

MILITIA CAPITAL PARTNERS, LP

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE PERIOD JANUARY 14, 2021
(COMMENCEMENT OF OPERATIONS)
THROUGH DECEMBER 31, 2021

Militia Capital Partners, LP
5415 W. Harmon #1168
Las Vegas, NV 89103

Subject: 2021 Annual Report

Please find attached your copy of the 2021 Annual Report of Militia Capital Partners, LP.

I, David Orr, affirm that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Militia Capital Partners, LP as of December 31, 2021, are true and correct.

Sincerely,

David Orr

David Orr
Manager, Militia Capital Management LLC
General Partner of Militia Capital Partners, LP

Date signed 05 / 06 / 2022

MILITIA CAPITAL PARTNERS, LP

CONTENTS

Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Financial Condition	3
Statement of Operations	4
Statement of Changes in Partners' Capital	5
Condensed Schedule of Investments	6 - 7
Notes to Financial Statements	8 - 16



INDEPENDENT AUDITORS' REPORT

To the Partners of Militia Capital Partners, LP

Opinion

We have audited the consolidated financial statements of Militia Capital Partners, LP, which comprise the statement of financial condition and condensed schedule of investments as of December 31, 2021 and the related statements of operations and changes in partners' capital, and for the period January 12, 2021 (commencement of operations) through December 31, 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Militia Capital Partners, LP as of December 31, 2021, and the results of its operations for the period January 12, 2021 (commencement of operations) through December 31, 2021 in accordance with accounting principles generally accepted in the United States of America

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Militia Capital Partners, LP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Militia Capital Partners, LP's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Militia Capital Partners, LP's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Militia Capital Partners, LP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Michael Cogburn CPA, P.C.

Bloomington, IL
May 4, 2022

MILITIA CAPITAL PARTNERS, LP

STATEMENT OF FINANCIAL CONDITION

December 31, 2021

Assets

Investments in securities, at fair value (cost \$28,159,328)	\$	29,373,116
Derivative contracts, at fair value (cost \$1,077,358)		1,257,413
Due from broker - cash		113,933
Cash and cash equivalents		434,540
Dividends receivable		7,088
Total assets	\$	31,186,091

Liabilities and partners' capital

Liabilities

Securities sold short, at fair value (proceeds \$19,023,680)	\$	16,682,271
Futures contracts, at fair value (proceeds \$200,852)		235,608
Due to broker		3,035
Due to General Partner		2,000
Due to limited partners		20
Dividends and interest payable		54,041
Advance capital contributions		430,000
Capital withdrawals payable		381,103
Management fee payable		16,206
Accrued operating expenses		9,610
Total liabilities		17,813,895

Partners' capital		13,372,196

Total liabilities and partners' capital	\$	31,186,091

MILITIA CAPITAL PARTNERS, LP

STATEMENT OF OPERATIONS

For the period January 14, 2021 (commencement of operations) through December 31, 2021

Investment income

Interest income	\$ 37
Dividend income (net of foreign withholding taxes \$25,657)	439,401
Other investment income	
Total investment income	<u>439,438</u>

Expenses

Brokerage fees	3,709
Interest and dividends	400,057
Incentive fee	
Management fee	41,757
Professional fees and other	<u>22,571</u>
Total expenses	<u>468,094</u>

Net investment income (loss)	<u>(28,656)</u>
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Realized and unrealized gain (loss) on investments

Realized and unrealized gain or (loss) on securities	
Net realized gain from securities	451,371
Unrealized appreciation from securities	<u>3,645,783</u>
Realized and unrealized gain or (loss) on securities	<u>4,097,154</u>
Realized and unrealized gain or (loss) on derivatives	
Net realized gain from derivatives	48,453
Unrealized depreciation from derivatives	<u>145,278</u>
Realized and unrealized gain or (loss) on derivatives	<u>193,731</u>
Realized and unrealized gain or (loss) on forex	
Net realized gain from forex	54,168
Unrealized depreciation on forex	<u>(90,586)</u>
Realized and unrealized gain or (loss) on commodities	<u>(36,418)</u>

