



Alpha Wealth Funds, LLC

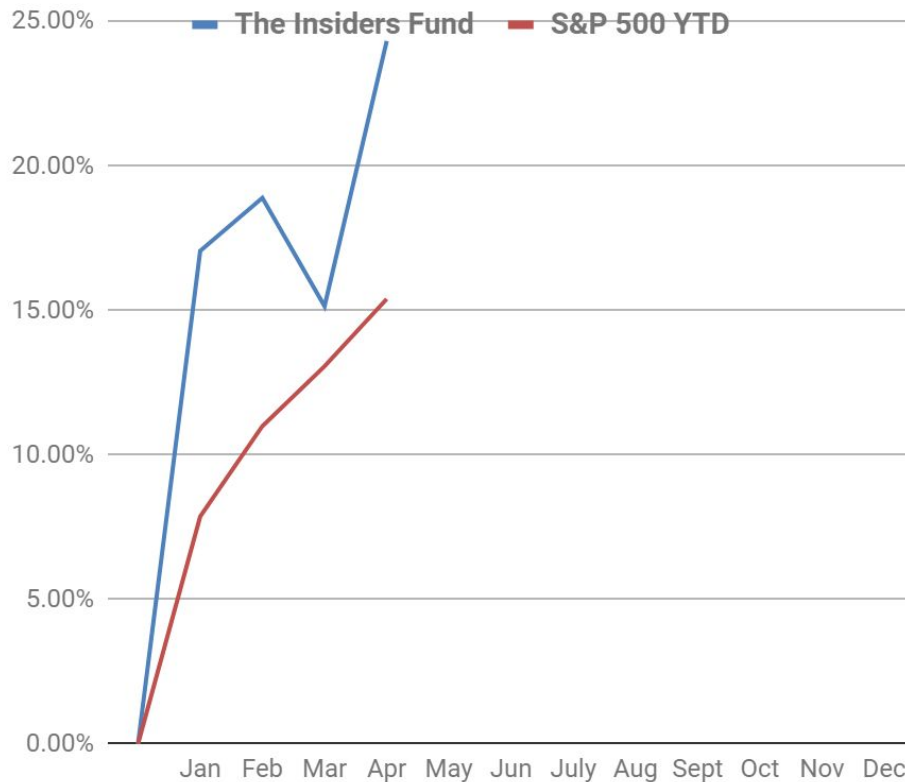
“the opportunities never stop”

April 7, 2019

The Insiders Fund, LP 1st Quarter 2019 Partner Letter:

The Insiders Fund comes Roaring Back

Results and Benchmark Comparisons:

