July 1, 2022

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

Many individual stocks[1] are cheap today, even cheaper than June 2020. They dropped because of a credible fear that we're in a recession now or that we will have one soon. I studied past market trends and learned that stocks are more likely to bottom before a recession rather than in a recession itself. Thus, I'm already quite long stocks that are beaten down for this reason.

The risk against this positioning is that we'll have a very bad recession. But I've not heard a convincing case. I'm in the camp that we might avoid a recession or that it'll be a short one since homeowners just had a few trillion dollars of mortgage debt wiped away in real terms. Consumers should be strong right now. The losers from inflation were poor people and lenders, i.e. the very rich. Poor people don't spend much anyway and the very rich won't change their spending habits.

On the short side, non profitable growth stocks still have more room to fall. I'm using the heuristic: way too many companies are still trading above 10x revenue. Some might be good long term bets like Unity (U) or Gitlab (GTLB). But the overall basket is just too expensive and I'm guessing they continue to sell off together. This meme probably has it right:

[1] Bets include small banks (PKBK), large banks (C), home builders (MHO), passive investing (TROW), Disney (DIS), video game makers (GRVY), car part manufacturers (LNR.to), subprime credit (COF, SYF), multi level marketing (HLF), natural gas pipelines (ET), profitable SaaS (LPRO), Google (GOOG), RV parts (PATK) and many more.

🌩️schaudenfraud🌩️
@schaudenfraud

Replying to @MadThunderdome

I/s investors telling tech investors there hasn't even been any fear yet

12:35 PM · May 22, 2022 · Twitter Web App

Revlon (REV) recently went bankrupt and shares dropped from $4.5 to $1.5. Right after, shares spiked to $7 on no news. Revlon's float is tight but this tells me that it's too early to get involved in bankruptcies. Asymmetry is too strong against me. I will start shorting these when market gamblers run out of money, probably in another couple of quarters.

1. Results from April 1 - June 30 2022

S&P 500 -15.5%
Militia Capital +16%

We lost 24% long and won 53% short.

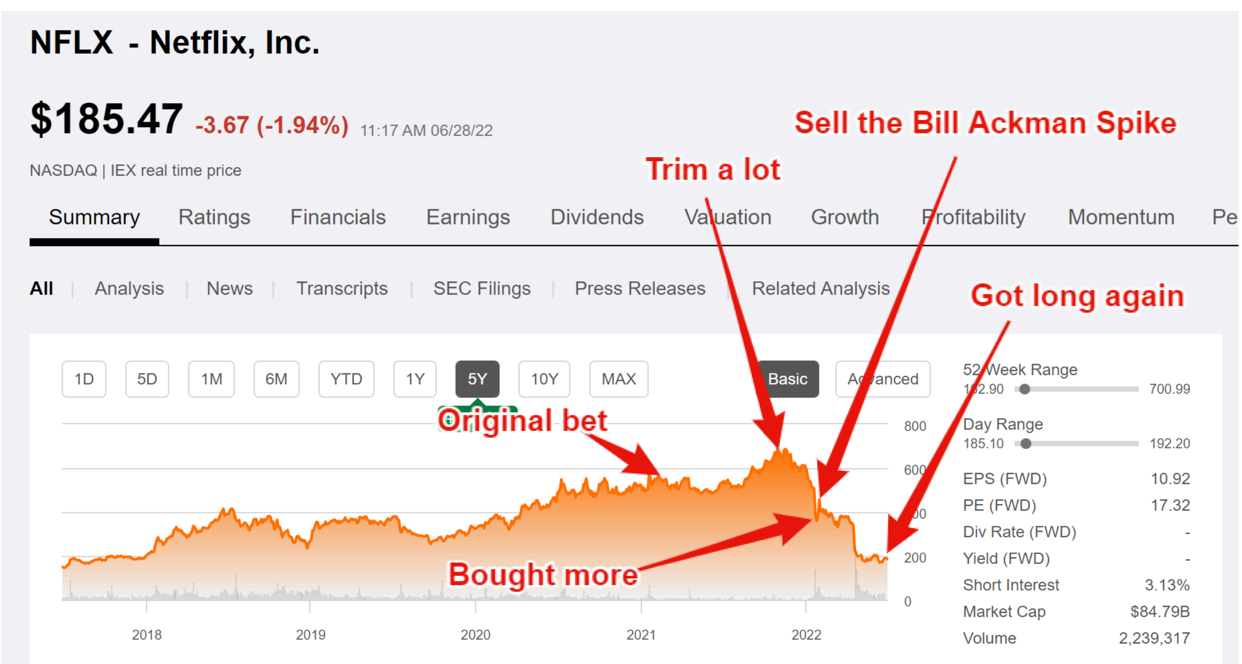
We're 255% long and 140% short.

Interactive Broker increased margin allowances for highly diversified accounts like ours. That's why gross leverage is creeping up. I mentioned this to my mentor - who's also investing with me - and he didn't comment against me using this new margin. I studied Robert Wilson who ran with 500% gross leverage for 20 years, which implies the risk isn't *that* crazy. That said, higher gross leverage plainly means higher risk. ***Please don't risk more than you're willing to lose in Militia Capital - trim on the way up to manage the risk on your side***.

