ALPHA WEALTH FUNDS

Alpha Wealth Funds, LLC

"the opportunities never stop"

July 23rd, 2021

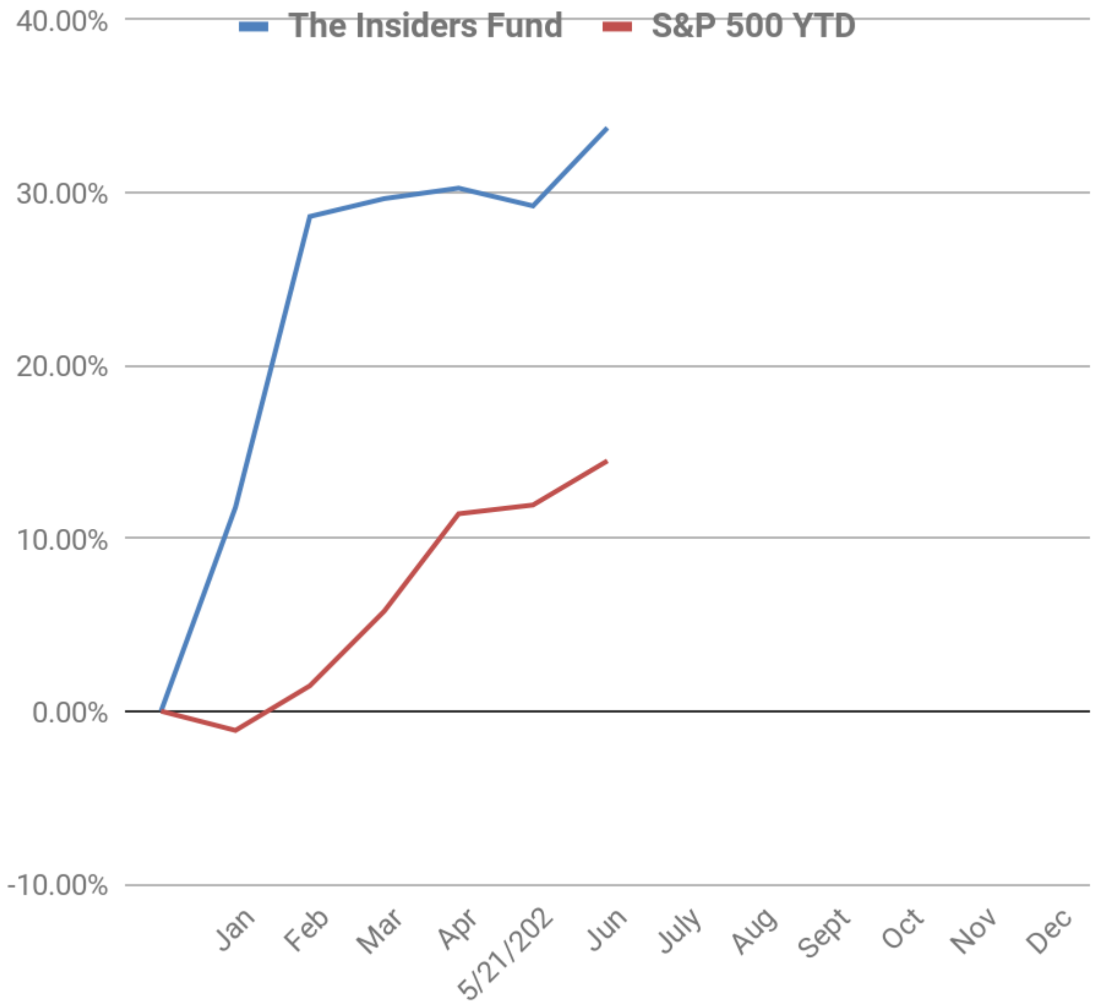
The Insiders Fund, LP 2nd Quarter 2021 Partner Letter

"there will be a giant transfer of wealth from the oil and gas industry to the regulated electric utility industry"

Results and Benchmark Comparisons:

The Insiders Fund was up 3.37% for June 2021 while the S&P 500 returned 2.22%. The Insiders Fund was up 1.17% for the 2nd quarter versus 8.17% for the benchmark. For the trailing 12 months, the Fund returned 97.8% (after all fees and expenses) versus the S&P 500 up 40.8% (includes dividends). Individual returns will vary based on when you invested and breakpoints. NAV Consulting provides the official returns for the fund. The audit and tax forms are provided by Berkower, a PCAOB member accountancy firm.

