



	Long	Short	Gross	Net	SP500	Beta	Alpha	Sortino	AUM
H2 2018	-23%	26%	-3%	-3%	-7%	0.97	0.18	-0.2	\$50k
FY 2019	58%	21%	91%	76%	31%	0.64	0.55	3.3	\$200k
FY 2020	65%	64%	171%	132%	18%	1	0.95	3.4	\$1.5m
FY 2021	80%	-17%	49%	44%	29%	0.21	0.39	2.1	\$16m
FY 2022	-11%	123%	98%	73%	-18%	0.02	0.68	4.3	\$43m
FY 2023	58%	-27%	15%	15%	26%	-0.23	0.15	0.73	\$58m
YTD	6%	17%	24%	22%	15%	-0.14	0.36	3.22	\$74m
Total	439%	295%	2.029%	1.272%	121%	0.34	0.50	2.56	

*Net of .5% management fee and 25% performance fee over S&P 500 returns.*

*Militia Capital launched February 1st, 2021. I was investing from my personal account before that.*

June 29, 2024

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

I was on the [Rick of Ruin podcast](#) this quarter, a show that I've enjoyed for years.

### 1. Results from March 1st - June 28th

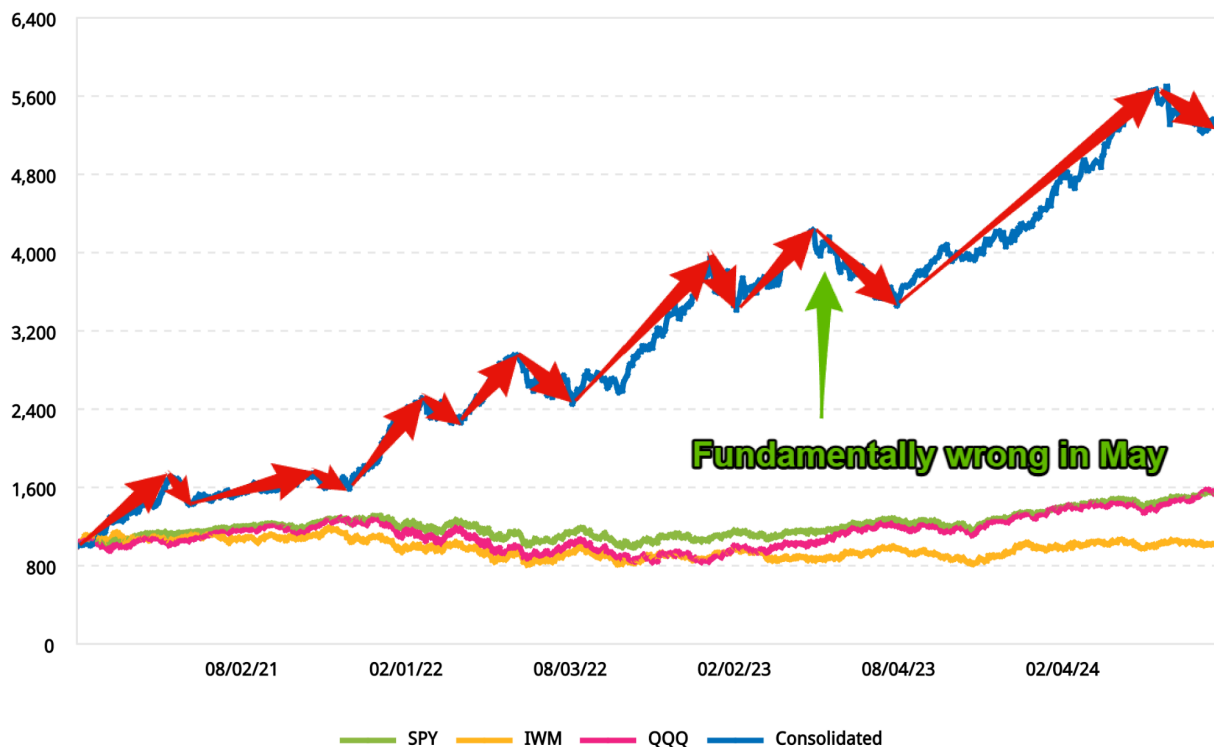
S&P 500 +7.8%

Militia Capital +9.4%

We made 5% on longs and 4% on shorts.

