabon, Africa to Assala Energy Holdings Ltd. for $587 million, which takes Shell past the two-thirds mark. In our opinion, Shell has done more to combat the low oil and gas prices than any other integrated oil and gas company through their strategy, which includes acquisitions and divestments. Shell is still very dependent on oil and natural gas prices; however, even with poor prices in February and March, Shell managed to not dip below our cost basis. This is a long term buy and we believe that looking forward Shell's stock price will surge ever higher due to the factors mentioned before. Since we purchased Shell on October 14th, 2016 we gained 2.68%. In addition to this gain solely on the stock price, Royal Dutch Shell provides the highest dividend yield for the D'Artagnan Capital Fund.

Competitors

Chevron

Phillips 66

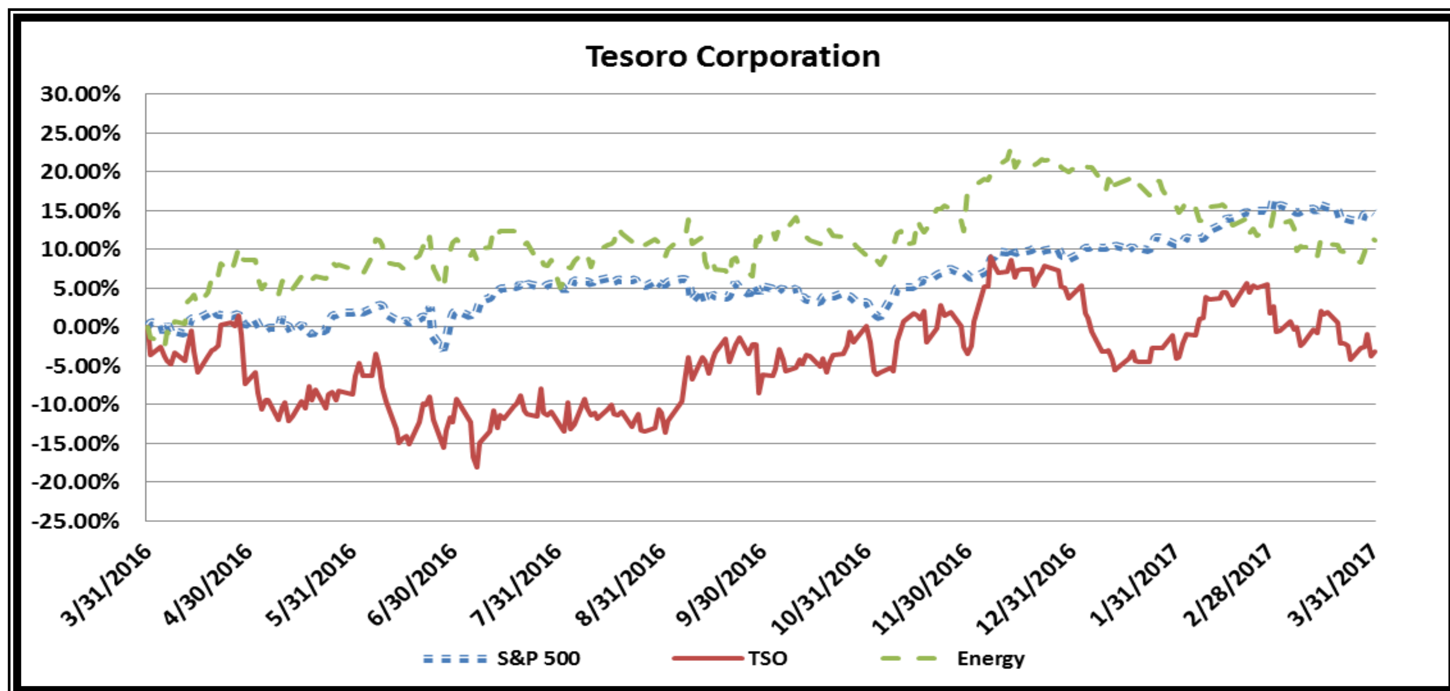
Exxon Mobile

Analyst Coverage

Matt Hoagland

Tesoro Corporation Oil & Gas Refining & Marketing

Shares	Weight in Portfolio	Weight in Sector	Annual Return
476	1.518%	24.6%	%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.68	$ 81.06	$ 112.32	+38.56%



Company Description

Tesoro Corporation was founded in 1968 as an independent petroleum refiner, marketer, and midstream operator in The United States. Under Tesoro, there are several subsidiaries that are operated within three different segments. The segments are classified as downstream refining, marketing, and midstream operations. Tesoro operates in eighteen states across the United States, with a large presence in California, Utah and Alaska especially. Tesoro owns and operates six refineries primarily located in the Western United States, owning the largest refinery on the West Coast, with a maximum capacity of 380,000 bpd in Los Angeles.

Investment Rationale

The Fund's continued investment in Tesoro Corp. is based on the company's recently agreed upon acquisition of Western Refining (WNR) that is to be completed within the first half of 2017, in addition to its increased refining efficiency and capacity. Investments in new ethylene crackers at some of Tesoro's refineries are expected to lead to increases in operating margins, allowing the company to move in to a more competitive position in the retail and refining market. Tesoro's acquisition of Western Refining connects Tesoro to the Permian Basin through new pipelines and refineries, which will be seen as a major advancement in accessing new and cheaper oil. Tesoro is currently working on fully integrating their Los Angeles refinery, their largest West Coast refinery, and connecting it to their adjacent Carson and Wilmington facilities. This will allow for more efficient and cleaner operations. The company has remained relatively stagnant since acquisition; however, we still believe this investment has long-term potential.

Competitors

Phillips 66
Valero Energy Corporation
Marathon Petroleum Corp.

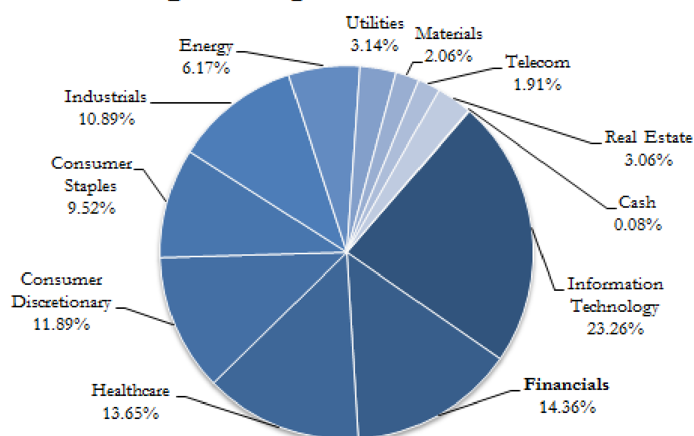
Analyst Coverage

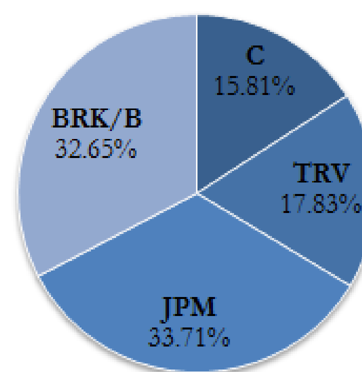
Brooke Coughlan

Financials Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
Citigroup Inc.	C	Banking	15.81	2.27	57,726.30	36.40
Travelers Cos Inc./The	TRV	Insurance	17.83	2.56	65,091.60	7.04
JPMorgan Chase & Co.	JPM	Banking	33.71	4.84	123,063.84	52.52
Berkshire Hathaway Inc.	BRK-B	Insurance	32.65	4.68	119,176.20	17.48





Financial Sector Overview

The current Financial sector of The D'Artagnan Capital Fund is made-up of three subsectors, which include diversified financials, banks, and insurance. Overall, the financial sectors weight in the DCF is 14.36%, which then translates to diversified financials making up 7.71%, banks 6.16%, and insurance 1.30% of the total weight in the Fund.

The annual contribution which is attributed to each of the these subsectors was 2.68% banks, 0.63% diversified financials, and 0.18% insurance.

The primary reasons for the DCF's Financial sector underperformance related to the BRK-B and TRV holdings. These holdings are considered to be low-beta safe securities which lower the beta of the financial sector. Therefore, during an expansionary time in the financial sector, these holdings dragged the DCF's performance down, and caused an underperformance.

Sector Overview

DCF Financials Sector Return: 25.41%

Benchmark Sector Return: 32.55%

DCF Sector Weight: 14.36%

Benchmark Weight: 14.36%

Asset Allocation: 0.12%

Security Selection: -1.27%

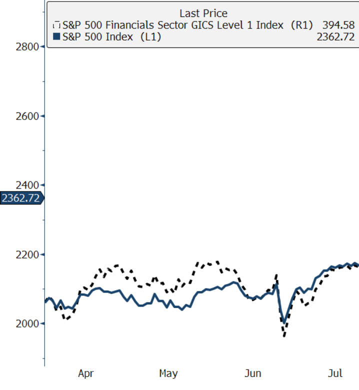
Sector Team

Sector Manager:
Brian High

Sector Analysts:
Grant Paulson
Josh Ulery
Timothy Morse

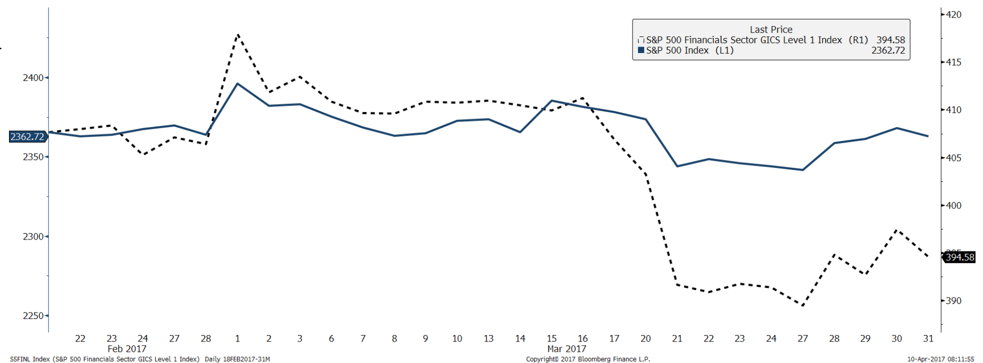
Industry Analysis

The Financial sector of the S&P 500 has gone through a period of growth over the last year, with the majority of this growth coming in the last five months of the annual reporting period. This sudden volatility was caused by the presidential election. The financial sector received a large boost in value due to the elected administration's campaign promises to deregulate the financial industry, including the repeal of the Dodd-Frank Act. These proposed repeals would remove many regulations from large financial companies which have recently faced restricted operations. Some specific portions of the Dodd-Frank Act which are being targeted are the Volcker Rule and periodic stress test. The stress test requires that banks analyze how well they would withstand economic troubles given their level of existing capital, whereas the Volker Rule outright restricted banks from making certain speculative investments. If even one or both of these regulations were to be repealed, then it could cause large increases in corporate earnings.



Another financial regulatory change which could occur is the repeal of the Fiduciary Requirement. The current presidential administration has signed an executive order which puts a 120 day halt on the new laws enactment date, which was in April 2017. If the regulation was to be enacted then retirement financial advisors would have to meet the Fiduciary Requirement instead of the current requirement which is simply a suitable designation. If this new regulation ware to be permanently repealed, then this would cause financial company earnings to increase. Even the promise of these changes has had an effect on the market, given that the Financial sector has jumped almost 31.71% in value since the election, as shown above.

However, there are risks to the Financial sector's sudden increase in value, since a majority of the most recent increase is based on speculation. This speculation exists since the current administration has not actually repealed anything yet. Both Dodd-Frank and the Fiduciary Rule are under review awaiting either executive or congressional approval. However, even a signed executive order which repeals any executive road blocks could then be stopped by the judicial branch. All of these worries were added to when a Republican Healthcare bill was removed from congressional vote. This landmark piece of legislation was a major part of the Republican's campaign promise. Therefore, if Republicans cannot form a coherent piece of legislation, then that calls into question any tax-reform or financial sector deregulation being possible.



Overall, the Financial sector has seen a large increase in value since the election; however, that growth has been based upon very little market support. This could lead to a market correction should the current presidential administration not keep their campaign promises. If there are many more political complications, then there could be a large market downturn for the Financial sector especially. However, if there is a large overhaul of the regulations which govern the financial market, then perhaps the Financial sector could see largely increased revenue and a continued increase in market value.

What's Changing

FED Interest Rate

Over the reporting period the Fed has raised interest rates two separate times in December of 2016 and then again in March of 2017. Each time they raised the interest rate by 25 basis points in response to the increased strength of the US economy. This increase in the Fed interest rate is broadly considered a benefit for the Financial sector since it allows them to then raise their interest rates on many different financial loan instruments. However, it is also considered a good indicator of a strong US economy.

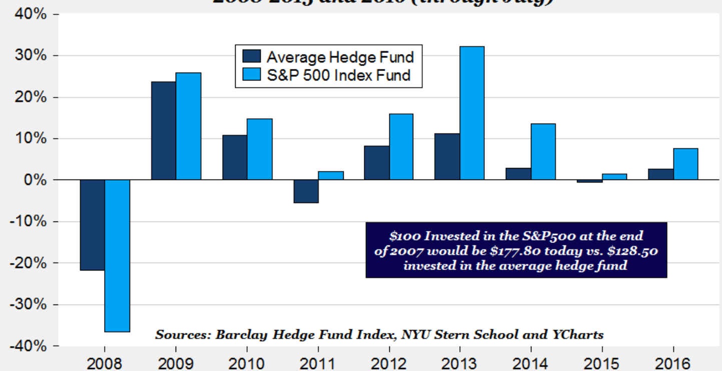
Under the current international environment it should be considered an even stronger sign since a handful of European countries along with Japan have negative interest rates. This comparison of interest rates shows that the US economy has reached a period of expansion and relative international strength, which would encourage a greater amount of money to move into the US market. This could inflate any US market as international investors try to find safe investment alternatives to their own country.

The primary problem with this scenario is, what would happen when international interest rates rise and the US no longer has that comparative advantage? Could this lead to a sharp decline in the US stock or bond market, or will there be a more gradual decline? This could pose an investment risk to both the Financial sector and the DCF over a long period of time. Overall the continued success of the US economy could rely on relative international strength rather than on the corporate strength of US companies.

Passive VS Active Investing

Over the last few years there has been a large debate over the role of active investment management versus passive management. This debate has been a very visible part of the financial sector over the last year. There have been a number of different brokerage firms and money management firms who have cut their fees in order to remain completive with index and ETF funds. However, this has not stopped a large amount of money from moving into passively invested financial instruments. This debate has also been illustrated by the difference in returns between actively invested funds and passively invested funds.

However, should the market shift dramatically toward passive management, then the question must be asked, what happens to the concept of an active and efficient market? If too much money moves toward passive management then what kind of investor would then move the market? Therefore, in order to have an efficient US market, active investing must play a key part in the movement of the overall market. If this trend of funds moving from active to passive continues then in the future there could be numerous opportunities for active investor to make trades based off of security requirements which these passive funds have.



The primary take away is that since the invention of passively managed investments there would seem to be a cyclical movement of funds moving form one to the other over time. Just as the market goes through cycles so to could the efficiency of the market good through such cycles as money is moved between investment strategies.

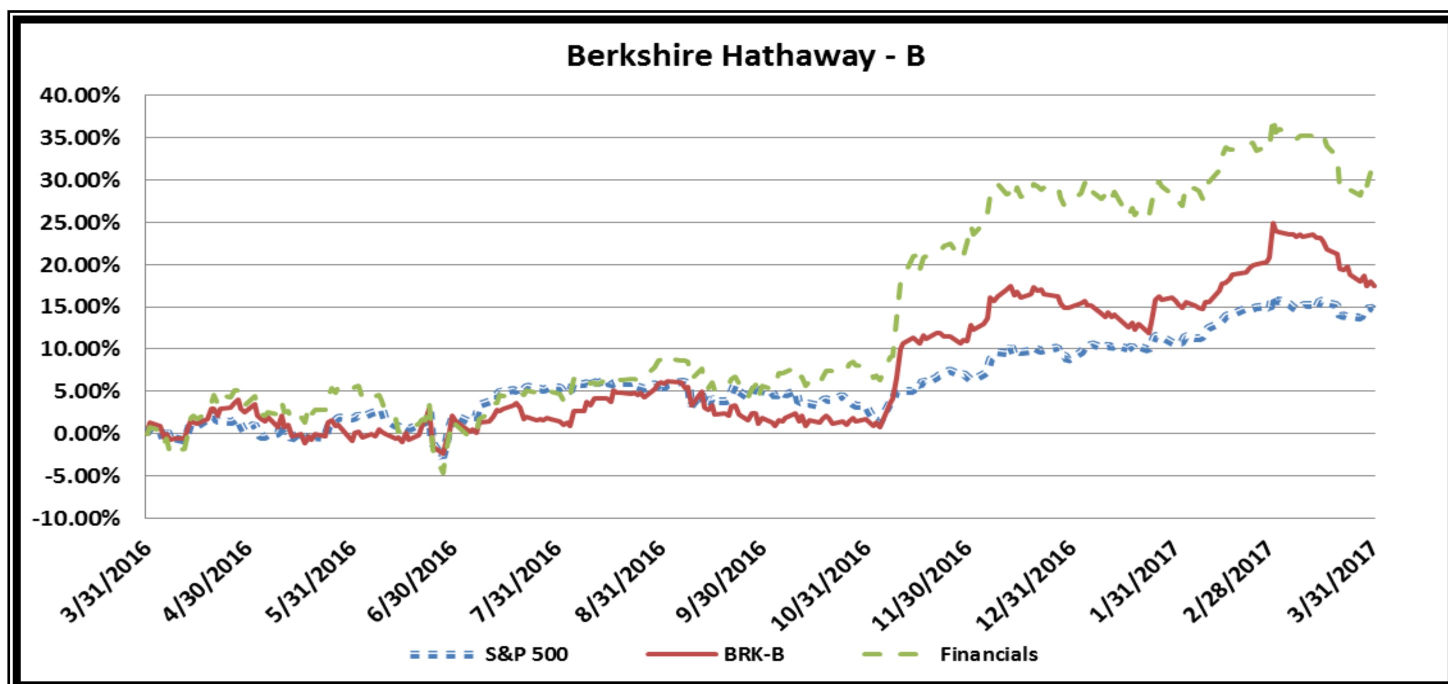
Financials Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
5/4/2016	The Blackstone Group L.P	BX	Liquidated Position	45,232.46
5/4/2016	Citigroup Inc	C	Added to Portfolio	42,792.39
9/19/2016	Capital One Financial Corporation	COF	Liquidated Position	72,054.40
9/27/2016	Synchrony Financial	SYF	Liquidated Position	61,896.15
9/27/2016	The Travelers Companies	TRV	Added to Portfolio	61,525.83

Berkshire Hathaway Insurance

Shares	Weight in Portfolio	Weight in Sector	Annual Return
715	4.83%	32.92%	17.48%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.97	$ 172.82	$ 221.83	+33.09%



Company Description

Berkshire Hathaway Inc. operates as an international holdings company providing a wide range of services to its customers. Some of these services include insurance, railroad systems, the generation and transmission of energy primarily from renewable sources, interstate pipelines, and much more. The company is known for its strategy to acquire an extremely diversified portfolio of companies that take part in many different business activities. CEO, Warren Buffett is considered to be one of the best investors in the world, which helps ensure confidence in Berkshire Hathaway and its operations. It is committed to continually reinvesting earnings in promising areas.

Investment Rationale

The DCF has held BRK-B since October 15th, 2015 and during that time the security has returned 17.55%. The company maintains high cash balances to support their more recent investment philosophy of acquiring undervalued companies and helping them gain traction within the market to produce exceptional earnings for the parent company. These high cash balances allow the necessary liquidity Berkshire needs so it can acquire a company whenever they see fit. Furthermore, BRK is a strong long-term investment for the portfolio.

Competitors

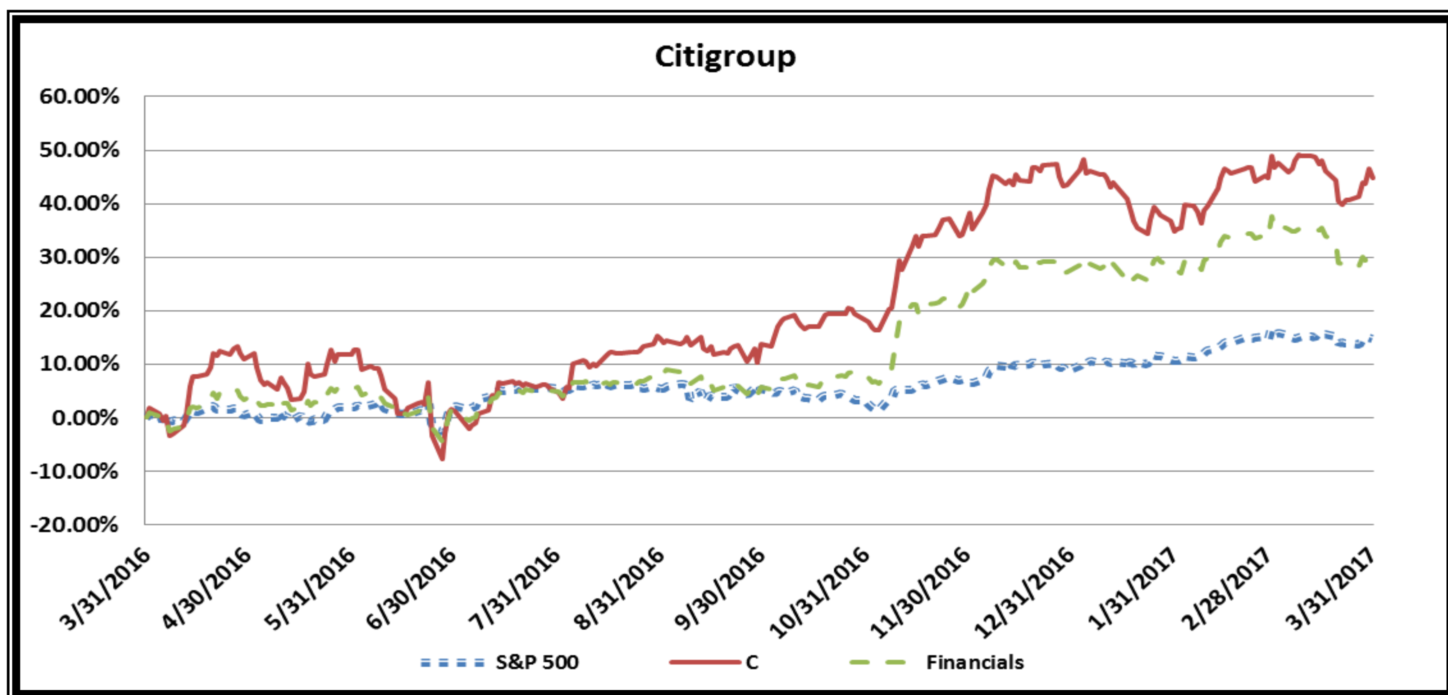
American Insurance Group
The Travelers Companies, Inc.
The Sherwin-Williams Company
Kennametal Inc.

Analyst Coverage

Josh Ulery

Citigroup Banking

Shares	**Weight in Portfolio**	**Weight in Sector**	**Annual Return**
965	2.28%	15.52%	44.75%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.40	$ 60.37	$73.07	+22.15%



Company Description

Citigroup Inc. is a financial services holding company. It provides financial products and services for consumers, corporations, governments, and institutions across the globevand has just over 2,600 branches in nineteen countries. Citigroup Inc. is headquartered in New York, New York with approximately 200 million customer accounts and does business in more than 160 countries. Citi currently operates as two primary segments: Citicorp and Citi Holdings. The company is focused on providing the best products and services to customers

Investment Rationale

The DCF has held C since May 4th, 2016 and it has returned 35.07% through the annual period. The initial valuation showed that Citigroup had high return potential. It currently has the highest 5-year net income CAGR and is close to the top for the 5-year revenue CAGR. Citigroup has expense management policies, which prevent fraud and reduce expenses such as transportation, client entertainment, meetings, and renovations. The financial services company's statements have continued to be strong alongside sufficient capital and liquidity.

Competitors

Bank of America

State Street Corporation

The Goldman Sachs Group, Inc.

Morgan Stanley

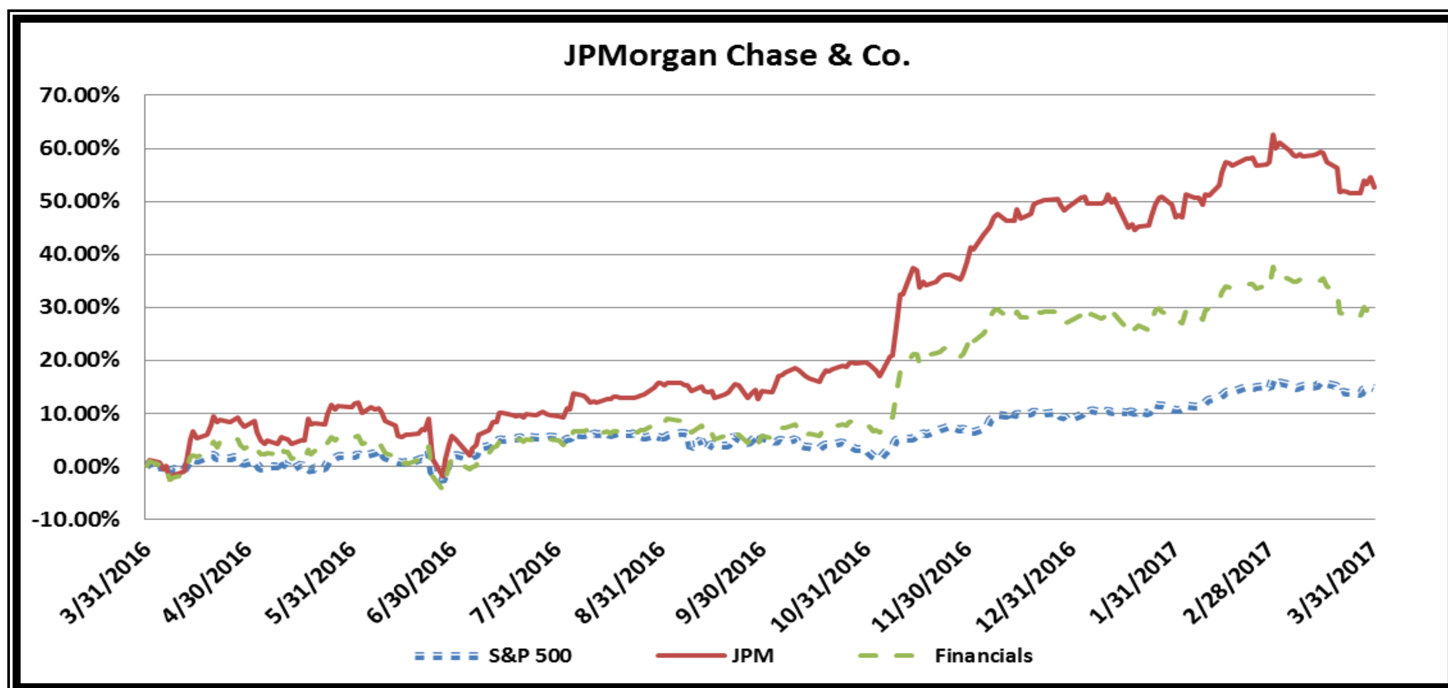
JPMorgan Chase & Co.

Analyst Coverage

Grant Paulson

JPMorgan Chase & Co Banking

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1401	4.84%	33.71%	52.38%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.18	$87.87	$93.65	+6.61%



Company Description

JPMorgan Chase & Co provides global financial services and retail banking. The Company provides services such as investment banking, treasury and securities services, asset management, private banking, card member services, commercial banking, and home finance. Boasting $2.5 trillion in assets, JPMorgan Chase is the largest bank holding company in the US. Active in 60 Countries, the bank also boasts formidable investment banking and asset management operations. With this said, JPMorgan Asset Management has 2.4 trillion in assets under supervision.

Investment Rationale

The DCF has held JPM since October 29th, 2014, and during that time this security has had a total return of 48.66%. The regulatory climate is increasing optimism toward the Financial sector and JPM looks to continue growth after strong stock price movement in the latter part of 2016. As JPM and the sector have reacted positively to the new presidential administration and Fed predictions, these potential changes are still speculative as regulatory changes have not yet been solidified.

Competitors

Wells Fargo & Company

The PNC Financial Services Group

Citigroup

The Goldman Sachs Group, Inc.