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



The Fund Underperformed the S&P 500 during the 2nd Quarter 2021

This letter is our report card to our partners. We will post this on our website with all of our past letters. I like to read the old letters, dust off the crystal forecasting ball, and see if we can improve our results. I encourage you to read the partner letter carefully as often the difference between success and failure in investing boils down to understanding what you own. I often tell partners and potential investors, we will make mistakes. We will occasionally get it wrong. Anyone that tells you otherwise is a charlatan. But what I try to reassure investors is that our strategy of paying close attention to what insiders are doing with their own money is the best way of not losing theirs.

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

Winners and Losers:

One of the things that I've really been trying to improve on is the tax harvesting of our investments, asking a question each quarterly report" would we have been better off holding than selling. So far the results are mixed.

To my great surprise, Cassava Sciences SAVA is higher today than we sold it despite dropping to $35 after we sold it at $100. It was up $21 yesterday alone on an upgrade from a brokerage firm trading at $113. I still have no regrets making 10x our investment even if we have taxes to pay. Watching your investment go from $8 to $100 back to $35 back to $113 is too volatile for me.

Ironically the FDA's approval of Biogen's Alzheimer's drug, seemed to provide a justification for Cassava's own drug that plans to enter Phase III. I believe the opposite result is just as likely to happen. The criticism about the FDA approval could cause the FDA to be *more* cautious about what drugs they approve for Alzheimer going forward.

We made nice realized gains on CBOE, Bed Bath and Beyond,Danaher, Crown Castle, Dominion Energy, Upwork, Nuskin, Jack Henry, Multiplan, Advanced Micro Devices, and Incyte, and Biomarin.

Regrets: Crown Castle continues to elevate where we sold it. Upwork continues to be the thorn in my side. Fortunately we sold some at $61.93. Unfortunately we sold a lot more in May at $38, only to buy it back for a few points higher. We are extremely bullish on Upwork but have no idea how to price it. Neither does the market as the stock sold off 17% last week on no news and has already regained half of it. It's currently our largest holding at the moment. The entire position has covered calls written against it with very rich premiums expiring in December. It will serve to reduce our cost in the position but it will limit the upside to $58 - $60.50. It should also keep me away from trading it which has proven to be my nemesis with the name.

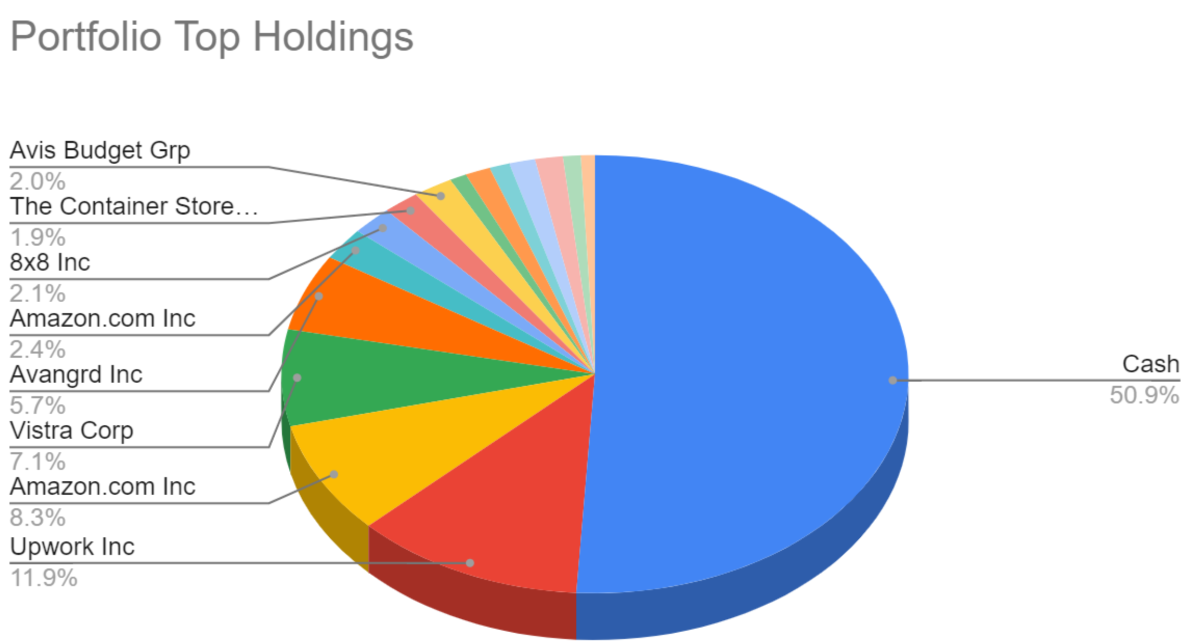
Danaher was a mild regret selling out a bit too soon. We never had much Biohaven but sold what we had for $94.28 and it was around $125 this week.