We're currently 185% long and 125% short.

I had a long stretch of great performance from August 4th until April 30th. But the market abruptly changed its behavior on May 1st, which comes from the autocorrelation that I mentioned [last year](#) - junk stocks will sometimes be relatively strong as investors herd into them. These streaks have tended to last 1-3 months but knowing exactly when they will start or end is impossible<sup>1</sup>:



A big benefit of backing other portfolio managers is that the autocorrelation at the fund level will largely disappear by next year if my plan works.

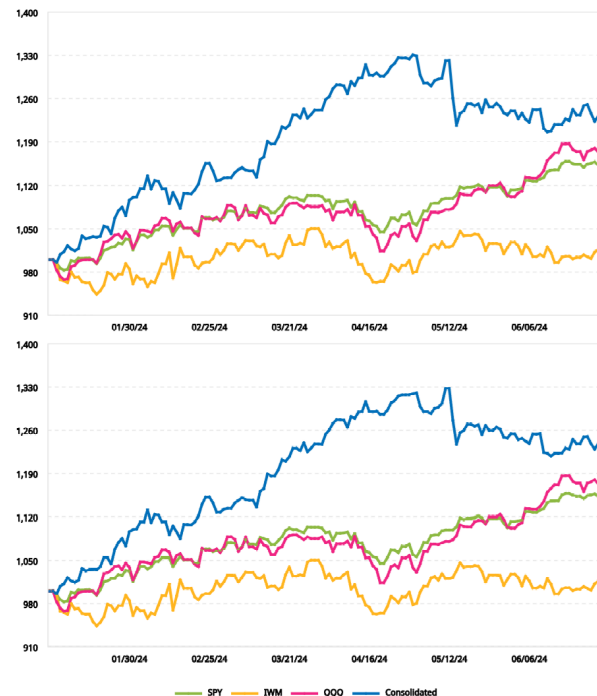
<sup>1</sup> Here's the [same idea in my personal account](#).

## 2. Combined Portfolio Manager Results Update

For the next several letters I will break out my individual performance so that you can compare it with the cumulative result of all portfolio managers combined. So far my plan has been working - our combined risk metrics are much better even though the new PMs were running with only a small portion of the fund's capital:

Only Me	SPY	IWM	QQQ	U***7733
Ending VAMI	1,152.27	1,016.24	1,173.35	1,231.51
Max Drawdown	5.35%	8.30%	7.11%	9.39%
Peak-To-Valley	03/27/24 - 04/21/24	03/28/24 - 04/18/24	03/22/24 - 04/21/24	04/30/24 - 06/12/24
Recovery	20 Days	Ongoing	21 Days	Ongoing
Sharpe Ratio	2.00	-0.06	1.66	1.89
Sortino Ratio	3.17	-0.08	2.60	2.74
Standard Deviation	0.61%	1.05%	0.87%	1.05%
Downside Deviation	0.38%	0.77%	0.56%	0.73%
Correlation	-0.15	-0.45	-0.15	-
$\beta$ :	-0.25	-0.46	-0.18	-
$\alpha$ :	0.37	0.32	0.36	-
Mean Return	0.10%	0.02%	0.11%	0.14%
Positive Periods	99 (65.56%)	91 (60.26%)	98 (64.90%)	90 (59.60%)
Negative Periods	52 (34.44%)	60 (39.74%)	53 (35.10%)	61 (40.40%)

Combined PMs	SPY	IWM	QQQ	Consolidated
Ending VAMI	1,152.27	1,016.24	1,173.35	1,238.25
Max Drawdown	5.35%	8.30%	7.11%	8.25%
Peak-To-Valley	03/27/24 - 04/21/24	03/28/24 - 04/18/24	03/22/24 - 04/21/24	05/12/24 - 06/13/24
Recovery	20 Days	Ongoing	21 Days	Ongoing
Sharpe Ratio	2.00	-0.06	1.66	2.19
Sortino Ratio	3.17	-0.08	2.60	3.22
Standard Deviation	0.61%	1.05%	0.87%	0.93%
Downside Deviation	0.38%	0.77%	0.56%	0.63%
Correlation	-0.09	-0.39	-0.10	-
$\beta$ :	-0.14	-0.34	-0.11	-
$\alpha$ :	0.36	0.32	0.35	-
Mean Return	0.10%	0.02%	0.11%	0.15%
Positive Periods	99 (65.56%)	91 (60.26%)	98 (64.90%)	91 (60.26%)
Negative Periods	52 (34.44%)	60 (39.74%)	53 (35.10%)	60 (39.74%)



