Alpha Wealth Funds, LLC

"the opportunities never stop"

July 5th, 2020

The Insiders Fund, LP 2nd Quarter 2020 Partner Letter:

THERE WAS A BULLSEYE PAINTED ON OUR PORTFOLIO THAT WE DID NOT SEE. AFTER SIGNIFICANT UNDERPERFORMANCE, THE INSIDERS FUND ROARED BACK IN JUNE

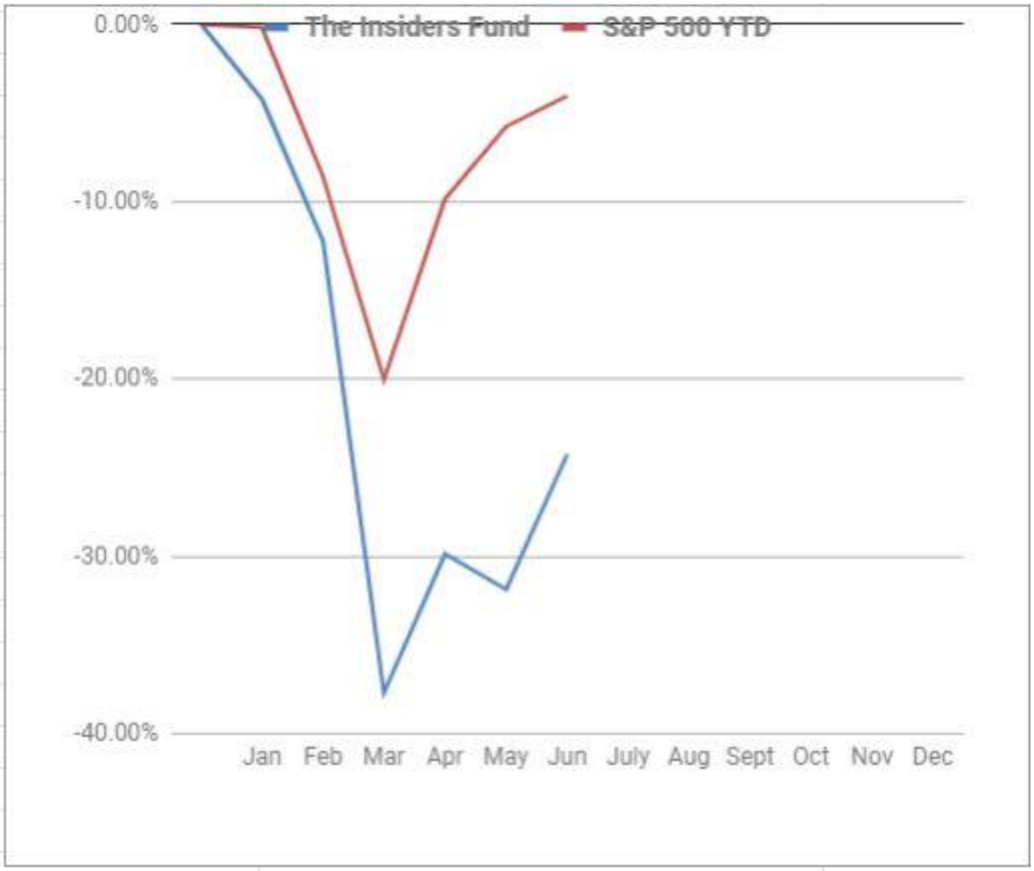
Results and Benchmark Comparisons:

The Insiders Fund was up 11.17% for June, up 21.57% for the 2nd quarter and down 24.26% YTD. The S&P 500 total return for the same periods was up 1.84%, 18%, - 4% for the year ex dividends.[1]

Although the partner letter is dated for the 2nd quarter, all of our underperformance was a result of the first quarter. Although mistakes were made, it is now clear, in hindsight, what caused one of the best performing funds of 2019 to turn in such a poor performance this year to date. *Although we maintained what we thought was reasonable sector diversification, we did not anticipate how a pandemic would lump many sectors into one giant correlated target for the virus. There was a bullseye painted on our portfolio that we did not see.*

[1] *Your own returns will vary based on when you invested, withdrawals and additions, negotiated rates and highwater marks. The official results are supplied by NAV Consulting.*

1887 Gold Dust Lane, Suite 203A, Park City, UT 84060
wk. 435-658-1934 ▪ fax: 206.984.4109 ▪ email: hsax@theinsidersfund.com



Monthly performance chart

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 is important to understand the logic behind the reported results. We believe success in the stock market is often about investors with conviction taking money from those that lack it. This is a year in which our own conviction has been sorely tested.