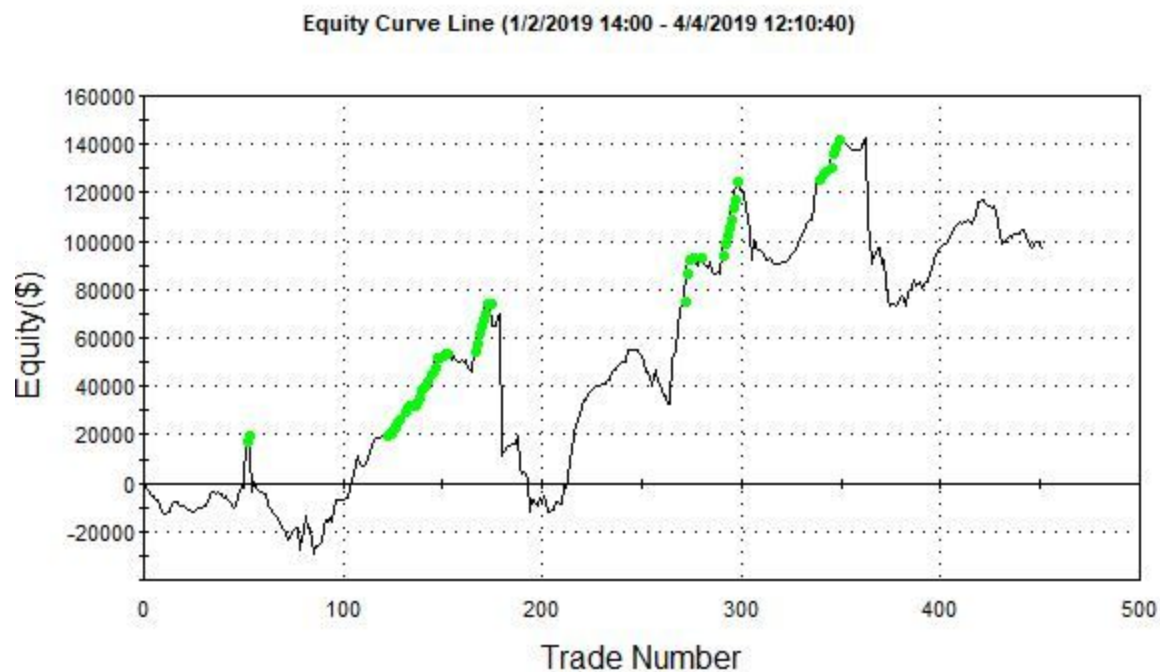


The Insiders Fund was up 15.15% for the quarter versus the S&P 500 up 13.07%. The S&P 500's 13.07% percent gain for the first quarter was its best quarterly gain in nearly 10 years and its best start to the year since 1998. We wrote in our last partner letter that



often a bad year is followed by an outstanding one. As of the date this letter The Insiders Fund is up 24.32%.

This letter is our report card to our partners. We strongly encourage you to read it carefully as often the difference between success and failure in investing boils down to understanding what you own. Investments normally don't align themselves with monthly or quarterly results. For example, we had very large unrealized losses in homebuilder, Beazer Homes that ended up being a profitable investment.



made

We made 451 trades during the quarter, 219 on the long side and 44 on the short side. We were 58.31% profitable overall, with 63.66% win ratio on the long side and 41.12% profitable on the short side. Early results in April are very strong, up 8% as of the date of this letter.

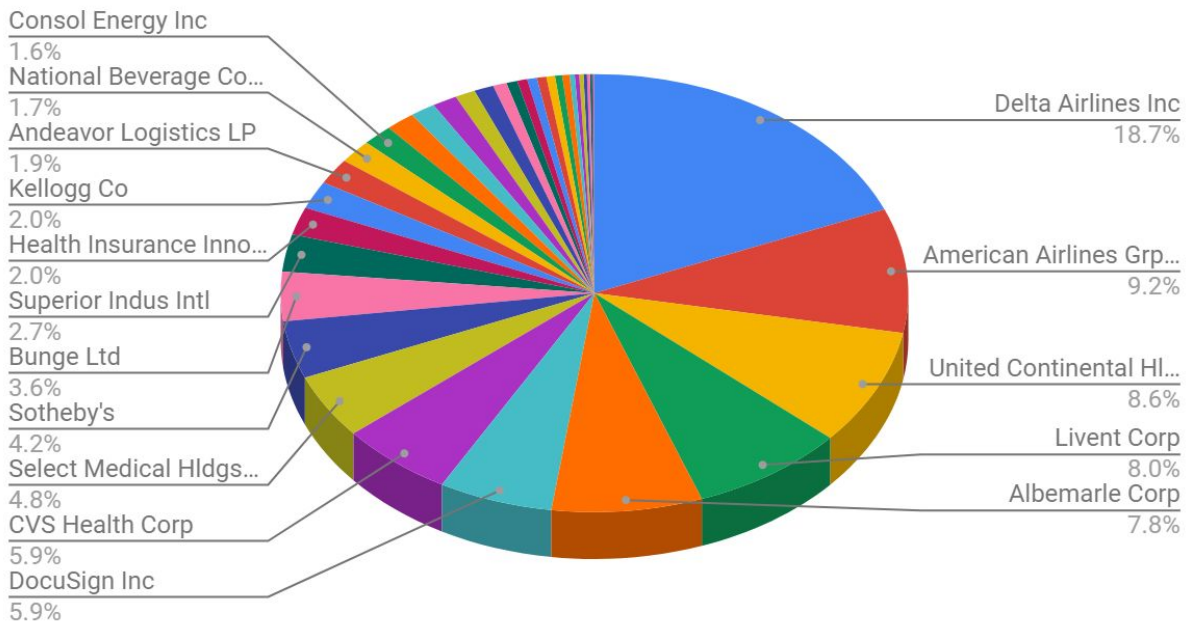
Top 10 Gainers 1st Qtr 2019			
Description	Symbol	P&L	MV
BEAZER HOMES US	BZH	194,747	0
ENERGY TRANSFER	ET	143,401	56,679
SOUTHWEST AIRLINES CO	LUV	114,039	0
COTY INC	COTY	57,736	0
BAUSCH HEALTH C	BHC	54,612	0
DELTA AIR LINES, INC. CMN	DAL	50,053	1,358,640
CARVANA CO	CVNA	43,928	0
THE WILLIAMS COMPANIES, INC. CMN	WMB	34,276	0
GEO GROUP INC N	GEO	33,877	0
SAREPTA THERAPEUTICS INC CMN	SRPT	31,956	0
Description	Symbol	P&L	MV
DOCUSIGN INC	DOCU	-70,565	471,198
GOOG MAR 15 2019 1000.000 C	GOOG 190315C01000 000	-69,007	0
ALBEMARLE CORP	ALB	-61,574	608,775
LIVENT CORP	LTHM	-57,068	662,580
SUPERIOR INDS I	SUP	-35,748	313,831
SPDR S&P 500 ETF TRUST	SPY	-30,987	0
SVMK INC	SVMK	-28,132	0
SIGNET JEWELERS	SIG	-27,650	0
QURATE RETAIL I	QRTEA	-20,560	0
UNION PACIFIC CORP	UNP	-12,934	0