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

Hallelujahs:

There were few hallelujahs this quarter as the Fund ended pretty much where we started. We feel fortunate to be where we are considering the punishing unrealized losses we have in Casi Pharmaceuticals .Casi is down 49%. It has been a real drag on performance. We are still holding out hope as there has been consistent insider buying and no selling, We have significant unrealized gains in Vistra Corp, a large electric utility company. We exited Nu Skin with nice profits about 10% higher than where it is today.

Current holdings: 7/14/21



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

Investments rarely align themselves with monthly or quarterly results, so it's important to understand the logic behind the reported results. When I sat down to start this letter, I had the usual misgiving about describing our holdings. The Insiders Fund is a small nimble fund and we can move things around very quickly. By the time I finish the letter, the portfolio positions and relative percentages may barely resemble what I started with, making me think this is perhaps a fool's errand. Nevertheless this is a snapshot of the Fund's holdings as of the 7-21-21.

This is the largest cash position we have had during any partner letter. Much of this cash is being used for collateral on index option spread writes so we are earning money while waiting on better opportunities. These call and put writes are very short term and quite far out of the money so we expect them to expire worthless and earn the premium. In the interim we are searching for opportunities.

Our largest stock position is Upwork. We have written $50 and $55 call options expiring in December which limit our upside to $58-$60. It will also reduce our cost position by $5-8 per share if we are not called away. We've blogged about Upwork and written about it in previous partner letters. It's an exciting disruptive company but until they are strongly cash flow positive, it's really impossible to value. At 11% of the portfolio, we're not likely to be buying more of it either.

Vistra, Avangrid, and Centerpoint constitute 14.1% of the portfolio in electric utility companies with big commitments to renewable energy. We are earning over 3% in dividend income while we wait for this investment theme to play out. Barron's Andrew Barry hinted at some of our logic in his piece last week in Barron's entitled 12 Stocks and Fund to Play the Coming Green Boon for Utilities. He writes, " electric utilities are at the center of a seismic shift away from coal and toward wind and solar power over the next 15 years. That is expected to be a huge boon to both the environment and investors—and utility company stocks and funds are a cheap way to plug into this critically important transition."

That's only a small part of our investment thesis. Utilities are regulated monopolies and allowed to earn an agreed upon ROE. The world's transition toward electrifying the transportation industry will lead to much greater use of electricity in the average household. As the transportation fleet gets electrified, this will become a huge money transfer from the oil and gas industry to the regulated utility industry.

It's not happening overnight but it seems inevitable.California issued an executive order that requires, by 2035, all new cars and passenger trucks sold in California be zero-emission vehicles. The European Union is set to become the largest economic bloc in the world to completely ban the sale of combustion engine cars by 2035, prompting industry criticism that Brussels is picking winners by intervening in the free market. Shell, one of the most progressive

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

of the traditional oil and gas companies, is making a major move into renewable electricity from storage to solar to hydropower.

