



	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
FY 2023	+58%	-27%	+15.3%	+14.8%	+26.2%	-.23	.15	.73	\$58m
Total	+408%	+238%	+1,617%	+1,029%	+91%	.47	.53	2.48	

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.

December 30th, 2023

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

Part 1: Fourth Quarter

1. October 1st - December 31, 2023 Results

S&P 500: +11.6%

Militia Capital: +7.5%

We made 17% on longs and lost 8% on shorts.

Currently we're 175% long and 95% short.

2. Backing Militia's First Portfolio Manager

I followed an investor on Twitter for years, initially as a possible contra because he would sometimes get long the types of stocks that I was shorting. Over time I noticed that his picks did well and that he had a good sense for portfolio construction. One day he posted his performance and his returns were better than mine since 2019 investing on \$200k of assets. He did this while working a government job.

Approaching him to invest for Militia was obvious.

Summary:

- He's long/short using 150% gross leverage and his picks use a lot of margin so he's not wasting any. An added benefit is that this deleverages Militia a bit.
- He's more of an investor than trader but he has a healthy amount of portfolio turnover.
- We're uncorrelated or maybe even negatively correlated.
- I met him in person. I could tell that he does his own thinking and knows a lot of stocks. He clearly loves investing.
- I started him with \$1 million but I'm up-sizing him to \$4 million after new years.
- No extra fee for LPs. I'm giving him a majority of my performance fee for the money that he's investing. His percent share will go up over time as he does well. I will try to align incentives so that he sticks with Militia long term.
- I'm giving him autonomy. I can see his trades and portfolio in real time. If one day he dramatically changes his investing style I'll find out why - otherwise I'll be completely hands off.

Ultimately I'm responsible for the decision to back him. It's like any other bet in my portfolio, thus I'm going to report our consolidated results.

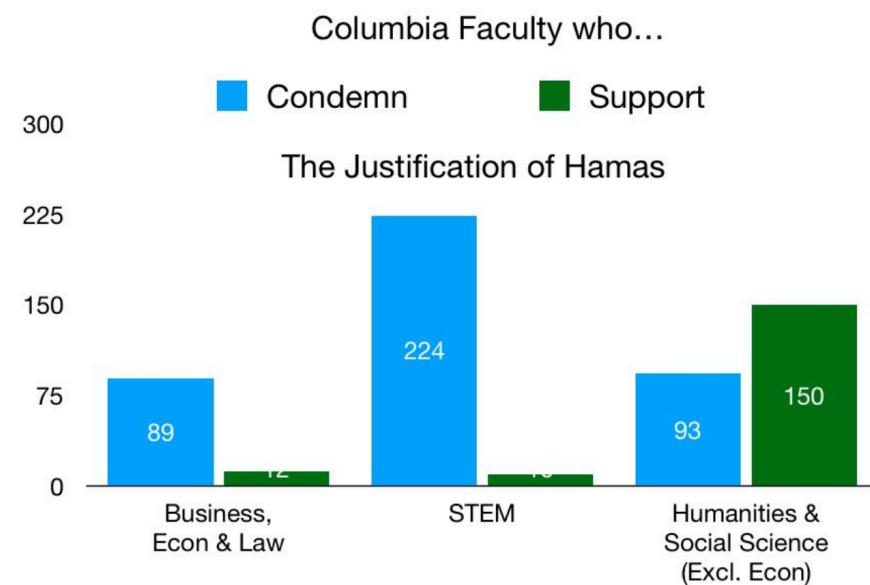
If anyone reading this is interested in a similar deal, please email me your track record at info@militiacapital.com. Include your beta and number of positions over the sample. Personal accounts are fine. I don't care about your formal education or finance career background. I'm open to any type of investing or trading that works in Interactive Broker. I'll be super selective.

3. Antisemitism

A joke I liked that's also true, "Jews only survived a hundred generations of persecution because they were so paranoid. My ancestors, 'Vibes off, let's get on a boat'."

My great grandfather was Jewish. He immigrated to the USA from Russia, escaping pogroms³. My dad's side of the family all share this lineage and my dad was always paranoid about antisemitism. Apples don't fall far from the tree so it's not surprising that I noticed the rising antisemitism well before the October 7th attack.

Antisemitism in modern America mostly comes from two groups: University's social sciences - including education departments - and the young people that they are indoctrinating⁴:



One example: A history professor from Cornell [found Hamas's attack 'exhilarating'](#) even though Hamas's openly stated goal is the eradication of Jews in the region. Professors like him are training future American leaders and educators.