## 3. Portfolio Managers Update

Our first portfolio manager told me that he is ready to reveal his identity. He is Rodrigo Cabezón or @RodriGo\_ethe on Twitter. Here's [his thread](#) where I noticed his fantastic performance. He has a law degree. He is happy to talk with Militia partners - if so, let me know and I will arrange it.

Militia added a second portfolio manager in April and a third is joining in September. Both of them are starting with \$5 million. I've followed what they do for years.

Portfolio manager 2:

- Returned 75% annualized since March 2020. Drawdown through covid was in line with the index and he won in 2022 through the bear market.
- Almost entirely long using 150% leverage.
- Buys low quality companies and sells them into short term spikes. His picks are often on my short watchlist but are the ones that I mostly skip - they can be seen as the best 20% of the value

trap basket, which is ripe for trading - less downside risk but they still have nice big bounces. His picks are completely different from Rodrigo, who is focused on qualitative stories and inflections; they have zero overlapping positions.

- Holds 40 positions at once.
- Also buys legitimately good value stocks to hold long term.
- Negatively correlated to me, particularly at the best possible moment when junky stocks are spiking market wide.
- Non-traditional background. While building his track record he played a key role in an unrelated startup's success, which recently sold for \$30 million.

Portfolio manager 3:

- Returned 40% annualized since January 2021 with no market correlation. This includes a 6 month period of very bad performance due to tilt, which I'm not worried about for two reasons. First, this was his own money and many people would not do that with other people's money. Second, I'm good at recognizing tilt from poker - I can tell him to go on vacation while I watch over his portfolio if this happens again.
- Long/short using 300% gross leverage.
- Similar strategy to me but he dives more into the details of SEC filings while I work more off of heuristics.
- Low correlation to me despite having the same general strategy. Sometimes we will be correlated when junky stocks are spiking but other times not. Two examples: He only lost 6% in January 2021 and he won 22% in June 2022 - those were a couple of my worst months.
- Holds a couple hundred positions at once. Like me, he tries to avoid crowded shorts.
- Traditional finance background. Sell side equity analyst for 2 years, then 2 years at a great performing >\$1bn AUM hedge fund. That fund is too mature so they can't offer him enough upside. He was also considering positions at other firms but opted to join Militia since he believes in our fund's vision.

#### **4. Risk Management**

I've managed risk in Militia over the last 6 years by doing more of what works and less of what doesn't. This applied to industries, types of stocks, asset classes, etc. I'll continue that with PMs.

I will gradually upsize individual PMs as they win. For example, I've given Rodrigo \$5 million more to manage - so \$10 million total - because he's been performing great. I will upsize him again after new years if this continues.

If a new PM performs poorly for too long I will give up on them. That said, I will err on the side of patience because the guys that I'm backing showed an extreme edge before joining and I don't want to miss out on top talent just because of an unlucky stretch or a few early mistakes. This is still asymmetric because they're starting with a small amount of capital - Militia will only lose 2-3% in the bad outcome.

Another reason to be patient: they aren't used to the pressure of running other people's money and it might take them a while to mentally adjust. I want them to have the least amount of pressure possible during that transition. This will also give Militia a good reputation and more talent will want to join.

That said, one thing I won't tolerate is a PM that keeps increasing risk as they're losing - like running a martingale strategy on their partition. I will quickly give up on them if they do this.

I got asked a couple of good questions by LPs,

Q: How quickly can you shut down a portfolio manager's trading in case they're doing something that they shouldn't?

A: Within minutes the Interactive Brokers website can transfer all funds and positions out of their partition.