2. Netflix

A few investors asked me specifically about the Netflix bet. I broke even since I trimmed a lot at $650, bought more at $375, and then sold it all at $440 when the price spiked on news that Bill Ackman bought shares. I got lucky even if there was some skill. I couldn't even fully explain my trades - a detailed explanation would be post hoc nonsense. The likely answer is that I subconsciously absorbed many market patterns and just dodged the bullet in time.

Last quarter Netflix guided to losing 2 million subscribers. This came out of nowhere. Not a single bear predicted anything like this. This is catastrophically bad if it means that Netflix will shrink from here. I don't think so and I got long again. How could Netflix management know they are going to lose those subscribers in April unless it's part of their plan to prevent account sharing, which wouldn't really be such bad news. If Netflix either starts growing again, or if they have lots of untapped pricing power and maintain their subscriber base, shares will rapidly go to $300+. On the other hand, if they lose 2 million subscribers and guide to higher attrition, Netflix might drop another 50%.



3. Fund AUM and Friction

The fund is up to $30 million AUM.

Three stocks had friction that cost us money this year. Year to date we'd have been up another couple percent if I was still at $5 million AUM.

I'm letting money trickle in above the $10 million initial deposit cap because friction costs are *way* lower than I anticipated 2 years ago. There are lots of great opportunities right now and I'm just sitting on my hands.

I've turned down many affiliate marketing offers that would have increased the fund's size massively. I'm still sticking with the spirit of the fund's cap and will definitely not raise tens of millions more from here.

There's a nice tax benefit for existing investors when someone new joins. It reduces existing position sizes without me having to realize any capital gains. This is a big part of why realized gains will be near zero this year.

4. Detailed Broker Reports

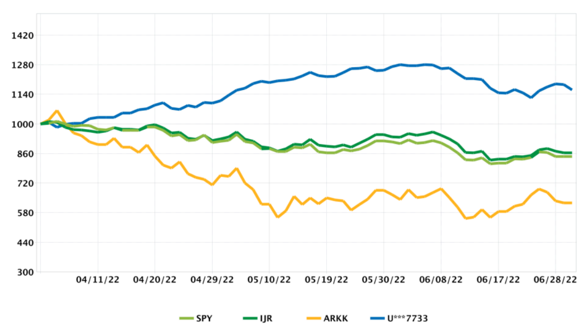
Risk Measures Benchmark Comparison

Analysis Period: April 1, 2022 - June 30, 2022

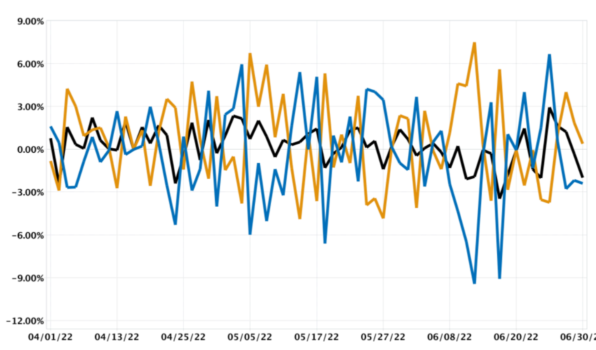
Risk Analysis

	SPY	IJR	ARKK	U***7733
Ending VAMI	845.76	862.82	626.19	1,161.60
Max Drawdown	19.74%	18.09%	48.11%	12.30%
Peak-To-Valley	04/04/22 - 06/16/22	04/01/22 - 06/16/22	04/04/22 - 06/13/22	06/06/22 - 06/23/22
Recovery	Ongoing	Ongoing	Ongoing	Ongoing
Sharpe Ratio	-2.24	-1.95	-1.97	2.88
Sortino Ratio	-2.75	-2.41	-2.56	4.32
Standard Deviation	1.74%	1.75%	4.89%	1.34%
Downside Deviation	1.42%	1.41%	3.77%	0.89%
Correlation	0.27	0.33	-0.13	-
β:	0.21	0.25	-0.04	-
α:	0.75	0.76	0.57	-
Mean Return	-0.24%	-0.21%	-0.60%	0.24%
Positive Periods	32 (49.23%)	30 (46.15%)	30 (46.15%)	40 (61.54%)
Negative Periods	33 (50.77%)	35 (53.85%)	35 (53.85%)	25 (38.46%)

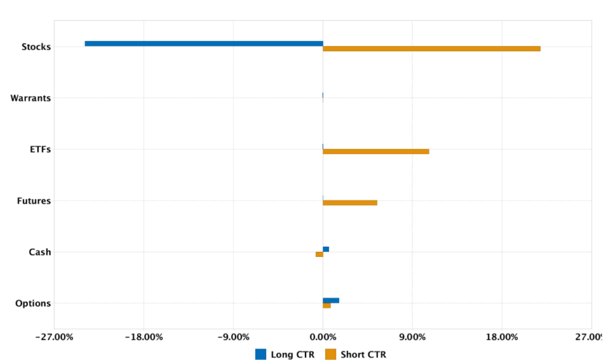
Value Added Monthly Index (VAMI)



L & S Performance Comparison



L & S Performance by Financial Instrument Comparison



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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.

Except for the year end 2021-2024 net returns at the top of this letter, the figures provided 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.

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