When we look back at the market action, it is clear that many market participants were anticipating a worsening outcome for the coronavirus epidemic as early as February. The market had been in distribution mode perhaps as early as January. Like many others, we did not fully anticipate the impact until the damage was done. Although insiders certainly know the prospects for their business better than anyone else, I have always maintained they may not have any better crystal ball about the global macroeconomic state of the world than you or I. These past few months have certainly borne that out to be true.

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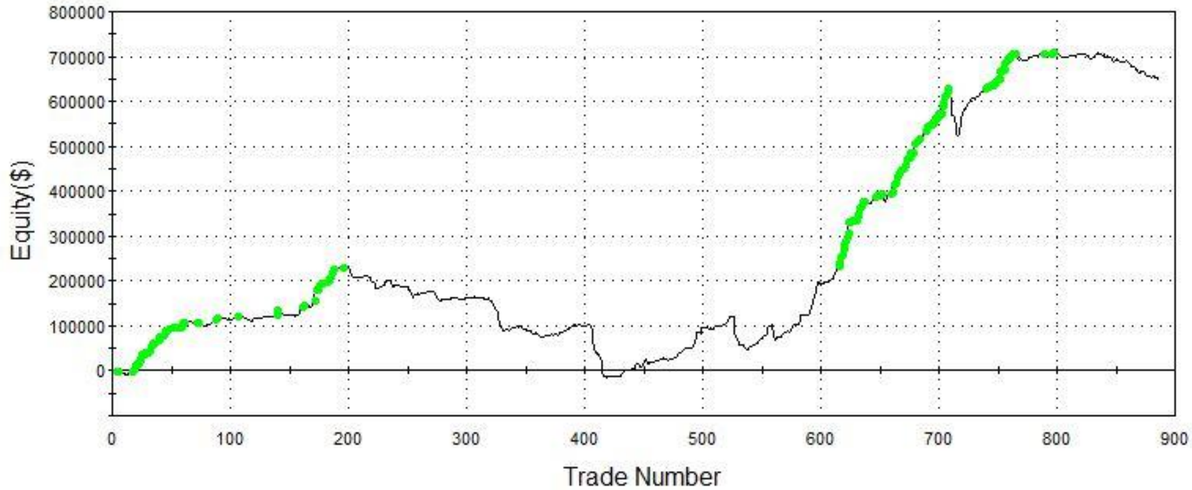
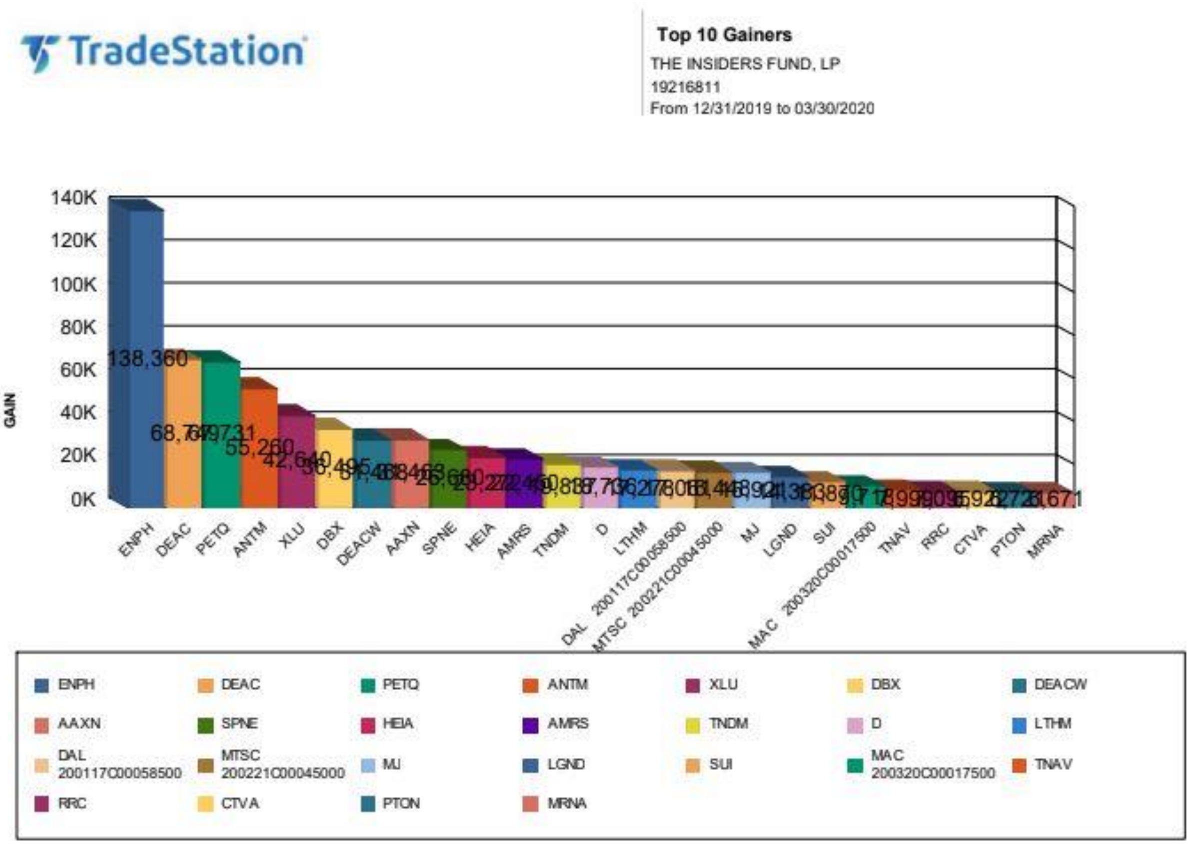