Current holdings:

Because the fund is such an active trader, we may highlight an individual holding if it's a new position, major holding or represents some change to our normal holdings.

The point being is that the best way for you to follow our investments is through the client portal. There, you will find the daily performance and details on all of our holdings. If you haven't been able to log in, please let me know and I will have our fund administrator, NAV Consulting, send you new login credentials.

Portfolio Holdings 4-5-19



Airlines represented 36.5% of the Fund's portfolio as of the date of this letter. All of them have had significant insider buying. This out of favor group looks particularly cheap to us. Warren Buffett's Berkshire Hathaway is the largest owner of **Delta Airlines**. He added to his holdings in the 1st quarter. Delta preannounced the quarter surpassing analyst expectations and the stock has been on a tear.

With oil prices expected to remain in check because of the vast increase in U.S. production, airline passenger growth in a cyclical upswing, and the stocks with low relative P.E.s, the dynamics of the industry look particularly favorable. Insiders must agree as they have been aggressive buyers of **United** and **American Airlines**. The recent grounding of the Boeing 737 Max will eventually pass and I expect you will hear United and American tell investors in upcoming earnings conference calls that they expect Boeing and their insurance coverage will compensate for short term loss from the grounding of their 737 Max airliners. Delta has none of the beleaguered planes.

Our next largest holdings, Albemarle and Livent are plays on the lithium revolution. In the early 1970s, the fossil-fuel majors began to fear oil was about to run out, as the industry was discovering fewer and fewer new wells. Then, in 1973, the Arab-Israeli war broke out. In response to the US's support of Israel, the Arab members of OPEC issued an oil embargo, leading as many as a fifth of all gas stations in the US to run dry, and plunging the global economy into recession.