³ Pogroms were [the norm throughout history](#). The last 80 years were an anomaly.

⁴ The doctrine is that identity groups with more money and power got it by exploiting others rather than merit and culture. Their reasoning is indistinguishable from many parts of [The International Jew](#), a point that I've been making since 2018. Young people on both the right and left can use this reasoning to justify evil world views.

Stop here and think: Has there been another time that a deliberate mass slaughter of civilians was widely celebrated like this?



If the above trend is linear then 18-24 year olds are already more holocaust deniers than not and most young social science professors already support Hamas. What's going to happen as the older teachers retire and are replaced by this younger generation? It's worth following the public's view on this, particularly if you're Jewish.

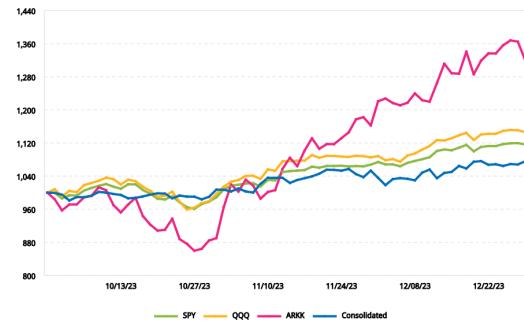
4. Broker Report

Risk Measures Benchmark Comparison Analysis Period: October 2, 2023 - December 29, 2023 (TWR)

Risk Analysis

	SPY	QQQ	ARKK	Consolidated
Ending VAMI	1,116.40	1,145.92	1,320.14	1,075.75
Max Drawdown	5.88%	7.42%	15.15%	3.69%
Peak-To-Valley	10/11/23 - 10/27/23	10/11/23 - 10/26/23	10/10/23 - 10/27/23	11/27/23 - 12/04/23
Recovery	7 Days	8 Days	5 Days	10 Days
Sharpe Ratio	3.28	3.25	2.77	1.77
Sortino Ratio	5.26	5.03	4.70	2.73
Standard Deviation	0.74%	0.96%	2.56%	0.87%
Downside Deviation	0.46%	0.62%	1.51%	0.56%
Correlation	-0.14	-0.09	-0.39	-
β :	-0.16	-0.08	-0.13	-
α :	0.31	0.29	0.40	-
Mean Return	0.17%	0.21%	0.46%	0.12%
Positive Periods	42 (64.62%)	42 (64.62%)	39 (60.00%)	33 (50.77%)
Negative Periods	23 (35.38%)	23 (35.38%)	26 (40.00%)	32 (49.23%)

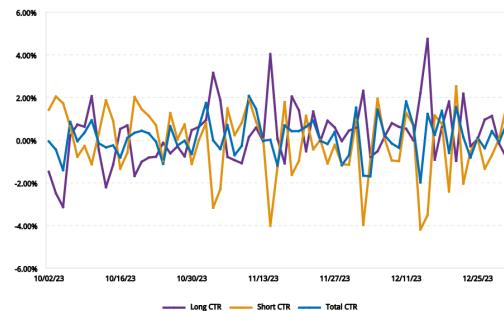
Value Added Monthly Index (VAMI)



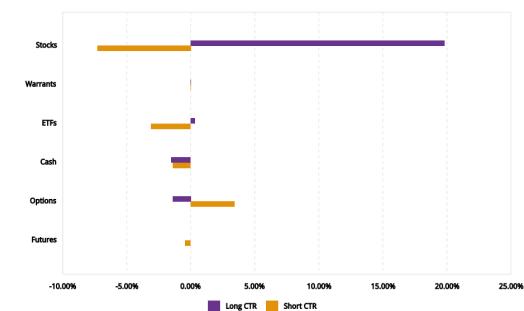
Performance by Long & Short

Analysis Period: October 2, 2023 - December 29, 2023 (TWR)

L & S Performance Comparison



L & S Performance by Financial Instrument Comparison



Part 2: Full Year

1. 2023 Results

S&P 500: +26.2%

Militia Capital: +15.3%. Long +58%, Short -27%

I made [bets on 600 individual companies this year](#). 57% of them were winners.

I've lowered beta over the years because my IRR on shorts has been higher than longs - this isn't an attempt at market timing. Having low to negative beta also makes Militia negatively correlated or at least uncorrelated to risk assets which has a big benefit.

Next year I'll continue running with slightly negative or neutral beta. We are likely to do well if the market is weak. However, if the market continues skyrocketing it will be much harder to beat the index in 2024. I have no idea where the market is going next year but I think that the S&P 500's expected forward return over the next decade is low. Valuations are just too high. If the expected return goes up - say if the S&P 500 returned to \$3,500 next year - I will be inclined to take on some market risk again.

