Alpha Wealth Funds, LLC

"the opportunities never stop"

July 2019

The Insiders Fund, LP 3rd Quarter 2019 Partner Letter:

Geo-political Headlines Grip the Markets

Results and Benchmark Comparisons:

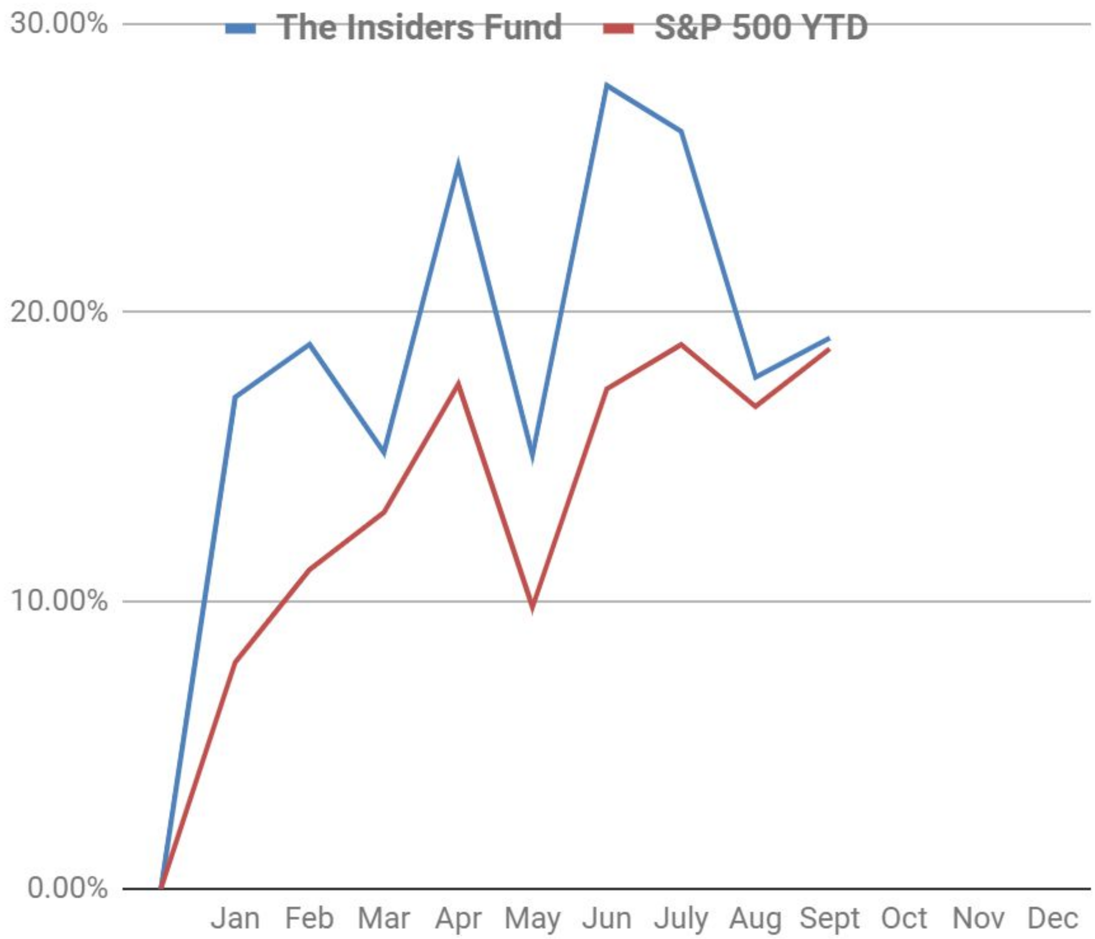
The Insiders Fund was up 1.07% for September, down -6.53% for the 3rd quarter and up 18.30% YTD versus the S&P 500 up 1.87%, 3.78%, and 18.74% during the respective time periods. [1]

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 rarely align themselves with monthly or quarterly results, so it's important to understand the logic behind the reported results. I believe success in the stock market is often about investors with conviction taking money from those that lack it. **The 12 months trailing return of The Insiders Fund, -0.65% versus the 4.25% return of the S&P 500**.