June Significantly Outperformed

We made 846 trades during the quarter, 586 on the long side and 260 on the short side. We were 61.47% profitable overall, with 63.82% win ratio on the long side and 56.15% profitable on the short side. We are including the best and worst performing trades from both the 1st quarter and the 2nd quarter as no analysis of the year would be complete without that.

Top 10 Performers 1st Quarter 2020

Security	Symbol	$ Gain/(Loss)	Average Capital	IRR %
ENPHASE ENERGY	ENPH	138,360.46	217,855	63.510%
DIAMOND EAGLE A	DEAC	68,749.24	142,509	48.242%
PETIQ INC	PETQ	67,731.47	188,957	35.845%
ANTHEM INC. CMN	ANTM	55,259.52	59,065	93.557%
S&P SEL UTILITI	XLU	42,639.93	86,427	49.336%
DROPBOX INC	DBX	36,494.73	162,522	22.455%
DIAMOND EAGLE A	DEACW	31,468.30	15,782	199.398%
AXON ENTERPRISE	AAXN	31,462.69	54,773	57.442%
SEASPINE HLDGS	SPNE	26,680.18	10,684	249.730%
HEICO CORP NEW	HEIA	23,271.74	131,383	17.713%



1. **Enphase Energy** is clearly the kind of stock we would have liked to own for the long term. It's a leader in a broad secular market, sustainable solar energy. It also had insider buying not too far away from where we first initiated a position. Enphase has pulled back substantially, giving us a change to load back up but two things have changed. The virus of course, throwing into doubt the health of the new construction residential real estate market and most importantly, insiders are unloading stock in a major way. We are going to pay close attention to the second quarter earnings call.
2. **PetIQ** is 18% higher today than where we sold it at. People love their pets and staying at home as been a boom for the sector.
3. **Anthem** is substantially below where we sold the bulk at $282 and some at $303. ANTM closed at $267 on Friday last week.
4. **XLU-** the utility ETF. We traded this well, selling out the majority at $65.78 and now reloading at around $56 with a 4% plus dividend yield. In a world of zero rates, this is a rare bargain. Several insiders are buying utility stocks so in addition to holding UGI, we have bought back the broadly traded ETF XLU. The dividend discount model says the XLU with 2% long term and a 3% discount rate is grossly undervalued and worth $203.96. Even with a 5% discount rate, it is still trading

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below its intrinsic value of $127.72. Here is a handy online calculator to determine the dividend discount value.

5. **Diamond Eagle- now Draft King**- we blew it here. Although we made good money on the trade we left enormous profits on the table. Admittedly we don't get how the valuation adds up but that can be said about whole swaths of this market. The irony that a sports betting site would skyrocket in price when there are not even sports available to bet on should not escape you. This is part of the speculative frenzy of this market
6. **Axon Enterprises**- this is another trade that was profitable but we left gobs of money on the table. We've sold puts a couple of times, but this name has gotten away from us.
7. **SeaSpine and Heico**- we count ourselves lucky on both counts. SeaSpine is a marginal company and Heico was clobbered by the collapse in the commercial aerospace market. Medical procedures of all kinds have been delayed by the virus and secondary companies like SeaSpine have fared worse than giants like Medtronics which we continue to own.

