



	Long	Short	Gross Return	Net Return ¹	S&P 500	Beta	Alpha	Sortino	AUM
H2 2018	-23%	+26%	-2.7%	-3%	-6.8%	.97	.18	-.2	\$50k
FY 2019	+58%	+21%	+90.9%	+75.6%	+31.2%	.64	.55	3.3	\$200k
FY 2020	+65%	+64%	+171%	+132%	+18.3%	1	.95	3.4	\$1.5m
FY 2021 ²	+80%	-17%	+49.4%	+43.8%	+28.7%	.21	.39	2.1	\$16m
FY 2022	-11%	+123%	+98.5%	+73.4%	-18.2%	.02	.68	4.3	\$43m
YTD	+34%	-20%	+7.2%	+6.8%	+13%	-.26	.11	.47	\$53m
Total	+328%	+273%	+1,493%	+948%	71%	.49	.54	2.55	

Past performance does not guarantee future results.

Militia is no longer accepting new contributions except for those already planned.

¹ Net of .5%/year management fee and 25% performance fee above positive S&P 500 returns.

² The fund launched in February 2021. Prior to this I was investing from my personal account. Full year 2021 gross returns were 49.4% in my personal account and 87.4% in the fund. The accounts were combined at year end.

September 30th, 2023

I use rough numbers to save time and they don't include the fees. See the administrator's statement for precise numbers.

I'm in Chiang Mai, Thailand visiting my wife's family. If anyone heads out here let me know if you'd like to meet.

1. Results from July 1st - Sept 30th

S&P 500 -3.2%

Militia Capital +7.6%

We made 5.1% on longs and 2.5% on shorts.

We're currently 175% long and 100% short.

Risk Measures Benchmark Comparison

Analysis Period: July 3, 2023 - September 29, 2023 (TWR)

Risk Analysis

	ARKK	SPY	QQQ	U***7733
Ending VAMI	898.73	967.80	971.22	1,076.30
Max Drawdown	24.13%	6.64%	8.04%	7.51%
Peak-To-Valley	07/19/23 - 09/26/23	07/31/23 - 09/26/23	07/18/23 - 09/26/23	07/06/23 - 08/03/23
Recovery	Ongoing	Ongoing	Ongoing	15 Days
Sharpe Ratio	-1.12	-1.55	-0.92	1.49
Sortino Ratio	-1.53	-1.96	-1.21	2.12
Standard Deviation	2.23%	0.66%	0.97%	1.13%
Downside Deviation	1.63%	0.53%	0.74%	0.79%
Correlation	-0.46	-0.10	-0.11	-
β:	-0.23	-0.16	-0.12	-
α:	0.18	0.24	0.25	-
Mean Return	-0.14%	-0.05%	-0.04%	0.12%
Positive Periods	31 (47.69%)	35 (53.85%)	35 (53.85%)	43 (66.15%)
Negative Periods	34 (52.31%)	30 (46.15%)	30 (46.15%)	22 (33.85%)

Value Added Monthly Index (VAMI)

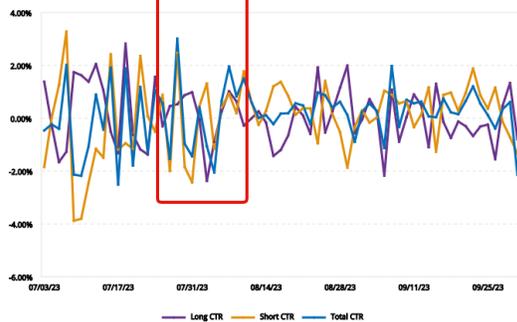


Performance by Long & Short

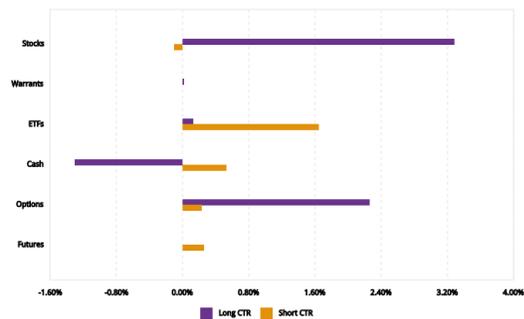
Volatility drops when we cut leverage

Analysis Period: July 3, 2023 - September 29, 2023 (TWR)

L & S Performance Comparison



L & S Performance by Financial Instrument Comparison



This report is generated by Interactive Brokers. It uses gross returns. See net of fee returns above.

Militia uses the S&P 500 as a benchmark because it shows the fund's correlation and volatility relative to risk assets, not because you should gauge our performance to the S&P 500 quarter to quarter - we are not positively correlated, after all.

2. August 3rd Email to Investors

Militia is down 7.5% YTD.

This environment is hard for short sellers generally but in particular for my strategy. I wrote a short post [explaining what happened](#). Someone was kind and linked [a great article from 1990](#) showing that this has happened before.