[1] Results for the S&P 500 are total returns including dividends. The results for The Insiders Fund are net to the partner after fees. These are not official returns. Returns may vary based on negotiated fees. The results herein provided or for the highest sales load. The official returns of the Fund are provided by the fund administrator, NAV Consulting.

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

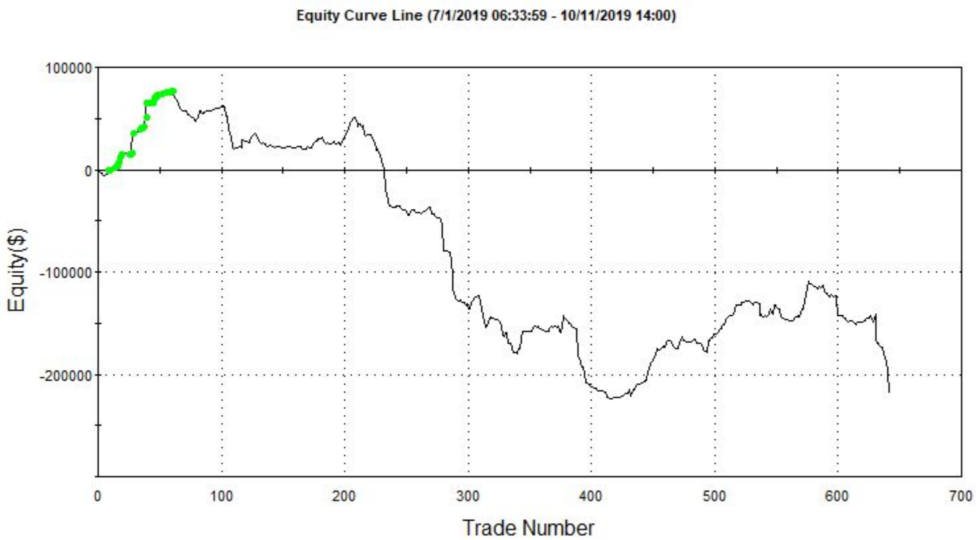


The third quarter was challenging as macro headlines from the China Trade deal and rapidly declining interest rates unnerved investors. Value stocks were shunned as investors sought safety in utilities and crowd favorites. There was a minor rally in value stocks in the beginning of September but soon faded as prospects for a China trade deal dimmed once again.

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

ALPHA WEALTH FUNDS



We made 641 trades during the quarter, 390 on the long side and 251 on the short side. We were 44.62% profitable overall, with a 43.85% ratio on the long side and 45.82% profitable on the short side. The next part of the report includes analysis on our top winning and losing trades. As you will see on the following pages, it was one position that really hurt us in 3rd Quarter.