Net realized and unrealized gain (loss) on investments	<u>4,254,467</u>
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Net income before General Partner allocation	4,225,811
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Performance reallocation to General Partner (Note 8)	<u>648,551</u>
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Net income	<u>\$ 3,577,260</u>
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MILITIA CAPITAL PARTNERS, LP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

For the period January 14, 2021 (commencement of operations) through December 31, 2021

	<u>General Partner</u>	<u>Limited Partners</u>	<u>Total</u>
Partners' capital, beginning of year	\$ -	\$ -	\$ -
Capital contributions	25,550	9,501,937	9,527,487
Capital withdrawals	(381,102)	-	(381,102)
Transfers of capital	-	-	-
Allocation of net income			
Pro rata allocation	5,553	4,220,258	4,225,811
Reallocation to General Partner	648,551	(648,551)	0
	<u>654,104</u>	<u>3,571,707</u>	<u>4,225,811</u>
Partners' capital, end of year	\$ 298,552	\$ 13,073,644	\$ 13,372,196

MILITIA CAPITAL PARTNERS, LP

CONDENSED SCHEDULE OF INVESTMENTS

December 31, 2021

	Percentage of Partners' Capital	Fair Value
<u>Assets</u>		
Investment in securities, at fair value		
Common Stock		
United States:		
Communication services	40.5 %	\$ 5,414,713
Consumer cyclical	19.6	2,616,679
Consumer defensive	12.9	1,728,385
Energy	15.6	2,090,160
Exchange-traded funds	3.3	437,060
Financial services	34.5	4,606,765
Healthcare	4.5	606,212
Industrials	37.6	5,034,585
Technology	2.8	374,277
Other	10.5	1,401,558
Total United States securities purchased (cost \$18,763,860)	181.8	24,310,394
Australia		
Consumer cyclical	0.1 %	\$ 18,268
Total Australia securities purchased (cost \$17,692)	0.1	18,268
Canada:		
Financial services	3.6 %	\$ 486,576
Other	0.0	1,492
Total Canada securities purchased (cost \$454,697)	3.6	488,068
Europe:		
Industrials	16.2 %	\$ 2,160,440
Consumer cyclical	5.3	707,608
Other	1.8	245,834
Total Europe securities purchased (cost \$3,146,037)	23.3	3,113,882
Hong Kong:		
Industrials	3.7 %	\$ 490,287
Consumer cyclical	2.1	280,142
Other	0.9	117,187
Total Hong Kong securities purchased (cost \$967,309)	6.6	887,616
Japan:		
Other	1.1 %	\$ 140,648
Total Japan securities purchased (cost \$129,130)	1.1	140,648
Mexico:		
Financial services	0.2 %	\$ 24,687
Total Mexico securities purchased (cost \$23,364)	0.2	24,687
Singapore		
Industrials	2.1 %	\$ 282,048
Total Singapore securities purchased (cost \$283,934)	2.1	282,048
United Kingdom		
Financial services	0.8 %	\$ 107,505
Total United Kingdom securities purchased (cost \$97,937)	0.8	107,505
Total investment in securities, at fair value (cost \$28,159,328)	219.7 %	\$ 29,373,116

The accompanying notes to the financial statements are an integral part of this statement.