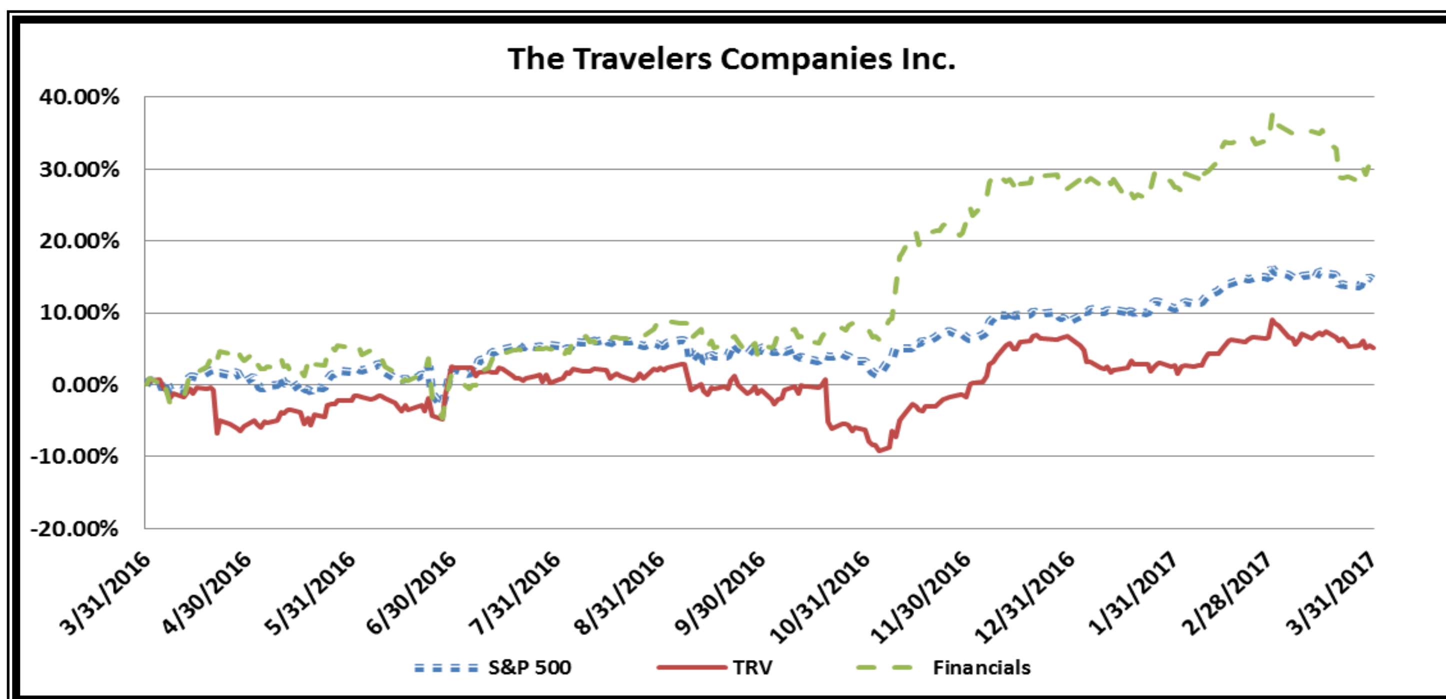
Morgan Stanley

Analyst Coverage

Grant Paulson

The Travelers Companies Inc Insurance

Shares	Weight in Portfolio	Weight in Sector	Annual Return
540	2.56%	17.83%	5.63%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.86	$ 120.54	$ 142.57	+18.28%



Company Description

The Travelers Companies, Inc. is primarily an American-based insurance company and one of the largest writers of property and casualty insurance both commercially and personally. TRV operates both domestically and internationally (Canada, UK, Ireland, Brazil, and Columbia) and offers insurance through three main segments: Business and International Insurance, Bond and Specialty Insurance, and Personal Insurance (including home and auto insurance). Travelers has offices in all fifty states with about 14,000 independent agents and brokers who offer insurance to individuals, businesses, government units, and associations. Travelers is incorporated in Minnesota with headquarters in New York City.

Investment Rationale

The DCF has held TRV since September 27th, 2016, and during that time this holding has had a total return of 5.80%. TRV shares were purchased to better increase the diversification of the Financial sector portfolio, since a majority of the portfolio at the time was in diversified financials and bank stocks. TRV added insurance exposure to the sector holdings. This security was chosen due to its low beta and diversification benefits. TRV has had a strong history of first-to-market insurance policies along with a strong underwriting ratio and acquisition growth policy. These factors make TRV a safe low beta growth company which adds a lot of value to the fund in both growth potential and safety.

Competitors

The Allstate Corporation
Progressive Corporation
Chubb Limited
American International Group Inc.
The Hartford Financial Services Group Inc.

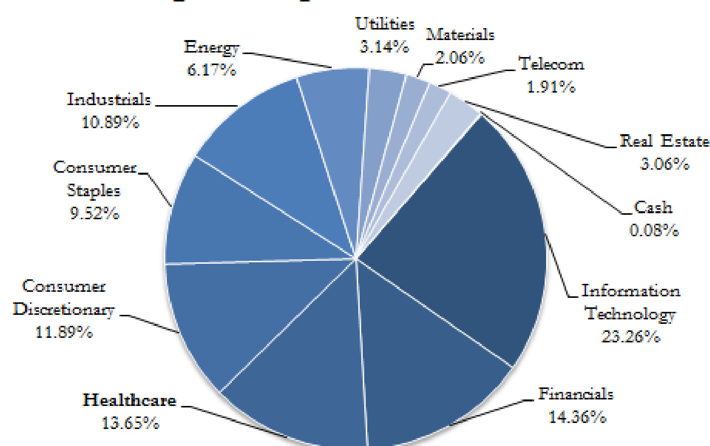
Analyst Coverage

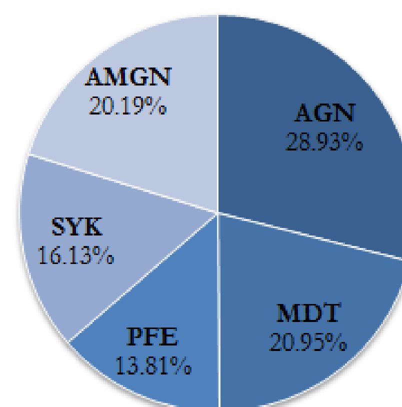
Timothy Morse

Healthcare Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
Allergan PLC	AGN	Pharmaceuticals	28.93	3.95	100,346.40	-10.61
Medtronic PLC	MDT	Medical Devices	20.95	2.86	72,665.12	9.71
Pfizer Inc.	PFE	Pharmaceuticals	13.81	1.88	47,894.00	7.69
Stryker Corp.	SYK	Medical Devices	16.13	2.20	55,951.25	7.98
Amgen Inc.	AMGN	Biotechnology	20.19	2.76	70,057.89	12.30





Sector Overview

The Fund's Healthcare sector returned 2.94% from April 1st, 2016 through March 31st, 2017, while the S&P 500 Healthcare sector returned 8.49% during this period. The Fund's Healthcare sector is overweight at 13.65% compared to the benchmark's weight of 13.54%.

Although our sector earned positive returns, we still fell short of our benchmark. Our most disappointing securities this period were Gilead and Allergan and the sector experienced quite a bit of volatility. This volatility was primarily from biotechnology and pharmaceutical companies due to the election cycle.

The Healthcare sector is comprised of companies in the biotechnology, large pharmaceutical, medical devices, and managed healthcare subsectors. Going forward, we have entered positions within the healthcare sector, which we believe are undervalued given current market conditions.

Sector Overview

DCF Healthcare Sector Return: 2.94%

Benchmark Sector Return: 8.49%

DCF Sector Weight: 13.65%

Benchmark Weight: 13.54%

Asset Allocation: -0.08%

Security Selection: -1.31%

Sector Team

Sector Managers:

Michael Pica

Nicholas Musso

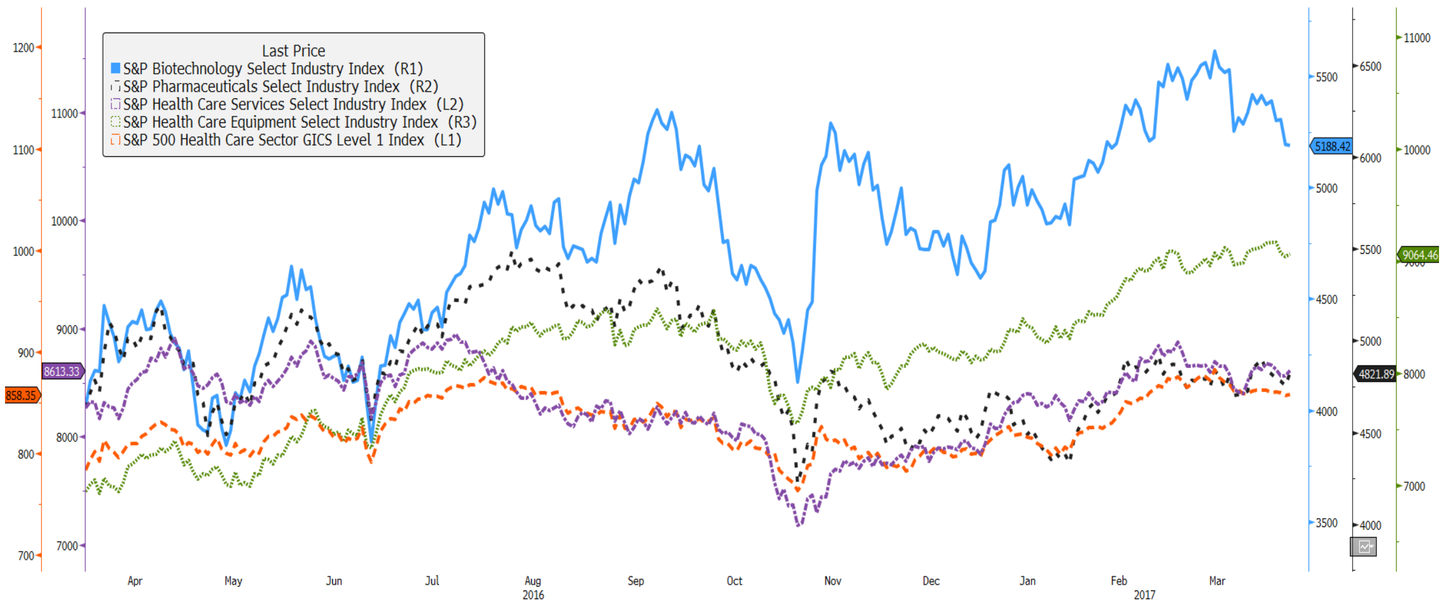
Sector Analysts:

Alexander Moore

Matthew Nola

Industry Analysis

The S&P 500 Healthcare sector is made up of three main sub-sectors: Biotech & Pharmaceuticals, Medical Equipment/Devices, and Facilities/Services. The Biotech & Pharmaceutical sector includes Biotech, Disease Groups, Large Pharmaceuticals, and Specialty-Generic Pharmaceuticals; the Medical Equipment/Devices subsector includes Life Science Equipment and Medical Devices; and the Facilities/Services sub-sector contains Health Supply Chain, Hospitals, and Managed Care.



This period was strong for the Healthcare sector overall. The S&P 500 Healthcare Index returned 8.49%, compared to a 6.40% return from the total S&P 500 Index. The chart above shows the indices of each sub-sector within Healthcare. The leading performers within the Healthcare sector were biotechnology and medical equipment. The primary drivers of growth within these sub-sectors included changing regulations, mergers and acquisitions, and an aging population.

The most important factor of growth in the healthcare industry is innovation. There is a strong correlation between market-leading companies and their expensive research and development costs. Innovation is especially important for biotech, pharmaceutical, and medical device companies, like Pfizer and Stryker, because they depend on the development of new drugs, patents and medical devices to drive earnings. The medical device segment is a huge opportunity for The Fund. The Center for Medicare & Medicaid Services expects medical device spending to increase 5.4% each year over the next four years. The Fund has made it a priority to focus on companies with strong pipelines and focus on innovative technologies.

Mergers and acquisitions activity in the healthcare industry has also been increasing. During this period, the biotech sub-sector has had over 260 M&A deals either pending, completed, or proposed. Pharmaceuticals have had around 500 deals during this same period and this strong M&A activity has helped the sector's market value grow. M&A also encourages and boosts innovation.

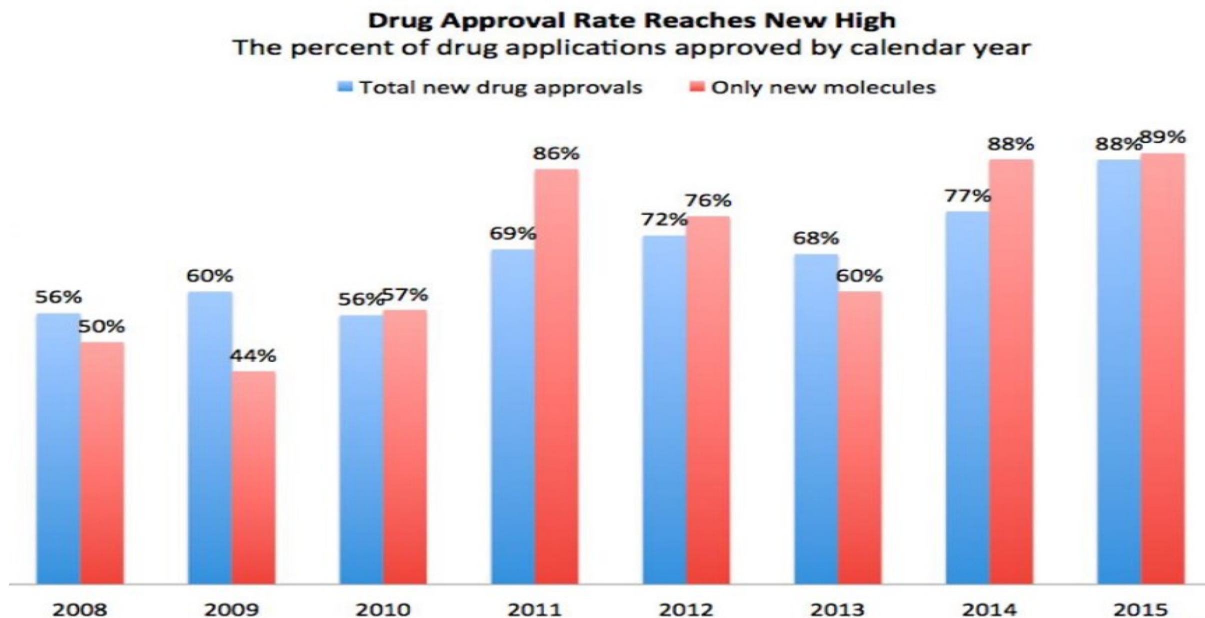
The last significant driver for performance within the Healthcare sector is the aging population. As the baby boomer generation continues to age, there is a higher demand for drugs and other healthcare services. Over the past few years, the percentage of the U.S population over the age of 65 has increased dramatically. Approximately 15,000 people turn 65 everyday in America. With an increase in older people comes an increase in certain diseases and disorders. For example, studies estimate over 1.6 billion new cancer diagnoses in this year alone. This has helped increase revenues across the sector as they are reaching a wider consumer base.

What's Changing

The healthcare sector, and its sub-sectors, are constantly changing. Several trends will impact The Fund's strategy in the healthcare sector. Future trends in the industry that will dictate The Fund's decisions and provide opportunities include the state of universal healthcare and regulatiory practices of the FDA.

The Affordable Care Act (also known as Obamacare) has come under scrutiny in the past year for its direct link to the rise of insurance premiums nationwide. Following the election, the Republicans now hold the House, Senate, and the Executive branch. This change in power suggests that the repeal and replacement of Obamacare is certain. However, uncertainty remains in how exactly this administration will carry out these changes, and if it will be a fluid transition. As a result, the DCF has chosen to avoid the unnecessary political risk surrounding insurance securities, focusing more on the innovation oriented medical device companies and biotechnology companies. Since the election, these sub-sectors are up 6% and 13%, respectively.

Lastly, President Trump recently nominated Scott Gottlieb to lead the FDA, who has promised to deregulate the approval process for pharmaceuticals, encouraging innovation. This is in response to growing concern about large pharmaceutical companies participating in price gauging. They hope that by speeding up the approval process, more drugs will hit the market which will lead to an increase in competition, thus lowering prices.



Overall, changes in the healthcare sector offer a lot of opportunities for The Fund. Due to changes in the sector, the Fund is actively searching for new undervalued securities to diversify the portfolio. As healthcare costs shift towards a more consumer driven marketplace, the demand for low-cost products will rise, leading to an increase in firm value of companies who deliver generics and biosimilar products. Healthcare Equipment and Biotechnologies are a continuing focus in the coming fiscal year. Overall, the sector will actively work to capitalize on this strategy.

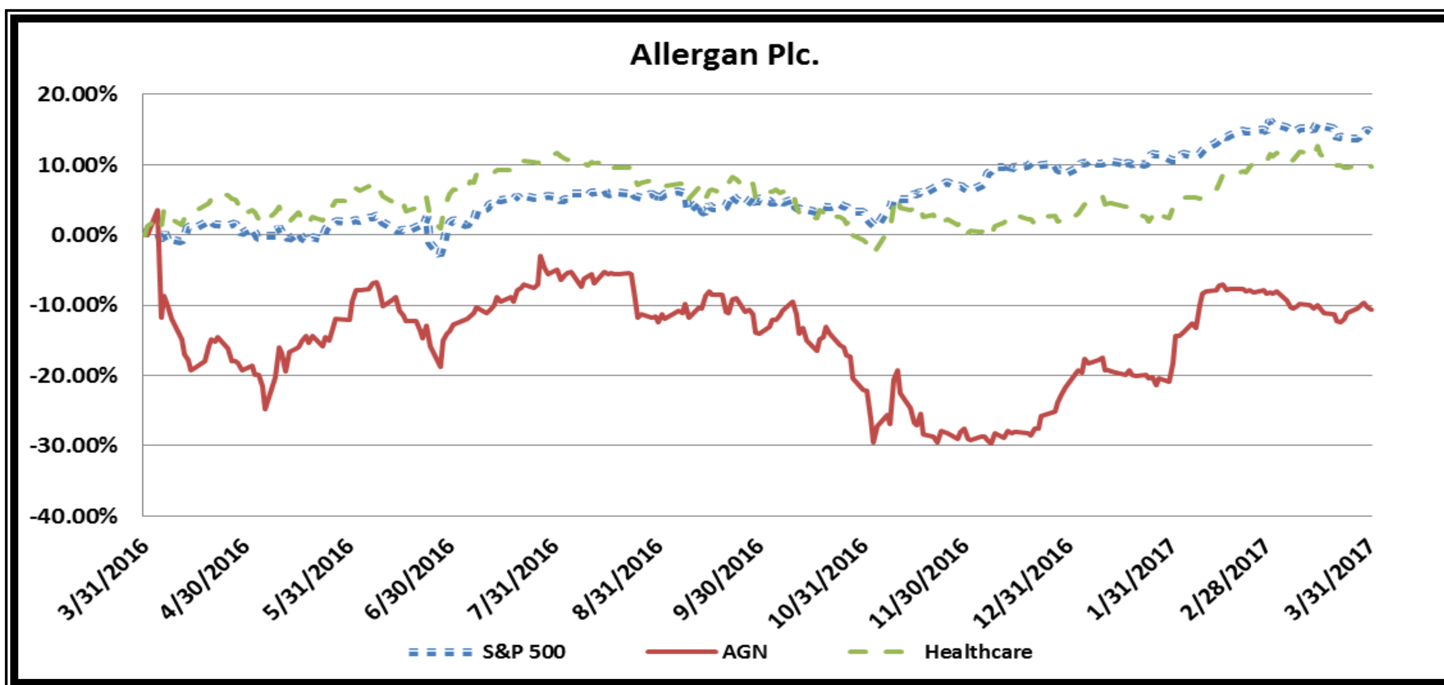
Healthcare Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
4/27/2016	LabCorp	LH	Liquidated Position	62,270.90
4/27/2016	Allergan PLC	AGN	Increased Position	59,234.07
9/15/2016	Gilead Sciences, Inc.	GILD	Increased Position	3,665.61
9/15/2016	Medtronic PLC	MDT	Increased Position	1,618.54
11/9/2016	Aetna Inc.	AET	Liquidated Position	39,152.40
11/16/2016	Pfizer Inc.	PFE	Added to Portfolio	44,997.05
2/6/2017	Gilead Sciences Inc.	GILD	Liquidated Position	89,256.84
2/6/2017	Stryker Corp.	SYK	Added to Portfolio	52,010.85

Allergan PLC Pharmaceuticals

Shares	Weight in Portfolio	Weight in Sector	Annual Return
420	3.96%	28.69%	-11.86%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.80	$ 241.34	$ 262.36	+8.71



Company Description

Allergan PLC is a specialty pharmaceutical company that develops, manufactures, markets, and distributes medical aesthetics, biosimilar, and over-the-counter pharmaceutical products worldwide. In other words, Allergan produces both branded and generic drugs. Allergan markets a portfolio of brands and products for central nervous system, eye care, aesthetics and dermatology, gastroenterology, women's health, urology, and anti-infective therapeutic categories. Allergan is also a leader in open science, which is their R&D model. Allergan was formerly known as Actavis, but changed its name to Allergan when Actavis acquired Allergan in 2015. Allergan now claims the top position in the aesthetics market with its vast portfolio of plastic surgery and aesthetics drugs. Allergan was founded in 1983 and is headquartered in Dublin, Ireland & Parsippany, New Jersey.

Investment Rationale

The DCF has held AGN since November 12th, 2015 and it has returned –5.28% since that period. We invested in Allergan as they were benefitting greatly from its leading cosmetic drug, Botox, and Namenda for Alzheimer's disease. Currently the company is participating in an "open science" strategy which means that they are willing to spend more on R&D. They are doing this find companies that have drugs in their existing pipeline that they want to target and acquire. On top of this, as of 2015, Allergan is the number 1 developer and provider of Alzheimer's treatments, which showed a 32% revenue growth from 2014-2015.

Competitors

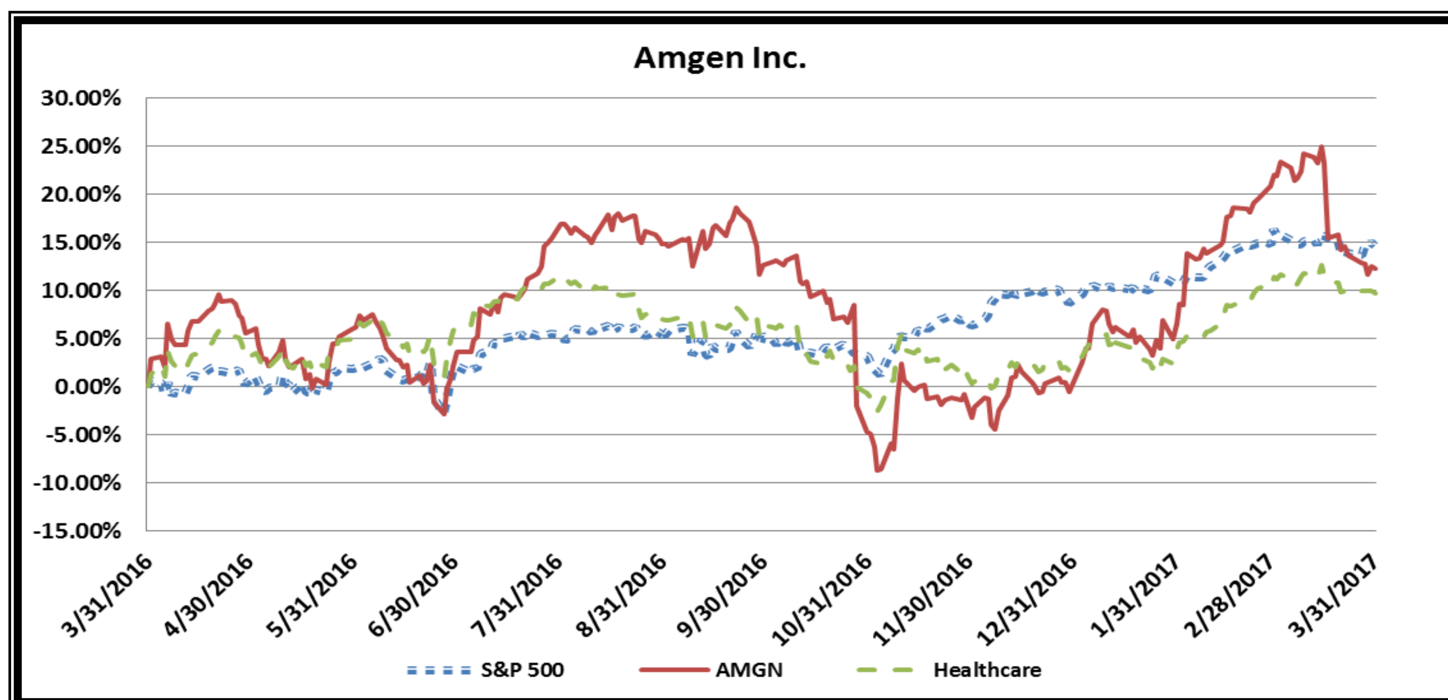
Mylan N.V.
Bristol-Myers Squibb Company
Teva Pharmaceuticals
Perrigo Company PLC

Analyst Coverage

Matt Nola

Amgen Biotechnology

Shares	Weight in Portfolio	Weight in Sector	Annual Return
427	2.79%	20.29%	17.68%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.29	$ 165.45	$ 178.82	+8.081%



Company Description

Amgen is a biotechnology company headquartered in Thousand Oaks, California and is currently the world's largest independent biotechnology firm. Amgen Inc. discovers, develops, manufactures, and delivers human therapeutics worldwide. It offers products for the treatment of illness in the areas of oncology/hematology, cardiovascular, inflammation, bone health, nephrology, and neuroscience. Amgen has expanded through natural growth and product development as well as through the acquisition of companies. .

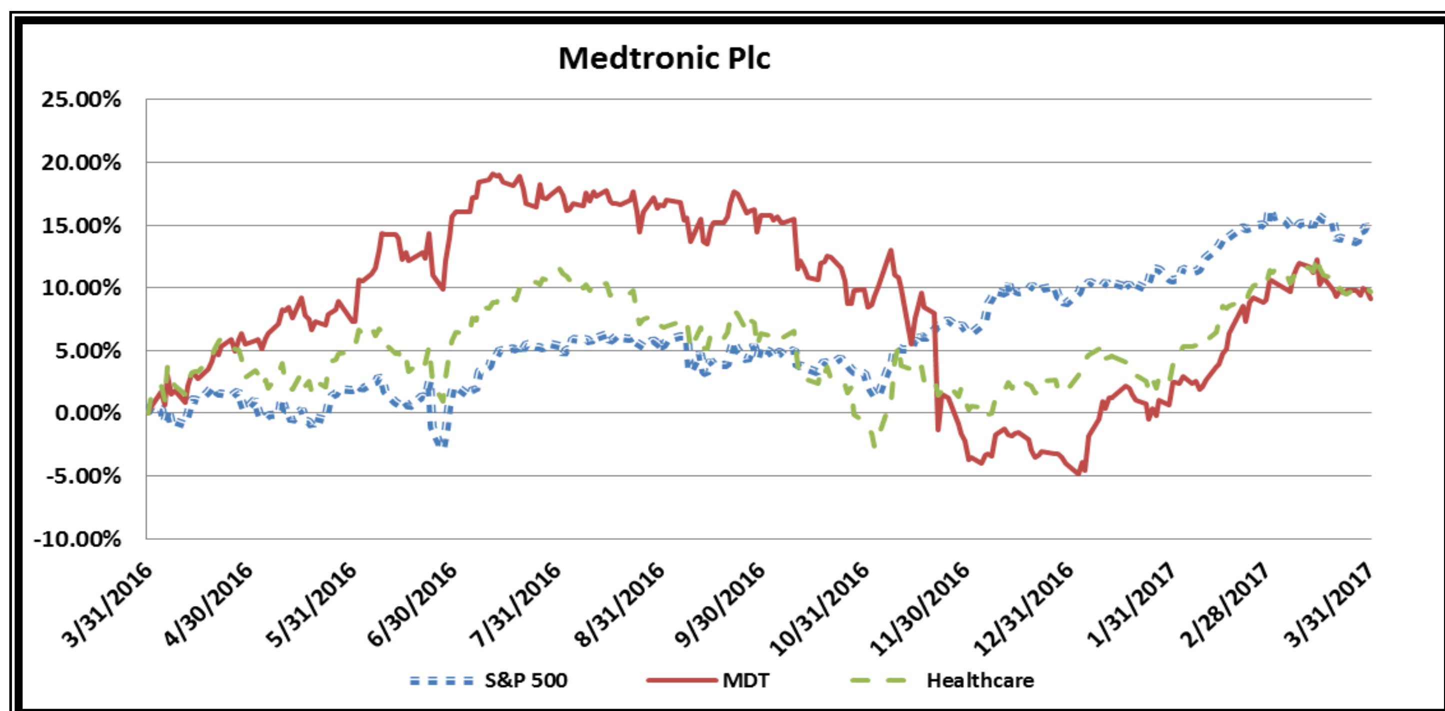
Investment Rationale

The DCF has held AMGN since September 30th, 2015 and it has returned 15.87% over the period. When we first purchased Amgen, it was because the company distinguished itself from its competitors by developing a strong pipeline, allocating capital efficiently, and growing and maintaining market share for existing products. The promising first quarter results for the year 2016 also helped to push our continued holding of Amgen. Amgen hit a peak in early March and has since seen a small decline. The price of Amgen has yet to drop under our purchase price. Amgen allows the Fund to diversify within the expanding biotech industry.