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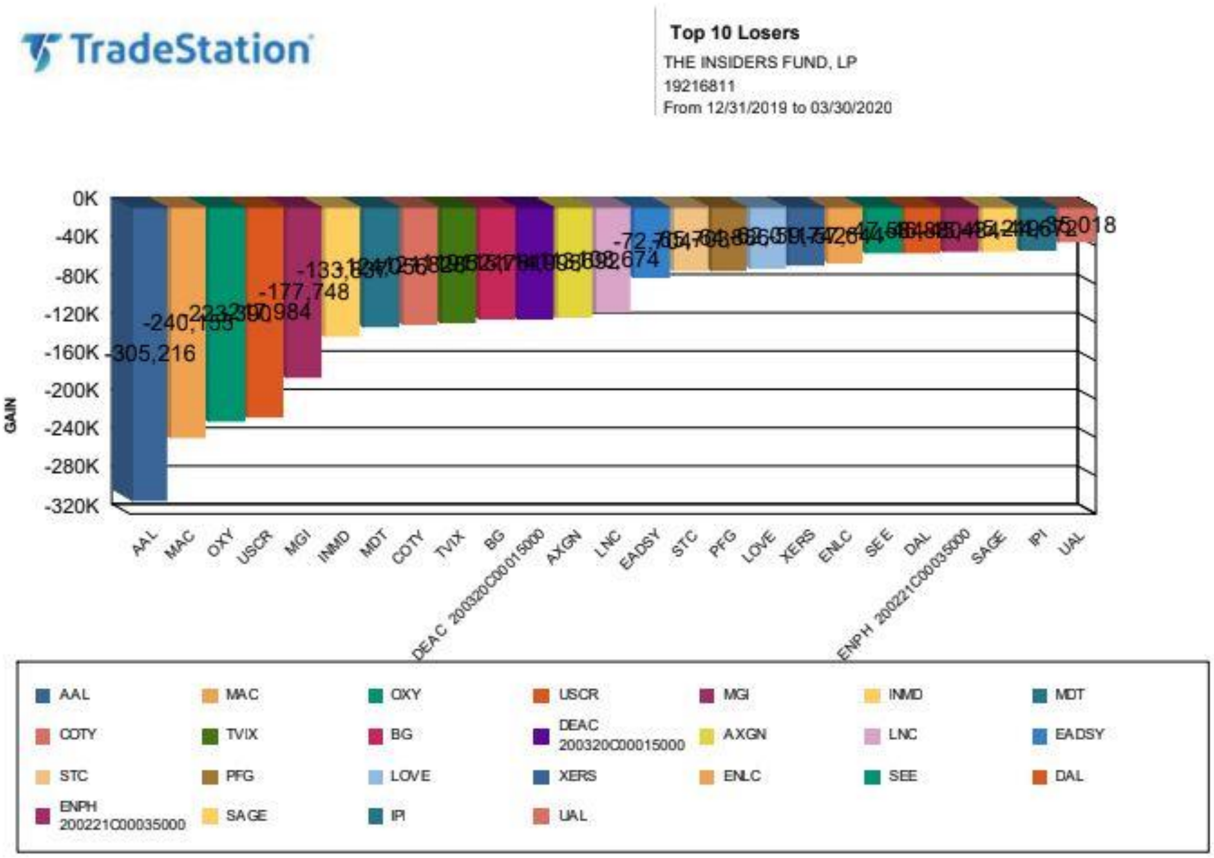

Top 10 Losers 1st Quarter 2020

Security	Symbol	Gain/(Loss)	Average Capital	IRR %
AMERICAN AIRLINES GROUP INC CMN	AAL	-305,216	765,069	-39.894%
MACERICH COMPANY	MAC	-240,155	244,232	-98.331%
OCCIDENTAL PETROLEUM CORP COM	OXY	-223,390	245,707	-90.917%
U S CONCRETE IN	USCR	-217,984	259,879	-83.879%
MONEYGRAM INTL	MGI	-177,748	254,970	-69.713%
INMODE LTD	INMD	-133,837	60,009	-223.027%
MEDTRONIC PUBLIC LIMITED COMPA CMN	MDT	-124,056	299,943	-41.360%
COTY INC	COTY	-121,828	185,417	-65.705%
TVIX	TVIX	-119,521	-32,477	-368.016%
BUNGE LIMITED. ORD CMN	BG	-115,781	309,848	-37.367%

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We're spending more time than usual studying and commenting on the losers for two reasons. First of all, we are not accustomed to losing and we want to understand why. Second, you learn the most from your losers as your winners tend to just reinforce your self-aggrandizement; that you're smart not just lucky. No such illusions this year.

As mentioned in the first paragraph of the letter, we believed we had adequate sector diversification, but the virus brought out correlations with many diverse sectors that we did not foresee. This should be clear from the discussion of the stocks that pertains to *realized* losses in the first quarter. We still own Medtronics, for example.