MILITIA CAPITAL PARTNERS, LP

CONDENSED SCHEDULE OF INVESTMENTS

December 31, 2021

	Percentage of Partners' Capital	Fair Value
Derivative contracts, at fair value		
Call options purchased		
United States:		
Consumer cyclical	1.5 %	\$ 197,500
Other	0.6	76,485
Total call options purchased (cost \$237,803)	2.0	273,985
Put options purchased		
United States:		
Exchange-traded funds	2.9	386,633
Consumer defensive	2.7	361,981
Other	1.5	206,106
Total put options purchased (cost \$801,923)	7.1	954,720
Options on Futures Contracts		
United States:		
Exchange-traded Funds	0.2 %	\$ 23,625
Total options on futures contracts, at fair value (cost \$29,690)	0.2 %	\$ 23,625
Warrants		
United States:		
Other	0.0 %	\$ 5,083
Total derivative contracts, at fair value (cost \$1,077,358)	9.4 %	\$ 1,257,413
Liabilities		
Securities sold short, at fair value		
Common Stock		
United States:		
Communication services	4.9 %	\$ 649,796
Consumer cyclical	15.2	2,028,656
Consumer defensive	2.4	319,204
Exchange-traded funds	58.9	7,871,575
Financial services	3.0	403,000
Healthcare	11.3	1,514,735
Industrials	12.9	1,730,242
Technology	14.9	1,988,313
Other	1.3	176,750
Total securities sold short, at fair value (proceeds \$19,023,680)	124.8	16,682,271
Derivative contracts, at fair value		
Call options written		
United States:		
Industrials	0.9 %	\$ 116,087
Communication services	0.4	53,311
Total call options written (proceeds \$158,802)	1.3	169,398
Put options written		
United States:		
Healthcare	0.2 %	\$ 22,536
Other	0.1	7,186
Total putl options written (proceeds \$42,050)	0.2	29,722
Net unrealized loss on open futures contracts		
Futures contracts		
United States:		
Index	0.3 %	\$ 36,488
Total net unrealized loss on open futures contracts	0.3 %	\$ 36,488
Total derivative contracts sold short (proceeds \$200,852)	1.8 %	\$ 235,608

The accompanying notes to the financial statements are an integral part of this statement.

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

1. Nature of operations and summary of significant accounting policies

Nature of Operations

Militia Capital Partners, LP, a Delaware limited partnership, commenced operations on January 14, 2021. The Partnership was organized for the purpose of trading and investing in securities. The Partnership is managed by Militia Capital Management, LLC (the “General Partner”). Refer to the Partnership’s offering memorandum for more information.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and are stated in U.S. dollars.

In accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 946, Financial Services – Investment Companies (“ASC 946”), the Fund has determined that it is an investment company and has applied the guidance in accordance with ASC 946.

Cash Equivalents

The Partnership considers its investment in a short-term money market fund to be a cash equivalent. The Partnership considers the cash held at broker to be a cash equivalent.

Government and Other Regulation

The Partnership’s business is subject to significant regulation by governmental agencies and self-regulatory organizations. Such regulation includes, among other things, periodic examinations by these regulatory bodies to determine whether the Partnership is conducting and reporting its operations in accordance with the applicable requirements of these organizations.

Fair Value - Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Partnership uses various valuation approaches. ASC 820, “Fair Value Measurements and Disclosures”, establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Partnership. Unobservable inputs reflect the Partnership’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Partnership in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Partnership's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Partnership uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Valuation Techniques

Investments in Securities and Securities Sold Short

The Partnership values investments in securities, exchange traded funds, and securities sold short that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Many cash and over-the-counter ("OTC") contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. For securities whose inputs are based on bid-ask prices, the Partnership's valuation policies do not require that fair value always be a predetermined point in the bid-ask range. The Partnership's policy for securities traded in the OTC markets and listed securities for which no sale was reported on that date are valued at their last reported "bid" price if held long, and last reported "asked" price if sold short.

To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 of the fair value hierarchy.

Derivative Contracts

The Partnership records its derivative activities at fair value. Gains and losses from derivative financial instruments are included in net gain (loss) from derivative contracts in the statement of operations. Derivative contracts may include futures, forward, swap and option contracts related to interest rates, foreign currencies, credit standing of reference entities, equity prices or commodity prices.

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

Derivative contracts, such as futures and options on futures contracts listed on a commodity exchange and options reported on the NASDAQ national market, are generally categorized in Level 1 of the fair value hierarchy.

Derivative contracts traded in the over-the counter (OTC) market are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The Partnership generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads and measures of volatility. For OTC derivatives that trade in liquid markets (such as generic forwards, swaps and options) where model inputs can generally be verified and model selection does not involve significant management judgment, such instruments are generally classified within Level 2 of the fair value hierarchy.

Translation of Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the year-end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into United States dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

The Partnership does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net gain (loss) on investments in the statement of operations.