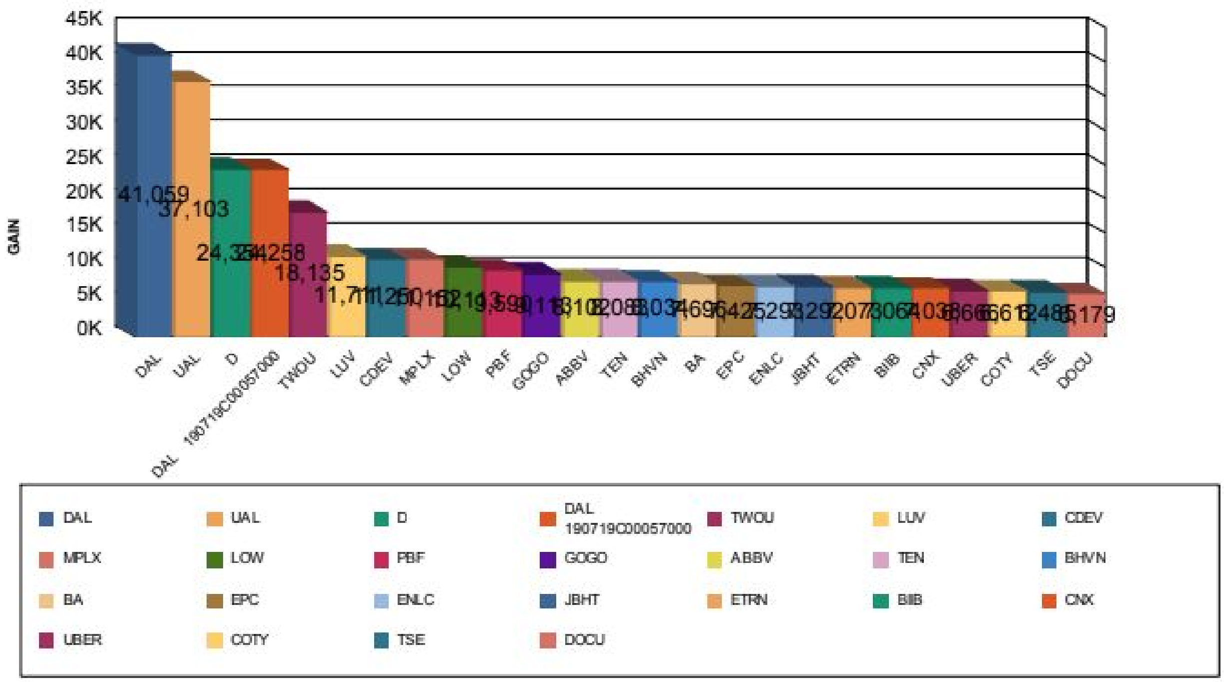
1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