1. Our overweight position in **American Airlines** was punishing. We sold out at prices substantially higher than last Friday's close of $12.65 yet incurred a large loss. AAL had significant and frequent insider buying as well as UAL but the pandemic laid waste to the entire airline industry.
2. **Macerich**, a large mall operator also had major insider buying but no bricks and mortar retail industry can survive government mandated shutdowns. We maintain a small position in Macerich. The REIT has eliminated the cash portion of the dividend and has adopted a PIK dividend for the time being. Its too uncertain when and if Macerich can make a comeback at this time for us to have anything but a small exposure.
3. All oil and gas exploration stocks were clobbered after Saudi Arabia instituted a price war with Russia in the middle of a global pandemic. Oil futures traded briefly for negative value as the price war combined with weakened demand maxed out storage capacity. **Occidental** was a casualty of this confluence of unfortunate events. Insiders were heavy buyers in OXY, including Carl Icahn, but Insider buying has ceased, even at even these depressed prices. This is one to watch as Icahn is agitating for change. Some of our loss was mitigated by profitable trades later in the year.
4. **US Concrete's** main core operations are in New York City, Bay Area, and Texas. Until there is an infrastructure bill, this looks like dead money. We exited the losing position on the last infrastructure bounce believing we are unlikely to see any major infrastructure bill passed in a divided congress before the Presidential election. It is hard to see any pickup in commercial and public construction without it.
5. **MoneyGram** was a speculative position banking on cryptocurrency long term making the staid business of money transfer more competitive. We knew MoneyGram was struggling as Paypal and others ate into the cash transfer business. Handling cash itself became dangerous as public health authorities warned about the virus lingering on all physical objects. This is a particularly galling loss as the stock is now trading considerably higher and we would have had profits in it had we held on. There is a rumor that Western Union is going to buy out MoneyGram yet there has been nothing new on this for weeks.
6. **Inmode**- no insider buying, just cheap fundamentals and growing rapidly until the pandemic shut down all elective cosmetic surgeries.

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7. **Coty-** heavy insider buying, incompetent management combined with ill-timed leverage buyout of Procter and Gamble's cosmetic business. It goes without saying that wearing a mask and staying shut in alleviates demand for cosmetics. There was exceptionally large insider buying in this name. I was already questioning insider's intelligence before the pandemic.
8. **TVIX**- this was a trading foul. Some trades will be good, others bad but hopefully the good will outweigh the bad ones. At the time we executed it the TVIX was trading nearly four times higher than average, near $104. This trade could have been far worse than the 3% of the portfolio loss it accounted for. You can make an argument that we should not have been in this position at all and I would not argue it. I am just thankful we took the loss we did as it went up 10-fold that against us had we not closed out.
9. **Bunge-** massive repeated insider buying. The global pandemic clearly interrupted management's plans to dress this company up and sell it.

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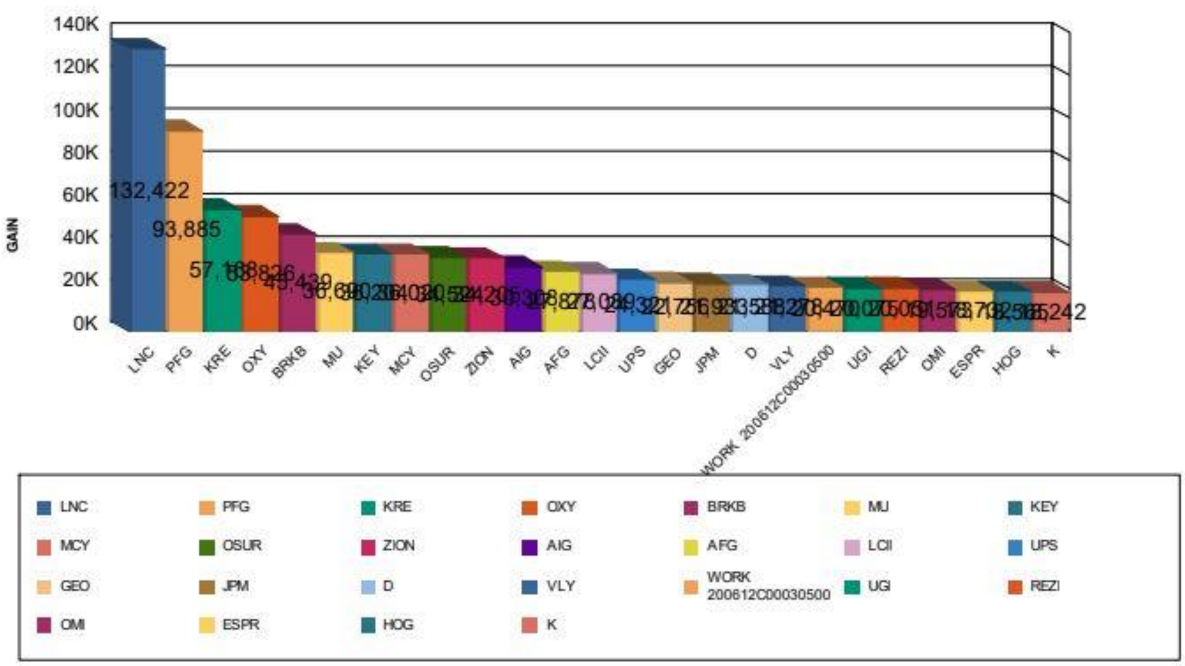
Top 10 Performers 2nd Quarter 2020