Futures and Options on Futures Contracts

Futures and options on futures contracts are recorded on a trade date basis. Realized gains or losses are recorded when the contracts are liquidated. Open contracts are reflected in the financial statements at their fair values based on exchange settlement prices. Unrealized gains or losses on open contracts (the difference between the original contract amount and fair value) at the date of the statement of financial condition are included in derivative contracts and futures contracts. Any change in net unrealized gain or loss from the preceding period is reported in the statement of operations.

Investments in Securities, Securities Sold Short and Options on Securities

Investments in securities, securities sold short and options on securities are recorded on a trade date basis. Realized gains or losses are recorded upon the disposition of investments based upon the difference between the proceeds and the cost basis less any related expenses (brokerage commissions and fees). If an option expires unexercised, the Partnership realizes a gain or loss to the extent of the premium. If an option is exercised, the premium paid is an adjustment to the proceeds from the sale or the cost of the purchase in determining whether the Partnership has realized a gain or loss. All other changes in the valuation of the portfolio investments at the date of the statement of financial condition are included in investments in securities and securities sold short. Any change in net unrealized gain or loss from the preceding period is reported in the statement of operations.

Investment Income

Dividends are recorded on the ex-dividend date. Interest is recognized on the accrual basis.

Income Taxes

The Partnership does not record a provision for income taxes because the partners report their share of the Partnership's income or loss on their income tax returns. The financial statements reflect the Partnership's transactions without adjustment, if any, required for income tax purposes.

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

The Partnership income tax returns are subject to examination by the appropriate tax jurisdictions. As of December 31, 2021, the Partnership's federal and state tax returns remain open since its inception.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Partnership's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

Statement of Cash Flows

The Partnership has elected not to provide a statement of cash flows as permitted by ASC 230 "Statement of Cash Flows".

2. Principal risks associated with financial instruments

In the normal course of business, the Partnership has investments and enters into various financial transactions where the risk of potential loss due to market risk, credit risk and other risks can equal or exceed the related amounts recorded. The success of any investment activity is influenced by general economic conditions that may affect the level and volatility of equity prices, credit spreads, interest rates and the extent and timing of investor participation in the markets for both equity and interest rate sensitive investments. Unexpected volatility or illiquidity in the markets in which the Partnership directly or indirectly holds positions could impair its ability to carry out its business and could cause losses to be incurred. See below for a detailed description of selected principal risks.

Market risk represents the potential loss that can be caused by increases or decreases in the fair value of investments. The Partnership's exposure to market risk is directly influenced by a number of factors, including volatility and liquidity of the markets in which the financial instruments are traded.

Credit risk represents the potential loss that would occur if counterparties fail to perform pursuant to the terms of their obligations. In addition to its investments, the Partnership is subject to credit risk to the extent a custodian with whom its conducts business is unable to fulfill contractual obligations.

Liquidity risk is the risk that the Partnership will not be able to raise funds to fulfill its commitments, including inability to sell investments quickly or at close to fair value.

Equity risk is the risk that the market value of the financial instruments may decline due to general market conditions, such as political or macroeconomic factors. Additionally, the financial instruments may decline in value due to specific factors affecting a related industry or industries.

Currency risk is the risk that the value of the financial instruments (denominated in or subject to exposure of foreign currencies) may fluctuate as a result of changes in foreign exchange rates. The Partnership is subject to the risk that those foreign currencies may decline in value relative to the base currency of the company.