Competitors	Analyst Coverage
Biogen Inc	Alexander Moore
Celgene Corporation	
Gilead Sciences Inc	

Medtronic Medical Devices

Shares	Weight in Portfolio	Weight in Sector	Annual Return
902	2.87%	20.89%	12.20%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.83	$ 80.86	$ 94.73	+17.15%



Company Description

Medtronic is a medical device manufacturer that was founded in 1949. The company is headquartered in Dublin, Ireland, but has operational headquarters in Fridley, Minnesota. Medtronic is the world's largest standalone medical technology development company. Medtronic was originally founded as a medical equipment repair shop in Minneapolis, Minnesota. Since then, the company has expanded into the production and development of medical device technology. Medtronic has grown internally through research and new product development, as well as through acquisition. In 2015, Medtronic made a very important acquisition expanding its operations into minimally invasive devices with the acquisition of Covidien.

Investment Rationale

The DCF has held MDT since August 22nd, 2016 and it has returned 5.56% since that time. When we first purchased Medtronic, the reasoning behind the buy was the recent acquisition of Covidien. The acquisition demonstrated synergies between the two firms and led our analysts to believe that there was a great opportunity for capital appreciation. The results of the merger have yet to meet market expectations. Medtronic adds diversity to the portfolio, and has protected the sector from the volatility that has arisen from anticipated changes in the healthcare insurance industry.

Competitors

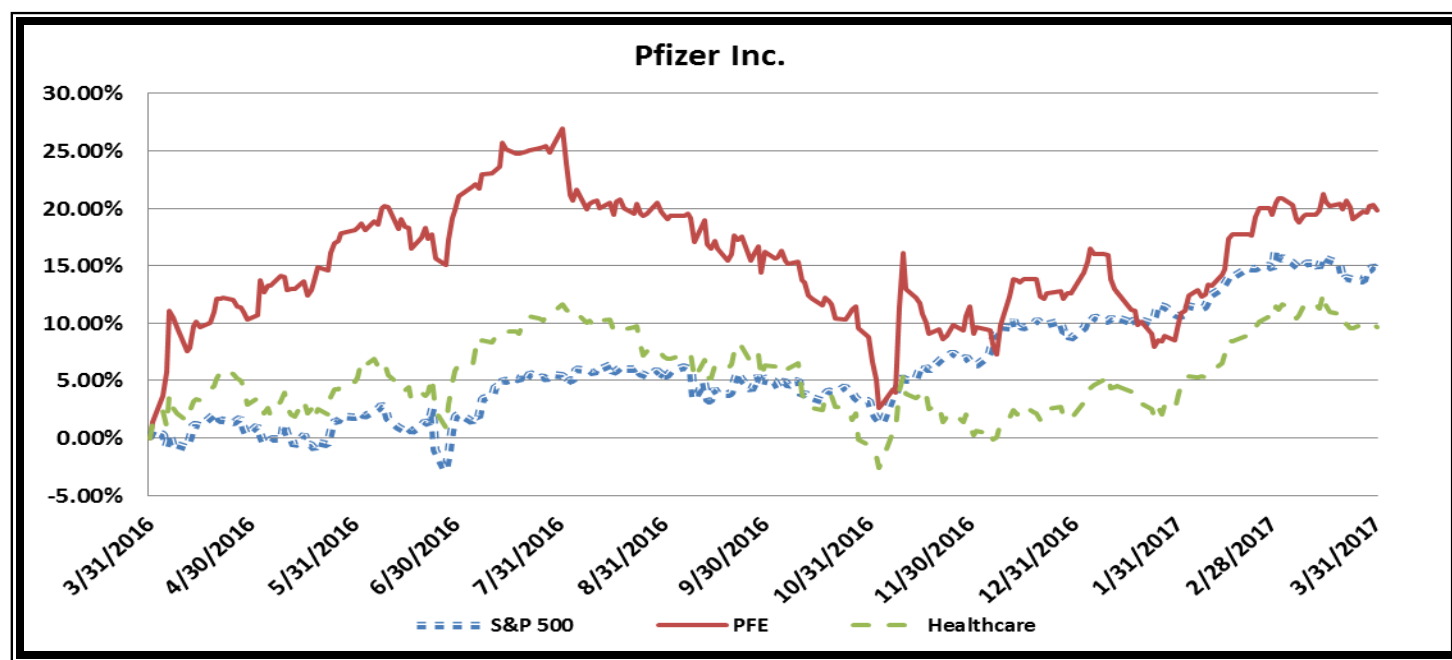
Boston Scientific
Abbott Laboratories
St Jude Medical Inc
Stryker Corporation

Analyst Coverage

Alexander Moore

Pfizer Inc Pharmaceuticals

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1400	1.89%	13.70%	11.36%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.83	$ 34.33	$ 37.70	+9.82%



Company Description

Pfizer Inc. is a biopharmaceutical company that discovers, develops, manufactures, and sells healthcare products worldwide. Pfizer has two business segments that it operates through: Pfizer Innovative Health and Pfizer Essential Health. Pfizer is one of the largest research-based pharmaceutical firms. The company produces medicines for cardiovascular health, oncology, immunology, and neurology. Some of its main prescription products include Lipitor for lowering cholesterol, Celebrex for pain management, and Viagra for erectile dysfunction. Other leading brands include consumer health products such as Advil, Centrum, and Robitussin. Pfizer was founded in 1849 and is headquartered in New York, New York.

Investment Rationale

The DCF has held PFE since November 16th, 2016 and it has returned 6.44% thus far. Pfizer has shown an optimistic plan for both external and organic growth. They acquired Medivation which lead to fresh operations processes and added revenue streams. On top of this, Pfizer has a very large and diversified pipeline of drugs, with a total of 92 in the development pipeline and 38 in phase III or post-phase registration. Pfizer's strategy continues to be to grow through R&D and acquisitions. Their proven track record of price stability gave us the confidence to invest in Pfizer, following a sale of our position in Aetna Insurance.

Competitors

Bristol-Myers Squibb

GlaxoSmithKiline PLC

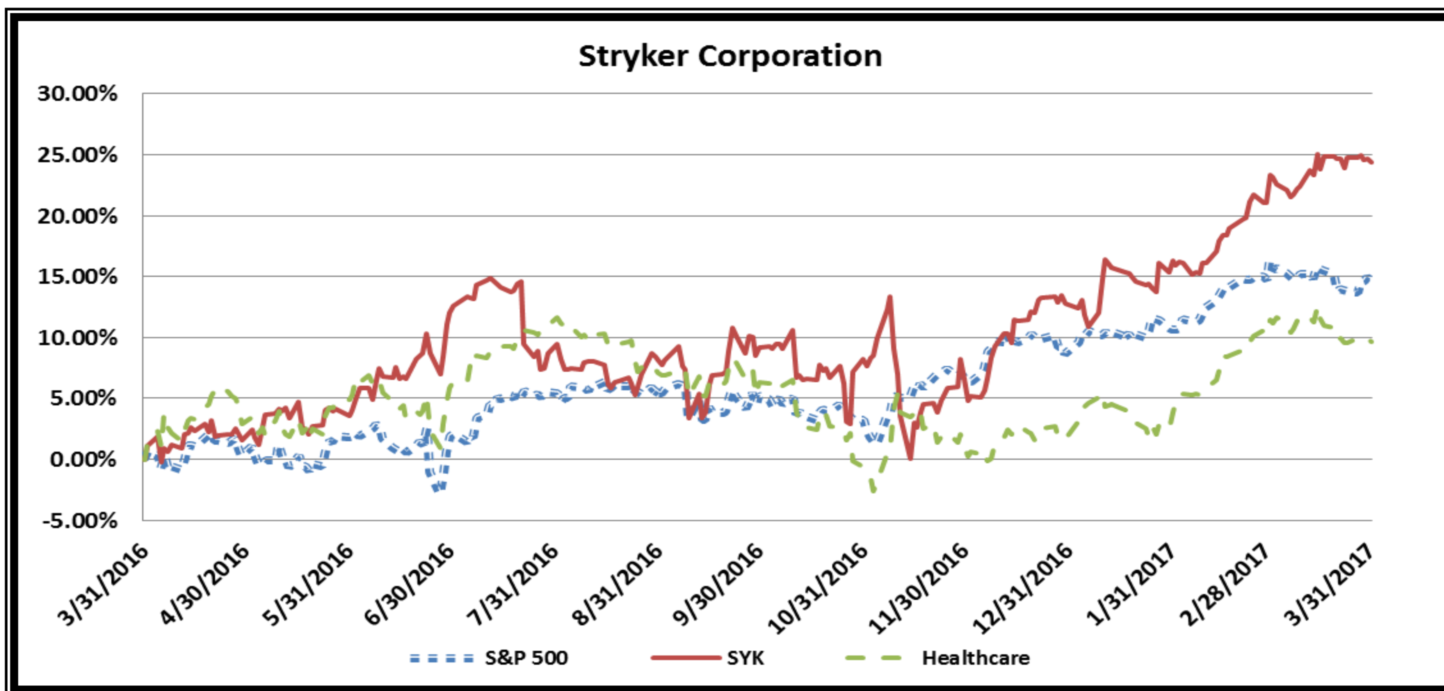
Merck & Co.

Analyst Coverage

Matt Nola

Stryker Corporation Medical Devices

Shares	Weight in Portfolio	Weight in Sector	Annual Return
425	2.24%	16.21%	17.57%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.74	$ 131.90	$ 137.19	+4.01



Company Description

Stryker Corporation operates, along with its subsidiaries, as a medical technology company. Stryker develops, manufactures, and markets specialty surgical and medical products. The company has three main segments that it operates through: Orthopaedics, Medical and Surgical (MedSurg), and Neuro-technology and Spine. The orthopedics segment provides implants for use in hip and knee joint replacements, as well as trauma and extremities surgeries. The MedSurg segment provides an array of tools and equipment, as well as other medical devices used for various medical specialties. The Neuro-technology and Spine segment offers devices used for neurosurgical and neurovascular areas, as well as various other devices that span from treatment of ischemic stroke to spinal implant products. Stryker was founded in 1941 and is headquartered in Kalamazoo, Michigan.

Investment Rationale

The DCF has held SYK since February 2nd, 2017 and it has returned 7.63% over the period. Stryker has shown huge gains in revenue, boasting a 13.9% revenue growth rate for 2016. On top of this, Stryker has made key acquisitions such as MAKO Surgical Corp. that will continue to drive revenues down the road. Stryker Corp will continue to grow with both organic growth and strategic acquisitions. We invested in Stryker to help diversify the Healthcare sector further, avoiding securities with ACA exposure and capitalizing on the stability of the Healthcare Equipment sub-sector.

Competitors

NuVasive Inc.

Becton, Dickinson and Company

Abbott Laboratories

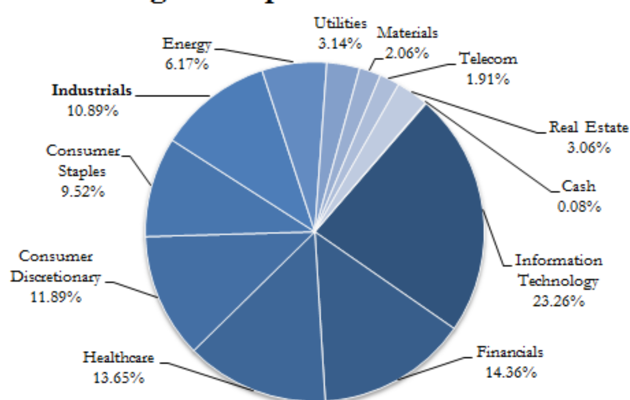
Analyst Coverage

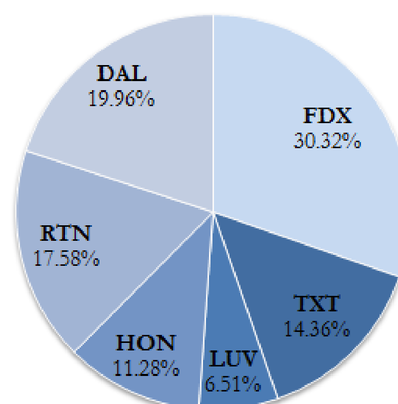
Matt Nola

Industrials Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
FedEx Corp.	FDX	Courier Services	30.32	3.30	83,914.50	21.02
Textron Inc.	TXT	Aerospace &Defense	14.36	1.56	39,737.65	30.76
Southwest Airlines Co.	LUV	Airlines	6.51	0.71	18,009.60	35.29
Honeywell International Inc.	HON	Industrial Conglomerates	11.28	1.23	31,217.50	19.48
Raytheon Co.	RTN	Aerospace & Defense	17.58	1.91	48,647.50	12.20
Delta Air Lines Inc.	DAL	Airlines	19.96	2.17	55,243.92	-3.95





Sector Overview

For the Period of April 1, 2016 to March 31, 2017, the DCF Industrials sector returned 15.23% against the S&P 500's 15.52%. The Industrials sector of the Fund is invested in companies within the Airlines, Aerospace & Defense, and Courier Services sub-sectors and was overweight by 70 basis points compared to the S&P 500 sector allocation.

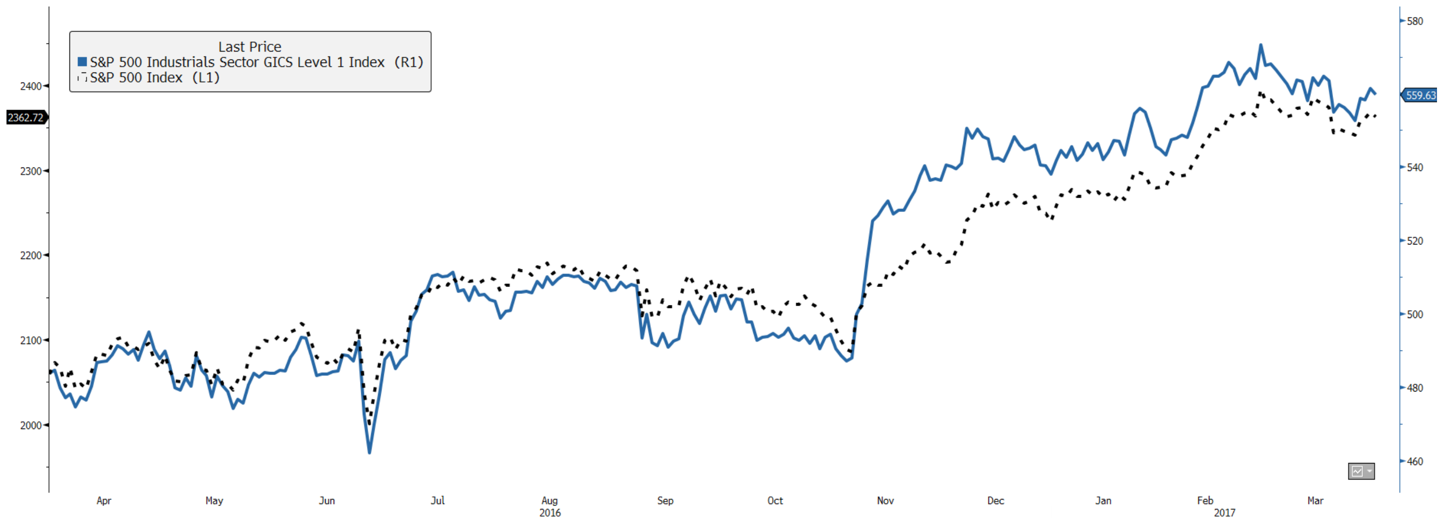
Our largest holding, FedEx Corporation, had a positive return for the reporting period following a successful integration of TNT Express. During the reporting period we made three strong acquisitions of Raytheon Co., Honeywell International, and Southwest Airlines. All three have added great diversity and strengthened the Industrial sector of the Fund for the future. The Fund believes that Raytheon has great projected international growth. We also believes that Honeywell has a strong management team with a robust strategy for the future. Honeywell also adds more diversification to the sector holdings. The Fund believes that Southwest allows us to balance the airlines as they reach low-end customers, whereas Delta targets more of the high-end customers.

Sector Overview
DCF Industrials Sector Return: 15.23%
Benchmark Sector Return: 15.52%
DCF Sector Weight: 10.15%
Benchmark Weight: 10.08%
Asset Allocation: 0.00%
Security Selection: -0.40%

Sector Team
Sector Manager:
Cameron Cooke
Sector Analysts:
Anthony Petretti
Connor Crory

Industry Analysis

During the annual period from April 1, 2016 to March 31, 2017, the S&P 500 Industrials Sector returned 15.52%. This compares to a return from the S&P 500 of 13.98%. The current holdings in the Industrials sector for the Fund include Airlines, Courier Services, and Aerospace and Defense. The graph below shows the Industrials sector compared to the S&P itself and we can see that the Industrials sector has outperformed the S&P over the annual period.



Delta performed the worst during our fiscal year due to a weak performance in the first half of the period. During the second half of the reporting period Delta had stronger performance and gained back almost all of the losses from the first half. We believe that Delta will continue to grow for us and increase our current gain of 40.65% since acquisition. The airline company struggled throughout the period due to increased capacity and pricing competition, but in the second half of the fiscal year we saw a 16.77% return from Delta. We are expecting more out of airlines as the Trump Administration plans to improve infrastructure and air traffic control systems. This will increase efficiency, allowing airlines to thrive in a more modern infrastructure and a more cost efficient control system. Therefore, we added Southwest as another opportunity to take advantage of this bright future for the airline industry.

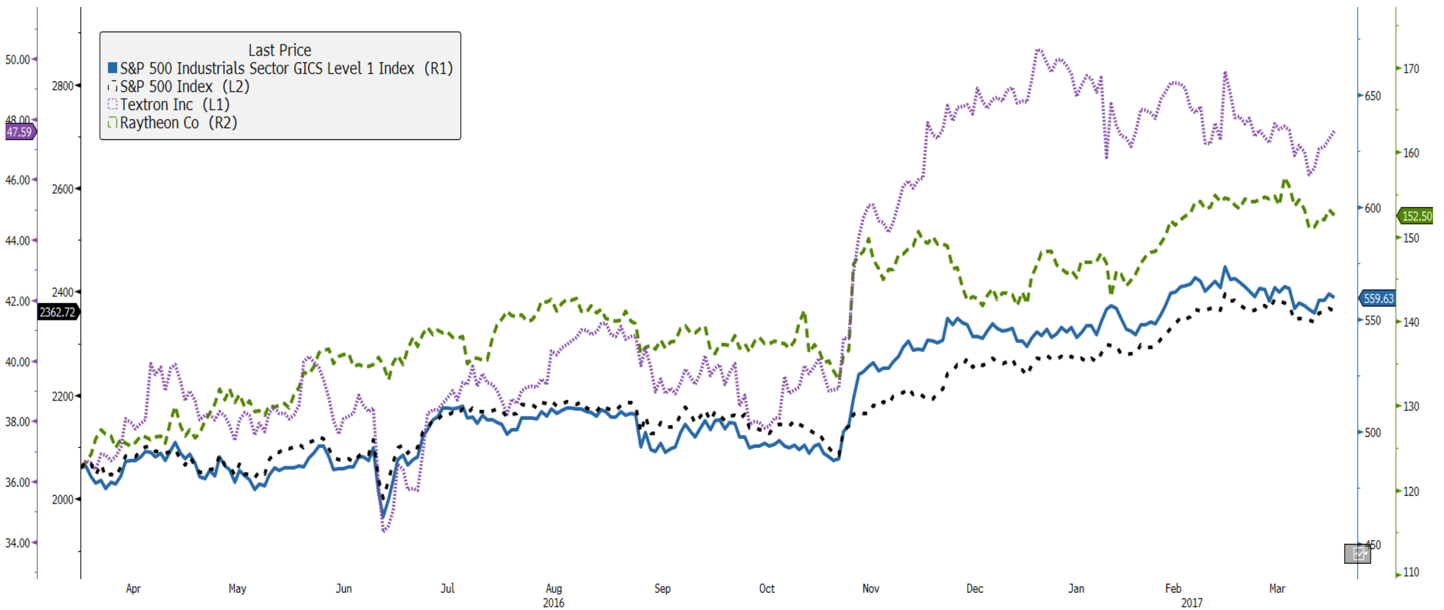
We added another defense company to the sector by purchasing shares of Raytheon, as we saw the election would be favorable to defense spending. The Trump Administration has promised to increase defense spending and since the election we have seen great returns from this bet on the defense industry. Textron is our other defense company and our second top performing stock due to our purchase during a 52-week low. Since then management has proven their cost cutting strategy, and improved margins that resulted in a 29.70% return.

FedEx is the Fund's largest Industrial sector holding and provided the third highest return, mainly due to the closing of the acquisition of TNT Express. This has grown FedEx's business overseas and the company is expected to see strong growth on the top and bottom line from this new acquisition. FedEx will also benefit from the infrastructure spending as better roads and bridges will allow for more efficient deliveries.

What's Changing

Moving forward we need to be aware of these large gains we have received on our current holdings. We are continuing to monitor our holdings closely as we want to make sure we see the best returns possible. We do not believe at this time any of our current holdings are done growing. A strong market outlook and strong management teams are reason for us to believe we have not seen the full growth potential in our current holdings. Delta has been our worst contributor this reporting period, however, the company had a 16.77% positive return the second half of our reporting period. We believe they will continue to improve with their willingness to slow the capacity growth which should grow demand for all the plane rides. By doing this, it should lead to a higher RASM (revenue per available seat mile), resulting in a positive outlook by investors.

With increasing uncertainty surrounding terror and safety around the world, we believe there may be new opportunities for our aerospace and defense stocks. These ongoing threats could create new contracts for both Textron and Raytheon which could help both top and bottom line growth. This could also bring growth for Honeywell, as well increase their already strong margins. If these new opportunities do not arise, we do not see this as a harm as these companies are positioned well already. The graph bellows shows how our defense holdings have faired compared to the S&P 500 and the Industrial sector as a whole. We believe that going forward we will continue to see positive trends in these stocks and continue to see an outperformance of the S&P 500 and the Industrials sector by these individual stocks.



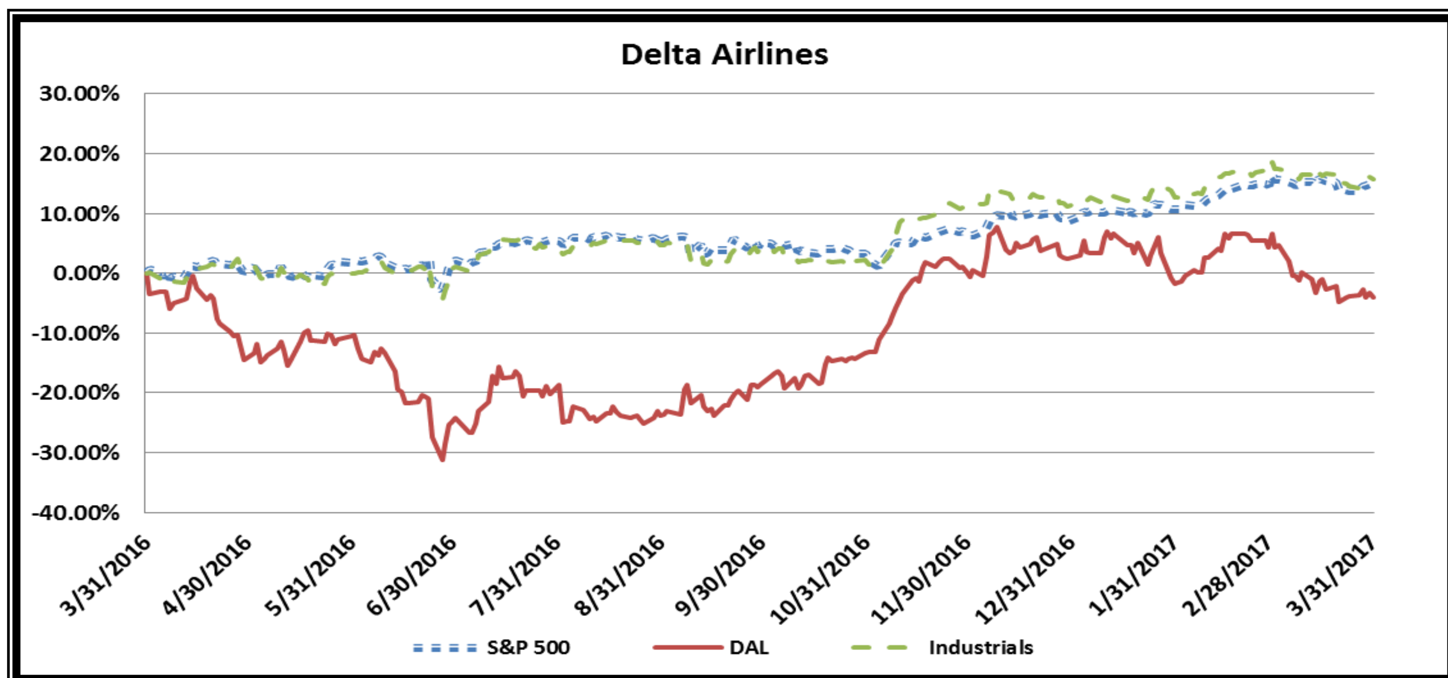
Industrials Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
9/15/2016	Raytheon Co.	RTN	Added to Portfolio	43,834.26
9/15/2016	Delta Air Lines	DAL	Decreased Position	33,546.92
9/15/2016	FedEx Corporation	FDX	Decreased Position	5,092.24
10/11/2016	Southwest Airlines Co.	LUV	Added to Portfolio	13,384.82
10/11/2016	Honeywell International Inc.	HON	Added to Portfolio	26,440.00

Delta Air Lines Airlines

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1202	2.17%	19.96%	-3.98%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.15	$ 45.96	$ 55.38	+20.55%



Company Description

Delta Air Lines is an airline company that provides air transportation to 323 destinations worldwide in 57 countries. In 2008 Delta merged with Northwest Airlines, becoming the largest passenger airline in the world for a couple years' until being surpassed by United. This Atlanta, GA headquartered airline employs over 84,000 people and has been doing business since 1930. Delta is a global airline, but much of its focus is in North America where 67% of its 2016 revenue came from. The company's fleet size is currently 856 airplanes and averages 5,400 flights a day. Delta Air Lines, after all these years, still stands by its motto of distinctive customer service and hospitality from the heart.

Investment Rationale

The D'Artagnan Capital Fund has held Delta since December of 2013, and has seen a 42.04% return in that time. We believe that Delta should continue to grow and produce positive returns for the portfolio. Moving forward, Delta is looking to acquire a low-cost carrier to compete with other airlines in smaller markets. The company continues to re-invest in themselves as they put roughly 50% of cash flow back into the business annually. Delta is more of a high-end airline, so they cannot compete in terms of ticket prices with low-cost carriers, but they believe their quality and reliability is worth higher prices. Delta is also planning on releasing Premium select, which will provide elevated services and improved amenities on its longest flights.

Competitors

Southwest Airlines Co.

JetBlue Airways Corporation

American Airlines Group Inc.