Top Gainers

TradeStation

Top 10 Gainers
THE INSIDERS FUND, LP
19216811
From 06/30/2019 to 09/27/2019

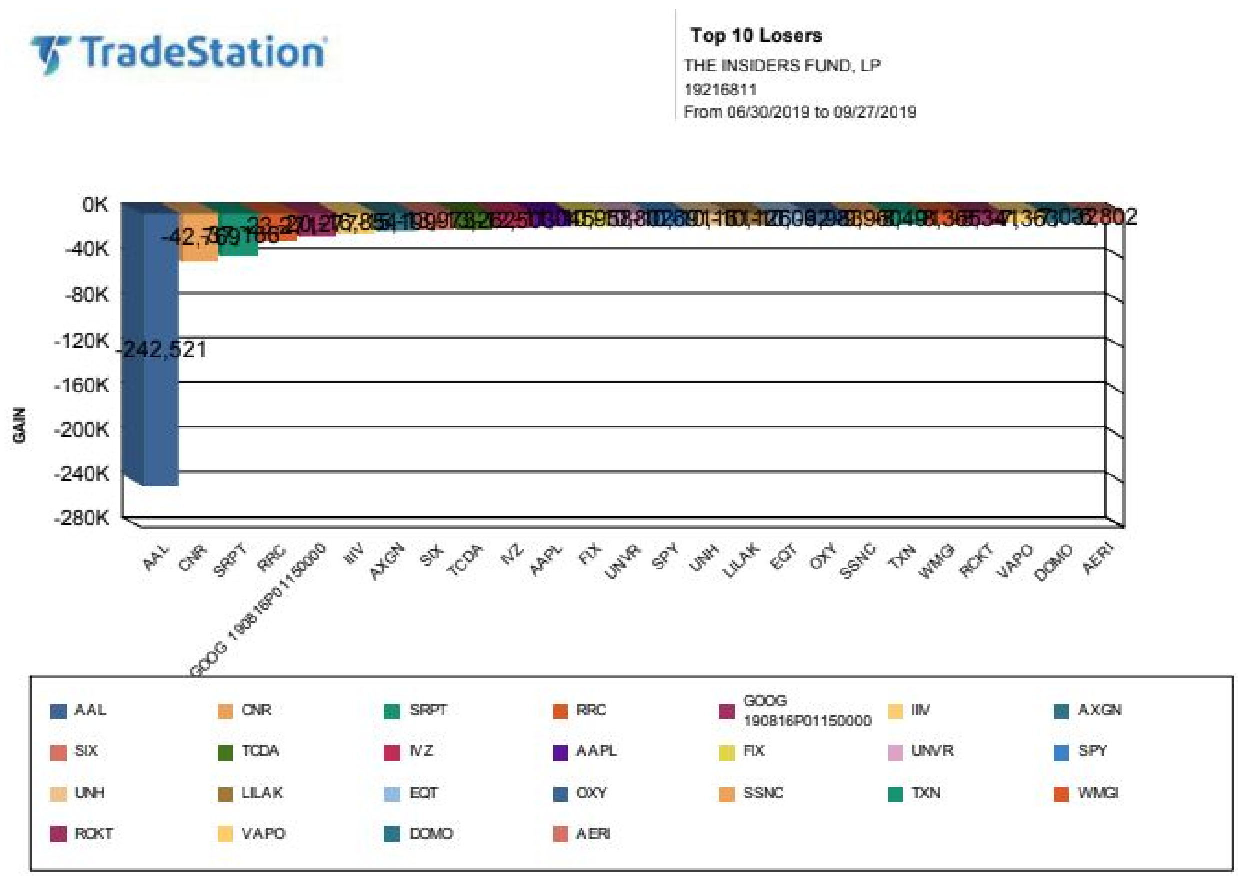


As you can tell we fared well with airlines last quarter, making large sums on Delta and United. Unfortunately, we gave all of it back and then some on American Airlines. This significantly undervalued group seems to plod along and lag the overall market performance, yet their financial results are outstanding. At some point, though, we believe this fundamentally undervalued, under-loved group will get the higher P.E ratio that they deserve based on their consistent results. Historically the airline industry engaged in irrational pricing; all the national carriers except Southwest have undergone bankruptcy restructuring. Our thesis is that there are secular tailwinds and the group has gotten religion about overcapacity and irrational pricing. If that's the case, this group is headed substantially higher. In the meantime, we seem to have a good handle on the trading range with one exception, AAL.

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

Top Losers



Our biggest disappointment of the quarter was American Airlines. American looked like it was going to break out of its trading range but investors evaporated on the release of 2nd quarter earnings. We thought the numbers were good, they beat consensus and raised the low end of the range but investors voted otherwise with their dollars. AmericanAirlines was hampered this year by the grounding of the Boeing 737 Max and a contentious relationship with the mechanics union which went on strike. American even got an injunction on the strike; the government prosecuted a mechanics union worker that was found sabotaging the aircraft, yet none of that served as a catalyst for higher prices. The market seems to be convinced that airlines will suffer mightily in the inevitable economic downturn. AAL has underperformed the market by 19.6%. My own belief is that airline travel is far less cyclical and closer to a necessity than the market is pricing in. Further Boeing is likley to reimburse the airlines for

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

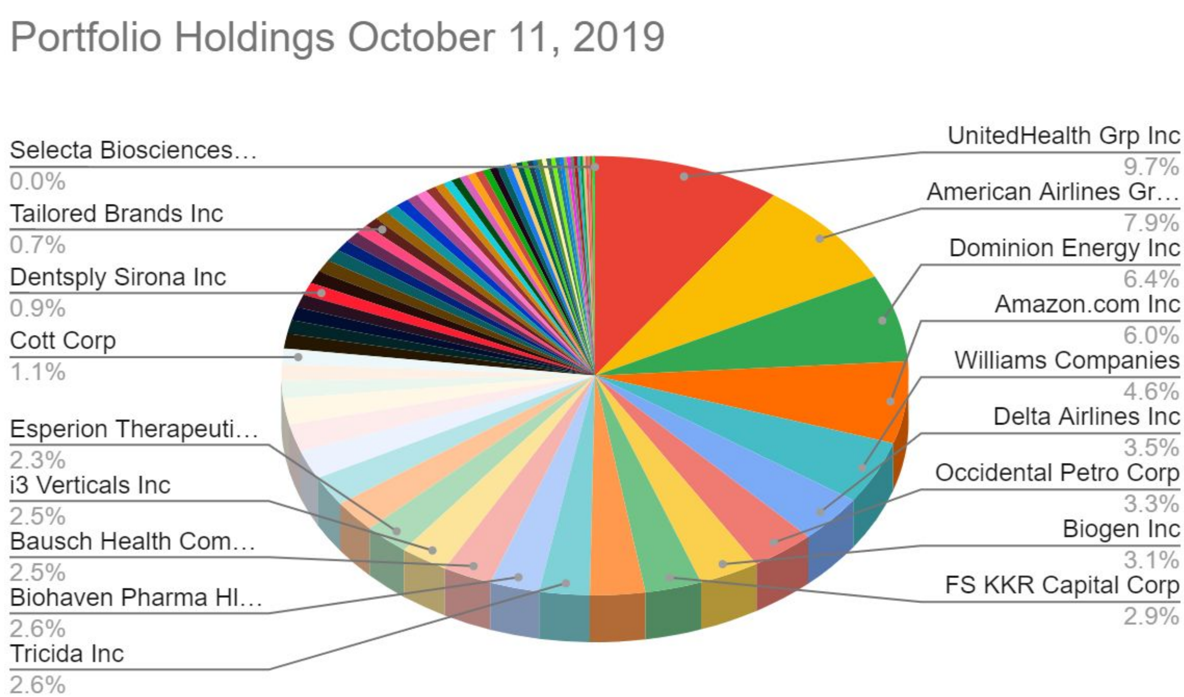
lost revenues from the 737 Max. My initial estimate is well over $500 million in some combination of rebates and cash will be paid to American Airlines.