Q: Can PMs wire money or access banking?

A: No.

## 5. Raising Capital

Militia raised net \$27 million since launching. Of this, I've "spun out" \$15 million to our first two portfolio managers. This means that my \$58 million partition today is running off \$12 million of LP's initial capital. This is in line with my promise from 2020 to not endlessly raise capital; to keep our edge high. In fact, I've already told one large investor that I won't take their mid 8 figure contribution.

### Key Statistics

2021-02-01 to 2024-06-21

#### Net Asset Value USD

Beginning	Ending	Change
2.8M ⓘ	74.15M ⓘ	71.35M ⓘ

#### Return%

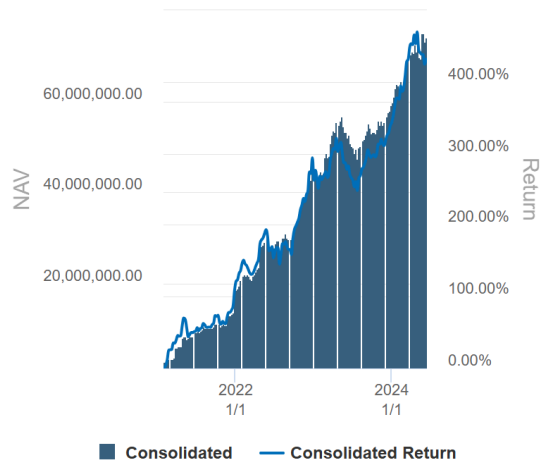
Best (2021-03-26)	Worst (2022-02-24)	Period
5.24	-4.98	431.52

#### Deposits & Withdrawals USD

Deposits	Withdrawals	Net
53.57M ⓘ	-26.26M ⓘ	27.31M ⓘ

### Performance

2021-02-01 to 2024-06-21



That said, I want to raise another \$15-35 million so that I can upsize PMs as they perform well, plus back another PM or two if I can convince promising ones to join - I have a couple of wonderful leads. I'll continue splitting off some of my own profit to assist with upsizing PMs as well.

My new minimum investment is \$1 million but I'd prefer a couple of larger investors that want most of this capacity. If a large investor has a great reputation for sticking around long term you can have all of this capacity - I'd prefer that you contribute capital gradually as I decide to allocate more to PMs.

After this I doubt I'll raise capital again. All I'm doing here is raising money for PMs just like I raised money for myself early on.

## **6. Positions Update**

I've completely quit the supermarket company Ingles (IMKTA) as the operating results deteriorated a lot. Can't win 'em all. I don't see a great reason to stick with this bet unless someone thinks that earnings will inflect up. And if earnings continue trending down there's more downside risk than when I first suggested the stock.

I'm still long the building supply company BlueLinx (BXC). We still have a housing shortage, which is why home prices held strong even with higher rates. Eventually homes will get built above replacement level and this stock could go to \$200+. Until then it'll continue trading with rate expectations which hedges Militia's short book. I really like their strong balance sheet.

I made a new 5% bet in Beazer Homes (BZH). It's not as well run as M/I homes (MHO) and has more downside risk with a bit higher debt load, and they're in a bit worse markets. But the stock trades for 70% of the hard asset value and 4 times peak year earnings. This is another hedge for shorts in case rates drop - BZH could triple in 5 years if that happens.

Japanese video game company GungHo Entertainment (3765) first had "disappointing" news come out and then great news just after. In February they did the same buyback for 4.5% of shares outstanding as they did last year, which the market was disappointed about. Shares fell and they completed this buyback at absurdly cheap prices. I increased our bet size to 10% down there. A month later they issued a second buyback for 4% more of the shares outstanding and shares spiked. GungHo is more attractive than before - even after this run up - because management signaled that they're going to keep buying shares back aggressively if they get too cheap, which greatly limits downside risk and creates big value. Also, their subsidiary Gravity might have a hit game in China soon, a market that just opened to their Ragnarok series. This series was already popular in other Asian countries.

I mentioned getting long semiconductor stocks a year ago after I changed my mind about AI. Since then the semiconductor ETF (SOXX) went up 50% and now the asymmetry is gone. We won 5% over the last year. I should have bet bigger but at least I flipped from short to long this factor. Quitting today seems

fine without a better read on the industry but I'm keeping a small bet to hedge shorts against the general market continuing to melt up.