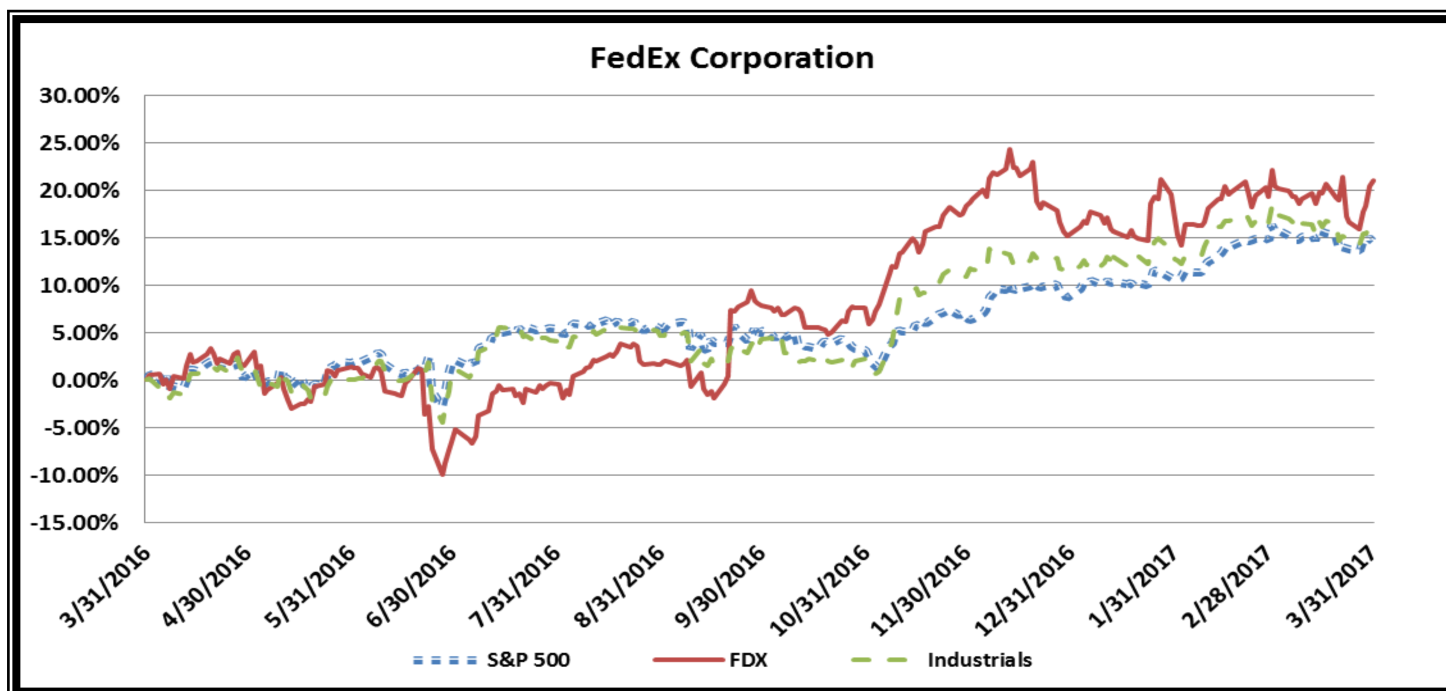
United Continental Holdings

Analyst Coverage

Connor Crory

FedEx Corporation Courier Services

Shares	Weight in Portfolio	Weight in Sector	Annual Return
430	3.270%	29.98%	17.54%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.19	$ 192.53	$ 204.94	+6.45%



Company Description

FedEx Corporation is a global transportation, e-commerce, and business services company that was founded in 1971.. FedEx Corporation provides operations through four main segments: FedEx Express, FedEx Ground, FedEx Freight and FedEx Services. FedEx Express provides shipping services for express transportation, air and ocean freight forwarding, logistics services, and cross-border technology. FedEx Ground provides small package ground delivery and third party logistics. FedEx Freight provides less-than-truckload freight, and freight shipping services as well as time critical transportation. FedEx Services provides all the back office functions, marketing, communication and customer service. FedEx Services also has FedEx Mobile that provides solutions from tracking packages to copying and digitally printing in retail and web-based platforms.

Investment Rationale

The D'Artagnan Capital Fund has held FedEx since October of 2013, and has seen a 42.36% return in that time. FedEx still has room for growth for our portfolio. Management has continued to improve the company's EBIT margins with strong leadership and guidance. It has seen strong organic growth from the FedEx Ground segment and has risen 10% annually in recent years. The Trump Administration has also been seen as a positive for FedEx as a proposed $1.6 trillion dollar investment in infrastructure will improve distribution for FedEx. FedEx is a strong company with a strong management that has continually shown it delivers for its shareholders by increasing dividends, profits, and the business all while decreasing costs.

Competitors

United Parcel Service, Inc.

Expeditors International of Washington Inc.

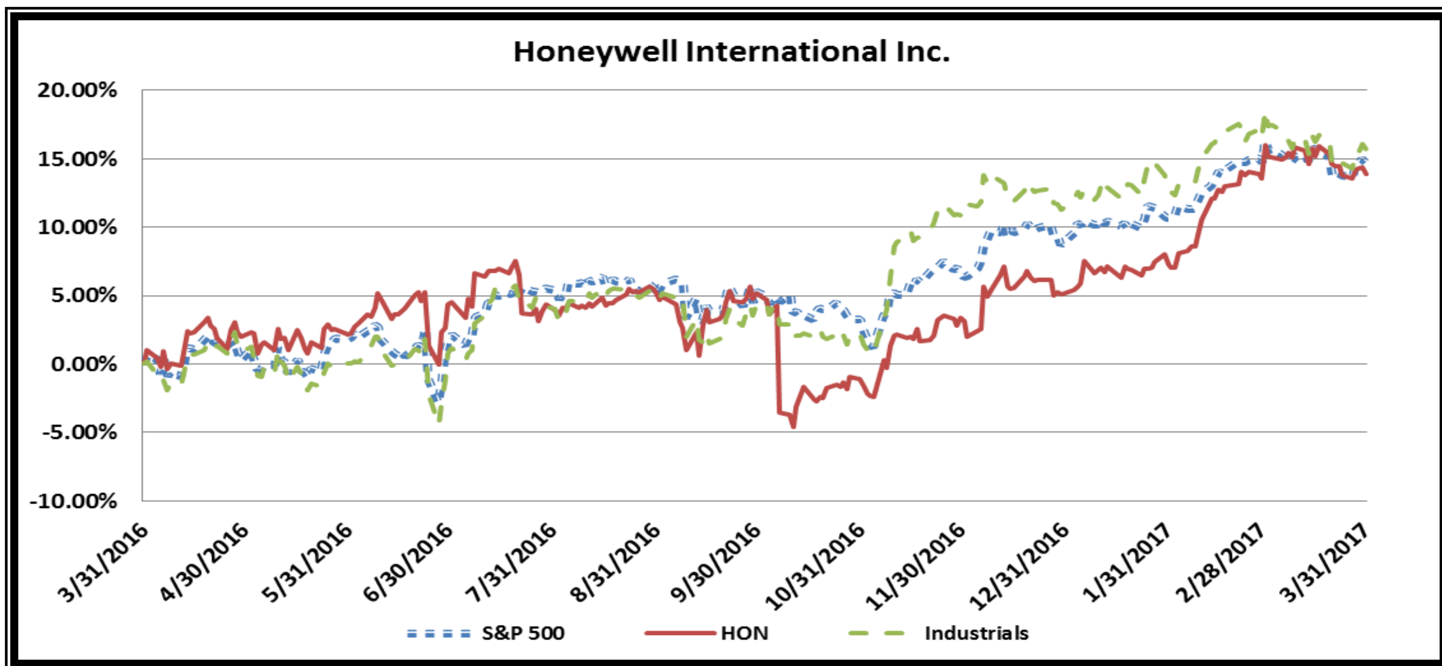
CH Robinson Worldwide Inc.

Analyst Coverage

Anthony Petretti

Honeywell International Inc. Industrial Conglomerates

Shares	Weight in Portfolio	Weight in Sector	Annual Return
250	1.24%	11.39%	20.23%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.06	$ 125.64	$ 141.36	+12.51%



Company Description

Honeywell International Inc. is a technology and manufacturing company that was founded in 1920 and is headquartered in Morris Plains, New Jersey. It is well-diversified as it offers a wide range of products from aerospace to thermostats. The company operates in four main segments: Aerospace; Home and Building Technologies; Performance Materials and Technologies; and Safety and Productivity Solutions. Aerospace provides products, software, and services for aircraft and vehicles. Home and Building Technologies supplies products, software, solutions, and technologies to home owners. Performance Materials and Technologies manufactures advanced materials, process technologies, and automation solutions. Safety and Productivity Solutions provide more productive and safe products, software, and connected solutions for customers. Honeywell's products aim to make the world cleaner and more sustainable, more secure, connected, energy efficient, and productive.

Investment Rationale

The D'Artagnan Capital Fund has held Honeywell since October of 2016, and has seen a 20.23% return in that time. Honeywell has continued to provide great returns for the portfolio and will continue to do so in the future. Honeywell has a balanced global portfolio, diversity of opportunity, and the ability to manage through a slow growing environment. The company has top line products for the future such as their turbochargers, which are the best for fuel economy and government emission regulations. Their diverse business units with short and long cycles allow them to be stable for the future. Honeywell has continually shown to shareholders that they have strength in execution that will allow them to deliver on their long-term targets and continue to outperform over the long term.

Competitors

United Technologies Corporation

General Electric Company

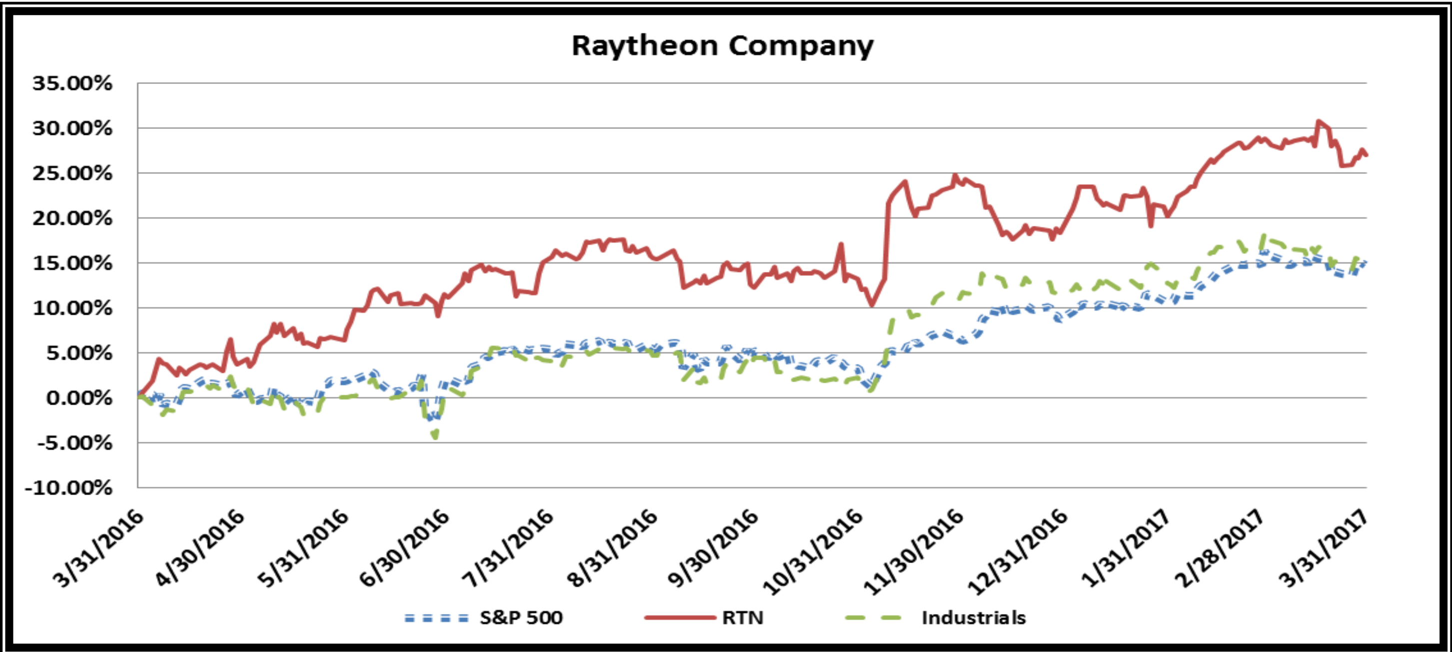
Johnson Controls International plc.

Analyst Coverage

Connor Crory

Raytheon Company Aerospace & Defense

Shares	Weight in Portfolio	Weight in Sector	Annual Return
319	1.91%	17.58%	10.98%
Beta	**Current Price**	**Target Price**	**Growth Potential**
.79	$ 153.16	$ 162.35	+6.46%



Company Description

Raytheon Company is an aerospace and defense company that is one of the Pentagon's top 10 prime contractors. They specialize in defense, homeland security, and other government markets by providing electronics, mission systems integration, intelligence systems, and mission support services. Raytheon Company's operations fall into the following five segments: Integrated Defense Systems, Intelligence Information & Services, Missile Systems, Space & Airborne Systems, and Forcepoint. Integrated Defense Systems include air and missile defense as well as land or sea radars accounting for 21.5% of revenue. Intelligence Information & Services include air traffic management systems, logistics, training, and "classified" accounting for 24.3% of total revenue. Missile Systems provides offensive and defensive weapons for land, air, sea, and space accounting for 27.7% of total revenues. Space & Airborne Systems build radars and sensors for aircraft, spacecraft, and ships accounting for 24.3% of total revenue. Meanwhile, Forcepoint provides cybersecurity protection options for commercial and government organizations accounting for only 2.2% of total revenues.

Investment Rationale

The D'Artagnan Capital Fund has held Raytheon Company since September of 2016, and has seen a 10.98% return in that time. With the increase in demand for counterinsurgency/terrorism weapons, Raytheon Co. is in a great position to benefit from this trend with their significant market share and top-line products and services to meet these needs. With the Trump organization planning to increase the military's budget, we believe Raytheon will be able to capitalize on this. In addition to weapons, Raytheon is also getting a head start into the relatively new market place of cyber security. We believe their new segment dealing with cyber security will have tremendous growth potential going forward. This is because the world is becoming more connected technologically, but at a faster rate than cybersecurity measures and protocols are currently advancing.

Competitors

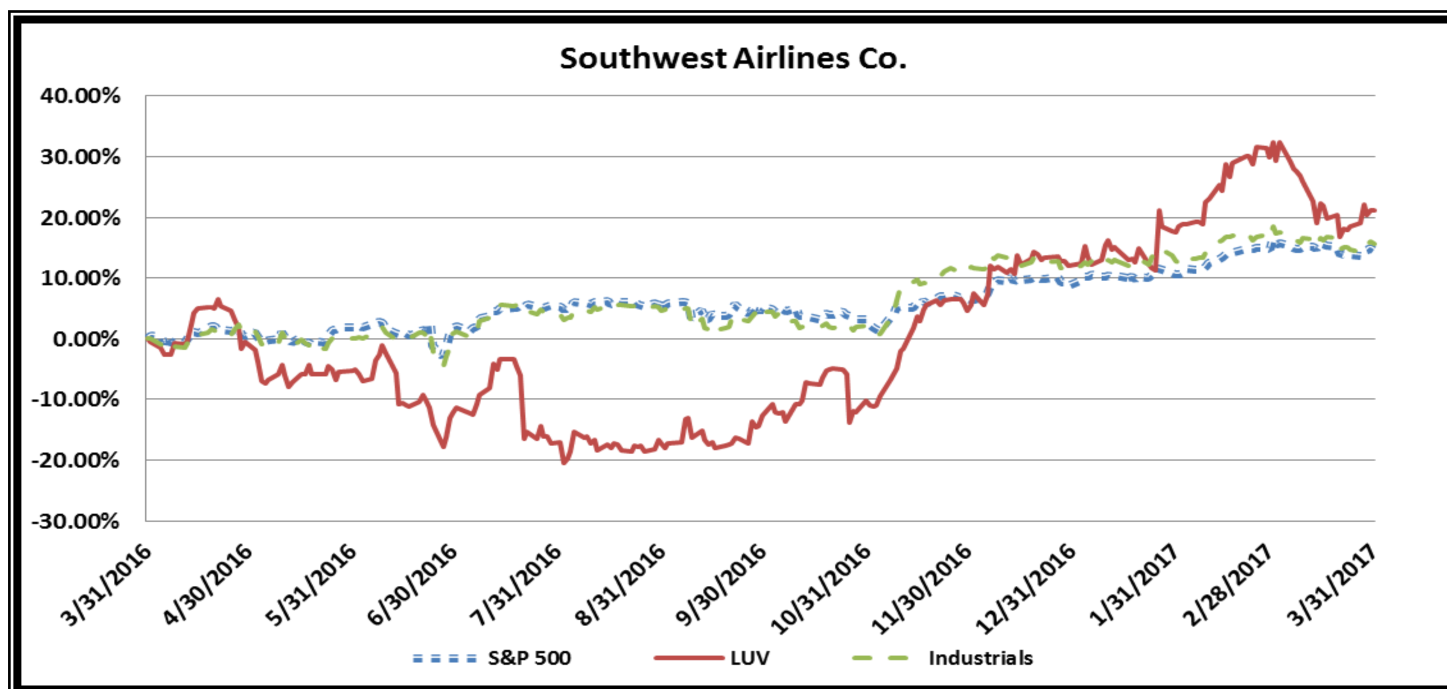
L3 Technologies, Inc.
Northrop Grumman Co.
United Technologies Co.
General Dynamics Co.

Analyst Coverage

Anthony Petretti

Southwest Airlines Co. Airlines

Shares	Weight in Portfolio	Weight in Sector	Annual Return
335	0.71%	6.51%	21.10%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.10	$ 53.76	$ 58.85	+9.47%



Company Description

Southwest Airlines Co. is an airline company that provides air transportation services to 100 cities across 9 countries. They strive to connect people to what is important in their lives by providing high quality service at a low-fare. Southwest is headquartered in Dallas, Texas where it originated in 1971. They started with three airplanes servicing three Texas cities: Houston, Dallas, and San Antonio. In 2013 Southwest Airlines expanded outside the United States to Puerto Rico and since then expanded to seven other countries, with the latest being Cuba in 2016. The company has a highly respected frequent flyer program, Rapid Rewards. They are also the only US airline that offers free baggage on flights and has Wi-Fi connectivity on every single one of their planes.

Investment Rationale

The D'Artagnan Capital Fund has held Southwest since December of 2016, and has seen a 34.55% return in that time. Southwest still has room to grow because of their specialization in low-fares, point-to-point flights, shorter-haul, and high frequency. Southwest has continued to expand in recent years and has begun to put more focus on expanding to smaller markets. They are also in the middle of a new reservation system rollout. The system allows the company to be more efficient resulting in quicker and easier booking and check-ins for customers. Southwest is continuing to expand their fleet size by adding more Boeing 737s. The new 737s are 20% more fuel efficient which will be of the utmost importance as fuel prices begin to rise.

Competitors

American Airlines Group Inc.

Allegiant Travel Company

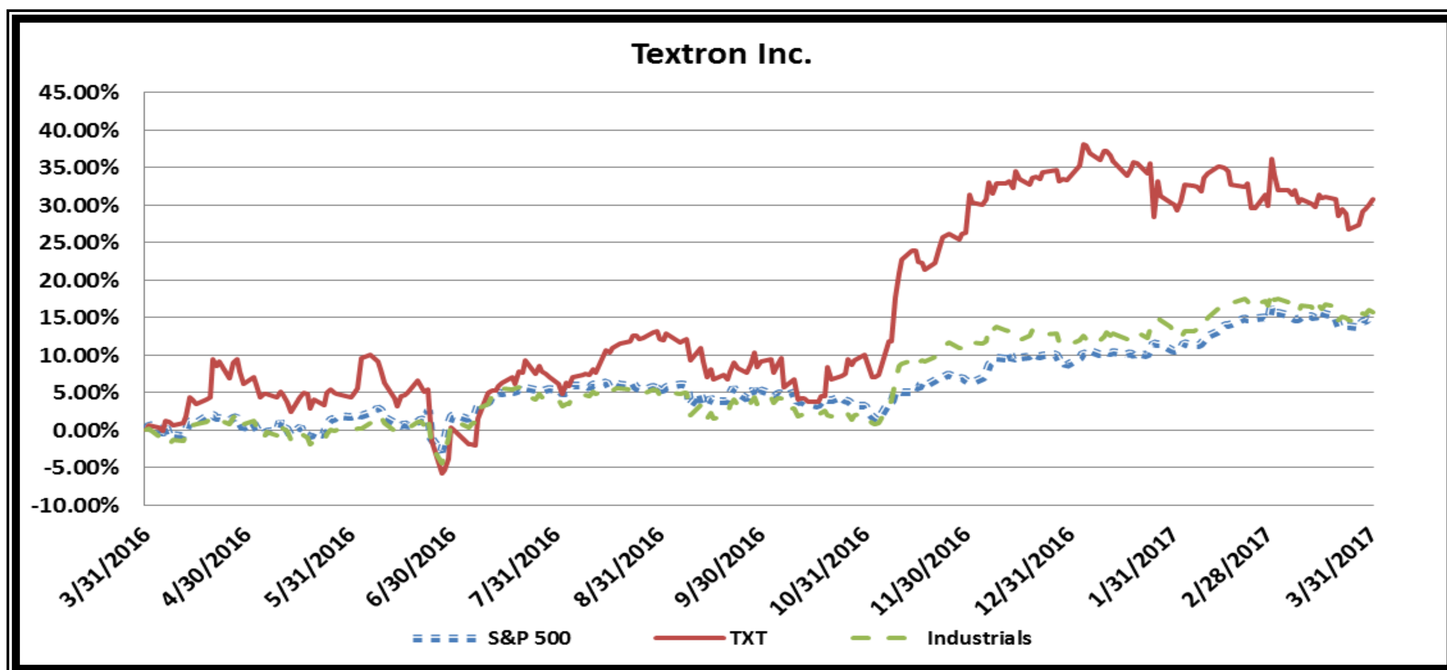
Delta Air Lines, Inc.

Analyst Coverage

Connor Crory

Textron Inc. Aerospace & Defense

Shares	Weight in Portfolio	Weight in Sector	Annual Return
835	1.56%	14..36%	29.29%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.19	$ 47.32	$ 53.74	+12.92%



Company Description

Textron Inc. is a global and product diverse company. It is primarily an aerospace and defense company but also delves into several other industries related to recreational vehicles and information technology. The company is divided into five segments: Textron Aviation, Bell, Textron Systems, Industrial, and Finance. The Textron Aviation segment is the largest segment accounting for 35.7% of revenues in 2016. This segment accounts for more than half of all general aviation flying under its three brands of Cessna, Beechcraft, and Hawker. The most profitable Bell segment accounted for 23.5% of revenue in 2016; this segment consists of military and commercial use of these helicopters. Textron Systems consisted of 12.7% of revenue in 2016 and included weapon and sensor systems, Lycoming engines, simulation training, geospatial, marine/land vehicles, and unmanned aerial vehicles. The Industrials segment accounted for 27.5% of revenues in 2016.

Investment Rationale

The D'Artagnan Capital Fund has held Textron Inc. since February of 2016, and has seen a 50.32% return in that time. The company's industrial segment continues to grow year-over-year organically and through acquisitions. Textron Inc. still has room for growth for our portfolio. The company also provides diversity in our industrial sector because their businesses touch many aspects of the industry. With the Trump Administration planning an increase in government spending, they are in a position for more potential upside. We believe Textron's military helicopters will become much more attractive for potential government contracts with this military budget increase.

Competitors

L3 Technologies, Inc.	The Boeing Co.
Northrop Grumman Co.	Rockwell Collins Co.
Raytheon Co.	Bombardier Inc.

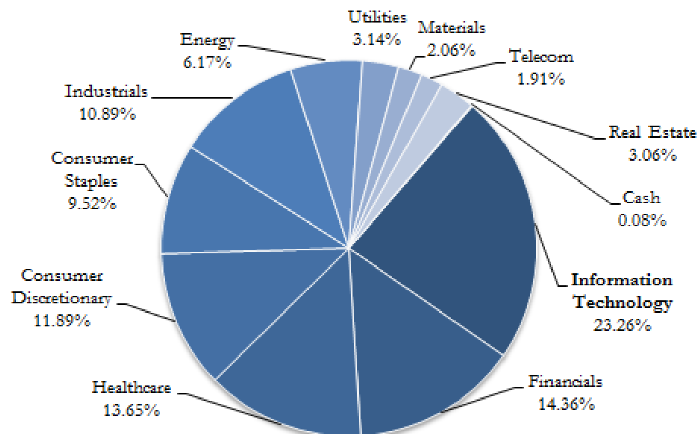
Analyst Coverage

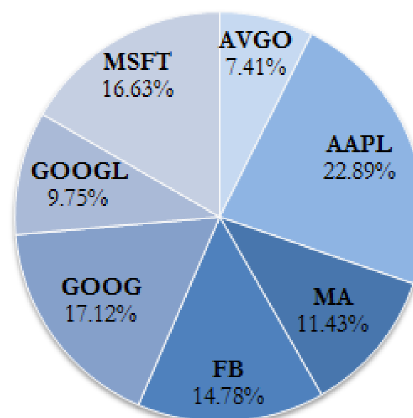
Anthony Petretti

Information Technology Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
Broadcom Ltd.	AVGO	Semiconductors	7.41	1.72	43,792.00	44.07
Apple Inc.	AAPL	Communications Equipment	22.89	5.32	135,327.72	34.60
Mastercard Inc.	MA	Multinational Financial Services	11.43	2.66	67,594.47	19.98
Facebook Inc.	FB	Internet Media	14.78	3.44	87,360.75	10.38
Alphabet Inc. - A	GOOG	Internet Media	17.12	3.98	101,206.32	11.13
Alphabet Inc. - C	GOOGL	Internet Media	9.75	2.27	57,650.40	11.36
Microsoft Corp.	MSFT	Infrastructure Software	16.63	3.87	98,328.98	35.12





Sector Overview

The Information Technology sector is the largest overall sector holding for the D'Artagnan Capital Fund with a portfolio weight of 23.26% of the overall portfolio. During the 2016 fiscal year the Information Technology sector returned 30.16%, which is an excess return from the benchmark of 5.25%. The DCF was slightly under weighted in comparison to our benchmark, which generated a –0.07% for our asset allocation. This was mostly influenced by the fears of a weak semiconductor industry and a slowdown in China, but ultimately we benefited from taking advantage of the undervalued semiconductor stocks such as Broadcom Ltd.

The top contributors of the Information Technology sector for the given fiscal year were Broadcom Ltd., Apple Inc., and Microsoft Corp. These three holdings have given us exceptional returns, but we still believe that they have growth potential within our fund due to a strong economy that continues to influence consumer spending on electronics and a recovering semiconductor industry. The sector's bottom three contributors were Alphabet Inc., Facebook Inc., and MasterCard Inc. These investments all returned over 10% for the DCF in our fiscal year.

Sector Overview

DCF Information Tech. Sector Return: 30.16%

Benchmark Sector Return: 24.91%

DCF Sector Weight: 21.09%

Benchmark Weight: 22.08%

Asset Allocation: -0.07%

Security Selection: 0.73%

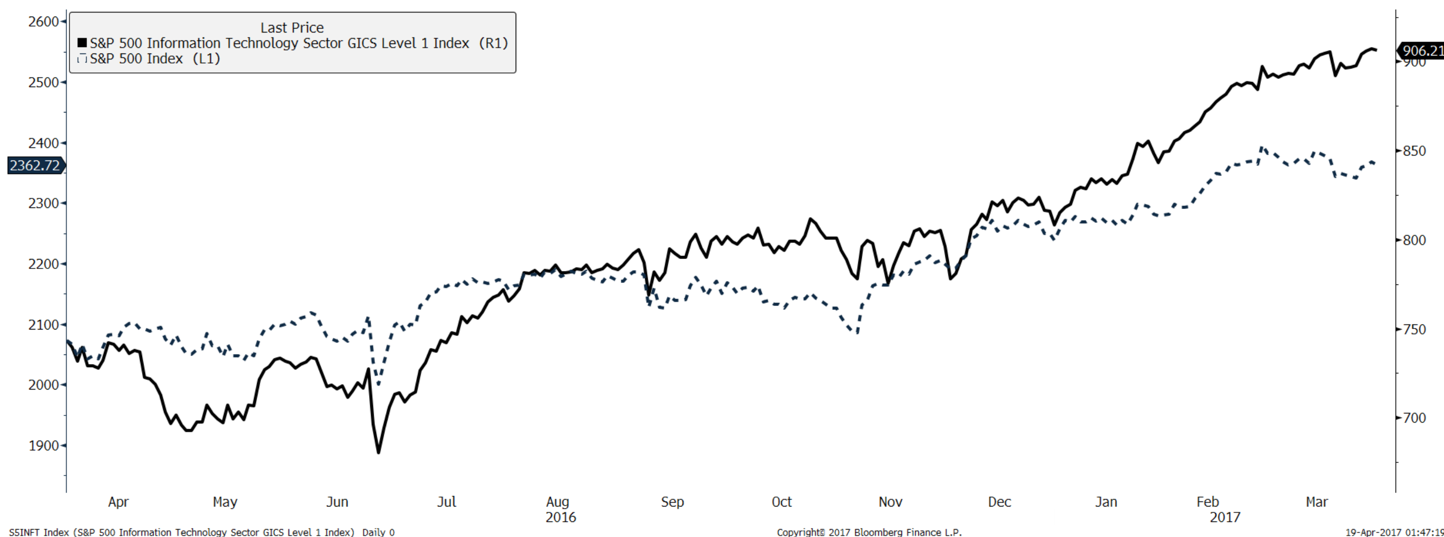
Sector Team

Sector Managers:
Aaron Peterson
Michael Uba

Sector Analysts:
Nick Strader
Christian Glass

Industry Analysis

The Information Technology sectors did very well as a whole over our fiscal year. The Information Technology sector had an excess return compared to the benchmark of the S&P 500 IT sector of a positive 5.25%. This excess return came from a positive security selection of 0.73%, which means we are selecting the best stocks within the sector. The DCF's asset allocation was –0.07%, and this was due to our weight of the sector compared to the benchmark being 0.99% lower. Overall the Information Technology sector recognized a 30.16% return due to persistence with holding our investments for a longer period of time rather than turning over the sector as much as we did in the semi-annual period.