Our lack of patience on Cornerstone Building (CNR) provoked the loss. Homebuilders have turned into one of if not the best performing sector as low interest rates have juiced the sector.

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.



As of October 11th, the Fund was 103.78% long, 2.44% short for a net long exposure of 103.78%. The 4th quarter is historically the most favorable time to be in the market. With the China trade war in a

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

temporary lull, the economy strong and earnings season about to get underway in earnest, it seems appropriate to ramp up the equity exposure.

We are active traders and our position in United Healthcare will probably be short term, a play on the upcoming earnings report. The CEO bought $5 million worth of stock in May and after a brief rally UNH sunk back under the specter and increasing likelihood that a Democratic candidate will pose an existential threat to the private healthcare insurance industry. Most of the leading candidates favor a Medicare for all solution. This is an interesting setup for the contrarian investor. UNH has unperformed but earnings haven't. The stock has performed 24.7% worse than the S&P 500. Earnings will likely be good this quarter but don't expect the stock to do more than a bounce from an oversold level.

I don't know what will get the airline stocks moving in the long term. Perhaps there is some chance that Warren Buffett might just buy a whole airline. One would think he would want to do one last large acquisition as he has a mountain of cash at Berkshire Hathaway. The airlines are profitable, trading at less than half the multiple of the market, and he already owns 7-10% of each of the four major airlines, LUV, AAL,DAL, and UAL. He is also the largest shareholder. It's not improbable to see one of them bought lock, stock and barrel by Buffett. My guess is that it would be Delta, the best run of the group. They also have a large loyalty program with American Express, another long time Berkshire holding.

The most insider buying has been in the oil and gas and biotech sectors, both big laggards. We have generally shied away the oil producers and prefer the midstream sector such as Williams Co, a large natural gas pipeline company yielding 6.58% or MPLX yielding 9.9%. We have a 4.6% position in Occidental Petroleum which is greatly depressed in price after its purchase of Anadarko. OXY has a 7.68% dividend yield. We are not crazy about the commodity plays, but OXY just has too much insider buying and too rich a yield to turn away. The entire sector is weighed down by negative sentiment. There is a feeling that oil and gas are in secular decline as the march to renewables is inevitable to combat global warming. The mandate for ESG investing (Environmental, social and corporate governance) lessens demand for the stocks of hydrocarbon companies.

These trends are in place, but in my opinion, hydrocarbons will have an important place in the energy needs of mankind for the foreseeable future. Valuations will remain depressed, though, creating an unusually high-income stream for investors. Outsized income streams from the midstream and infrastructure plays combined with generational low rates creates a contrarian opportunity. Natural gas prices may plummett to zero, as so much of it is stranded, a byproduct of drilling for oil, but no one is going to move it along a pipeline for free.