3. Fair value measurements

The Partnership's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 1 for a discussion of the Partnership's policies. The following table presents information about the Partnership's assets and liabilities measured at fair value as of December 31, 2021:

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

Description	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in securities				
Common stocks	\$ 29,373,116	\$ -	\$ -	\$ 29,373,116
Derivative contracts				
Call options	273,985	-	-	273,985
Put options	954,720	-	-	954,720
Options on futures	23,625	-	-	23,625
Warrants	5,083	-	-	5,083
Total derivative contracts	1,257,413			1,257,413
Total assets	\$ 30,630,529	-	-	\$ 30,630,529
Liabilities (at fair value)				
Investments in securities				
Common stocks	\$ 16,682,271	\$ -	\$ -	\$ 16,682,271
Derivative contracts				
Call options	169,398	-	-	169,398
Put options	29,722	-	-	29,722
Futures	36,488	-	-	36,488
Total derivative contracts	235,608			235,608
Total liabilities	\$ 16,917,879	-	-	\$ 16,917,879

4. Due from/to broker

In the normal course of business, substantially all of the Partnership's securities transactions, money balances and security positions are transacted with the Partnership's broker, **Interactive Brokers, LLC**. The Partnership is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Partnership's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

5. Derivative contracts

In the normal course of business, the Partnership utilizes derivative contracts in connection with its trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Partnership's derivative activities are classified by the following primary underlying risks: interest rate, credit, foreign currency exchange rate, commodity price, and equity price risks. In addition to its primary

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

underlying risks, the Partnership is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts.

Since the derivatives held or sold by the Partnership are for speculative trading purposes, the derivative instruments are not designated as hedging instruments under the provisions of ASC 815 and related pronouncements. Accordingly, all realized gains and losses, as well as any change in net unrealized gains or losses on open positions from the preceding period, are recognized as part of the Partnership's realized and unrealized gain (loss) on derivatives on the statement of operations.

Futures contracts

The Partnership is subject to equity and commodity price risk, interest rate risk and foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Partnership may use futures contracts to gain exposure to, or hedge against, changes in the value of equities and commodities, interest rates or foreign currencies. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant ("FCM") equal to a certain percentage of the contract amount. Subsequent payments (variation margin) are made or received by the Partnership each day, depending on the daily fluctuations in the value of the contract. The Partnership recognizes a gain or loss equal to the daily variation margin. Futures contracts may reduce the Partnership's exposure to counterparty risk since futures contracts are exchange-traded: and the exchange's clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default.

The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Partnership's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

Options

The Partnership is subject to equity and commodity price risk, and foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Partnership may enter into options to speculate on the price movements of the financial instrument, commodity, or currency underlying the option, or for use as an economic hedge against certain equity positions held in the Partnership's portfolio holdings. Option contracts purchased give the Partnership the right, but not the obligation, to buy or sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Options written obligate the Partnership to buy or sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. When the Partnership writes an option, an amount equal to the premium received by the Partnership is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Options written by the Partnership may expose the Partnership to market risk of an unfavorable change in the financial instrument underlying the written option.

For some OTC options, the Partnership may be exposed to counterparty risk from the potential that a seller of an option contract does not sell or purchase the underlying asset as agreed under the terms of the option contract. The maximum risk of loss from counterparty risk to the Partnership is the fair value of the contracts and the premiums paid to purchase its open option contracts. In these instances, the Partnership considers the credit risk of the intermediary counterparty to its options transactions in evaluating potential credit risk.

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

Impact of Derivatives on the Statement of Financial Condition and Statement of Operations

The following table identifies the fair value amounts of derivative instruments included in the statement of financial condition as derivative contracts, categorized by primary underlying risk, at December 31, 2021. The following table also identifies the net gain and loss amounts included in the statement of operations as net gain (loss) from derivative contracts, categorized by primary underlying risk, for the year ended December 31, 2021.

Primary underlying risk	Derivative assets	Derivative liabilities	Net realized and unrealized gain (loss) on derivatives
Equity price			
Equity and index options	\$ 1,228,706	\$ 199,120	\$ (67,265)
Futures contracts	-	36,488	115,410
Options on futures	23,625	-	148,446
Warrants	5,082	-	(2,860)
Total Derivatives	<u>\$ 1,257,413</u>	<u>\$ 235,608</u>	<u>\$ 193,731</u>

6. Foreign investments

The Fund invests in the securities of foreign companies which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include the potential for unfavorable fluctuations in exchange rates of foreign currencies or devaluation of currencies; the possible imposition of an exchange control regulation or a currency blockage that would prevent cash from being brought back to the U.S.; less public information with respect to issuers of securities; less governmental supervision of stock exchanges, security brokers and issuers of securities; possible securities clearance and settlement problems; lack of uniform accounting, auditing and financial reporting standards; the possible expropriation of assets or confiscatory taxation by a host government; the fact that foreign markets are not generally as liquid as those in the U.S.; and the possible imposition of foreign taxes.