The main drivers for our sector involved the sub-sectors of Semiconductors, Internet Information Providers and Electronic Equipment sales increasing globally. The sub-sector of Internet Information Providers has done very well for the DCF because of the high margins and low costs that come with these advertising-based revenue business strategies. Companies specifically in our holdings such as Alphabet Inc. and Facebook Inc. continue to operate primarily on this strategy. They are both diversifying their operations by investing more in tangible products as well as investing in cloud computing. Cloud computing is an opportunity that the DCF does not want to miss out on in the future due to its enormous potential in the IT industry. Another sub-sector that has shown great promise and opportunities that we capitalized on was the Electronic Equipment's sub-sector that Apple Inc. operates in. Apple products have become increasingly popular in the fiscal year 2016 due to their increases in innovation, as well as their chase to be the first trillion dollar market cap company.

Some industry sub-sectors where we should continue to look for investment opportunities include Cloud Computing, Big Data analytics, Electronic Sales and pricing pressures within Electronic Goods. As this industry grows to an enormous size, we will continue to see growth in intangible products and services that will be come increasingly important to the everyday consumer. The future for the Information Technology sector is very optimistic due to the size of the players in this competitive market and their resilience to grow to limitless sizes by diversifying their businesses in ways that we cannot predict for the future. These large companies such as Apple, Alphabet, Microsoft, and Facebook continue to surprise the consumer base with new innovations as well products with very unique niches in the market.

As we see different types of sectors beginning to incorporate more technology-based solutions within their businesses, we can see the Information Technology sector increasingly grow in importance and value for the market as whole. The main players in this technology sector will only continue to grow and make it harder for smaller companies to excel in this market because of the difficulty to innovate and obtain as many patents as these larger companies. Many of our holdings will continue to gain value from acquisitions of smaller companies and diversifying themselves into massive corporations with strong technology cores.

What's Changing

The DCF beat its benchmark of the S&P 500 IT sector by an excess return on 5.25% in the fiscal year of 2016. To continue this trend the DCF must recognize where it did well and what areas the analysts and mangers must improve on. For the fiscal year 2016 the DCF excelled in security selection with a positive 0.73% over the benchmark. This shows us that we did a good job with selecting stocks from the S&P 500 as well as having the discipline to hold them for longer periods of time.

The Information Technology sector needs to improve its asset allocation moving. We recognized that due to our underweight as a sector compared the benchmark we did not perform as well as we could of. We underweighted the sector by 99 basis points. Due to this underweighting our asset allocation was negative 7 basis points. Moving forward it is important to continue to excel in asset allocation as a fund, because this sector has historically exceptionally high returns. Also we must continue to stay persistent with our trading behavior, such that too much turnover in this sector may result in negative affects for the long term future. We recognized this small lost potential, but due to an increase in economic market information being relayed in the classroom we can now begin to eliminate these issues.

The DCF is going to continue taking advantage of three trends in the Information Technology sector from the past year such as the growth in cloud computing, the expansion of internet information providers, and the importance of cyber security. While focusing on our strengths in security selection we can now focus on opportunities from these three increasing trending in the sector to give us opportunities within the next 5 years to take advantage of.

The past six months the Information Technology sector has benefited largely from returns in inflated semiconductor prices as well as a large increase in consumer confidence in electronic equipment purchases. This trend will continue to be a value driver for these industries. Some concerns for these opportunities involve Foreign trade policies that may be put into affect over the next 4 years. With new regulation possibly coming about, foreign trade policy changes might have an impact on a lot of technology companies that outsource a majority of their products due to low labor costs. These policies could really burden the industry with increases in electronic equipment as a whole for some of our major holdings such as Apple. Keeping a close eye on these major economic factors, the DCF should be able to adjust its positions accordingly with these possible affects having major impacts on the IT sector specifically.

The IT sector has realized great potential in advertising based revenue companies doing extremely well in the past and their potential to continue to do well only if user growth increases as they are predicted to do. Some of our holdings such as Alphabet and Facebook are also trying to diversify their business segments by entering into more than one sub-sector of the IT sector. Alphabet, Facebook, and Microsoft are some of our current holdings that have shown interest and a lot of potential in other subsectors as well as having potential to be a completely different company in 10 years than they are now.

Going forward the DCF must continue to monitor the Chinese and United States economies as these have a major effect on electronic sales as well as semiconductor pricing for the future. The DCF has begun to move away from semiconductor holdings, due to Chinese economy overpricing semiconductors in the past. We believe that this is not the best time to invest in more of these overvalued companies. The Chinese economy weakening in the future is a concern for a lot of technology companies, not just for consumers, but for innovation, outsourcing and overall potential that a market that large as to offer to some of these companies.

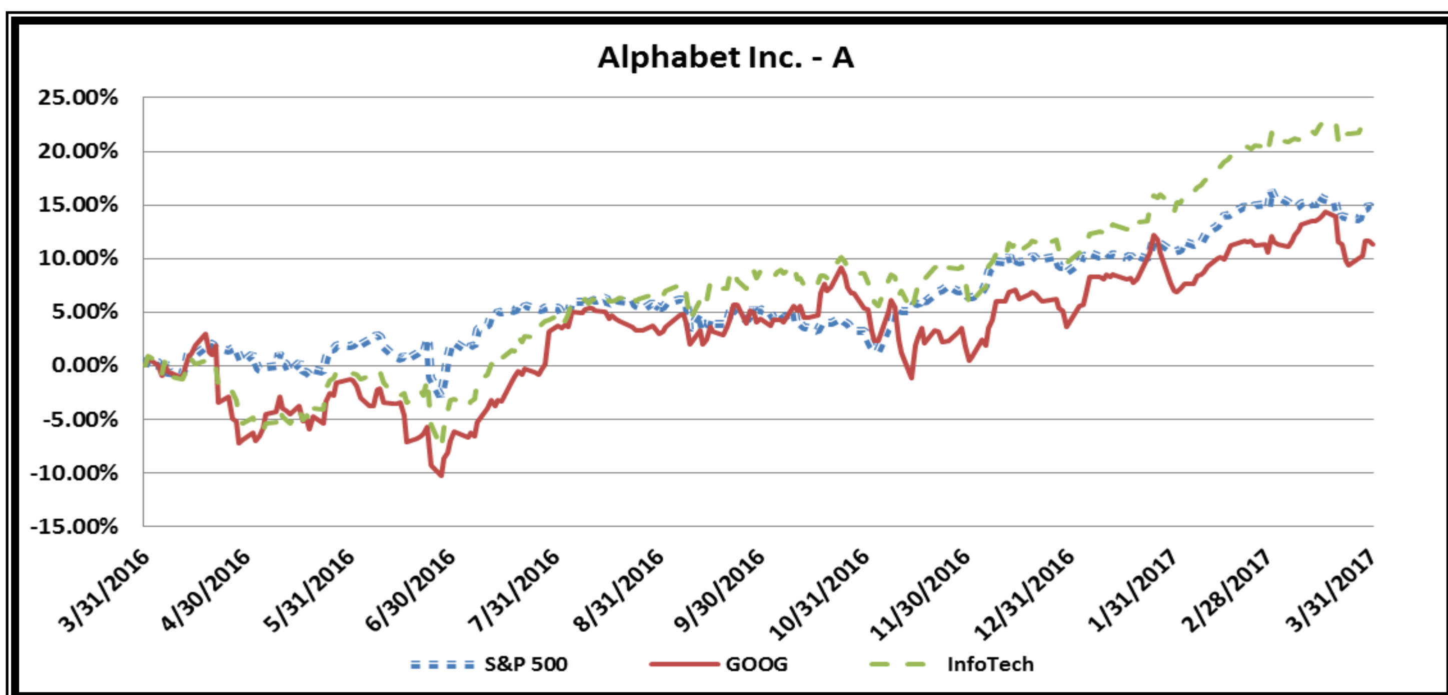
Information Technology Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
5/4/2016	Apple Inc.	AAPL	Increased Position	18,860.15
10/14/2016	Alliance Data Systems Corp.	ADS	Liquidated Position	34,139.96
10/14/2016	NXP Semiconductors	NXPI	Liquidated Position	83,651.79
10/14/2016	Alphabet Inc.	GOOG	Increased Position	23,484.15
10/14/2016	Facebook Inc.	FB	Added to Portfolio	79,182.20
3/23/2017	Apple Inc.	AAPL	Increased Position	4,668.48

Alphabet Inc. Internet Media

Shares	Weight in Portfolio	Weight in Sector	Annual Return
122	3.98%	17.12%	11.31%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.60	$ 829.56	$ 1,114.43	+34.34%



Company Description

Alphabet Inc. is the parent company of the subsidiary, Google. Alphabet Inc. has many different services involving the internet, which include, Google Search, YouTube, Google Drive, Google Chrome, and Gmail. Recently, Alphabet Inc. announced a new smartphone called Google Pixel, making a large splash in the smart phone industry. Alphabet Inc.'s largest company is Google. Google makes revenue through online advertising and many of their products, such as YouTube and Chrome, have over one billion monthly users.

Investment Rationale

Alphabet Inc. continues to diversify their business into most of the subsectors of the Information Technology sector. Due to this we have found great future potential for growth and a decrease in market risk. Alphabet Inc. has begun to invest in some of their smaller subsidiaries such as Nest Labs and Google X , as well as continue to focus on the driving force of online advertising revenues. As increases from sales of Google Pixel phones, Nest Labs products, and new innovations coming from the R&D of Google X projects we are confident in Alphabets ability to have a range of 2%-10% revenue growth rates over the next 20 years and a terminal growth rate of 0.50%. These conservative assumptions have given us the confidence that there is at least a 15.23% growth potential in our holding.

Competitors

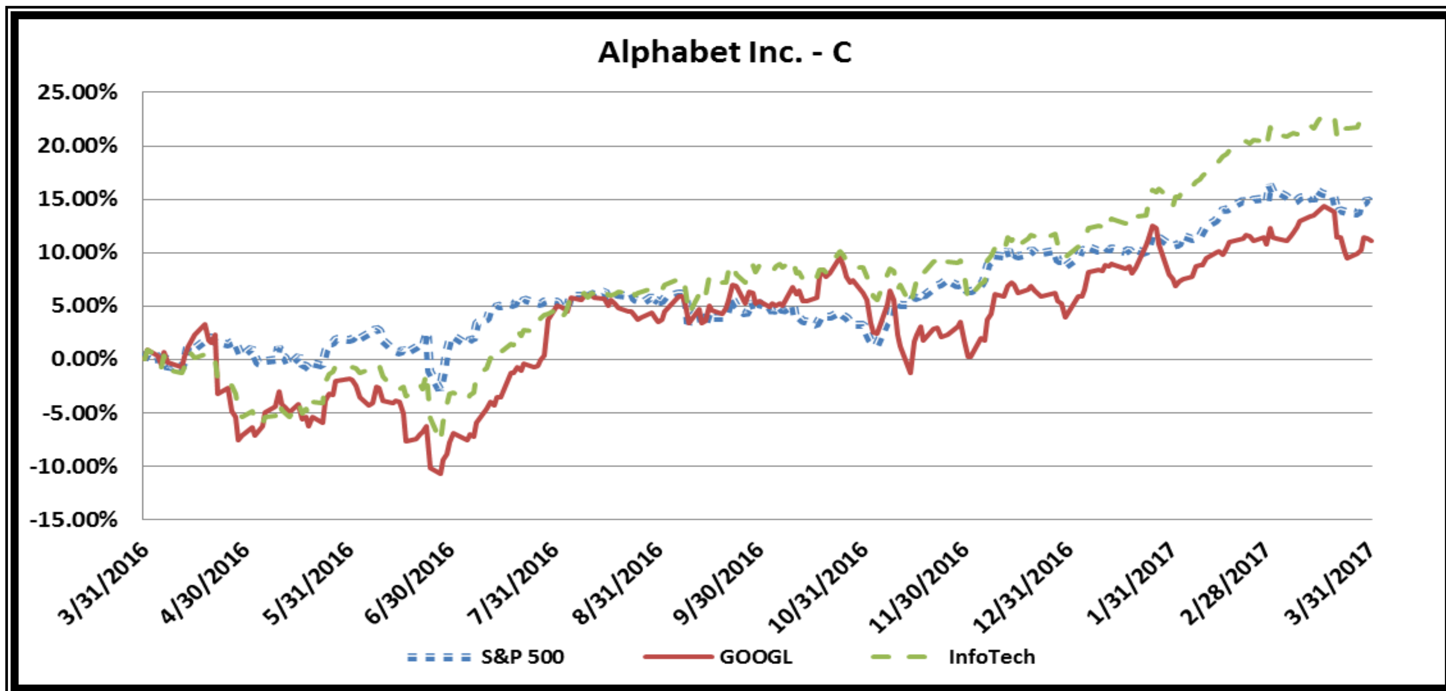
Facebook
Amazon
Yahoo
eBay
Twitter

Analyst Coverage

Christian Glass

Alphabet Inc. Internet Media

Shares	Weight in Portfolio	Weight in Sector	Annual Return
68	2.25%	9.74%	11.31%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.20	$ 847.80	$ 976.92	+15.23%



Company Description

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Competitors

Facebook
Amazon
Yahoo
eBay
Twitter

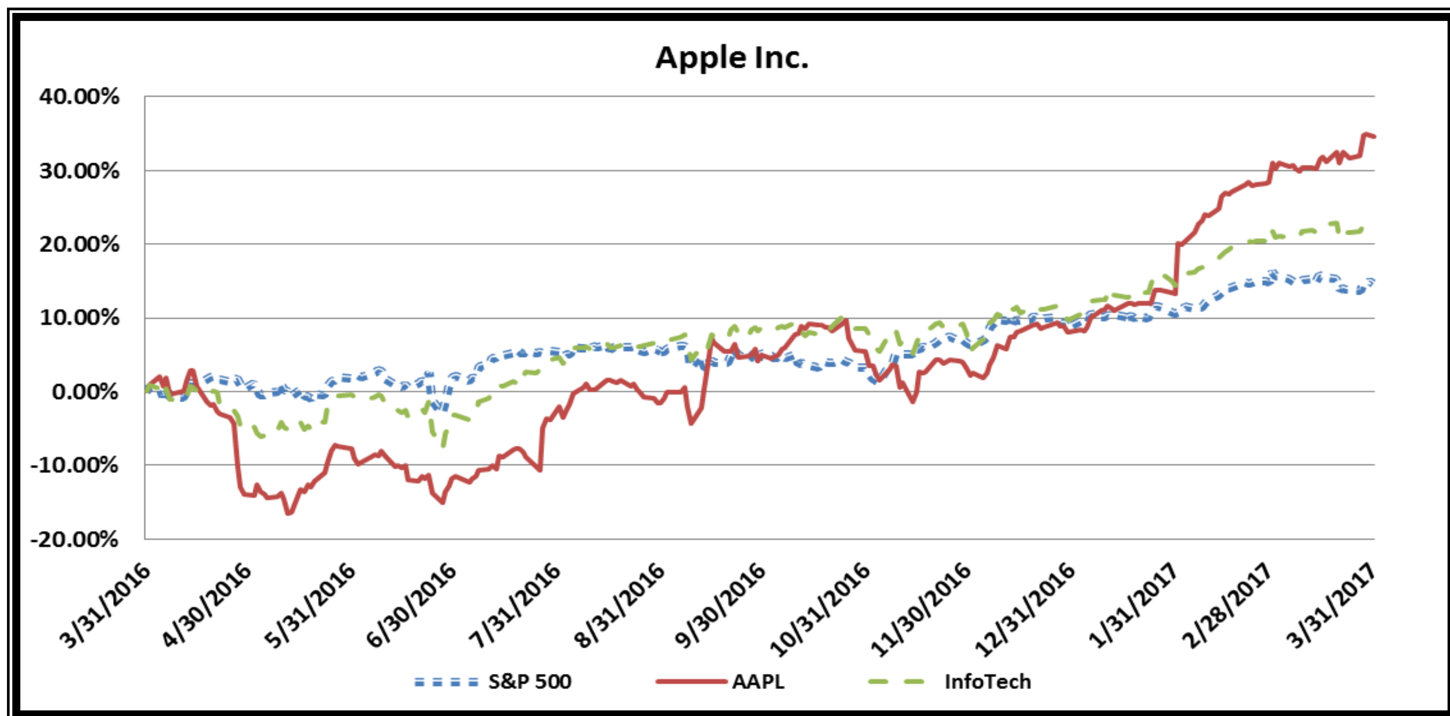
Analyst Coverage

Christian Glass

Apple

Communications Equipment

Shares	Weight in Portfolio	Weight in Sector	Annual Return
942	5.26%	22.72%	29.28%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.53	$ 140.64	$ 172.98	+22.99%



Company Description

Apple Inc. has been an industry leader in the Electronic Equipment industry for quite a while now. Ten years after Apple released the first iPhone in 2007, the iPhone is still the best-selling phone on the market. Apple has created unmatched brand loyalty from their customers through numerous products such as the iPhone, iPad, MacBook, Apple Watch and more. Apple is known for its continuous innovation and new products. In 2017, they are coming out with the iPhone 8 and 3 new iPad models. In addition, they have been increasing their services business and see revenues from services jumping from $25B to $50B by 2020.

Investment Rationale

Apple Inc. has contributed to the D'Artagnan Capital Fund a 182.5% return since acquisition, resulting in being one of the top contributors for the fiscal year 2016. The first reason why I feel this stock has the ability to continue to rise is Apple is bringing back nearly $230 billion in cash from offshore which will greatly increase their ability to invest in areas that will lead to growth. In addition, Apple expects to double their service revenue by 2020, while making a 90% gross margin in that area.

Competitors

HP Inc.

Hewlett Packard Enterprise

Samsung

Alphabet Inc.

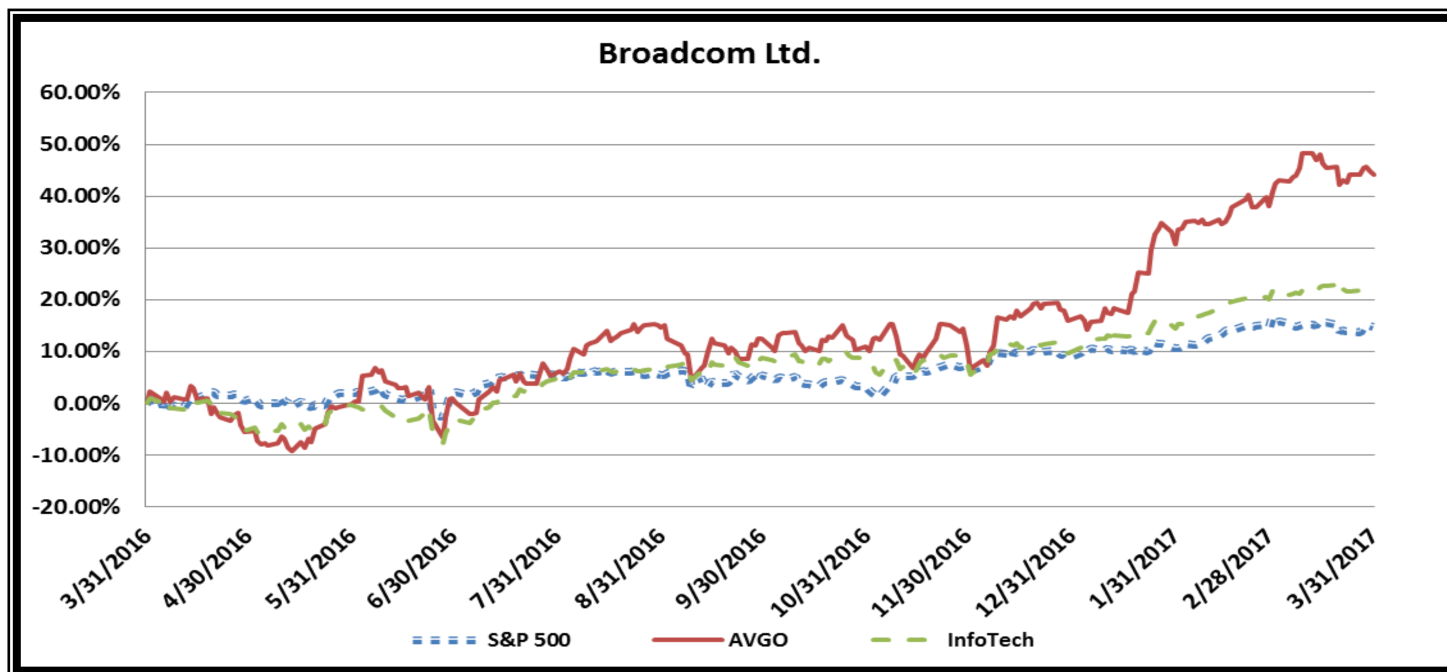
Microsoft Corp.

Analyst Coverage

Christian Glass

Broadcom Ltd Semiconductors

Shares	Weight in Portfolio	Weight in Sector	Annual Return
200	1.72%	7.41%	40.35%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.37	$ 218.96	$ 233.65	+6.71%



Company Description

As one of the world's leading semiconductor companies, Broadcom Limited specializes in four segments: wired infrastructure, wireless communications, enterprise storage, and industrial & others. Originally, under the name Avago Technologies, the company made a series of acquisitions in the past; however, the Broadcom Limited known today is due to a company name change by Avago Technologies from its recent acquisition of Broadcom Corporation. Some of Broadcom's products include wireless embedded solutions and radio frequency components, storage adapters, networking processors, Ethernet network adapters, and LEDs and displays. Presently, Broadcom Limited is co-headquartered in Yishun, Singapore and San Jose, California.

Investment Rationale

After looking at Broadcom Ltd, it showed that Broadcom still has a sizable amount of room to grow. Since Broadcom is in the semiconductor business, it is important to note that the production of semiconductors is expensive. Broadcom has realized this and has focused on an acquisition strategy of small semiconductor companies in order to take advantage of economies of scale. Using this effect of economies of scale, the company will increase its EBITDA margin. Continuing with the topic of acquisitions, Broadcom is acquiring not only semiconductor companies, but also other companies that will strengthen its other segments. This is viewed favorably because it demonstrates the notion that the company is not neglecting any one of its segments. To remain competitive, Broadcom has increased its research and development by $1,625 million (or 5.00% of net revenue) which demonstrates Broadcom's eagerness to stay innovative within its rapidly changing semiconductor industry.

Competitors:

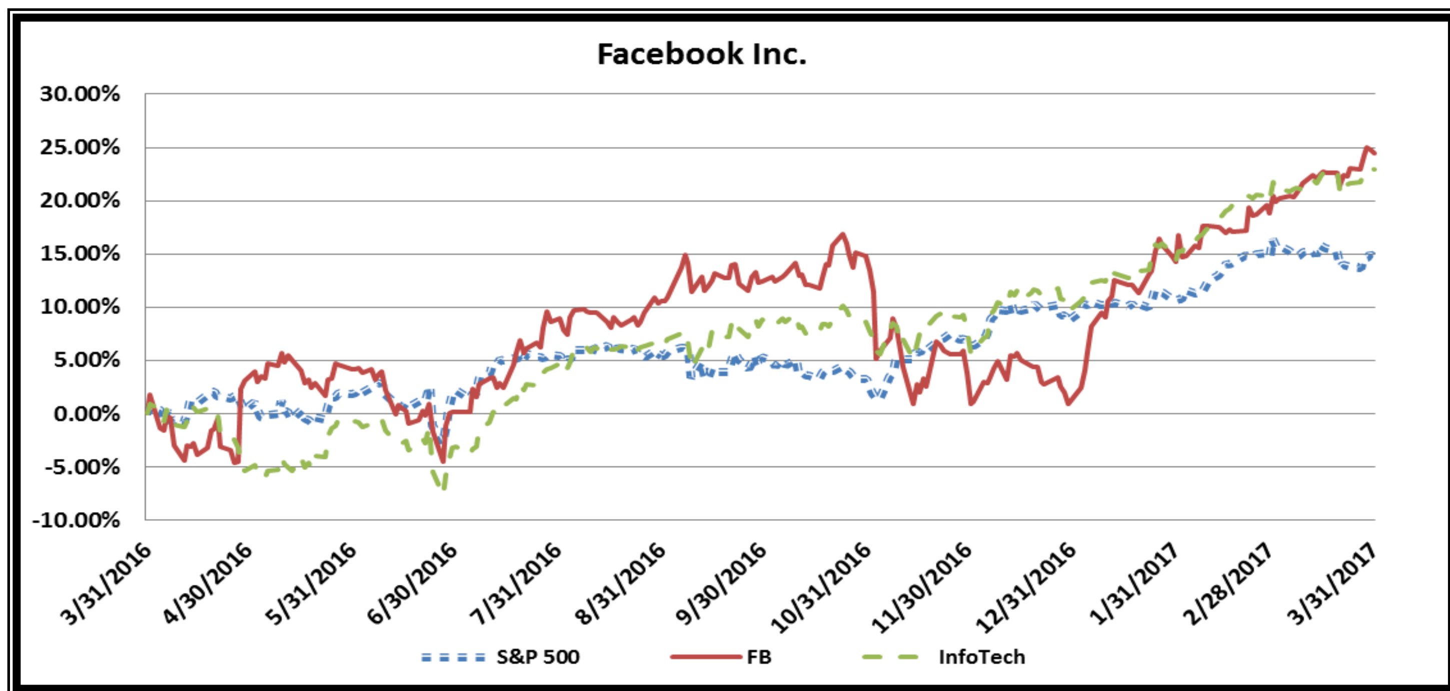
Intel Corporation
STMicroelectronics N.V.
Texas Instruments Incorporated
Analog Devices, Inc.

Analyst Coverage

Nick Strader

Facebook Inc. Internet Media

Shares	Weight in Portfolio	Weight in Sector	Annual Return
615	3.44%	14.76%	26.21%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.20	$ 142.05	$ 157.62	+13.32%



Company Description

Facebook is the largest social networking website operator worldwide. The company operates a mobile application and website that enables users to interact with friends, family, and coworkers through the sharing of information, photographs, website links, and videos. Facebook also develops and acquires other technology start-ups in order to help better facilitate the sharing of information through their existing platforms.

Investment Rationale

Facebook is the world's largest social networking website in the world and according to their founder, Mark Zuckerberg, the potential of the company has still not been reached. As Zuckerberg famously said in a letter to investors in Facebook's IPO filing, "Simply put: we don't build services to make money; we make money to build better services." The management of Facebook is a huge reason why Facebook is worth buying today. Facebook's main revenue driver comes from advertising costs, which in the year 2015 made up 95% of their overall revenues. Due to Facebook acquiring companies such as Instagram and WhatsApp they have already begun and will continue seeing an enormous user increase, which equates to more advertising revenues. To hedge the risks of such a high revenue percentage coming from advertising only, Facebook has also acquired Oculus, a virtual-reality technology and content platform that enables users to enter a completely interactive game environment while connecting with others. Before officially releasing this product they are perfecting everything to do with it so that it will have as big as an impact on the market as they originally expected.

Competitors

Twitter Corp.

Alphabet Inc.