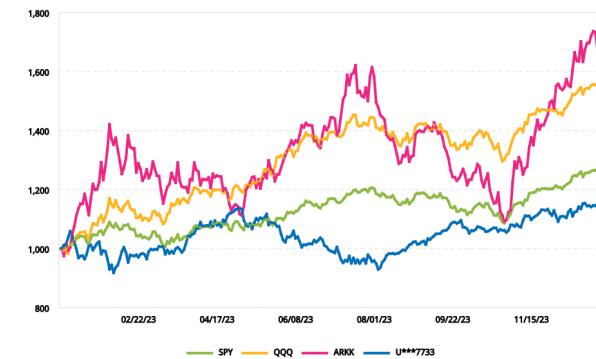
Risk Measures Benchmark Comparison

Analysis Period: January 2, 2023 - December 29, 2023

Risk Analysis

	SPY	QQQ	ARKK	U***7733
Ending VAMI	1,261.90	1,548.53	1,676.38	1,153.57
Max Drawdown	9.97%	10.78%	32.68%	18.23%
Peak-To-Valley	07/31/23 - 10/27/23	07/18/23 - 10/26/23	07/19/23 - 10/27/23	05/02/23 - 08/03/23
Recovery	24 Days	13 Days	34 Days	97 Days
Sharpe Ratio	1.43	2.24	1.35	0.54
Sortino Ratio	2.17	3.61	2.11	0.73
Standard Deviation	0.81%	1.10%	2.49%	1.26%
Downside Deviation	0.53%	0.68%	1.60%	0.93%
Correlation	-0.15	-0.26	-0.52	-
β :	-0.23	-0.30	-0.26	-
α :	0.15	0.23	0.25	-
Tracking Error	1.60%	1.88%	3.32%	-
Information Ratio	-6.79	-20.99	-15.73	-
Turnover	-	-	-	511.46%
Mean Return	0.09%	0.17%	0.23%	0.06%
Positive Periods	152 (58.46%)	153 (58.85%)	141 (54.23%)	148 (56.92%)
Negative Periods	108 (41.54%)	107 (41.15%)	119 (45.77%)	112 (43.08%)

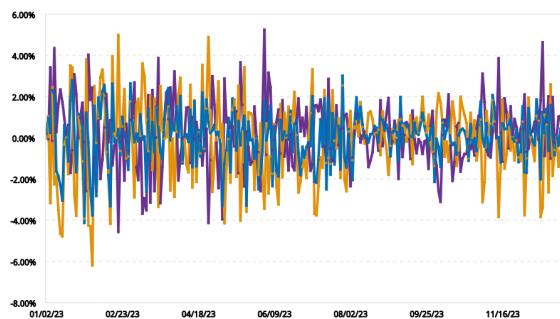
Value Added Monthly Index (VAMI)



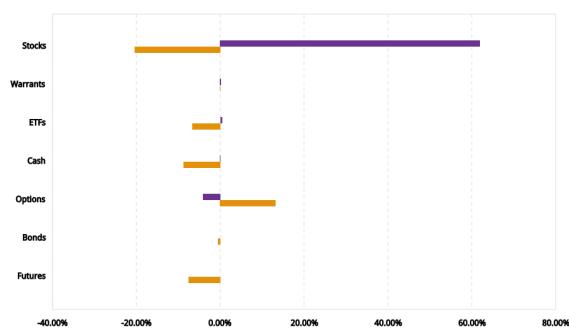
Performance by Long & Short

Analysis Period: January 2, 2023 - December 29, 2023 (TWR)

L & S Performance Comparison



L & S Performance by Financial Instrument Comparison



2. Performance Fee Update

One part of the fund's performance fee seems unfair to the LPs that made contributions in 2023. I'm voluntarily fixing this.