7. Concentration of credit risk

In the normal course of business, the Partnership maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Partnership is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties.

8. Partners' capital

In accordance with the limited partnership agreement (the "Agreement"), profits and losses of the Partnership are allocated to partners according to their respective interests in the Partnership. Subject to certain limitations, generally 25% of the net profits allocated to the limited partners, in excess of an amount equal to the return achieved by the

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

S&P 500 Total Return Index, is reallocated to the General Partner. For the period January 14, 2021 (commencement of operations) through December 31, 2021, the incentive allocation is \$648,551.

Limited partners have redemption rights which contain certain restrictions with respect to rights of withdrawal from the Partnership as specified in the Agreement.

Advance capital contributions represent amounts owed to limited partners for cash received prior to the effective date of such contributions.

9. Related party transactions

The Partnership pays the General Partner a management fee, calculated and payable quarterly in arrears, equal to 0.125% of the Partnership's net asset value determined as of the end of each calendar quarter. For the period January 14, 2021 (commencement of operations) through December 31, 2021, the management fee is approximately \$41,757, of which \$16,204 is included on the statement of financial condition as payable.

Certain limited partners may special management fee arrangements, performance arrangements, or redemption rights as provided for in the limited partnership agreement.

10. Administrative fee

Fund Associates, LLC (the "Administrator") serves as the Partnership's Administrator and performs certain administrative and clerical services on behalf of the Partnership for the period January 14 (commencement of operations) through December 31, 2021 the Partnership incurred administrative fees in the amount of \$12,570, of which \$1,610 is included in the \$9,610 accrued operating expense in the statement of financial condition.

11. Fully paid securities lending program

The Partnership maintains investment positions in their accounts that may be loaned out to their custodian for the purpose of earning additional investment income. These securities are included in the Partnership's portfolio and the Partnership can transact as they normally would, buying and selling these securities at any time without prior notice to the custodian. The loaned securities are not protected by the Securities Investor Protection Corporation (SIPC), however, the cash collateral received is protected by SIPC, up to SIPC limits and the custodian provides supplemental insurance coverage in excess of SIPC limits from certain underwriters. In 2021, the Partnership earned approximately \$37 in income related to this program which is reflected in dividend and interest income in the statement of operations.

MILITIA CAPITAL PARTNERS, LP

NOTES TO FINANCIAL STATEMENTS

12. Financial highlights

Financial highlights for the year ended December 31, 2021 are as follows:

Total Return:

Total return before General Partner incentive allocation	87.60 %
General Partner incentive allocation	<u>(17.20)</u>
Total return after General Partner incentive allocation	<u>70.40 %</u>

Ratios to average limited partners' capital:

Total expenses before General Partner incentive allocation	5.80 %
General Partner incentive allocation	<u>8.10</u>
Total expenses and General Partner incentive allocation	<u>13.90 %</u>
Net investment income (loss)	<u>(0.40) %</u>

Financial highlights are calculated for the limited partner class taken as a whole. An individual limited partner's return and ratios may vary based on participation in new issues, private investments, different performance and/or management fee arrangements, and the timing of capital transactions. The net investment income (loss) ratio does not reflect the effects of the reallocation to General Partner.

The ratios, excluding nonrecurring expenses and the reallocation to the General Partner, have been annualized for the period January 14, 2021(commencement of operations) through December 31, 2021.

13. Subsequent events

These financial statements were approved by management and available for issuance on the date of the Independent Auditors' Report. Subsequent events have been evaluated through this date.

From January 1, 2022 through May 4, 2022, the Partnership accepted additional capital contributions of \$7,175,449 (of which \$430,000 is included in advance capital contributions as of December 31, 2021) and had additional capital withdrawals of \$70,000.