



October 1, 2022

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

1. Results from July 1st - September 30th 2022

S&P 500: -5%

Militia Capital: -3.25%

We lost 11% on longs and won 9% on shorts.

We're currently 220% long and 145% short.

This quarter I became more pessimistic on the general market from 1. The strong dollar and 2. Effects of the EU energy crisis becoming clearer.

A strong dollar means that global companies, which earn a lot in foreign currencies, will earn a lot less in terms of the US dollar. This lowers S&P 500 earnings estimates, which I already mentioned seemed too high in the Q3 2021 letter.

The EU energy crisis will directly hit consumer's discretionary spending. On top of that, many plants in the EU are no longer economical given higher electricity prices. I realized how serious this could be after thinking about chemical or fertilizer plants and similar. This is unlikely to be resolved for 18+ months since building new infrastructure takes time. The EU printing money to fill the gap seems probable.

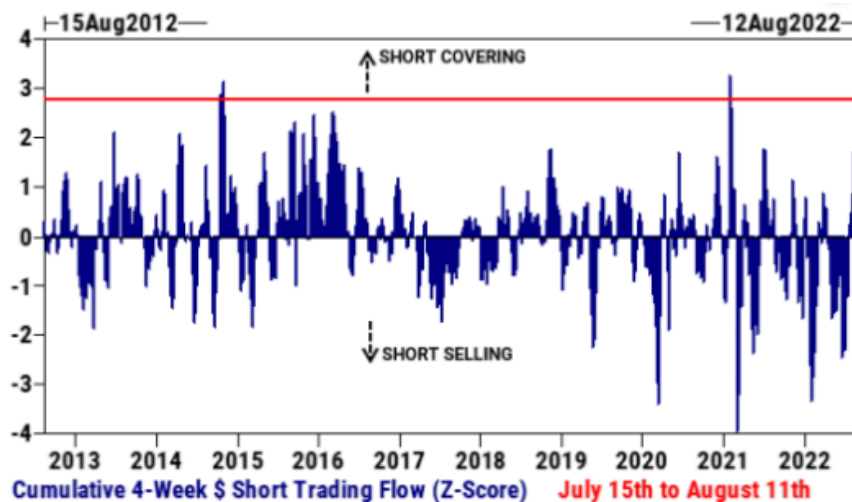
I continue to think that many individual companies are very cheap today, particularly ones that earn mostly USD and owe lots of long dated, fixed rate debt. I also think that many shorts will start going

bankrupt soon due to the Fed's aggressive tightening. If both sides play out then we will have a fantastic result over the next couple of years. This is the best setup I've seen in the market.

2. A Textbook Bear Market Rally

I was up in Chicago the week of August 15th having dinner with an investor I respect a lot, @Walt373 on twitter. We were talking about market conditions and we both had the same thought: that the sharp rally through mid-August sure looked like past bear market rallies. He used the words, "A textbook bear market rally" assuming the bounce stopped right at the index's 200 day moving average, which it did. This burned into my mind because normally Walter avoids being too sure about anything - which I consider a strength - but he sure sounded confident here.

The rally we saw in the first half of the quarter was driven by shorts covering. I personally knew of short sellers that started having to involuntarily cover by late July:



This squeeze was almost as extreme as January 2021's but we fared better this time despite having more gross exposure. Last time I explained that we got particularly unlucky being the target of 3 large pump and dump schemes but this time I wasn't involved in any of the outlier stocks. Even so, by mid-August we were 15% behind the S&P 500 for the quarter.

Any time an event like this happens I expect to lose pretty bad compared to the general market.

Are these events forecastable or is it possible to cover shorts beforehand? I think not. It's impossible to know either when they will happen or their magnitude. I thought about timing this last February after bad stocks took their first big dive. Luckily I decided against it. Had I covered back then we'd have done a lot worse on the year.