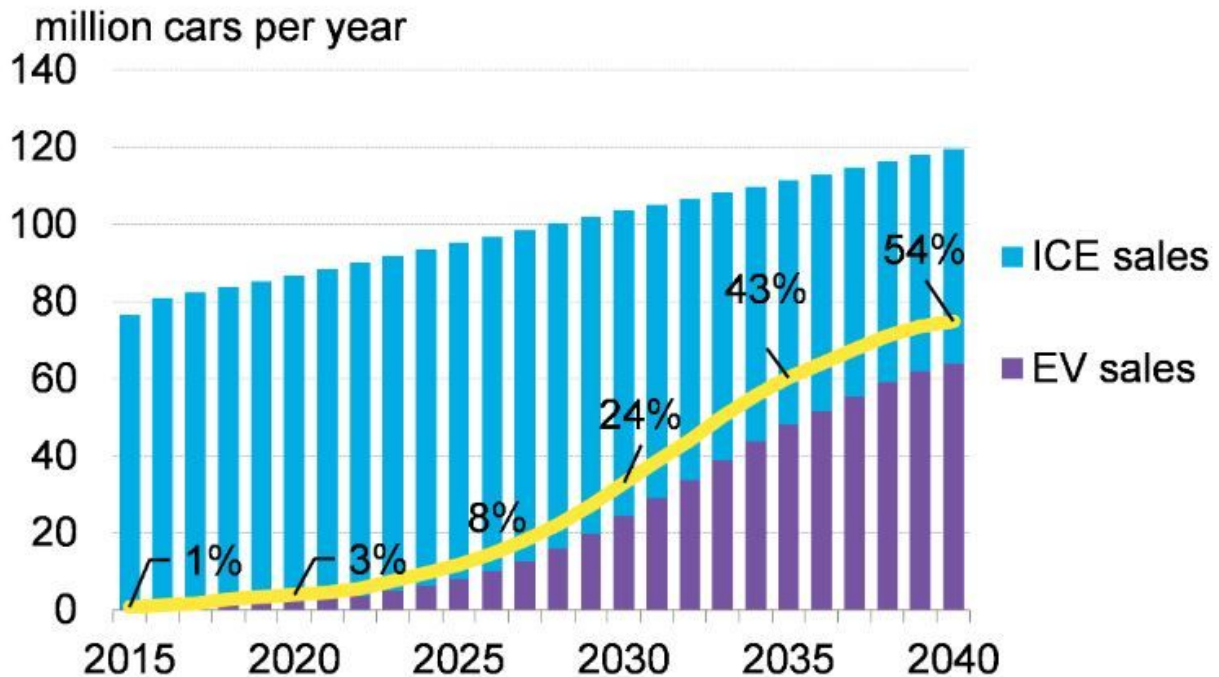
The world's dependence on oil was laid bare. The big fossil-fuel companies doubled down on efforts to research new energy sources and the infrastructure to support them, like nuclear power, solar energy, synthetic fuels, electric motors, and rechargeable batteries.

One of those projects, helmed by Exxon chemist, Stanley Whittingham, led to the invention of the world's first rechargeable lithium-ion batteries. Its cathode was titanium sulfide and anode was lithium metal. Exxon thought the batteries could be deployed in electric cars and began working on scaling up the project in the mid 1970s.

Then, in 1979, came another oil crisis and global recession, triggered this time by the Iranian revolution. Exxon was forced into cost-cutting mode, and the first line of business to get the ax was the research division.

Ironically we are on the edge of a revolution where the internal combustion engine can be largely replaced by electrified vehicles(EV). The US [Department of Energy calculates](#) that once the cost falls below \$125 per kWh, the cost of owning and operating an electric car

will be cheaper than a gas-powered car in most parts of the world, and for most types of driving needs.



After years of overestimating the market, it seems that EV adoption has finally started to take off, and the market is accelerating faster than ever.

The bear case is that the price of lithium will plummet as investment in new mines will dwarf supply. We believe the bears are wrong and are fixated on price when the real story is the massive increase in volume of lithium sold.

Massive investments in new mines have spooked the market into believing that there will be a glut of lithium and all the lithium stocks are depressed. They are only two U.S. major producers and we own them both. They represent 15.7% of the portfolio. Although currently in the red, *We have a very high level of conviction in these investments as there is no alternative to lithium because of its very unique chemistry.*



Read this report from Bloomberg Intelligence.