Security	Symbol	Gain/(Loss)	IRR %
LINCOLN NATL CORP COM	LNC	132,422	100.014%
PRINCIPAL FINAN	PFG	93,885	83.468%
SPDR S&P REGIONAL BANKING ETF ETF	KRE	57,168	94.318%
OCCIDENTAL PETROLEUM CORP COM	OXY	53,826	108.135%
BERKSHIRE HATHA	BRKB	45,439	35.950%
MICRON TECHNOLOGY INC. CMN	MU	36,690	76.879%
KEYCORP	KEY	36,204	98.460%
MERCURY GENL CO	MCY	36,020	9.450%
ORASURE TECHNOL	OSUR	34,524	42.103%
ZIONS BANCORPOR	ZION	34,205	2,097.611%

TradeStation

Top 10 Gainers
THE INSIDERS FUND, LP
19216811
From 03/31/2020 to 06/30/2020



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We heavily bought financial names, insurance companies and banks during the 2nd quarter sell-off. For the most part this succeeded well. We bought many of them near the bottom of their ranges and sold them near them the top. Valuations reached historic discounts to tangible book, but interest rates also plummeted to historic levels. The Government and Federal Reserve seems poised to keep rates depressed and has willingly enlisted the banking industry to suffer the brunt of the pandemic as with its mortgage forbearance, credit card, and rent abeyance policies. Until there is some change, these stocks will be in a trading range.

We have seen a lot of insider buying in regional bank names. As the economy shows signs of stabilizing and if the Fed shows some signs of lifting its heavy foot off interest rates, the bank stocks should soar. The KRE index is one way to play it.

Top 10 Losers 2nd Quarter 2020

Security	Symbol	Gain/(Loss)	IRR %
WELLS FARGO & CO (NEW) CMN	WFC	-93,612	-42.071%
BUNGE LIMITED. ORD CMN	BG	-89,966	-27.775%
GROUPON INC	GRPN	-43,368	-87.657%
CME GROUP INC CMN	CME	-29,509	-19.492%
TESLA MOTORS, INC. CMN	TSLA	-26,807	-508.836%
EXXON MOBIL CORPORATION CMN	XOM	-22,638	-9.298%
INVESCO QQQ TRUST ETF, SERIES	QQQ	-21,611	-96.647%
SELECTA BIOSCIE	SELB	-17,749	-44.192%
ALPHA PRO TECH	APT	-17,435	-68.354%
COO JUL 17 2020 280.000 P	COO 200717P00280000	-14,017	-623.615%

It is hard to believe we could lose this much money in **Wells Fargo**. New management, insider buying, and an outsized dividend, all were good set ups for profitable returns. It was also hard to imagine how the Government would require the banks to suffer disproportionately the burden of this virus by forgoing loan collections and driving bank's net interest rate margins down.

We lost a little money shorting **Tesla**. Auto production was shut in and yet Tesla was reducing prices across the board on their cars. Sounded like weakened demand to us, but this market is enthralled by Tesla and we were quick to cut our losses.

The **Groupon** loss smarts, and we still think this has potential. Founder and former CEO Eric Lefkofsky bought $5.39 Million with his purchase of 250,000 shares at $21.57. Groupon has been incredibly volatile of late and just completed a 1-20 reverse split. Groupon had a market cap of $535 million at Friday's closing price with a price per share $18.53. Considering this is a company with $750 million cash

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on hand as of May 31 with borrowings of about $368 million gives it an enterprise value less than its current market value.

GRPN has suffered enormously from the shut-down of the economy as small merchants, restauranteurs, and service businesses have been forced to the brink of complete meltdown. If and when they come back, you would expect one of the best ways to do this would be to offer enormous Groupon deals. I keep looking in my own Groupon for this to happen.

We lost money shorting **QQQ**, a small biotech, **Selecta Bioscience** that we previously had scored huge on, trading around mostly profitable trades on **Exxon**, and have reversed the paper loss in **COO** put options.