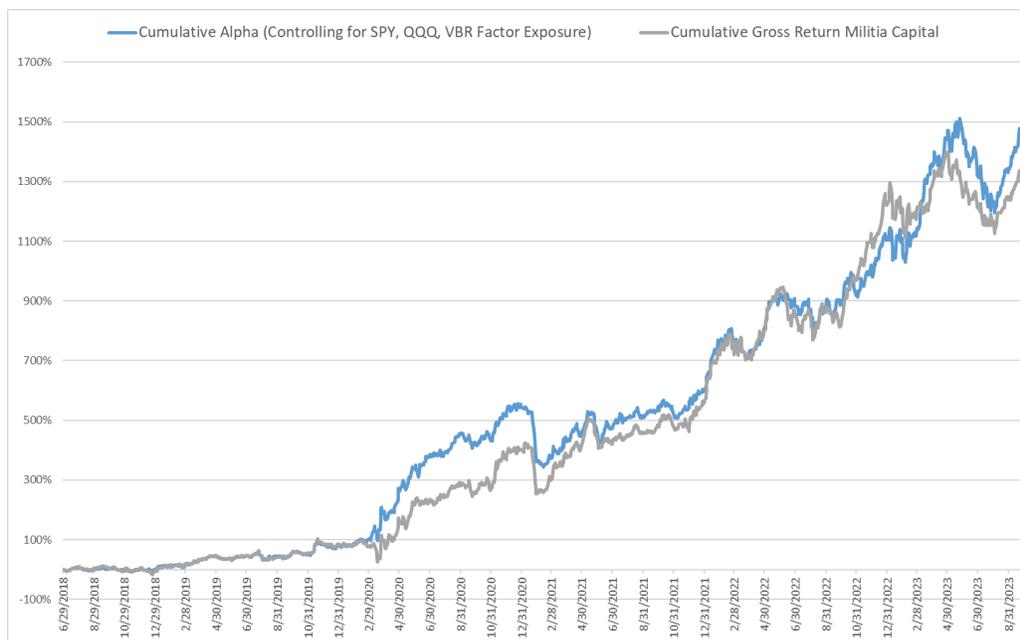
Last year companies were dropping hard on news that didn't seem so bad. This year they're skyrocketing on news that seems innocuous. Netflix is a good example. It went from \$650 in 2021, to under \$200 in 2022 and now it's back to \$440 - but nothing about Netflix really changed in that time.

I've reduced gross leverage down to 155% long and 55% short and plan on holding it down here for at least a few months while I cool off. This means we'll be more correlated to the general market, though in theory we should still fare okay in the event of a large market sell off.

I still believe in what I'm doing. We're just short a basket of diversified junky companies, and long a basket of good ones. I've gone through these picks countless times and I believe most of our shorts are heading to zero over the medium term.

3. Autocorrelation

Sam Lee is one of Militia's large LPs. He ran [an analysis](#) of my track record showing that my alpha - my edge on the market - is autocorrelated. This means that winning and losing tends to happen in streaks rather than being random:



Militia runs with two key factor³ mismatches. We're long low to medium volatile companies, and short very volatile ones. We're long profitable businesses and short cash incinerators. This causes the autocorrelation.

There are stretches where volatile, cash burning companies trade up far more than the market as a basket. Sometimes these moves are explosive which isn't worrying. If anything, I might get more bearish after a rapid blow off top in junky stocks. That's often the point of peak madness, a fine time to try pressing short bets. The problem is when bad companies are persistently strong, like from May through July.

There are many possible causes of sustained flows into junky stocks. A couple examples,

- A new, big technology is coming out. Charlatan management of the worst companies will reliably lean into the hype. Like AI this year.
- Too much government stimulus, causing easy money to flow into speculative investments. Like during Covid.
- Junky stocks sold too hard, too fast and are more likely to rebound for a while.

4. Flocks of Sheep

Say that a flock of sheep starts coming from a bend in the road but you can't see how big it is yet. More and more sheep start coming at once and the flock keeps getting thicker. This trend could suddenly stop but I'd gamble on it continuing. You can make an educated guess that the herd is likely larger than it immediately appears given the early trend information⁴. This is the time to gradually increase caution given all the leverage I use.

³ Factors are buckets of stocks that are correlated in the short term. Examples: growth, value, small and large company size, defensive, cyclical, etc.

⁴ I learned about this from the great book [Mathematics of Poker](#). This is [Bayesian statistics](#).



A beautiful thing is that this works in reverse and it's why I pressed shorts so hard in 2022. I cannot control the market environment but I can tailor my strategy to it.

I'd have been better off not rebalancing on August 3rd. However, this ignores the times that reducing leverage helped us. As a reminder, I reduced 155% gross short exposure at the start of the year to 75% by early July. Had I not done this we would have had quite a bit worse drawdown than 18%. With a larger drawdown I'd have been forced to rebalance the portfolio anyway - only at a far worse time. We'd then need to win substantially more to get back to breakeven. This is exponentially punishing:

Drawdown	Win needed to break even
-10%	+11%
-20%	+25%
-30%	+43%
-40%	+67%

After the flock of sheep started thinning out I was able to reshort quite a bit, much earlier than I had expected in early August.

As always, thanks for your investment.

David Orr

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Performance returns – gross and net – are computed by Mr. Orr. Net returns are net of performance fees and management expenses, if any. Upon request, Mr. Orr can provide additional information regarding how gross and net returns are computed.

The figures provided in this letter are unaudited.

Past performance is not indicative of future results.

Each investor / Limited Partner will receive individual statements from the funds' administrator showing actual returns.

Reference to the S&P 500 does not imply that Militia Capital will achieve returns, volatility, or other results similar to that index. Indeed, while the S&P 500 is a long-only index primary of large capitalization companies, Militia Capital takes long and short positions in many securities. As such, Militia Capital's portfolio may often differ materially from the S&P 500, hence the manager's consistent reference in this letter to a lack of correlation.

The specific investments identified and described in this letter are not a representation of all potential positions or strategies used by the Fund and, to the contrary, may represent a small percentage of activity. This information is presented to provide insight into explaining the Fund's performance, Sharpe ratio, or commenting on investment principles such as valuation.