It's not often you can find such a low risk sector, paying above market dividends with underappreciated revenue growth opportunities.

We are adding to our positions here, especially as interest rates are stable or even declining. The main concern we have with this theme is rising interest rates. We've hedged that with a large deep in the money put option position on the iShares 20+ year Treasury bond ETF, TLT. This position is contributing to negative performance but we have until December 2023 before the put options expire.

Part of the Amazon position is probably going to get called away with August covered calls but we are comfortable if it doesn't. It will just reduce our cost position. Amazon and Google have the two most unassailable business models in the world. Amazon is an impossible competitor and the ultimate Pac Man company, gobbling up one piece of commerce at a time. The only real obstacle in Amazon's path is the Government and antitrust regulations. To date Amazon has successfully argued that it has relatively small shares in the overall commerce picture. They may have smaller shares in various sectors but they own 40% of the overall E commerce pie, the fastest growing sector. Their cloud business, AWS is the dominant player in a high margin growth industry. If the Government doesn't slow down Pac Man, I can't see any business doing it.

We've sold Google puts to acquire a position at a lower price but Google has the strongest chart of all the FANG stocks. It shows no signs of slowing. After all, Google doesn't even charge for its most valuable product, information itself. If the Government would somehow restrict the advertising business, how much would you pay per month or per use to just say "Google it?"

A cash weighting this high is an obvious drag on our performance if the market continues its steady drive higher. Money managers are invariably judged on how well we did against a benchmark. This is an unfortunate fact as it creates herd behavior. If the market is going up, they buy the market so they won't be left behind. If it's going down, they sell it. No wonder most managers don't beat the market. They are essentially following it.

The Insiders Fund has a methodology. We have been practicing it for two decades. We track insider buying and selling very carefully over the last 6-12 months. When there are lots of stocks trading below what insiders paid for them, there are a lot of red alerts on our software next to the price they were willing to buy. It's a very dull-looking screen right now.

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

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

Our Outlook:

U.S. equity benchmarks are hovering around record highs; however, as I mentioned in recent blog posts and the June mid-month letter, the breadth of the market has been poor. Fewer stocks are driving those gains. The growth trade regained investor favor and the rise in the market has been largely propelled by a handful of mega cap tech stocks.

It is a seasonally weak time for insider buying because of the quarterly earnings blackout but insiders,none the less using the SEC 10b5-1 rule, are selling large amounts of stock. Insider buying ratios are anemic. That doesn't beget confidence.

Powell got a mouthful from both parties about inflation on July 15th at The Semiannual Monetary Policy Report to the Congress. No doubt he heard the message and every upcoming Fed meeting will be parsed to hear hints on the timeline for the tapering and future normalization of the Federal Reserve's balance sheet.

Most likely the market can handle a few miniscule rate hikes from these abnormally low levels but I think the bigger or more correct question to ask is can Powel blunt inflation with a handful of small rate hikes? He seemed confident, overly confident in my opinion, that he had the tools to tame inflation. Unfortunately no one asked him what those tools looked like?
Inflation could be the pivotal issue in the upcoming midterm elections. Tax hikes, wage hikes, and stock market gains could all be laid to waste by inflationary pressures.

All that being said, I cannot state with enough emphasis that the stock market is the single best hedge against inflation. Statistically it is better than real estate, a close second, commodities, and gold.

Equity prices, real estate prices and all forms of asset prices are based in part off low interest rates. The market will be very sensitive to any changes in the Fed's monetary policy. The third quarter will have notable Fed meetings including the annual Jackson Hole retreat at the end of August.

The bottom line is we have become exceedingly cautious. Almost everyone is expecting some kind of correction which ironically might mean we won't have one. Markets seem to defy the expected. We will put our large cash balance to work as we find the opportunities.

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

Housekeeping:

Please note that our blog at theinsidersfund.com/blog is now a paid subscription service but free to partners in The Insiders Fund using the promo code INSIDERFREE.

Thanks again for your continuing confidence. It's a great honor that you allow us to help you with your investments and we work hard every day to earn that privilege.

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