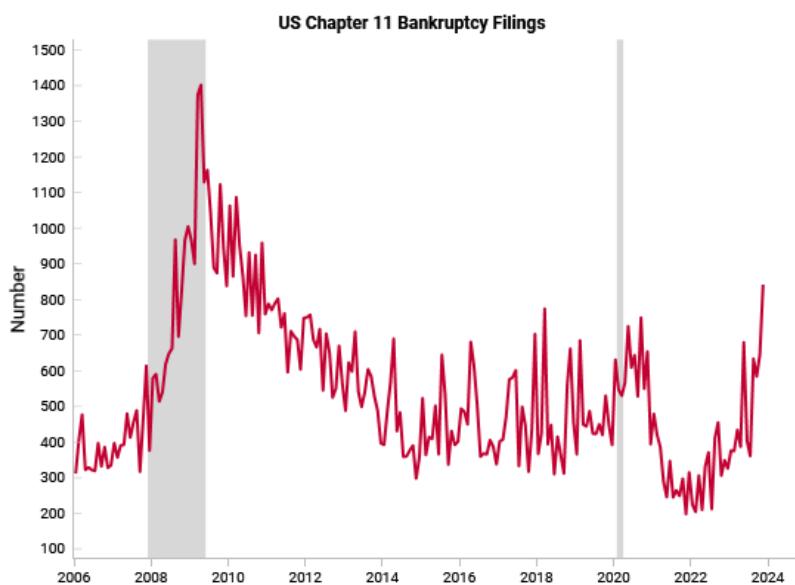
I originally wanted to get paid for long term outperformance to the S&P 500. However, the lawyer wrote the offering documents in the cookie cutter way which has some nuance. First, last year I did not get paid for the outperformance on the S&P 500's 18% loss - I only got paid for my gain. This hurt me. Second, this year because I'm positive there is no added hurdle in the following year - the high water mark only works for losses and all LPs won this year. This helped me.

Contributions that were made in 2023 are behind the S&P 500. Say that I marginally beat the S&P 500 next year. It's likely that these partners would be paying a performance fee even though I did not actually outperform for them. That doesn't sit well with me. Thus, I'm setting their high water mark to match my underperformance to the S&P 500 this year. Note that this doesn't apply to contributions made prior to 2023 - they're still ahead of the S&P 500 given its 18% loss last year.

3. The Bankruptcy Tidal Wave Continues

One year ago I wrote that there was a tidal wave of bankruptcies incoming. That's been playing out. We shorted a couple dozen companies into bankruptcy this year, winning around 15% including a couple that went wrong. This wave is moving slower than I had expected. Now I think this tailwind could last at least through the end of 2024.

Interest rates dropping moderately won't save terrible, indebted companies. They need a return to near zero rates to have a decent chance of surviving.



4. Japanese Investments and Living in Japan

Militia had 25% long exposure to Japan for most of 2023. I've been taking a scattershot approach with many .5% positions. These bets are performing well even though most have low downside risk. All of the stocks are obviously cheap on the numbers. Companies that grow earnings 10%/year are trading for 10x earnings and many net/nets⁵ are trading for a consistent 10x earnings. I don't want to share most of these ideas publicly because they're thinly traded.

My top pick is Gung Ho Entertainment (3765). This is a video game company that bought back half its shares in the last decade. It trades for \$165 million enterprise value and earns \$150 million per year. This setup is great because of the heavy buybacks. Buybacks could always stop but even then it's hard to lose too much so the risk vs reward is amazing.

There are many signs that Japan is encouraging public companies to increase shareholder returns. A few examples:

- Creating a "shame list" to point out which companies are not improving return on equity.
- Getting parent companies to buy out their public subsidiaries, which were often treated as a cash bank account.
- New program to incentivize foreign hedge funds to operate in Japan.

The yen costs just .75%/year to borrow so buying Japanese stocks on margin is attractive as well.

Japan allows high income earners to obtain permanent residence after living in Japan for just one year. I hired a Japanese lawyer to assist with the process. So far it's been simple.

By living in Japan I would understand Japanese companies better and could concentrate more after building conviction. There are going to be lots of solid, obvious 15%+ IRRs with low downside risk. Plus I could increase my percent allocation to Japan.

I visited Japan last October and it was the most well run country I've been to. My wife and I loved it. Living there long term seems like a real possibility.

I'm likely making the move in the second half of 2024.

⁵ A net/net is an investment where the company's cash balance is greater than the market cap plus debt. You're essentially getting the company for free with the drawback that management sucks at capital allocation.

5. Final 2023 Tax Estimate

As a percent of your cumulative Militia win:

Long term capital gains 20%. Qualified dividends 5%.

Short term capital gains 10%. Interest income 5%. Less 15% margin interest expense deduction.

This is a loose estimate and you should leave a buffer.

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From [January through the end of July](#) was my longest stretch of underperformance since I began investing. In that period, highly volatile stocks went up 30% while low volatility companies traded flat. It's inevitable that we'll have tough periods, particularly when those factors's performance is mismatched like that. I appreciate your patience and the many words of support through that tough period.

Thanks again 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.

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.

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.