That said, if I stay cool headed then I can take advantage of short covering feedback loops *after* they've finished. It's usually pretty obvious when these chain reactions are dying down because correlation

between bad companies drops tremendously. This became clear to me in mid-August so I cut our net long exposure down to 50%, allowing us to make a strong comeback. Now that I've experienced this a couple times, next time I will lower net exposure even more.

3. Taxes

Last year 20% of Militia's gains were realized, half of which were long term capital gains or qualified dividends. I'm targeting a similar tax result in 2022.

4. Broker Report

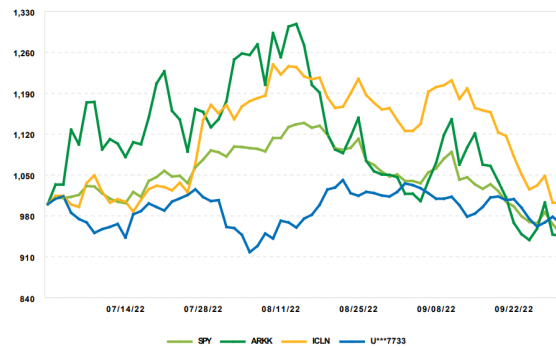
Risk Measures Benchmark Comparison

Analysis Period: July 1, 2022 - September 30, 2022

Risk Analysis

	SPY	ARKK	ICLN	U***7733
Ending VAMI	950.72	946.09	1,002.10	967.57
Max Drawdown	16.53%	28.28%	19.14%	10.49%
Peak-To-Valley	08/16/22 - 09/30/22	08/15/22 - 09/26/22	08/10/22 - 09/30/22	07/27/22 - 08/05/22
Recovery	Ongoing	Ongoing	Ongoing	11 Days
Sharpe Ratio	-0.91	-0.10	0.14	-0.50
Sortino Ratio	-1.21	-0.15	0.23	-0.68
Standard Deviation	1.32%	3.65%	2.11%	1.47%
Downside Deviation	0.99%	2.54%	1.35%	1.09%
Correlation	0.06	-0.29	-0.25	-
β :	0.07	-0.12	-0.17	-
α :	-0.11	-0.13	-0.11	-
Mean Return	-0.07%	-0.02%	0.03%	-0.04%
Positive Periods	31 (46.97%)	30 (45.45%)	33 (50.00%)	34 (51.52%)
Negative Periods	35 (53.03%)	36 (54.55%)	33 (50.00%)	32 (48.48%)

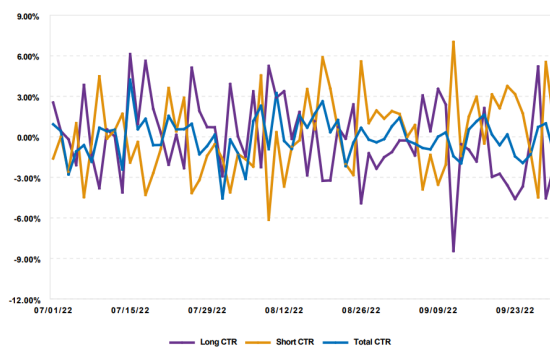
Value Added Monthly Index (VAMI)



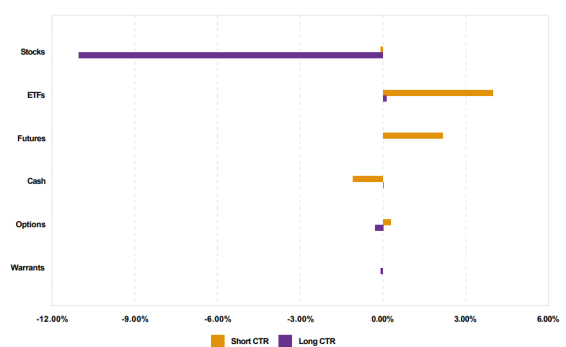
Performance by Long & Short

Analysis Period: July 1, 2022 - September 30, 2022

L & S Performance Comparison



L & S Performance by Financial Instrument Comparison



I'll continue doing my best,

David Orr

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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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