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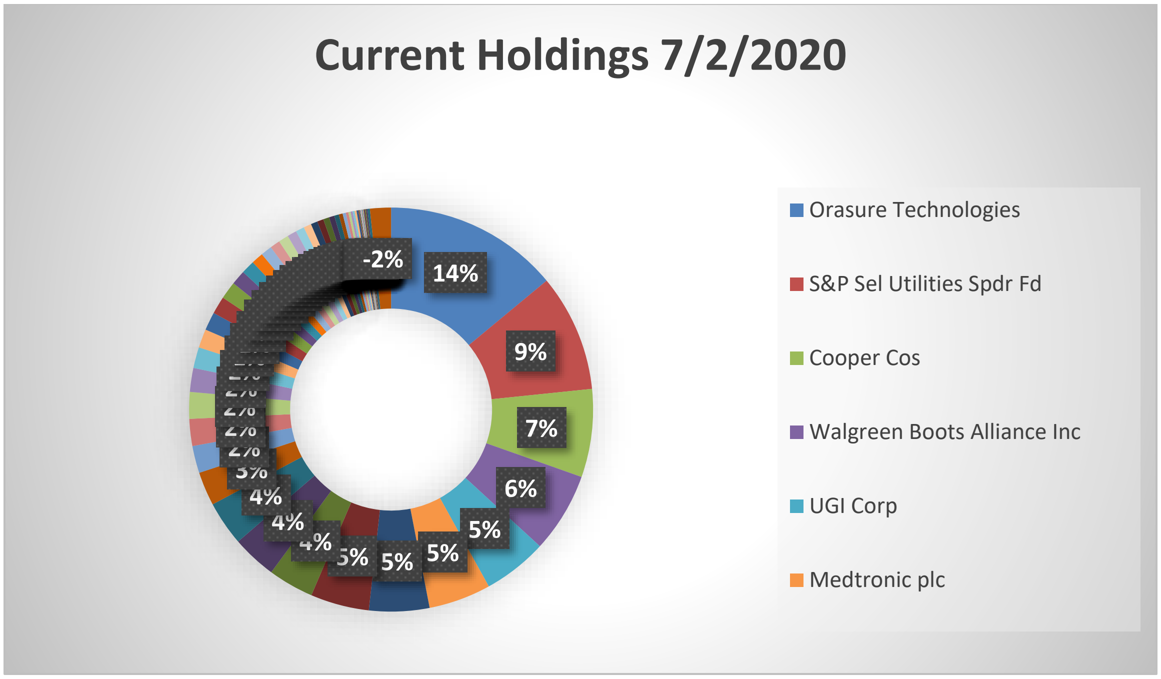

Because the fund is such an active trader, we may highlight an individual holding if it is a new position, major holding, or represents some change to our normal holdings. The point being is that the best way for you to follow our investments is through the client portal. There, you will find the daily performance and details on all of our holdings. If you have not been able to log in, please let me know and I will have our fund administrator, NAV Consulting, send you new login credentials.

Its hard to separate our current holdings from our outlook. While there was a tsunami of insider buying during the historic March Coronavirus sell-off, that buying has largely disappeared. Our holdings today represent mostly short- term trading ideas.

Symbol	Description
OSUR(HB)	Orasure Technologies
XLU(HB)	S&P Sel Utilities Spdr Fd
COO(HB)	Cooper Cos
WBA(HB)	Walgreen Boots Alliance Inc
UGI(HB)	UGI Corp
MDT(HB)	Medtronic plc
CME(HB)	CME Grp Inc
MPC(HB)	Marathon Petro Corp
PK(HB)	Park Hotels & Resorts Inc
CVS(HB)	CVS Health Corp

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1. **OraSure's** portfolio of products is sold globally to various clinical laboratories, hospitals, clinics, community-based organizations and other public health organizations, research institutions, distributors, government agencies, physicians' offices, commercial and industrial entities, as well as direct to consumers. Although there is no significant recent insider buying, Orasure may be the first company to have an FDA approved home diagnostic kit for Covid-19 as early as this Fall. We anticipate the stock running up into this potentially transformational event. Some insider buying would serve to reinforce this thesis. None the less, OSURI is a solid, profitable testing company with a good balance sheet and set to resume growth in 2021.
2. As mentioned earlier we had traded the utility index. **XLU-** the utility ETF. We traded this well, selling out the majority at $65.78 and now reloading at around $56 with a 4% plus dividend yield. There have been several insiders buying in this sector and it is easy to understand. In a world of zero rates, this is a rare bargain. We have bought back the broadly traded ETF XLU. The dividend discount model says the XLU with 2% long term and a 3% discount rate is grossly undervalued and worth $203.96. Even with a 5% discount rate, it is still trading below its intrinsic value of $127.72. Here is a handy online calculator to determine the dividend discount value. There are always risks with any investments; in this case, the Federal Reserve being forced to reverse their policy of ultra-low rates, severe economic depression where industry and residential cannot pay their bills, and government mandated forbearance
3. **Walgreen** and **CVS** share a common theme, they are undervalued and under-appreciated retailers. While many stores have been shuttered due to the virus, drug store chains have largely been deemed essential and have remained open. Expectations for Walgreens and CVS are very low and could surprise on the upside. Both have decent dividends and both stocks have been underperformers. Walgreens has two upcoming catalysts, 2^{nd} quarter earnings on July 9^{th} and the possible sale of their drug distribution business to Amerisource Bergen for proceeds about $6 billion. Although operating expenses have risen for both companies, we think they may surprise on the upside. There is some insider buying with CVS. We'll take singles and obase hits in lieu of homeruns when there are no fat pitches available.
4. **Medtronics** is a large diversified medical device company. There was substantial insider buying but Covid-19 has delayed many medical procedures. We've been selling covered calls and collecting dividends in MDT. We expect to make money here when the health care system returns to normalcy.
5. **Marathon Oil** is the largest independent refinery in the country. Business is tough right now and the driving season may underwhelm due to the virus. Airplane traffic and consequently jet fuel consumption remain low. There are catalysts though. Marathon is going to spin off