Battery Reality: There's Nothing Better Than Lithium-Ion Coming Soon

Recent news headlines anchor our convictions. We also own a Tesla Model X and can't imagine going backwards to an internal combustion engine.

Car and Driver recently conducted an online poll. 70% said they were ready to be on the waiting list for the all electric Ford 150, America's number #1 selling vehicle. This kind of consumer feedback from a premier magazine is not getting ignored by the industry.

At the company's annual shareholder meeting in Berlin on May 3 2018, Volkswagen CEO, Diess, told investors his company has signed orders for \$48 billion worth of batteries, according to a report from Fortune. That's double the amount touted just a few weeks ago.

"By 2020 we will offer our customers more than 25 new electric models and more than 20 plug-in hybrids," Diess told those in attendance at the annual meeting. "In just a few years' time, then, across all brands and regions, we aim to put the world's largest fleet of electric vehicles on the road."

Ford, the second-largest U.S. automaker, is in the midst of a restructuring of global operations and is spending \$11 billion to bring 40 electrified vehicles to the market by 2022, part a move by the company to take part in the electrification trend sweeping the automotive industry.

April 1 2019 CHARLOTTE, N.C. – As part of its commitment to build a cleaner and smarter North Carolina, Duke Energy is proposing the largest investment in electric vehicle (EV) infrastructure ever in the Southeast – a \$76 million initiative to spur EV adoption across the state.

SK Group, the Korean conglomerate announced in March the nearly \$1.7 billion factory, which will open in phases and is expected to reach its full jobs potential by 2025, is a coup for Georgia. The facility will be on the leading edge of the electrification of new automobiles for decades to come.



The SK Battery America plant is expected to produce batteries to power 250,000 electric vehicles per year at full capacity and is the largest development project in Georgia in the last 10 years.

If you want to learn more about what we believe is the “new oil” and will be the most transformative technological revolution since the Internet, check out this short video from Livent.

<https://www.youtube.com/watch?v=SKp-Ue MEEU&feature=youtu.be>

Docu Docusign represents 5.9% of the portfolio. DocuSign, Inc. provides cloud based software in the United States. The company offers e-signature solution that enables businesses to digitally prepare, execute, and act on agreements. The company sells its products through direct, partner-assisted, and Web-based sales. It serves enterprise businesses, commercial businesses, and small businesses, such as professionals, sole proprietorships and individuals.

There is no insider buying in Docusign and admittedly we overpaid for the last batch of stock we purchased but then again, there are not many new companies that have become a “verb” in our lexicon. It’s almost as common to say ‘Docusign this’ as ‘Google it’. These kinds of stocks rarely ever look cheap. Docusign has one main competitor in this relatively new disruptive technology, Adobe. In my opinion the docusign product is superior in ease of use and has a larger small business customer base. They are the leader and we anticipate them to remain the dominant player in a huge market that they estimate to be \$25 billion. DocuSign's revenue for Q1 2019 was \$156 million ([Q1 2019 10-Q](#)). Since subscription revenue tends to be more stable than other revenue sources, annualizing that figure yields a \$624 million annual run rate. That represents only 2.5% of the total market that management claims exists.