Alibaba

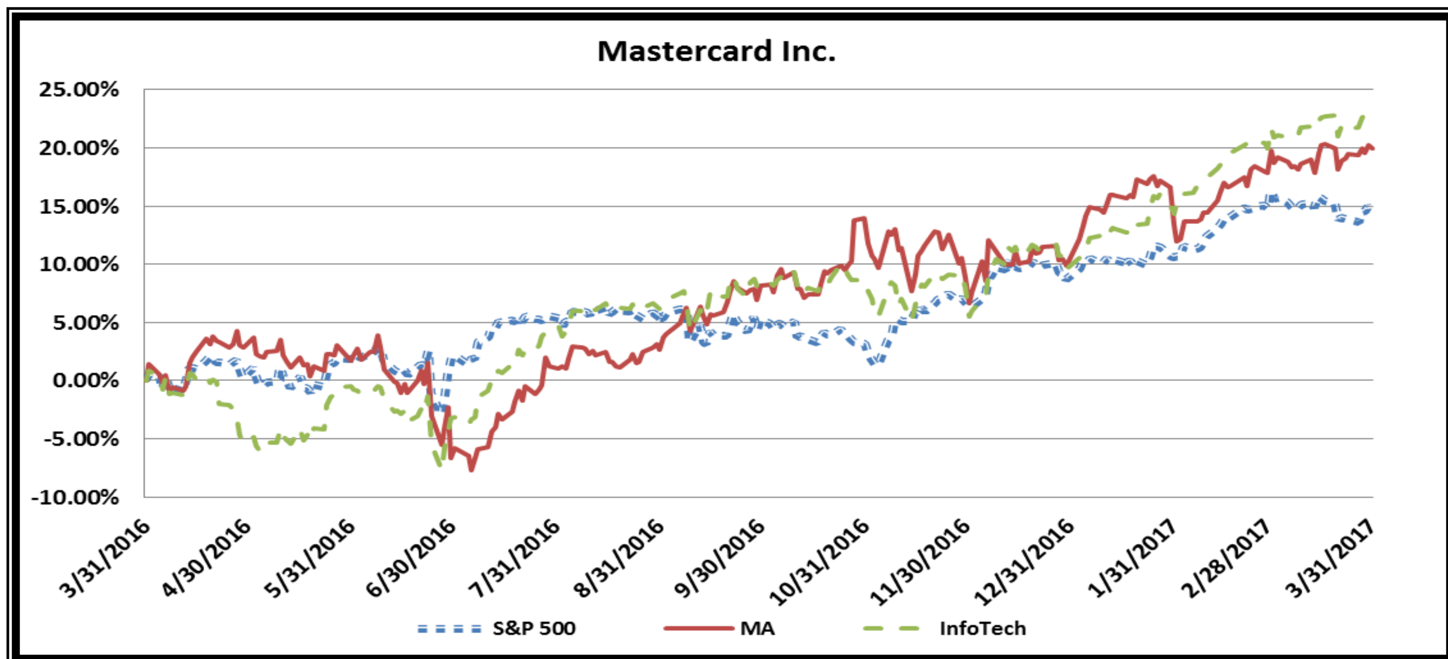
eBay

Analyst Coverage

Christian Glass

Mastercard Inc. Multinational Financial Services

Shares	Weight in Portfolio	Weight in Sector	Annual Return
601	2.67%	11.54%	18.33%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.27	$ 111.98	$ 882.26	+21.61%



Company Description

MasterCard is one of the leading global payment companies in the world, behind only Visa. MasterCard "connects consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks." They generate revenue by "charging fees to issuers, acquirers and other stakeholders for providing transaction processing and other payment-related products and services, as well as by assessing customers based primarily on the dollar volume of activity, or gross dollar volume ("GDV"), on the cards and other devices that carry our brands." MasterCard has plans to expand in the future largely through international business in China, India, and the UK.

Investment Rationale

Currently, the D'Artagnan Capital Fund has owned MasterCard stock since October of 2012. Since then, we have experienced a 128% gain. I am recommending that we hold on to the shares the DCF currently owns. Three reasons why I am recommending a hold of MA stock are: 1) MasterCard is currently better positioned to enter the recently opened market of China, which is $8.25 trillion currently. 2) MasterCard recently acquired one of their two competitors in the Automated Clearing House market in the UK, Vocalink. This market makes over $6 trillion worth of transactions a year. 3)Recently India's government has been pushing citizens to move more towards electronic payments as the rest of the world has. MasterCard management sees this as an opportunity they can capitalize on in the near future.

Competitors

Automatic Data Processing Inc.

Fiserv Inc.

Fidelity National Services Inc.

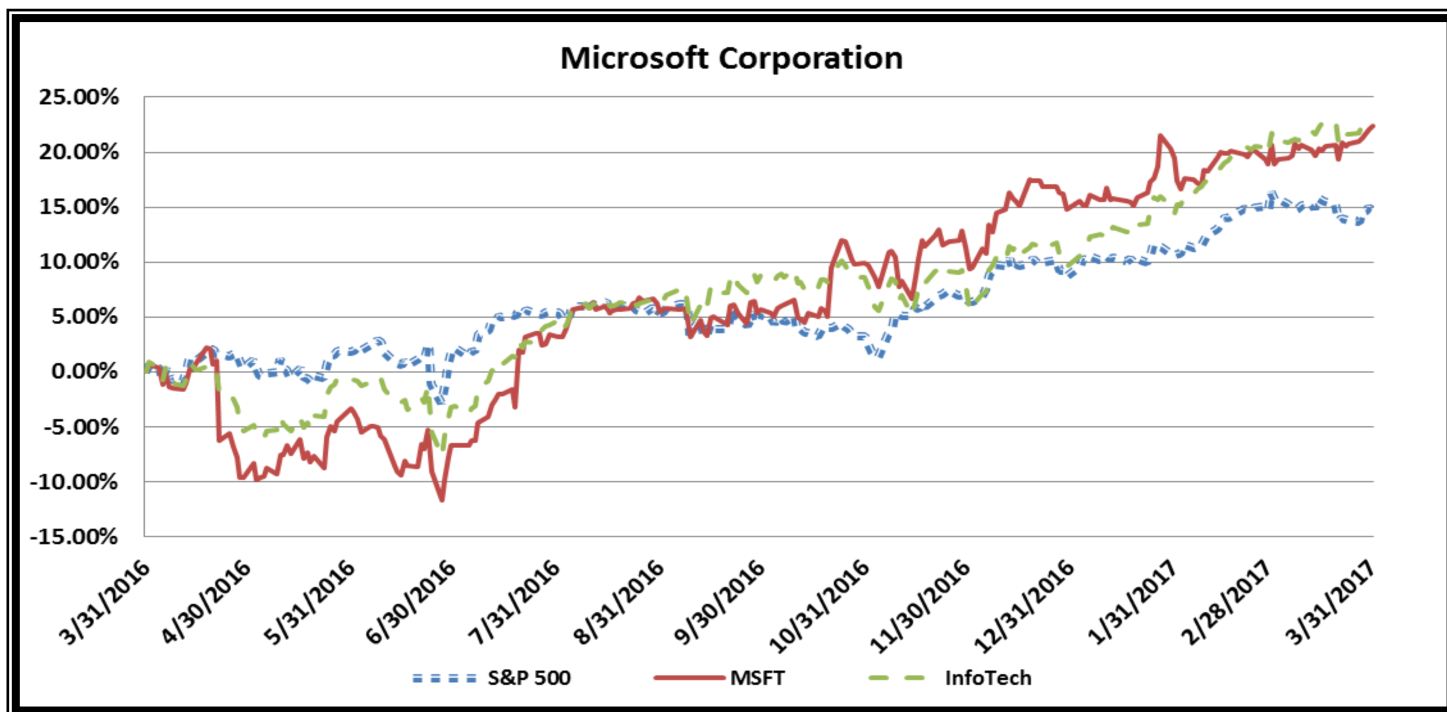
Visa

Analyst Coverage

Christian Glass

Microsoft Corporation Infrastructure Software

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1493	3.87%	16.63%	18.82%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.15	$ 65.86	$ 79.02	+19.98%



Company Description

Microsoft Corporation is a technology-based company in the U.S. whose operations extend internationally. Beginning with its founding in 1975, the public has known Microsoft for its development of the Windows operating systems and Office Suite tools. Since then, Microsoft has expanded its business to the development of devices such as the tablet product line with its Microsoft Surface and the Xbox in the consumer entertainment product line. In terms of the corporation's most recent activities is the acquisition of Nokia Devices in hopes to penetrate the mobile phone market along with the acquisition of LinkedIn.

Investment Rationale

Microsoft was one of the top contributors for the D'Artagnan Capital Fund for the fiscal year 2016 with an annualized return of 23.12%. Microsoft is focused on implementing its technology and operating systems into daily and leisure activities such as golfing. The company has been working with Arccos to bring real-time analytics to golfers while on the green. Microsoft is also working toward its vision of mobility with its acquisition of Nokia devices. In addition, Microsoft acquired Beam, which is a game-streaming service that will pair well with its Xbox consumer entertainment products.

Competitors:

Adobe Systems Incorporated

Alphabet Inc.

Apple Inc.

Cisco Systems, Inc.

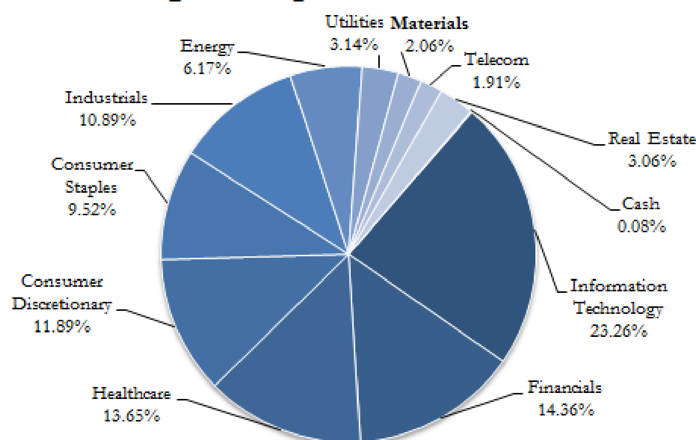
Analyst Coverage

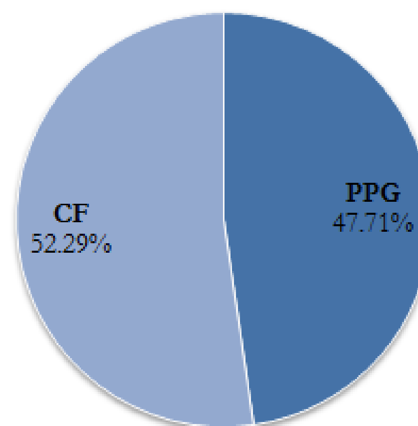
Nick Strader

Materials Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
PPG Industries Inc.	PPG	Agricultural Chemicals	47.71	0.98	25,009.04	14.29
CF Industries Holdings Inc.	CF	Specialty Chemicals	52.29	1.08	27,412.90	-1.51





Sector Overview

For the period April 1, 2016 to March 31, 2017, the Materials sector in the S&P 500 had a positive return of 19.22%. The Fund's current holdings in the materials sector are PPG Industrials, Inc. (PPG) and CF Industries, Inc (CF). PPG is in the Specialty Chemicals sub-sector, had an annual return of –7.10%, and a current DCF return of 13.27%. CF is in the Agricultural Chemicals sub-sector and had an annual return of –8.65% and a current DCF return of –5.23%.

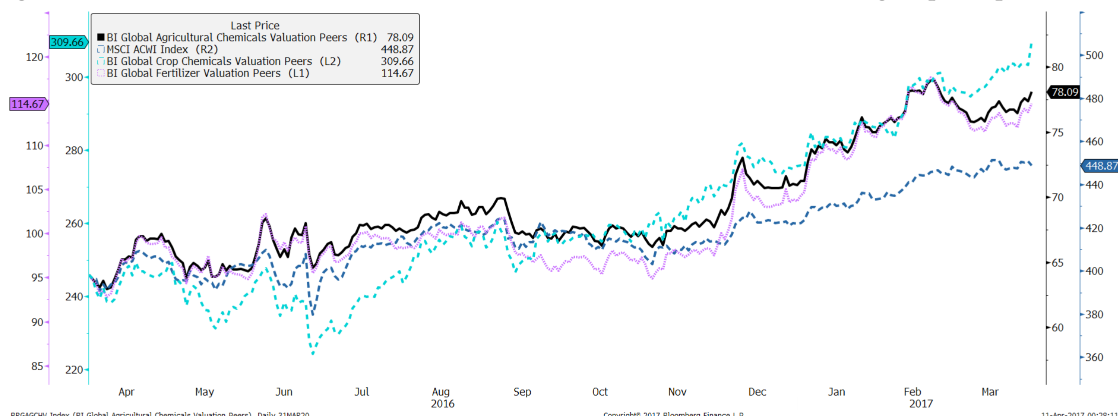
The Materials sector has also sold all shares of Monsanto Company (MON) on the basis of declining revenues and its lost bid to acquire Syngenta. During this period, the Fund underweighted this sector relative to the S&P 500, which resulted in a negative asset allocation of –0.01%. Overall, we had a negative security selection of -0.48%.

Sector Overview
DCF Materials Sector Return: -4.44%
Benchmark Sector Return: 19.22%
DCF Sector Weight: 2.14%
Benchmark Weight: 2.84%
Asset Allocation: -0.01%
Security Selection: -0.48%

Sector Team
Sector Manager:
Richard Froio
Sector Analyst:
Jude Krauss

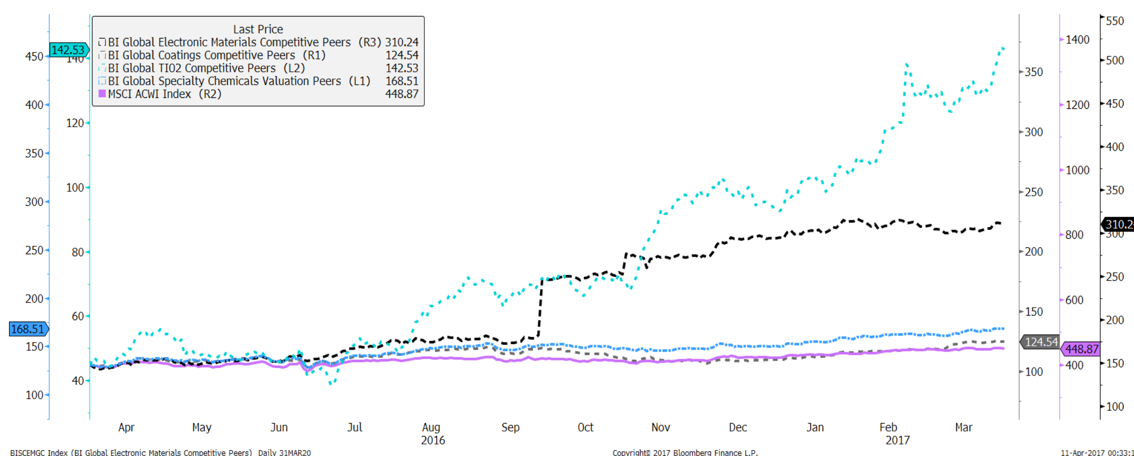
Industry Analysis

From the period of April 1, 2016 to March 31, 2017, the Materials sector underperformed relative to our benchmark. The S&P 500 had a total return of 19.22%, and the Materials sector had a total return of –4.44%. The Fund's current holdings in Materials are within the Specialty Chemicals and Agriculture Chemicals sub-sectors. A negative return within the Agriculture Chemical industry is due primarily from crop prices lingering near multiyear lows. M&A has surged as capacity investments were driven by strong crop prices in 2008-2012. Major mergers that the Agriculture Chemicals segment has seen have been ChemChina-Syngenta, Bayer-Monsanto, and Dow-DuPont. As seen below, the fertilizer subgroup has performed worst with a 9% decline. The fertilizer sub-group was hurt by declining fertilizer prices and supply cuts that highlighted slow demand.



Specialty Chemical stocks have outperformed global equities by about 18% since the start of 2016. As seen in the chart below, Coatings stocks outperformed global equities but underperformed the overall specialty chemicals peer group. The success of the Special Chemicals segment was a result of a rebound in titanium dioxide and electronic materials. Coating has been on the upturn with repainting and new home construction on the rebound from the 2009-2010 trough.

The Materials sector has also been affected by the economic slowdown in China. The Eastern-Asian country is the world's top metals consumer. The surge of copper prices in late 2016 have been stunted due to some early operational disruptions in the production of copper as three of its largest mines have delayed 565,000 tons of new supply. Gold prices have had a strong rebound in 2016 after speculation of steady U.S. interest-rate hikes in 2017. The volatile and strong recovery in dollar-gold prices in 2016 may squeeze gold-jewelry spending this year amid world-economic growth challenges and weaker consumer sentiment.



U.S. steel companies have looked optimistic since Trump's victory in the election. Steel prices have already jumped more than 20% since November 8th. There is an expected surge in spending on infrastructure programs as well as more hawkish policies toward steel imports. Trump's spending plan may increase steel demand by 3.5% and add about 4.1 million tons of steel to domestic production.

What's Changing

The Chemicals sub-sector is expected to see a continued trend in M&A. The latest chemicals M&A surge has brought more megadeals than in past waves, with more risk of depressing ROIC. The pending blockbuster deals in global chemicals such as DuPont's merger with Dow Chemical, Bayer's acquisition of Monsanto, ChemChina's purchase of Syngenta and PotashCorp's combination may only increase stock prices on a short-term basis. Across 304 deals, post-deal ROIC rose for just 16% of blockbuster deals. The Basic and Diversified segment is expected to have a strong year based on cost cuts, merger synergies, and share buybacks. Global Basic and Diversified Chemicals stocks have mirrored equities year-to-date with Asian chemicals outperforming most. Agricultural Chemicals face a challenge in 2017 with the decline of crop prices. Crop prices continue to weigh on producer earnings and key fertilizer prices remain near historic lows as threat of over-supply remains on capacities.

The Containers and Packaged segment is experiencing a surge in old corrugated containers (OCC) . The price increase in OCC globally is a result of Chinese inventory restocking from depleted levels propelled by a robust pick up in domestic paperboard demand. Demand and prices for U.S. OCC are highly influenced by China as China purchases 20-25% of OCC collected in the U.S. Higher input costs were a key reason for recently announced price hikes across the recycled paperboard spectrum. U.S. paperboard producers are traveling farther and paying more to secure OCC supply. Another potential increase in the OCC price is the "Amazon Effect" where greater online shopping in the U.S. during the holiday season limits OCC supply as collection from grocery and retail stores end up flat or down.

The Forest and Paper Products segment faces exposure to current high prices for pulp as a new supply later on in the year may lead to a price decline. There is currently a tight supply on global pulp due to increased paper and paperboard consumption stemming from improved economic activity. The price of pulp can be expected to drop due to the fact that the increased demand is due to many temporary sources such as bumping up against tighter supply driven by mill outages for maintenance , repairs, projects and construction delays. With demand still solid and supply limited, producers appear to be striving to raise prices before new supply threatens to bring them down later this year.

The Construction Materials segment faces some volatility due to the volatility of the sterling , dollar, and lira. The sterling is expected to weaken against the U.S. dollar due to Brexit. However, currencies in emerging markets look more stable with the exceptions of the Turkish lira and Mexican Peso. Building materials companies may search for new acquisitions overseas to take advantage of exchange rates. The three largest cement companies hold more than $5 billion in assets for potential disposals.

The Iron and Steel segment will see a steady output for iron ore and an increased demand in U.S. steel. The price of iron ore surged in 2016 primarily due to Chinese demand. However, new iron ore supply may be steady through 2019 as notable projects reach full capacity. U.S. steel companies are looking forward to Trump's new infrastructure plan. President Trump has designated ex-Nucor CEO, Dan DiMicco, in an advisory role for the Department of Commerce. It is unclear whether Trump will add on to Obama's infrastructure bill which already added $60 billion a year to construction spending.

Metal production forecasts through 2019 provide intel that copper, nickel, lead, and silver production will decrease in 2017 and that zinc and gold production is likely to increase from 2016. The output of copper is currently hurt by disruptions in three of the metal's largest mines. Nickel production is expected to rebound in 2018 after a decline of 44 bps in 2017 from the previous year. Zinc is on one of the largest rebound after sizable cuts in 2015 primarily driven by a 60% production surge and 7% price increase. Gold production is expected to increase through 2018 unlike its precious metal counterpart silver which is likely to decline in 2017. The 8% price rise of Gold in 2017 has driven a 5.3% increase in production by top gold mining companies such as Newmont Mining and Barrick Gold. The price of silver has risen 15% this year and may continue to increase as the expected production from the top miners of silver will cut supply by 1.6%.

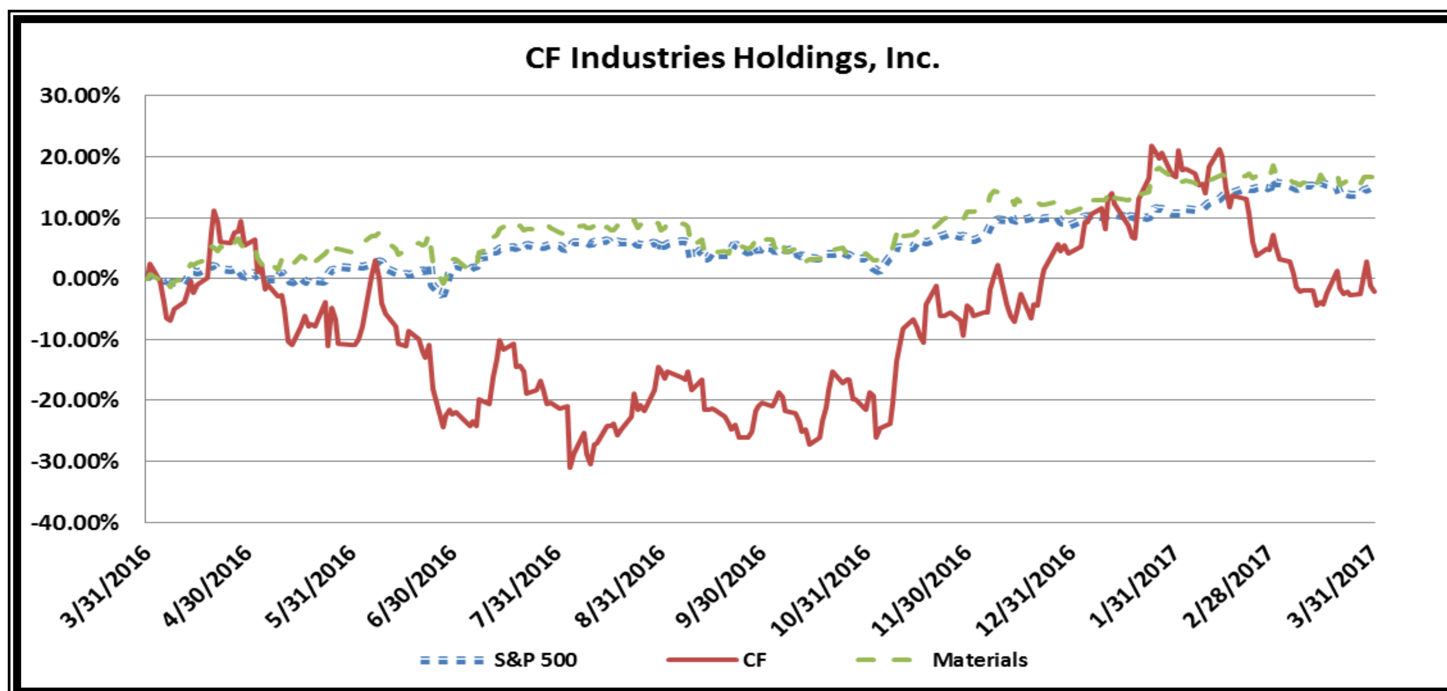
Materials Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
4/1/2016	CF Industries Holding Inc.	CF	Added to Portfolio	32,104.60
4/27/2016	CF Industries Holding Inc.	CF	Increased Position	27,283.62
4/27/2016	Monsanto Co.	MON	Liquidated Position	27,863.43
9/15/2016	CF Industries Holdings Inc.	CF	Increased Position	655.95
11/1/2016	CF Industries Holdings Inc.	CF	Decreased Position	22,900.33
11/1/2016	PPG Industries Inc.	PPG	Added to Portfolio	22,079.06

CF Industries Holdings, Inc. (CF) Specialty Chemicals

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1231	4.15%	25.50%	-13.87%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.15	$ 72.75	$ 93.74	+28.85%



Company Description

CF Industries Holdings, Inc. manufactures and distributes nitrogen fertilizers and other nitrogen products worldwide. The company operates through Ammonia, Granular Urea, UAN, AN, Other, and Phosphate segments. Its primary nitrogen fertilizer products include ammonia, granular urea, urea ammonium nitrate, and ammonium nitrate. The company also provides diesel exhaust fluid, urea liquor, nitric acid, and aqua ammonia as well as compound fertilizer product, such as nitrogen, and potassium fertilizer. It offers products primarily to cooperatives, independent fertilizer distributors, farmers, and industrial users. CF Industries Holdings, Inc. was founded in 1946 and is based in Deerfield, Illinois.

Investment Rationale

The forecasted increase in the price of fertilizer looks to start in 2018 with slow growth and stability of the price of fertilizer for the remainder of 2017. The increase of the price for the commodity will be a large driver for an increase in CF's revenues. The company holds a shipping advantage over its competitors with its flagship factory in prime location in Donaldson, Louisiana. The location of its flagship factory creates easy excess to ship product up the Mississippi River to the heart of the Mid-West. CF also holds an advantage over its Chinese competitors as CF has lowered its exposure by selling off its phosphorous segment in 2014. Chinese manufacturers have struggled with the spike in Chinese coal prices that is used in the creation of phosphorous where CF has switched to an ammonia based fertilizer.

Competitors

Potash Corporation of Saskatchewan

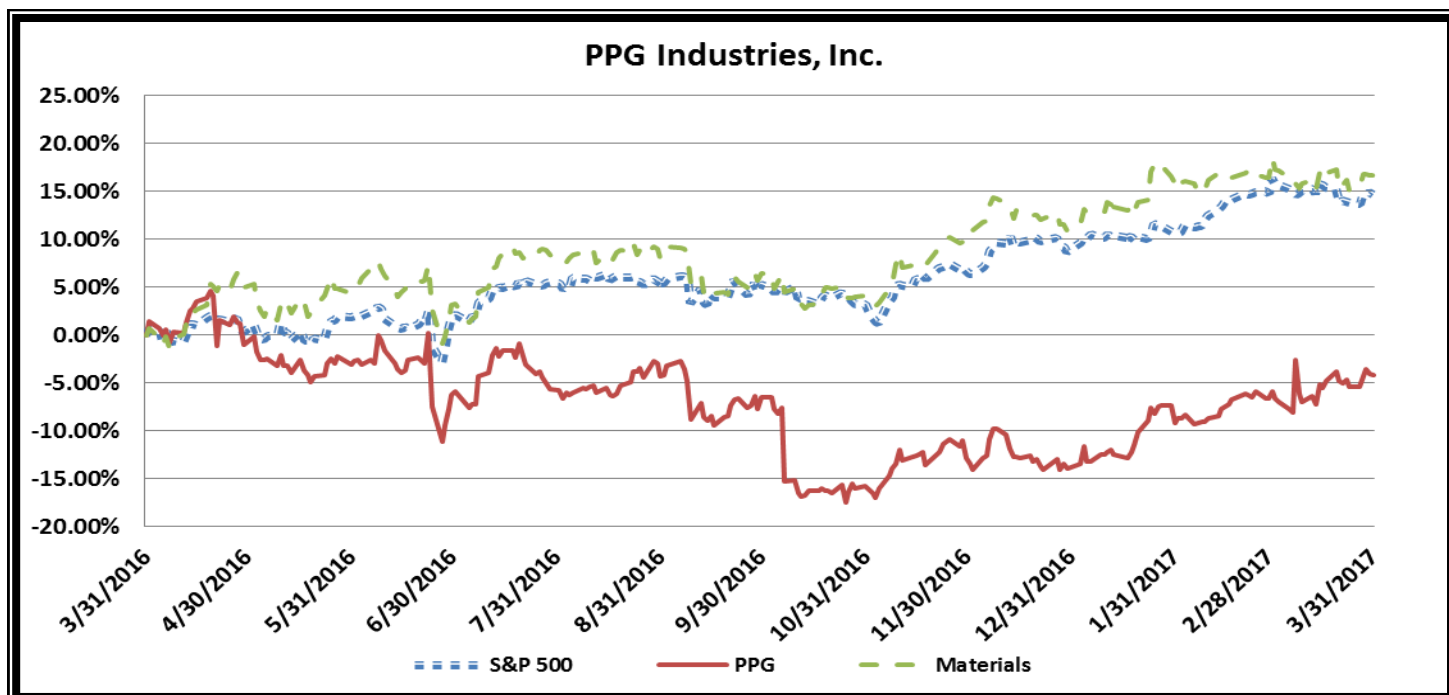
The Scotts Miracle Grow Company

Analyst Coverage

Jude Krauss

PPG Industries, Inc. Agricultural Chemicals

Shares	Weight in Portfolio	Weight in Sector	Annual Return
238	0.98%	47.92%	10.32%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.15	$ 105.08	$ 107.15	+6.00%



Company Description

PPG Industries, Inc. was founded in 1883 is headquartered in Pittsburgh, Pennsylvania. PPG has business operations all over the world in each major continent. They manufacture and distribute coatings, specialty materials, and glass products. The company is broken down into three segments: Performance Coatings, Industrial Coatings, and Glass. The Performance Coatings segment sells products for automotive, commercial transport repair, signs, sealants, and transparences for commercial and military aircrafts. The Industrial Coatings segment offers products for the automotive industry to the coatings used in drivers' licenses and passports. Lastly, the Glass business segment produces both flat and fiberglass for use in construction, transportation, electronic products, and wind energy.