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Speedway or sell it, the 2nd largest chain of convenience store/gas stations. The valuations for the chain approach the current value of the entire company.

1. **Park Hotels** is a luxury hotel REIT in some of the most desirable urban locations in the United States. Our thoughts are that when travel returns, the currency of trust will be in the hands of those brands that can demonstrate that they run hygienic and clean operations, that meet CDC and health department standards. There has been healthy insider buying but travel, especially business travel remains muted. If there is a vaccine, Park will soar; assuming it can survive.

Our Outlook:

Although the major indices concluded the best quarter for Wall Street in around 20 years, rational players would have to conclude the real economy and the stock market bear little in common at this moment. The rally has been almost entirely a liquidity ignited event fueled by record amounts of money printing by the Federal Reserve. The capitalization weighted indices like the S&P 500 have been dominated by mega cap tech stocks whose stock prices and to some extent, their businesses, have been largely immune to the effects of the pandemic. By contrast, the RSP, an equal weighted S&P 500 index was down 12.18% during the same time period.

A large part of the rally has been part of the "stay at home economy" story. This is not a sustainable event. Huge Government stimulus and unemployment benefits have distorted the natural economic order of things. It's almost as if the Government is encouraging us to skip mortgage, rent, and utility bills and buy iPhones and Pelotons instead. Forbearance and patience can only last so far. It's reported that half of the unemployed insurance roles are making more on unemployment benefits than when employed. When the tune is over, the piper gets paid. It is only a question of when.

There have been clear winners and losers due to the Covid-19 pandemic but much of this is temporal in nature. For example, will there be a vaccine this fall or early next year that will reverse these gains as consumers and industries start to recover? Will the Government stimulus programs remain in place through the Fall elections and even into next year if the recovery takes longer to happen? Everything hinges on the virus and that seems to change on a near daily basis.

There is a level of speculation in this market that is very reminiscent of the Dot.com bust. Many stocks like Hertz soar in prices without any rationale basis. When savvy investors like Carl Icahn sell out of Hertz at $.72 per share and says the Company is bankrupt, then the stock within 3 days soars to $5- well everyone should know this is absurd. And that is just one of many instances of craziness.

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Insider buying has all but disappeared

Insiders are not buying into this rally. While they initially brought out their pocketbooks as the market plunged in March, they have retreated and turned into their normal state as sellers. We are not overly concerned about the lack of buying as the market seems to be driven by liquidity more than value. With interest rates this low, many income asset classes should be priced higher. At the first sign of the Fed withdrawing the punch bowl, watch out below.

Housekeeping

We have added dynamically updated spreadsheets to the The Insider Fund Blog tracking the performance of the notable insider buys. Clearly some insider trades are better than others. The main question investors have is how good is this strategy of following insiders? Now you can find the answers here. You can review that at this link, Insider buying.

Last, but not least please follow us on social media as we frequently update Twitter, Facebook, Instagram, and LinkedIn.

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We have been adding content to these platforms and having followers makes us want to add more. As always, we greatly appreciate the honor and responsibility of managing your investments. Please feel free to reach out to me anytime.

Sincerely,

Harvey Sax
Insomniac Hedge Fund Guy
hsax@alphawealthfunds.com
wk (435) 658.1934
cell (435) 962.4554

The Insiders Fund

RankingAward BarclayHedge TOP TEN

The Insiders Fund LP
Equity Long/Short
For the year of 2019 - *Ranked by Net Return*

Hedge fund performance as ranked by the BarclayHedge's database

All Investments have Risk with No Guarantees. It keeps me up at night

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