The two largest biotech ETFs, XBI and IBB, have underperformed the averages YTD by 9.29 and 12.27%. Small cap biotechs have suffered even more. You are seeing quite a bit of insider activity in the smaller names. Market participants are anxious about Democratic and even Republican efforts to force drug companies to negotiate with Medicare to drive prices down. There is negative sentiment across the board as Medicare for All proposals gain momentum in an ascendant Democratic challenge to the Presidency in 2020. This may be a misguided assumption that this would be across the board negative for healthcare. Medicare for All may greatly increase demand for medical services as many procedures,

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

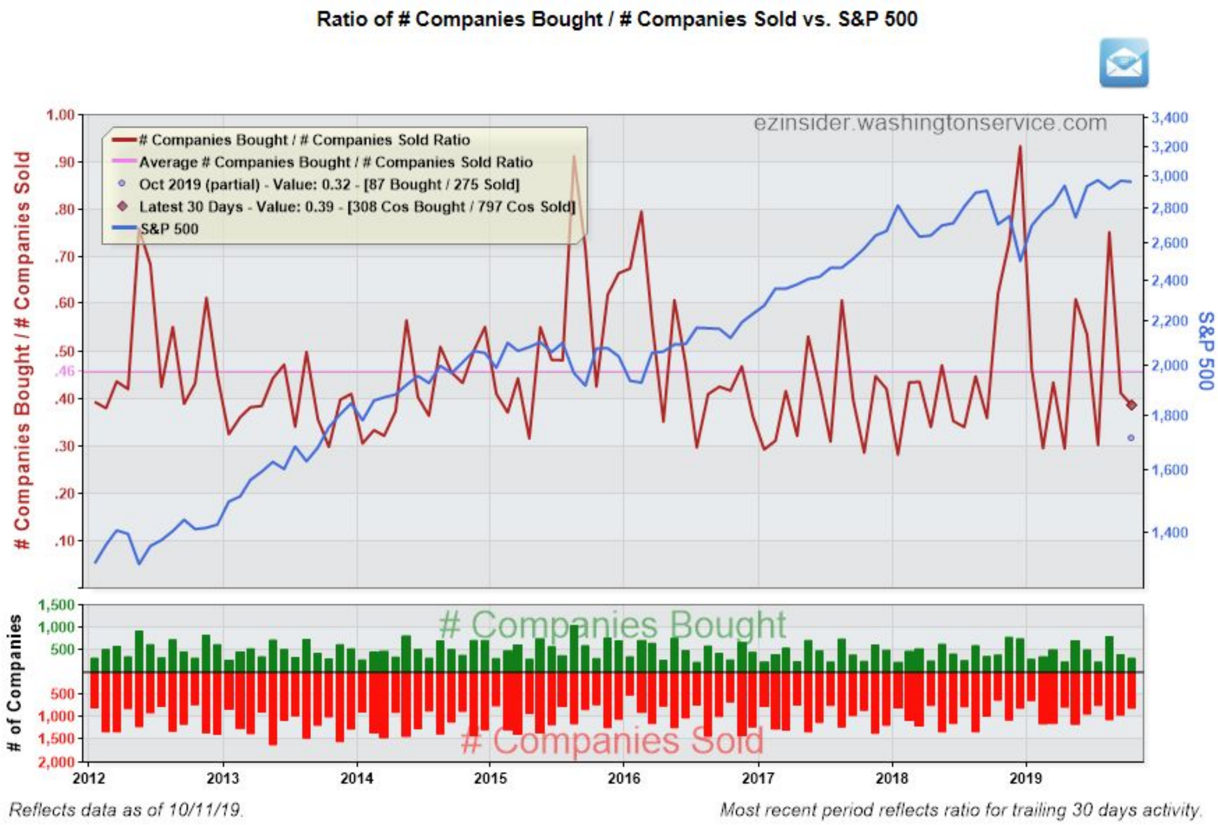
drugs, and visits that were prohibitively expensive under the current system become more accessible to a greater population pool.