Investment Rationale

PPG has a track record of making profitable acquisitions. The increase in sales volume should only increase with its larger stake in Sealants Europe and recent acquisitions of Flood Australia and Revocoat, and MetoKote Corporation. Acquisitions aside, PPG's management has a unique plan to increase their EBIT margins. The company has also increased operation cash flow by 20% due to changes in accounts payable, inventories, and taxes.

Competitors

The Sherwin-Williams Company

Axalta Coating Systems Ltd.

RPM International Inc.

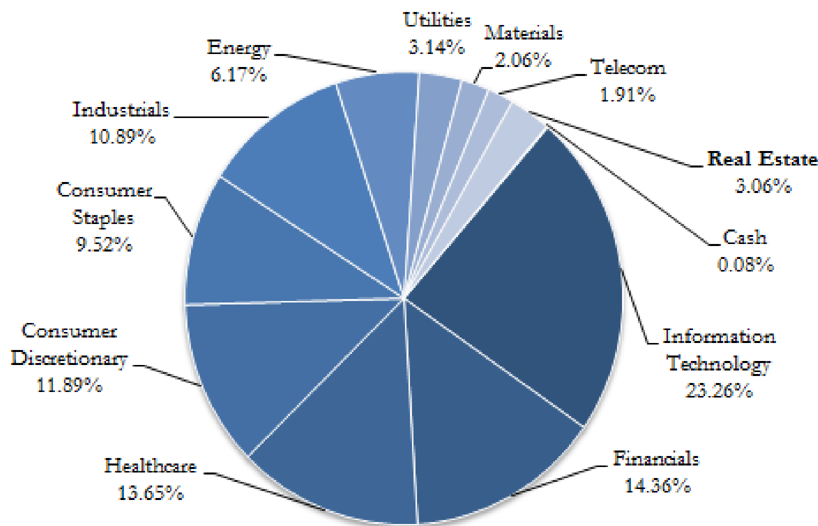
Analyst Coverage

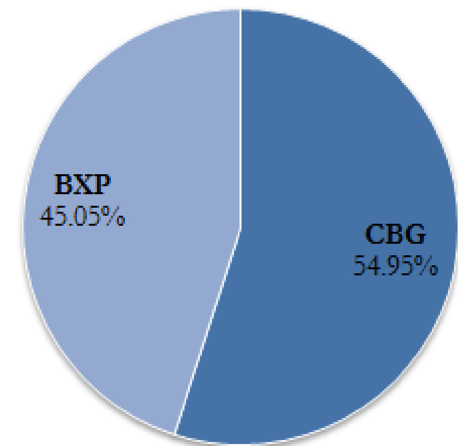
Jude Krauss

Real Estate Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
CBRE Group Inc.	CBG	Real Estate Services	54.95	1.68	42,791.70	35.01
Boston Properties Inc.	BXP	Real Estate Investment Trusts	45.05	1.38	35,088.65	-0.64





Sector Overview

The Real Estate sector spilt off from the Financials sector in September of 2016. The Real Estate Sector is comprised of companies that own and develop office properties, and offer strategic advice to owners and operators of real estate in connection with leasing. The Real Estate sector in the S&P500 returned –0.89% for the period April 1, 2016 to March 31, 2017. In comparison, the D'Artagnan Capital Fund returned 9.23% for the same period. As of March 31, 2017, the Real Estate Sector of the D'Artagnan Capital Fund was invested in Real Estate Servicing and Real Estate Investment Trust companies.

Of the two stocks in the Real Estate Sector, CBRE Group Inc. returned the most during the annual holding period, with an annualized 35.01%. This was driven by CBRE Group, Inc. continuously beating earnings and continuing to grow the company through successful mergers and acquisitions. While CBRE Group returned positively, Boston Properties, Inc. price dropped significantly and struggled to return to its original price at the time we acquired it. Boston Properties, Inc. returned –0.64% over the period. Overall, the D'Artagnan Capital Fund Real Estate sector outperformed the S&P 500 Real Estate Sector by 10.12%.

Sector Overview

DCF Real Estate Sector Return: 9.23%

Benchmark Sector Return: -0.89%

DCF Sector Weight: 3.07%

Benchmark Weight: 2.81%

Asset Allocation: 0.25%

Security Selection: 0.15%

Sector Team

Sector Manager:

Caitlin Krabach

Sector Analysts:

Joe Woeste

Kenny DePrez

Industry Analysis

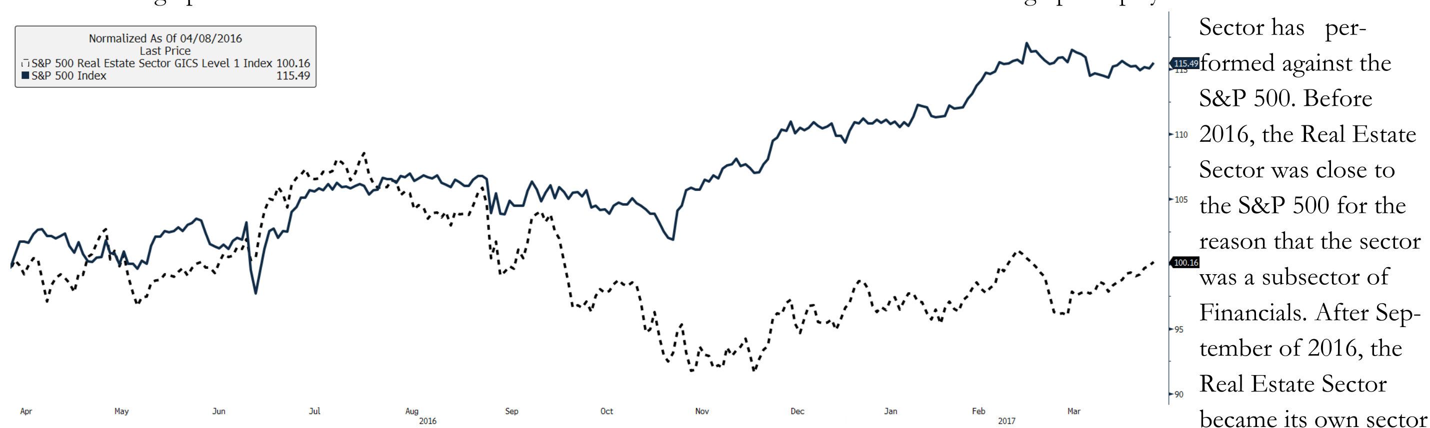
In September of 2016, the Real Estate sector split off from the Financials sector. The Real Estate sector consists of Real Estate Investment Trusts, which deliver additional income to shareholders within a tax-efficient structure, and Real Estate Management and Development companies. The change reflected the growth in size and importance of Real Estate in the economy and is expected to create a larger more diverse investor base for the Real Estate industry.

One sub-sector of the Real Estate sector is Real Estate Investment Trusts (REITs). A REIT is a company that owns or finances income-producing real estate. REITs will allow anyone invest in portfolios of large-scale properties. They can do this the same way they invest in other industries, through the purchase of stock. In order to be considered a Real Estate Investment Trust, companies are required to pay out 90% of their taxable income, so that they are able to not pay taxes to the federal government and many states. Most REITs are traded on major stock exchanges, but there are some public REITs that are not listed and private REITs. In order to qualify as a REIT a company must invest at least 75% of their total assets in Real Estate, derive at least 75% of it's gross income from rents from real property, interest on mortgages financing real property or from sales of real estate. A REIT must also pay at least 90% of their taxable income in the form of dividends to their shareholders each year.

The other sub-sector of the Real Estate sector is Real Estate Managements and Development companies. These are companies that offer services to occupiers, owners, lenders, and investors in all forms of Real Estate. These companies are not required to pay dividends as they are not classified as a REIT, and act more as a financial firm but do invest in commercial Real Estate. Many of the Real Estate servicing firms services include lease brokerage, global, corporate solutions, investment sales and capital markets, project management and workplace solutions, property and asset management, consulting, valuation, and appraisal services, and customized research and thought leadership.

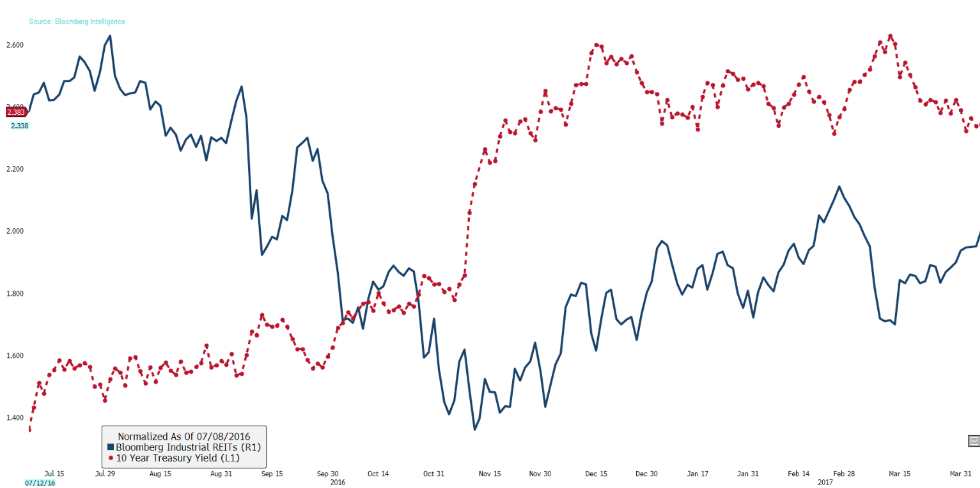
In the Real Estate sector, the types of commercial real estate properties include office, industrial, retail, lodging, residential, timberland, health care, self-storage, infrastructure, data, diversified, and specialty REITs. All these types of properties own and manage their own type of properties and are collecting rents from tenants. The main type of REIT is an Office REIT, Office REITs are Equity REITs that own and manage commercial office properties. Some focus on specific types of markets while others emphasize specific classes of tenants which include government agencies or biotech firms. Office REITs are one of the few types of REITs that interest rates do not affect as other types of REITs. Industrial REITs are another type of REIT that are not as affected by the raise in interest rates. Industrial REITs are usually focused on warehouses and distribution centers, while some do focus on biochemistry and life sciences. Retail REITs include regional malls, grocery-anchored shopping centers, and power centers that feature big box retailers. Lodging REITs own different classes of hotels and include a wide range of customers, from business to vacation travelers. Infrastructure REITs include data centers and telecommunication towers.

The graph below shows the S&P 500 Index versus the S&P 500 Real Estate Sector. This graph displays how the Real Estate Sector has performed against the S&P 500. Before 2016, the Real Estate Sector was close to the S&P 500 for the reason that the sector was a subsector of Financials. After September of 2016, the Real Estate Sector became its own sector and thus was not relying on the prices of Financials. While the sector has significantly underperformed the S&P 500 Index, the sector does follow the trends of the S&P 500, meaning that when then Index increases so does the Sector and vice versa when decreasing.



What's Changing

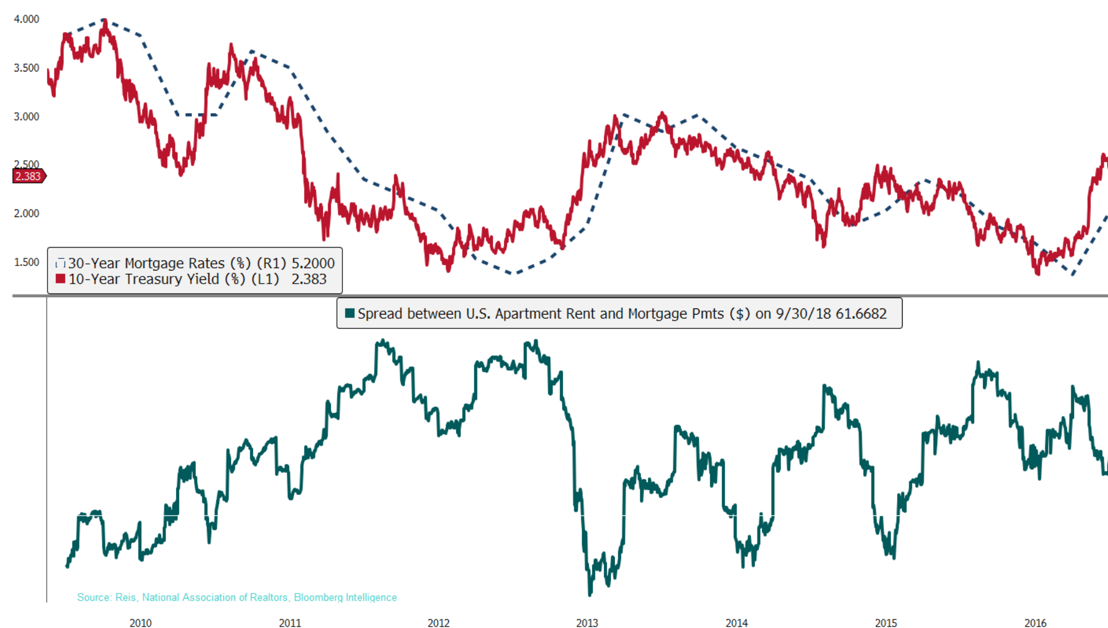
Rising Interest Rates, have posed challenges across the Real Estate sector. This is creating lower valuations and higher financing costs. As a sector, stocks have fallen around 7% since July of 2016. This fall is due to the 10-year treasury yield increasing. There are further pressures in 2017 with the possibility of three or more interest rate hikes. When interest rates rise, that usually boosts cap rates, which in turn will then decrease asset values in a REIT. During this time, REITs will find that financing through debt and equity will be more expensive. In the graph below, taken from Bloomberg Intelligence, it shows how the Industrial REITs have performed compared to the ever-changing 10-year treasury yield. While costs will increase, REITs have been proactive in terming out debt for both 2016 and 2017. REITs have also reduced their leverage significantly following the financial crisis.



The change in price with interest rates will depend on the type of REITs. The different type of REITs include office, retail, industrial, health-care, and multifamily. Office and Industrial REITs have done the best since July, while health-care and retail are among the worst-performers in the REIT sector. Multifamily REITs, apartments, are facing slow rent growth due to new construction is New York and San Francisco. Office REITs may benefit from job growth as the Trump Administration is pro-business.

With the uncertainty of Obamacare and senior housing oversupply, there are increased concerns about healthcare REITs and their need for debt. In 2014-2015 healthcare REITs raised about $6.5 billion of debt, and it continued into 2016 with $3.9 billion issuance of debt through July when the 10-year yield had reached a record low of 1.36%. Since July there were only two deals totaling $850 million by Ventas and Physicians Realty.

During the time of uncertainty with healthcare REITs, apartment REITs are also a concern, because as mortgage rates are on the rise, it becomes more expensive to buy a home. When people are unable to buy homes, they stay in their apartments causing landlord turnover rates to decline, and rising rents. In the coming years mortgage rates are expected to rise, after declining for much of the current cycle. 30-year mortgage rates are expected to rise to 4.7% by the end of 2017. The graph on the left shows how mortgage rates and treasury yield move in relation to each other, and the bottom piece showsthe spread of U.S. apartment rents and mortgage payments.



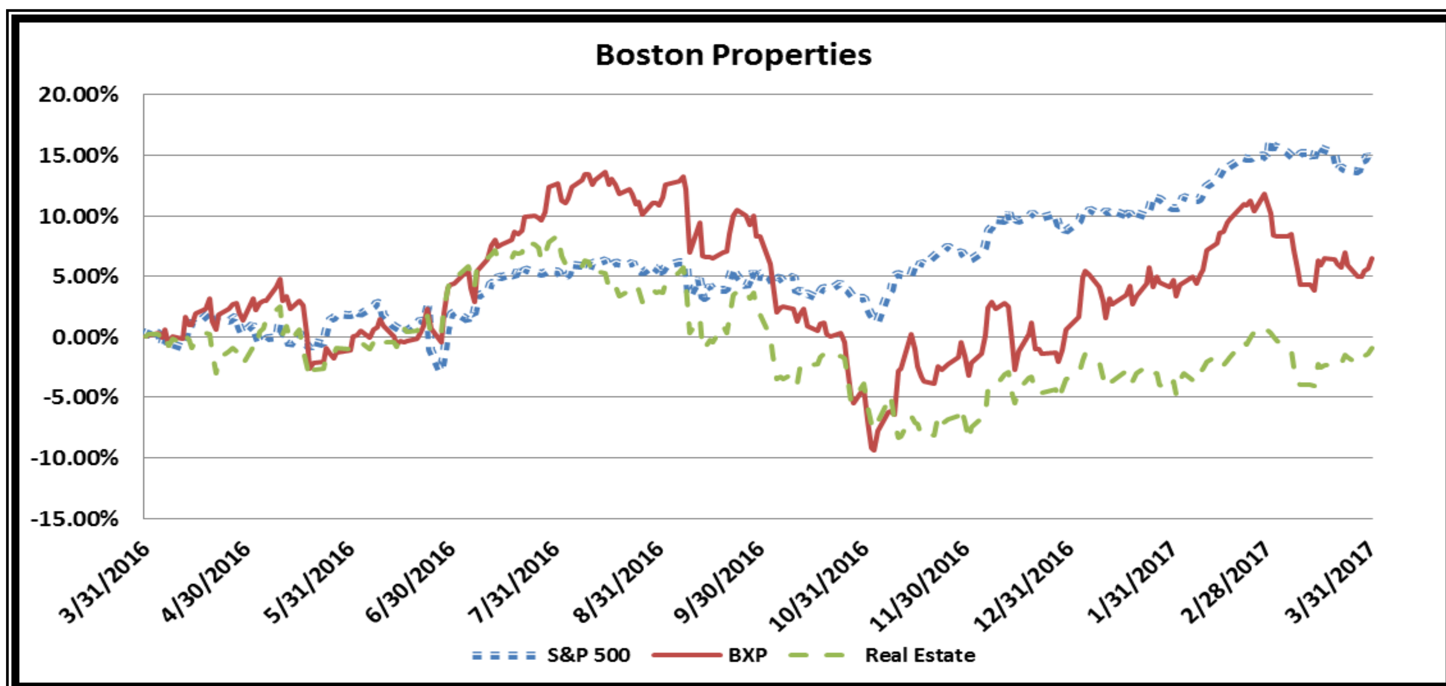
Real Estate Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
9/19/2016	Boston Properties, Inc.	BXP	Added to Portfolio	71,836.15
11/1/2016	Boston Properties, Inc.	BXP	Decreased Position	31,486.93
11/1/2016	CBRE Group Inc.	CBG	Added to Portfolio	31,762.62

Boston Properties, Inc. Real Estate Investment Trusts

Shares	Weight in Portfolio	Weight in Sector	Annual Return
265	1.38%	44.33%	9.08%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.94	$ 131.85	$ 138.34	+4.69%



Company Description

Boston Properties is one of the largest real estate trusts that take part in the owning, managing, and developing of first -class office properties within the United States. As of December 31, 2016 they owned or held an ownership stake in 166 office buildings that equaled around 43.7 million of net rentable square feet. Boston Properties' main markets include Boston, Los Angeles, New York, San Francisco, and Washington D.C., which helps to make up 98% of net operating income. Boston Properties continues to look for properties in new and emerging markets that enable them to continue to diversify their portfolio and set themselves up for growth opportunities in the future. The company was founded in 1970 and is currently headquartered in Boston, Massachusetts.

Investment Rationale

The D'Artagnan Capital Fund has continued to be invested in Boston Properties due to the fact that the company is staying focused on increasing their diversification in the market and ensuring they continue to hold and expand upon owning Class-A properties. Boston Properties continue to concentrate on future opportunities through redevelopment of their current properties and holdings; thus, enabling them to increase rental rates without decreasing the high demand levels for these properties. Even though competition for leasing real estate continues to remain at above-average levels, Boston Properties holds a strong balance sheet that enables them to be prevalent in the bidding process for new assets. Boston Properties ended the year 2016 with a development pipeline totaling $2.3 billion; demonstrating that Boston Properties has room to expand and opens up the possibility bringing new properties into their portfolio that provide higher rental yield returns than their current holdings.

Competitors

Vornado Realty Trust

Kilroy Realty Corporation

SL Green Realty Corp.

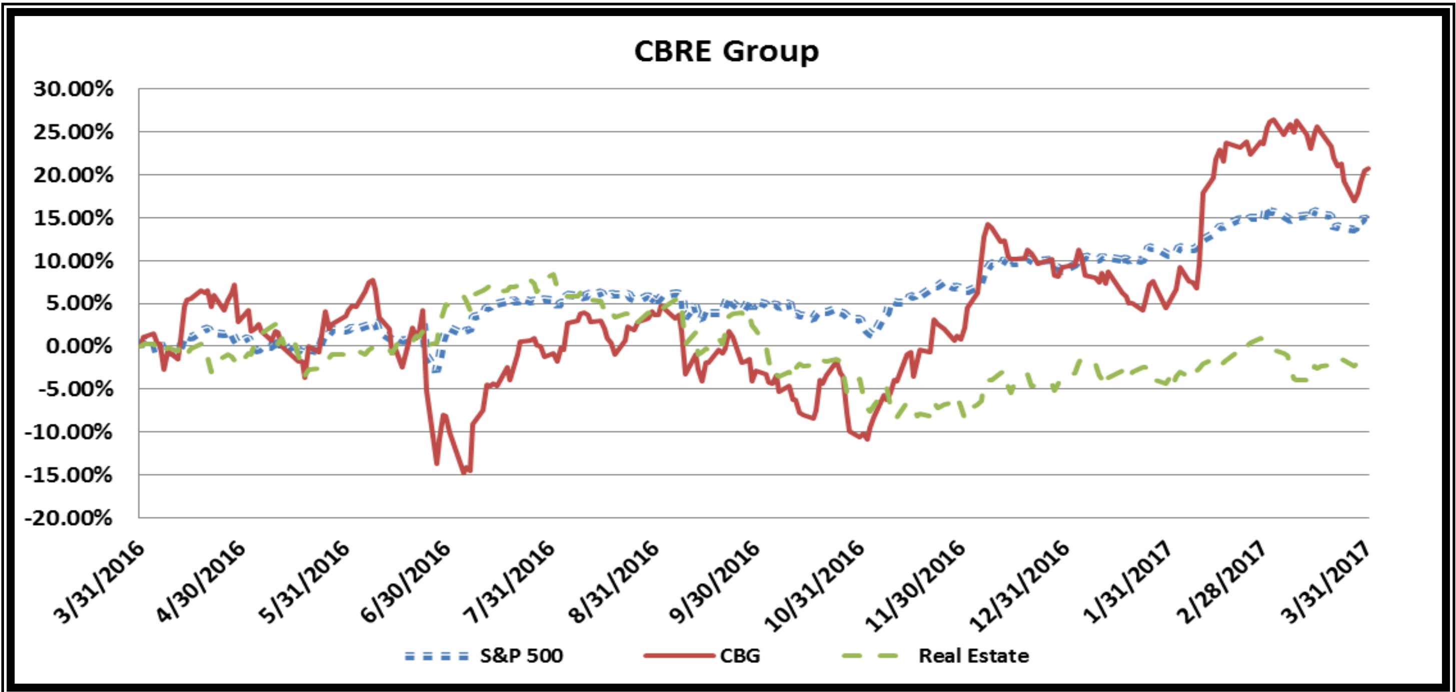
Alexandria Real Estate Equities

Analyst Coverage

Joe Woeste

CBRE Group Real Estate Services

Shares	Weight in Portfolio	Weight in Sector	Annual Return
1230	1.73%	55.66%	19.97%
Beta	**Current Price**	**Target Price**	**Growth Potential**
1.29	$ 33.99	$ 37.05	+9.63%



Company Description

CBRE Group, Inc. operates as a commercial real estate services and investment company worldwide. It operates through the Americas; Europe, Middle East and Africa; Asia Pacific; Global Investment Management; and Development Services segments. The company offers strategic advice and execution to owners, investors, and occupiers of real estate in connection with leasing; integrated property sales, and mortgage and structured financing services under the CBRE Capital Markets brand.

Investment Rationale

CBRE has seen tremendous growth over the past five years when revenue grew by over 100% during that time period, making it the largest company in Real Estate Services in the world along with a 22.2% market share. CBRE Group utilizes an aggressive acquisition approach, having acquired 15 companies since 2010. Thus far in 2017, CBRE has been active with two new acquisitions which will help improve their capabilities to develop technology innovations that boost marketing and leasing of commercial properties as well at their debt and structured finance service offering. Their current cash flow growth of 13.9% is significantly above the industry's rate of 1.9%. CBRE ended 2016 with over $3.5 billion of available liquidity, including around $700 million of cash available for company use and $2.8 billion of undrawn capacity on its revolving credit facility. CBRE has seen 11.2% growth in EPS in the last three to five years against the industry's 7.0%. Its projected EPS growth rate for 2017 is around 4.9%, which is better than the 2.8% increase projected for the industry. CBRE boasts a Return on Equity (ROE) ratio of 25.4% compared with the industry average of 4.8%, indicating that the company reinvests more efficiently compared to the industry. All of this leads us to the conclusion that CBRE will continue to contribute strong returns.

Competitors

Marcus & Mellichap, Inc.

Realogy Holdings Corp.

Jones Lang LaSalle Incorporated

Colliers International Group Inc.

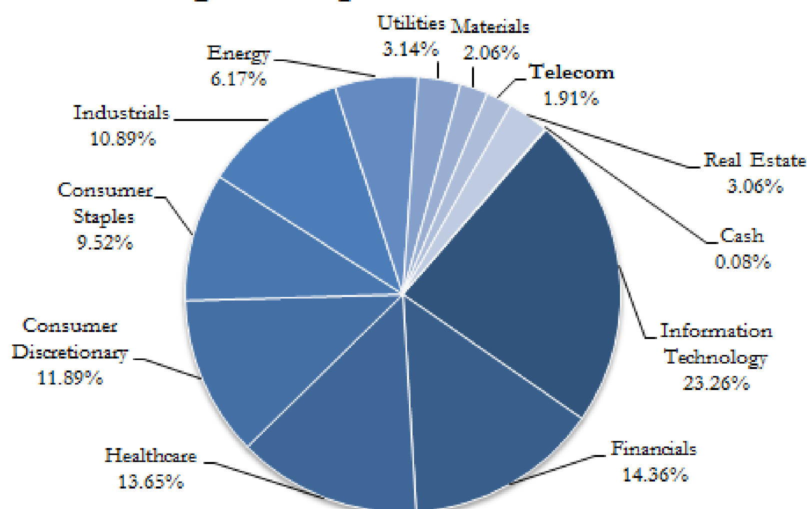
Analyst Coverage

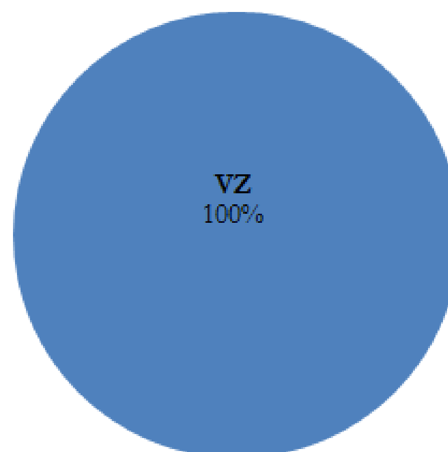
Kenny DePrez

Telecommunications Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
Verizon Communications Inc.	VZ	Telecommunications Carriers	100	1.91	48,652.50	-5.92





Sector Overview

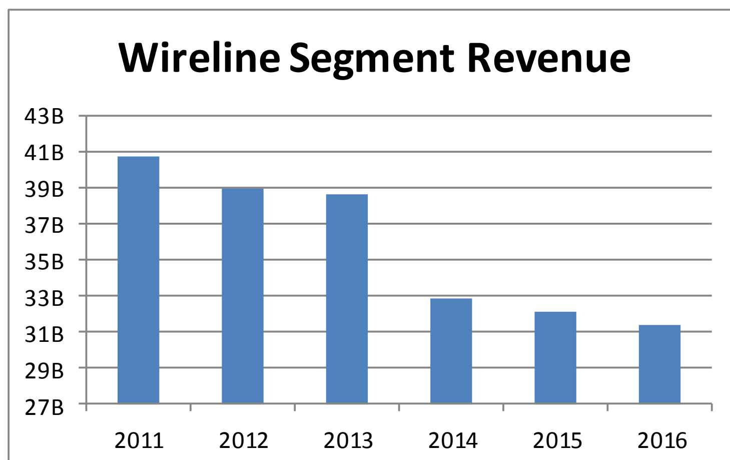
The Telecommunications sector is one of the smallest sectors in the D'Artagnan Capital Fund with a weight of just 1.9% of the overall portfolio. Currently, the only company we hold in the sector is Verizon Communications (VZ). Although we are up about 5.45% since acquisition, both Verizon and the Telecommunications sector as a whole did not have a great period. Extreme competition in the telecom market as well as oversaturation of the cell phone market has negatively impacted both our holding and the sector. Many telecommunications companies have seen declining revenue due to the current slowing of sales of smartphones. The outlook for Verizon looks good however as its proposed 5G network is set to debut in late 2017. They are the only telecommunications company releasing 5G this year. This should provide Verizon with significant growth in the coming years.