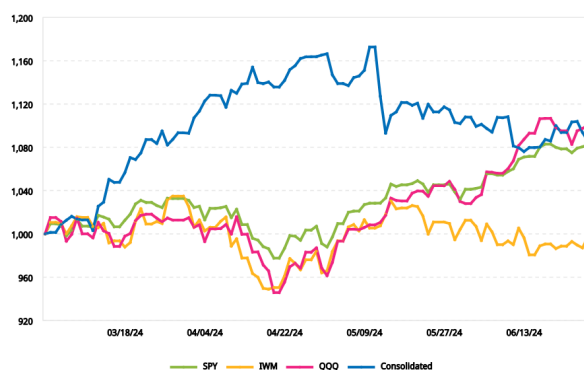
And finally, credit card lender Synchrony (SYF) has risen 60% since I suggested it during March 2023's bank runs, but it continues to seem reasonably cheap here at 8x earnings - even after Friday's spike. They also had good news come out: Discover and Capital One are merging, which lowers competition. Gradually trimming as the stock goes up is correct, though in another couple of months it's better to wait until after new years to defer taxes.

## 7. Broker Report

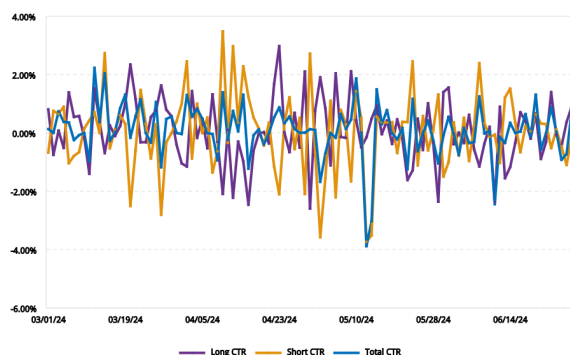
### Risk Analysis

	SPY	IWM	QQQ	Consolidated
Ending VAMI	1,077.95	1,001.17	1,094.55	1,093.86
Max Drawdown	5.35%	8.30%	7.11%	8.25%
Peak-To-Valley	03/27/24 - 04/21/24	03/28/24 - 04/18/24	03/22/24 - 04/21/24	05/12/24 - 06/13/24
Recovery	20 Days	Ongoing	21 Days	Ongoing
Sharpe Ratio	1.52	-0.26	1.37	1.28
Sortino Ratio	2.30	-0.35	2.04	1.73
Standard Deviation	0.58%	0.91%	0.84%	0.89%
Downside Deviation	0.38%	0.67%	0.56%	0.66%
Correlation	-0.11	-0.28	-0.16	-
$\beta$ :	-0.18	-0.28	-0.17	-
$\alpha$ :	0.21	0.17	0.22	-
Mean Return	0.07%	0.01%	0.09%	0.09%
Positive Periods	68 (66.02%)	64 (62.14%)	68 (66.02%)	62 (60.19%)
Negative Periods	35 (33.98%)	39 (37.86%)	35 (33.98%)	41 (39.81%)

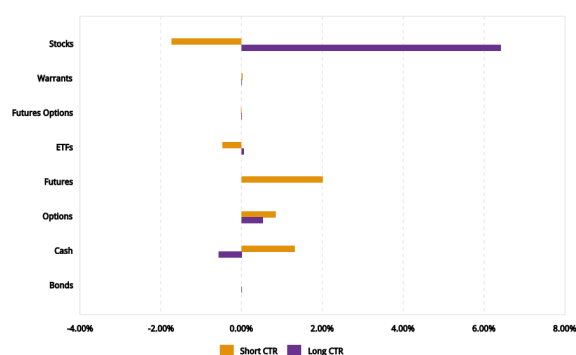
### Value Added Monthly Index (VAMI)



### L & S Performance Comparison



### L & S Performance by Financial Instrument Comparison



Militia's LP response has been overwhelmingly positive about my plan to back portfolio managers. But if anyone has concerns please share them.

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.

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.