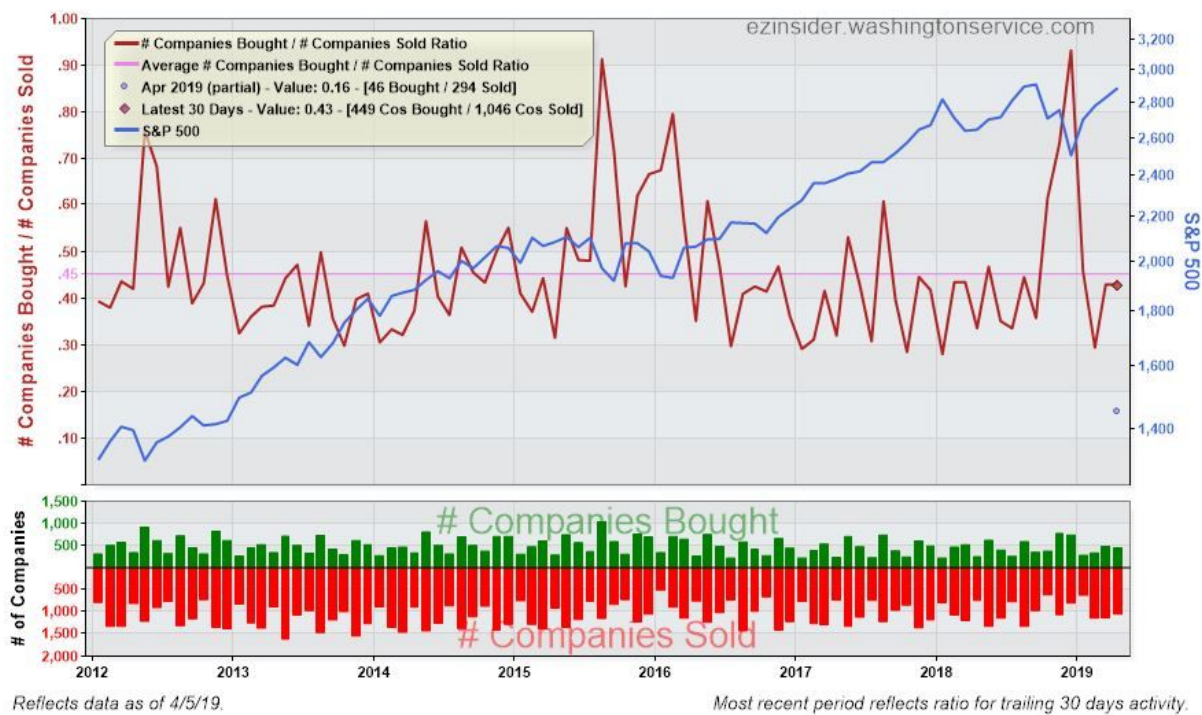


Our Outlook:

On March 25, 2019 I sent out an email "The Federal Reserve Just Told You to Buy Stocks- Something extraordinary just happened. In the 30 plus years that I have been managing investments, I have never seen anything like what happened on Wednesday. The Federal Reserve Chairman, Powel, in a [press conference](#) after the regularly scheduled FOMC meeting, told you to buy stocks. That's right.; the Fed Chairman said there would be no more rate hikes this year and only one in 2020. Not only that; there was unanimous agreement about it amongst the Federal Reserve Governors.

Fellow investors ruminated on that overnight and came to the obvious conclusion -Off to the Races. With interest rates expected to stay low and not rise for the foreseeable future, investors rethought their portfolios and rushed to buy stock the following morning. On Friday, they changed their mind and thought an inverted yield curve was negative for stocks. That's what makes a market. I'll go with the Oracle of Omaha. [Warren Buffett recently said if you can tell me interest rates are going to stay low, I'd tell you stocks are cheap.](#) In the subsequent days, the market has risen 90 S&P points, almost a 1000 Dow Points and the Insiders Fund has gained 8%.

Ratio of # Companies Bought / # Companies Sold vs. S&P 500



Insiders are not buying this market

- Insider buying remains anemic, below the 1.0 line on the left of the graph. That signals that there are still more insiders selling than buying. Prices as a whole have still not fallen to the level that would initiate a crescendo of buying by corporate insiders.

I still believe that valuations are high, bargains are few and far between. Cheap money, the about face of the Federal Reserve is propping up an overpriced stock market. There is expected to be a swarm of new IPOs this year after a drought. This could put a damper on speculative tech stocks.



As always, we greatly appreciate the honor and responsibility of managing your investments. Please feel free to reach out to us anytime. Our goal is to be your lifetime advisor and we know many of you, including myself, were very frustrated with the performance of The Insiders Fund last year.. Hopefully this years results to date, far outperforming the market, will validate your continued faith in the strategy.

Sincerely,

Harvey Warren Sax

Partner, Alpha Wealth Funds, LLC

Fund Manager of The Insiders Fund, LP