At any rate, insiders are buyers in many smaller cap biotech stocks. The prudent approach to following insider buying in this sector is to spread your investments out far and wide, as biotech stocks can have explosive moves in price up or down depending on the outcome of often unknowable drug trials.

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

Our Outlook:



Insider buying remains anemic

The ratio of insider buying remains anemic. Sharp market rises are usually prefaced by a strong period of insider buying as corporate insiders restore confidence in market participants by purchasing their own company's stock.

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

As you would have ascertained by reading this report, we have invested in many stocks that are laggards to the market. You would certainly want to ask yourself, " how does buying a Tailored Brands, paying an 18% dividend help your portfolio, when the stock has dropped 90% in value?" The simple answer is that we are buying TLRD at $4 not $34 where it was a couple of years ago. If Tailored Brands can stabilize their business (Men's Wearhouse, etc.) and continue to pay the dividend, they will have paid for our investment in just 4 years of dividend payouts. **Insiders buy their stock when they think its cheap**. A diversified portfolio of insider buys will outperform in the long term. With that in mind, we still need to do the due diligence and analysis as we are reminded time and time again, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."- Warren Buffett

The futures market is predicting that the Fed will lower rates at the upcoming meeting. Cheap money is a witch's brew for stocks. It can propel valuations higher and higher until we get to the infamous point of "irrational exuberance". We all know what happens then.

In the last partner letter I wrote that the, "The feeding frenzy of the hot IPO market should be a wake-up call that we are close to blow-off top. .Several recent IPOs come to mind that seem way over the top, Uber, Lyft, CrowdStrike, and Beyond Meat to name a few." Well, I nailed that call. Unfortunately, I didn't do much to take advantage of it. The most money I've ever lost was shorting two Dot.com highflyers. Ironically, they both went belly up but only after rising several billion dollars more. I'm reminded of Bernard Baruch's line," the market can remain irrational far longer than you can remain solvent." So we are very reticent betting on when the music stops. There is a saying, "What's the difference between being wrong and early? None."

We did make a little money shorting Uber. Uber may not even be a viable company if forced to treat drivers as employees. The gig economy is about to face its toughest legal tests yet. On September 11th California legislators approved a landmark bill on Tuesday that requires companies like Uber and Lyft to treat contract workers as employees, a move that could reshape the gig economy. It's being appealed by Uber and if they lose it could be followed by other states adding hundreds of millions of dollars to ride sharing companies' expenses.

We are closely watching Salesforce as a short candidate. Salesforce is a crowded trade. The stock was up 10% on Aug 22nd on Q3 earnings and a half dozen upgrades yet it has still underperformed the broader market by 8%. It's not cheap by any metrics and any deceleration in revenue growth will cause the shares to crater. Five years ago, Salesforce may have had one or two legitimate competitors. Today there are half a dozen or more excellent cloud software CRMs with far cheaper pricing and ease of use. Salesforce is going down in price. It's a matter of when not if in my opinion.

Housekeeping

We've been doing a lot of financial plans in the last few months. It's an exciting addition to our business model and I've seen first-hand the peace of mind it often brings our clients knowing that they can retire

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com

with enough money to live the life they want. It also provides clarity, explaining how much cash they need to live, what kinds of returns they must generate, how to organize their affairs, save money on taxes, and much more. If you have any interest in hearing more about this, please contact me and be sure to remind me to tell you about our money back satisfaction guarantee on financial plans done by our Certified Financial Planners.™

Last, but not least **please follow us on Twitter, Facebook, Instagram, and LinkedIn.** Both Alpha Wealth Funds and The Insiders Fund are busy on social media. We've been adding a lot of good content to these platforms and having followers makes us want to add more. Here's a couple of examples of recent Alpha Wealth Funds Instagram posts.

As always, we greatly appreciate the honor and responsibility of managing your investments. Please feel free to reach out to me, Michael Torrence (mtorrenc@alphawealthfunds.com), or Chase Thomas (cthomas@alphawealthfunds.com) anytime.

Sincerely,

Harvey Warren Sax

hsax@theinsidersfund.com

Partner, Alpha Wealth Funds, LLC

Fund Manager of The Insiders Fund, LP

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060

wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com