Sector Overview
DCF Information Tech. Sector Return: -5.92%
Benchmark Sector Return: 1.69%
DCF Sector Weight: 2.18%
Benchmark Weight: 2.38%
Asset Allocation: -0.03%
Security Selection: -0.16%

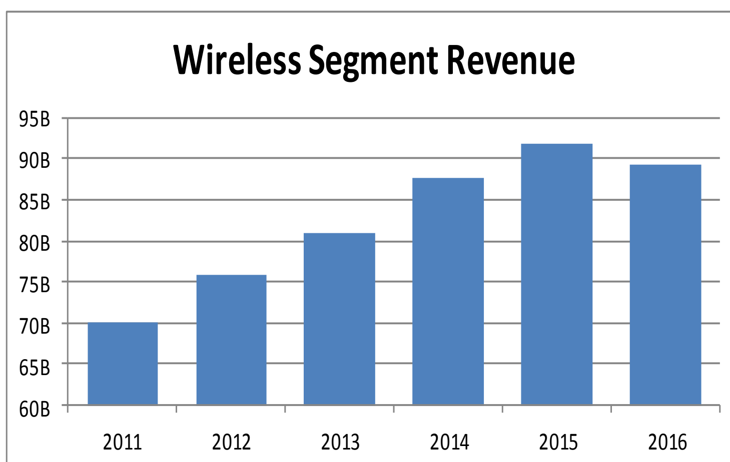
Sector Team
Sector Managers:
Aaron Peterson
Michael Uba
Sector Analysts:
Nick Strader
Christian Glass

Industry Analysis

The Telecommunications sector did not meet our expectations over our past fiscal year. This is largely due to the lag of the Telecommunications sector as a whole. Even though the DCF returned -5.92% for our reporting period, the entire SP 500 Telecommunications sector only managed a 1.69% return. The main reason for this is the very limited growth opportunities that currently plague the sector. Many telecommunications companies consist of a wireline segment which deals with land lines and in home communication, a wireless segment which deals with cellphone and other connected personal devices, and a home and office solution segment which deals with wireless internet as well as other computer server needs.



As shown in the graph above, the wireline industry is currently not generating nearly as much revenue as it once did. Most consumers no longer have a need for a land line since almost everyone has a cellphone. Companies like Verizon and AT&T still have a large number of assets focused on their wireline business and these assets have not been able to generate much revenue in the past few years. Due to the high costs of maintaining the large landline networks, companies have struggled to sell off these assets and basically have a lot of useless networks which significantly slow growth.

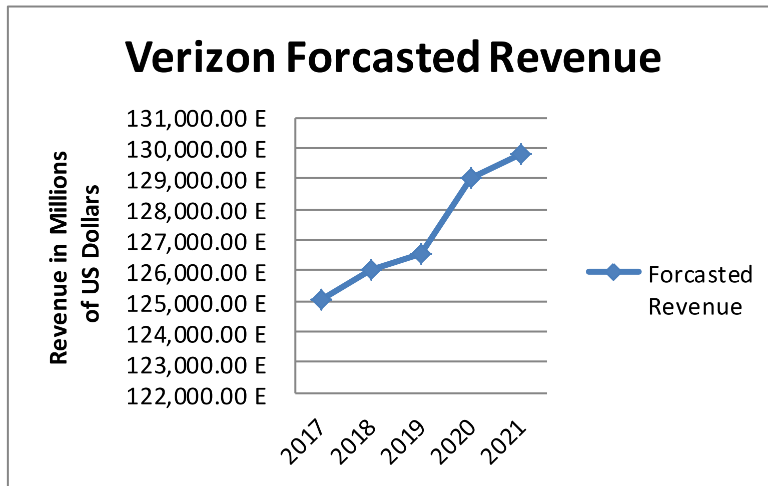


Another problem the Telecommunications industry is facing is the fact that many of the large publicly traded companies cannot compete with the smaller private firms when it comes to data pricing. Both Verizon and AT&T have seen huge losses in their wireless service revenue because they are unable to offer data at lower prices such as Sprint, Metro PCS, or Cricket. Combine that with the fact that the cellphone market is essentially oversaturated shows why the Telecommunications sector is currently struggling to find growth and value. 2016 was the first year in several that Verizon's Wireless business dropped in terms of revenue as seen in the graph immediately above. This is mainly due to lost sales to the smaller companies.

What's Changing

Despite recent low returns, the outlook for the Telecommunications sector going forward is a very positive one. This results from the anticipated release of the 5G wireless network. This network is supposed to revolutionize the way consumers use data on wireless cellphones. Most telecommunications providers have been stuck with 4G LTE coverage for about the past 7 years. This makes the network old and often slows data speeds down, inhibiting the amout of work consumers can do on LTE devices. Early research shows that the 5G network will be almost 200x faster that the current LTE network. Companies that are able to roll out the new network will almost surely have a completive advantage since people always want the fastest network. Our current position in Verizon Communications is highly based on its anticipated 2017 release of a 5G network. The graph below shows the predicted revenue projections for Verizon for the next five years with the assumptions being heavily based off 5G sales. Verizon saw similar sales figures when it released its 4G LTE network in 2009.

Another positive out look from Verizon's standpoint is that they have finally released an unlimited data plan. This now allows customers on Verizon to enjoy endless data on the most reliable wireless network. Continuing forward, Verizon will likely continue to offer unlimited data to compete with Sprint, AT&T and other smaller telecom companies. Verizon there fore should likely see an increase in sales due to the new 5G network and the unlimited data plan they will be offering.. It is also believed that the smaller private companies will not be rolling out similar 5G technology until at least 2019. This should ultimately provide both the S&P 500 Telecommunications sector, which is heavily based on the success of Verizon, and the DCF's Telecommunications sector with steady returns over the next few years.

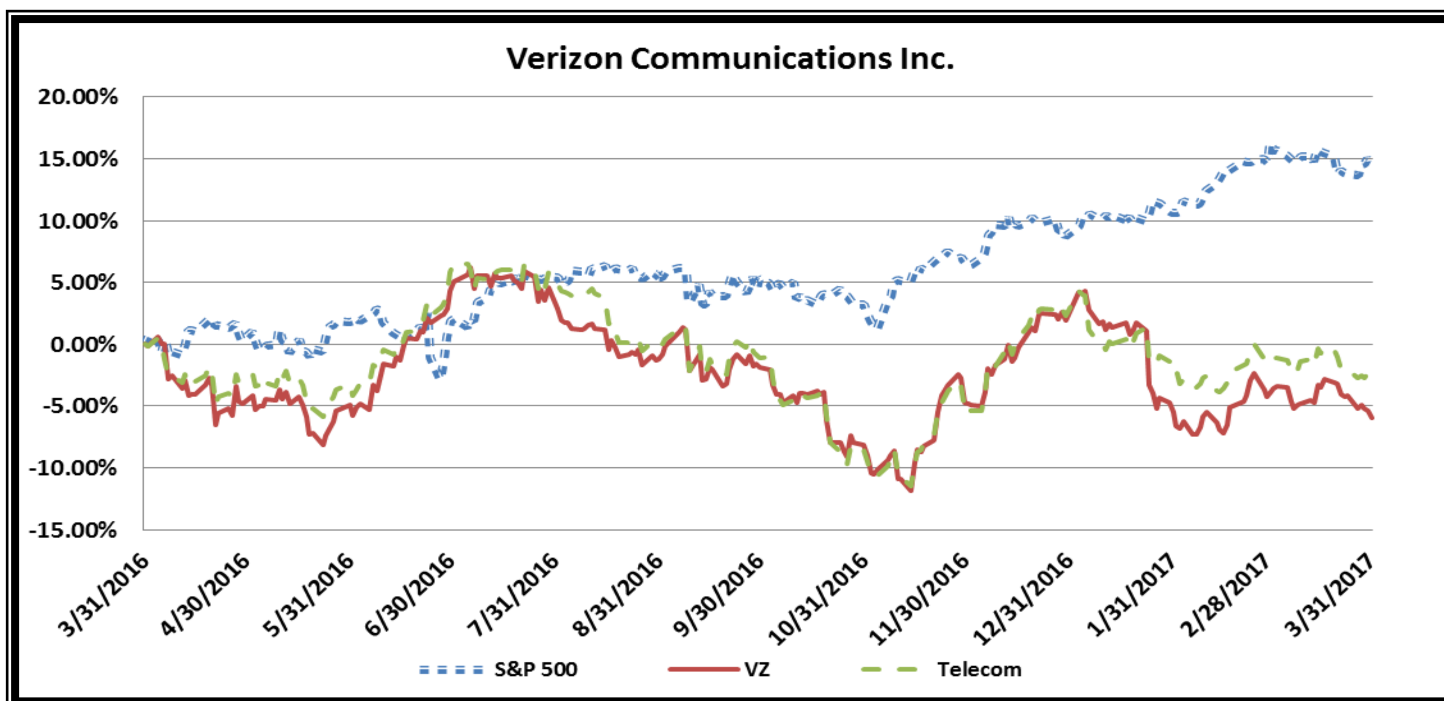


Telecommunications Trades Report

(There were no trades made in the Telecommunications sector during the Fiscal Year 2016.)

Verizon Communications Inc. Telecommunications Carriers

Shares	Weight in Portfolio	Weight in Sector	Annual Return
998	1.914%	100%	-10.42%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.75	$ 49.48	$ 59.62	+30.07%



Company Description

Verizon Communications Incorporated was founded originally as Bell Atlantic when AT&T had to give up control of Bell System. The company became Verizon Communications Incorporated in 2000 after the completion of multiple successful mergers. Verizon Communications Incorporated is headquartered in New York City, but is a multinational telecommunications company that has the largest U.S. wireless service. The company operates in two segments: Wireless and Wireline Technologies. The company is working on advancing 5G wireless technology and implementing FiOS, the most awarded all-fiber network in the wireline industry.

Investment Rationale

Verizon's revenue growth has tapered off and remained constant due to the decreasing amount of people purchasing upgrades from smartphones. This trend has stimulated Verizon to become innovative in other areas of its business. One of these areas consists of its all-in-one package service of FiOS that provides consumers with internet, television, and communications services using a fiber optic communications network. Another area of focus for Verizon that has significant growth potential for the company is its development of a 5G network. The 5G network is being tested in multiple United States cities and is projected to be released in late 2017 or early 2018. With the gaining popularity of its FiOS service and development of a 5G network, Verizon has a sizable growth potential for the future which is not seen in today's price. Despite a negative return this reporting period, Verizon has still made positive contributions since being purchased.

Competitors

AT&T Inc.

Sprint Corporation

T-Mobile US, Inc.

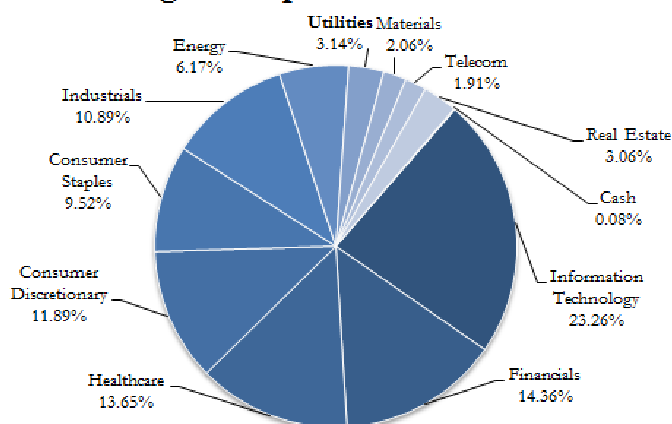
Analyst Coverage

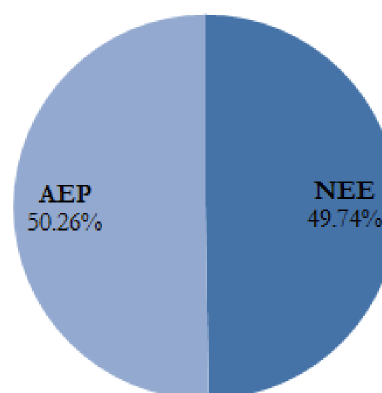
Nick Strader

Utilities Sector Report

Current Holdings as of March 31, 2017

Company	Ticker	Industry	Weight in Sector (%)	Weight in Portfolio (%)	Market Value ($)	Annualized Return (%)
NextEra Energy Inc.	NEE	Electric Utilities	49.74	1.56	39,666.33	4.95
American Electric Power Co. Inc.	AEP	Electric Utilities	50.26	1.58	40,076.61	4.75





Sector Overview

The Utilities Sector is comprised of companies that generate, transmit, and deliver electricity to a variety of consumers, and also companies who specialize in gas and water delivery to households. At this time, the Fund has the Utility sector weighted at 3.14% of the portfolio, which is slightly higher than the benchmark's weighting.

The Fund's two current utility holdings are Next Era Energy (NEE) and American Electric Power Co Inc. (AEP). Between April 1, 2016 and March 31, 2017, the DCF Utilities sector had a return of 2.50%. The S&P 500 Utilities sector returned 7.06% in comparison. Overall, the utilities sector hit its peak during the early summer around the time of Brexit and other market factors, causing investors to allocate into defensive stocks more heavily, but prices began to fall back to down through August and September, bottoming out in early December. From there, the sector rebounded and continued to rise until the reporting period ended.

Sector Overview
DCF Utility Sector Return: 2.50%
Benchmark Sector Return: 7.06%
DCF Sector Weight: 3.14%
Benchmark Weight: 3.07%
Asset Allocation: 0.04%
Security Selection: -0.13%

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Industry Analysis

During the fiscal year, the Utilities sector of the S&P 500 saw an overall increase of 7.06%. The first six months saw the Utilities sector moving the opposite of the market, while during the last six months it was closely correlated to market movements. In the first couple of months there were questions as to whether or not the Fed would raise interest rates, as well as what energy prices would be; this lead to a stagnant April and May in the sector. From this point on, the sector soared to its peak in early July. This was mainly due to steady interest rates and lower oil and natural gas prices. Towards the end of July, fears of rising interest rates, combined with rising oil and natural gas prices, lead to the steady decline in the sector as a whole, bottoming out in early December. From December on the Utilities sector began to steadily rise and topped out in mid-March, just before the reporting period ended. This can be attributed to natural gas prices declining from $3.60 to around $2.80. There is an inverse relationship between oil and natural gas prices and the Utilities sector because as the prices increase, their profit margins shrink because they sell their services for the same price but have to purchase the gas for more. The companies we held in the Utilities sector mirrored sector movements almost exactly throughout the year.

The Utilities Sector can be broken down into four primary subsectors: water, gas, electric, and integrated utilities. The first three sub-sectors are fairly self explanatory, and the integrated utilities refer to a combination of gas and electric duties that deal with both generation and distribution. Generation involves the burning of fuels or other reactions used to create electricity, transmission involves the use of electric grid space to send electricity toward consumers, and distribution is the delivery of the final product. The two biggest factors that currently drive movements in the Utilities sector are oil and natural gas prices and interest rate changes. It was mentioned earlier that oil and natural gas prices affect the sector with inverse movements. Interest rates are important because utility companies rely heavily upon financing through debt and a higher interest rate would make that far more expensive to do.

The sector as a whole is moving away from coal and oil power generation while looking more towards cleaner sources of energy such as natural gas. With Obama's clean energy bill set to be repealed by Trump, the big question is how it will affect the utility companies; this unprecedented change has lead to uncertainty within the industry. With the regulations no longer there, it is only a matter of time before companies either regress back to using coal and oil or continue to go forward with the cleaner options.

Below is the S&P 500 Utilities sector return between April 2016 and March 2017. Keep in mind that this is our benchmark and not a graph of the DCF's actual returns. The Utilities benchmark, which is the top chart, is compared to the price of oil commodities during the same period, which is the bottom chart. Each chart has a trading volume histogram below it as well.

What's Changing

Looking forward, one of the biggest potential changes to the Utilities sector is President Trump ending Obama's Clean Power Plan and allowing for coal to once again dominate. Early reports suggest that utility companies may not switch back over to using coal. The reason for this is most companies, in order to comply with Obama's regulations, spent millions of dollars to shift over their operations to cleaner sources of energy. To switch back to coal would waste time and money, which is something that no company wants to do. It is likely that many of the companies that switched to clean energy will continue to do so and the companies that have not yet done so will stay with coal. As renewable energy sees more innovations and becomes cheaper, it is probable that more and more companies will switch over for the sustainability and public relations reasoning.

As for interest rates, in March of 2017 the Fed raised rates slightly, which was the first of several planned rate hikes. Raising the rates in March did impact Utility stocks and the sector as a whole saw a drop of around five points before it recovered in mid April. These rate hikes were expected and it is good news that it only took around three weeks for the sector to recover, however future rate hikes should be watched closely because if they are any larger than the last one it may hit the sector a lot harder than it did this time around.

In the short-run, the Fund plans to look for companies that boast good operating margins and rely more on equity than debt. We currently are holding two energy companies so we may want to look more towards a water company in order to better diversify our portfolio. With the Clean Power Plan being lifted, we may also want to look at coal companies again. Now would be the time to buy considering they had been hurting due to Obama's past policies. While coal will never reach the heights it once was at, it may be a good opportunity for some short-term profits.

In the long-run, utility companies will always be needed and looking towards renewable energy is definitely the way to go. Fossil fuels are a finite resource and will eventually rise in price greatly, which as we discussed earlier, is not good for utility companies. It is a good idea to have holdings that focus on renewable energy sources now rather than later because those who change over early will have their foot in the door, so to speak, when the other utility companies are forced to transition. President Trump will only be in office for a maximum of 8 years and it is likely that his successor will put into place some sort of clean energy bill that will again make coal obsolete.

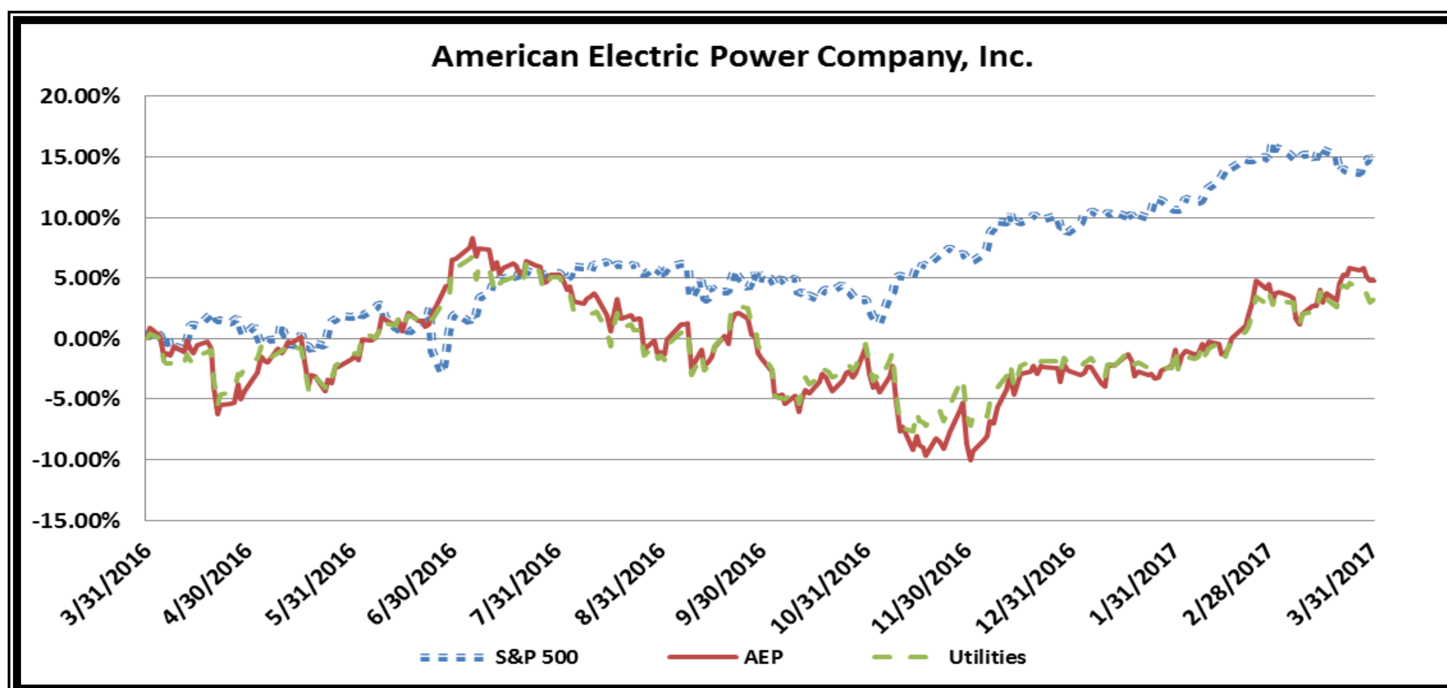
Utilities Trades Report

Notable Trades made during the Fiscal Year 2016: (April 1, 2016 - March 31, 2017)

Dates	Company	Ticker	Action	Dollar Amount Changed
9/15/2016	American Electric Power Co.	AEP	Increased Position	712.44
10/14/2016	American Electric Power Co.	AEP	Decreased Position	31,867.18
10/14/2016	Nextera Energy Inc.	NEE	Added to Portfolio	32,304.79
2/10/2017	American Electric Power Co.	AEP	Increased Position	6,215.09
2/10/2017	Nextera Energy Inc.	NEE	Increased Position	6,152.25

American Electric Power Company, Inc. (AEP) Electric Utilities

Shares	Weight in Portfolio	Weight in Sector	Annual Return
597	1.58%	50.26%	4.80%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.30	$ 67.16	$ 72.88	+8.57%



Company Description

American Electric Power Company, Inc. is an utility company, headquartered in Columbus, Ohio, that operates in the United States. They are involved with the generation, transmission, and distribution of electricity generated by several different energy mediums. American Electric Power Company, Inc. supplies electricity from coal and lignite, natural gas, nuclear, hydro-electric, solar, wind, along with other forms. They supply to both rural and urban consumers and are also a wholesaler to other utility companies. The company currently operates in eleven states providing electricity to over 11 million customers. AEP also boasts the largest transmission network in the nation with 26,000 megawatts of generating capabilities.

Investment Rationale

AEP is one of the largest utility companies in the country. AEP completed a deal at the end of January selling four power plants from a joint venture with Blackstone. They will net $1.2 billion from the deal and plan to invest in in regulated businesses and renewable projects. AEP now attributes 97 percent of their EPS to increases in the regulated businesses and renewables. They are lowering their coal operations, though this is a slow process as they are looking for spot proposals on their Central Appalachian Coal, which is still generating substantial revenue for the company.

Competitors

NextEra Energy, Inc.

Duke Energy Corporation

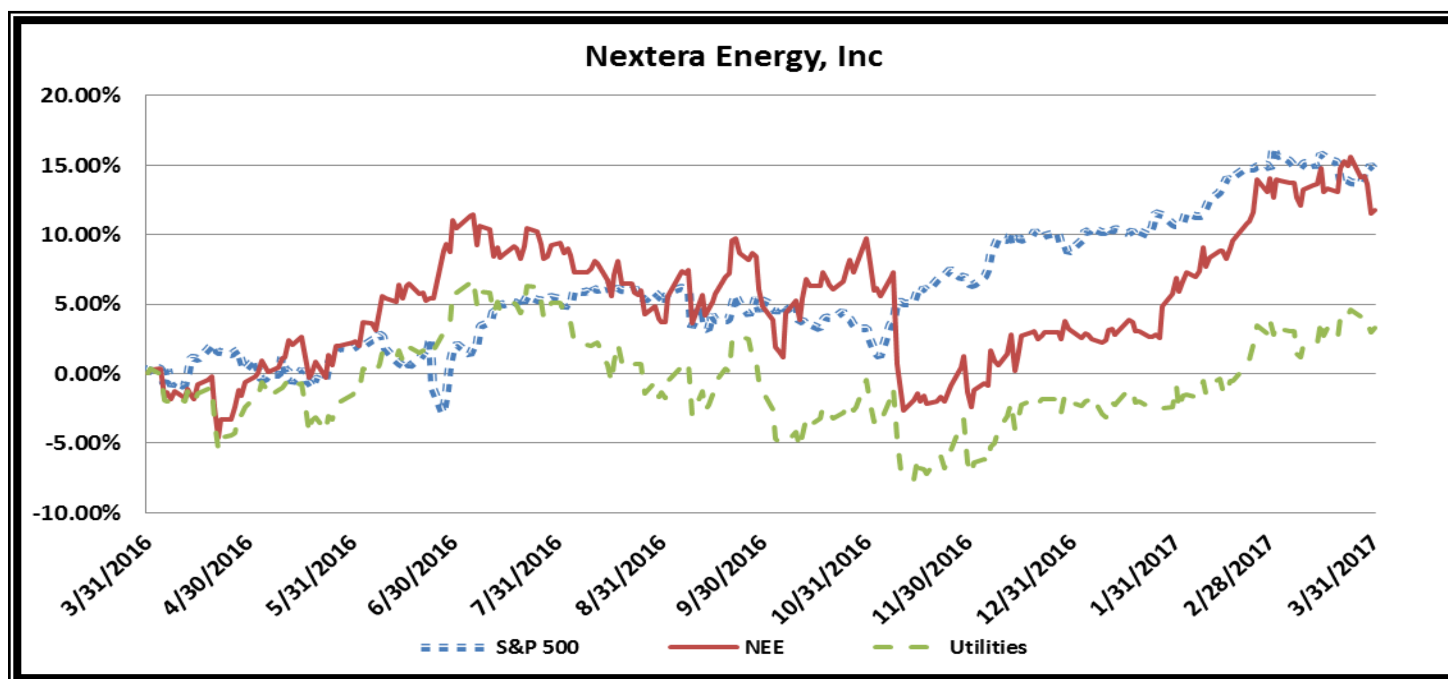
Exelon Corporation

Analyst Coverage

Matthew Hoagland

Nextera Energy, Inc. (NEE) Electric Utilities

Shares	Weight in Portfolio	Weight in Sector	Annual Return
309	1.56%	49.74%	18.34%
Beta	**Current Price**	**Target Price**	**Growth Potential**
0.28	$ 128.13	$ 142.98	+11.38%



Company Description

NextEra Energy, Inc. is a renewable energy company headquartered in Juno Beach, Florida. NEE generates electricity through wind, solar, nuclear, and natural gas facilities. They provide energy to 30 states and Canada, along with electricity to 10 million customers. NEE is also involved in risk management in regards to various forms of power and natural gas. NextEra Energy, Inc. prides themselves in providing clean, emission-free electricity.

Investment Rationale

NextEra Energy, Inc. operations are focused on clean and emission-free electricity. On December 31st, 2016 Florida Light & Power, a NextEra Energy, Inc. subsidiary, announced the completion of three new universal solar energy centers that came in under budget. The centers are located in Florida where they plan to continue increasing their market share. They announced plans for four new solar facilities in Florida. NextEra is also acquiring other clean utility companies, most recently Oncor, a utility company based out of Texas. NextEra Energy, Inc. is growing both through organic and inorganic operations, presenting potential above average returns for the Fund.

Competitors

American Electric Power Company, Inc.

Duke Energy Corporation

Dominion Resources, Inc.

Analyst Coverage

Matthew Hoagland