ALPHA WEALTH FUNDS

Alpha Wealth Funds, LLC

"the opportunities never stop"

April 2022

The Insiders Fund, LP 2nd Quarter 2022 Partner Letter

" the war in Europe is the wildcard, we can't predict."

Results and Benchmark Comparisons:

The Insiders Fund was down 11.16% for June 2022 while the S&P 500 returned -9.65%. For the 2nd quarter, The Insiders Fund was down 12.90% versus the benchmark down 17.59%. YTD, the Insiders Fund is down about 11.40% versus the S&P 500, down 21.67%. Your own results will likely have minor differences due to fees and time of investing. NAV Consulting provides the official returns for the fund. The audit and tax forms are provided by Berkower, a PCAOB member accountancy firm.

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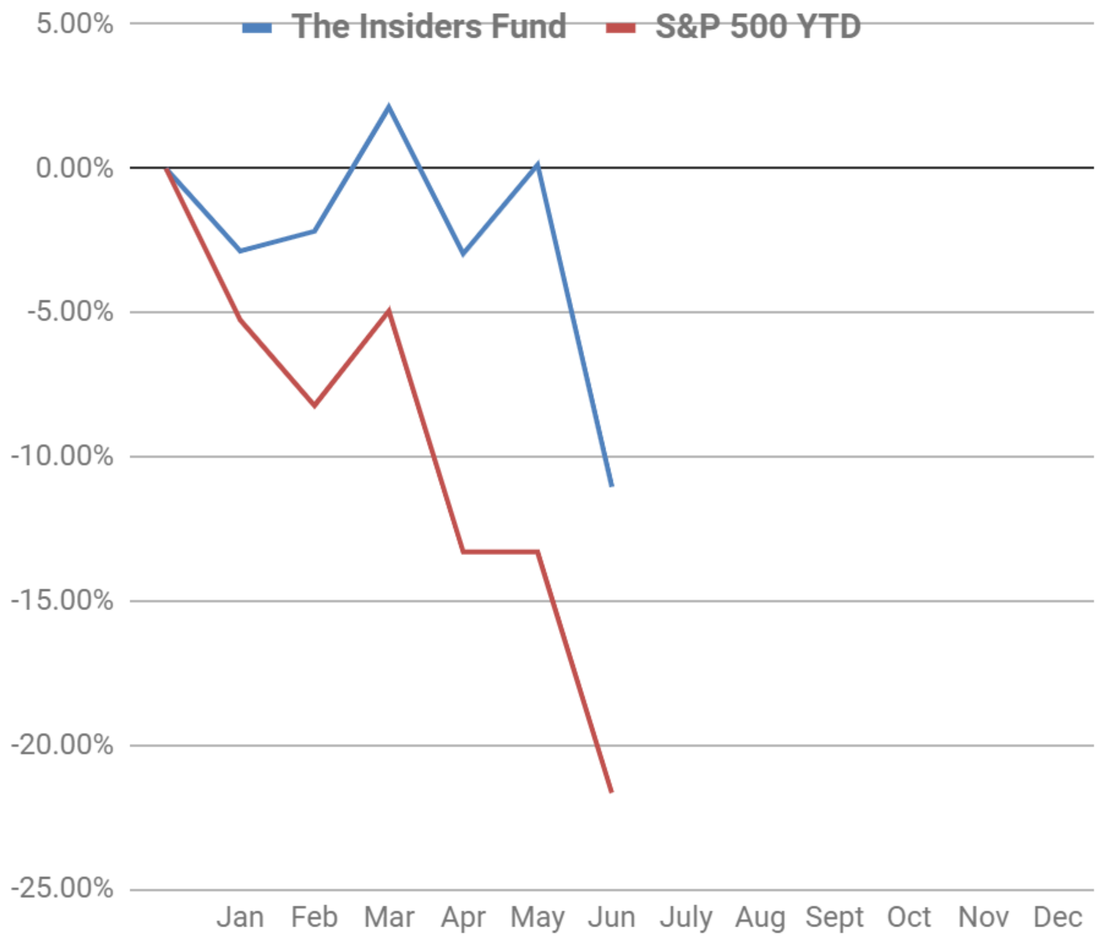

The Insiders Fund Outperformed the S&P 500

It was the worst start to a year since 1962. Forty-year highs in inflation, rising interest rates, the surrogate war between Russia and the West with a dwindling supply of Ukrainians to fight it, hedge funds and investors clustered around disruptive overpriced tech stocks, and domestic political discord are all ingredients for a toxic investment climate. Why bother to invest? Simple, there are bargains out there. Although the averages are down 21% YTD, many stocks are down 80% with massive insider buying, like Carvana, down from $360 to $22.

The last month has been particularly grueling for the Fund as we went from large amounts of cash on hand to more than fully invested, for a net 113.93% long and 7.94% short. 9% of the long exposure is in arbitrage positions (announced takeover deals not likely to be correlated with the market)

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Leverage increases volatility, and being a little early can be costly in the short term. It's the equivalent of leaning into a stiff left jab. June was a very bad month for us. It hurts, but it didn't knock us down. Our unrealized losses now amount to about 10% of the portfolio's value. I fully expect these losing positions to recover. This is our report card, please read it carefully.

Winners and Losers:

Issuer Name	Realized Gain
EQT Corp	355,429.88
Albemarle Corp	211,544.58
iShares 20 Plus Year Treasury Bond (puts)	174,328.63
Cleveland-Cliffs Inc	151,382.63
Coterra Energy Inc	147,892.09
Evergy Inc	146,321.76
Upstart Holdings Inc (short sale)	114,554.28
iShares China Large-Cap ETF (short sale)	100,563.50
Coinbase Global Inc (short sale)	95,668.45
EQT Corp	78,666.35

Issuer Name	Realized Gain
Uber Technologies Inc	(171,513.36)
Bally's Corp	(162,558.05)

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Thor Industries Inc	(115,151.26)
Smartsheet Inc	(114,651.03)
Crocs Inc	(97,015.54)
VanEck Semiconductor ETF	(86,646.63)
Zillow Group Inc	(80,236.02)
Scotts Miracle-Gro Co	(79,711.87)
ALPHABET INC	(76,274.70)
DocuSign Inc	(75,572.20)

With the winners you look at how much you might have left on the table and the taxable consequences. For the moment, I'm mostly happy with all of these trades as I left nothing on the table in the biggest winners with the exception of Equitable Holdings. One thing of note, though is that the winners had 4 large short sales if you include the put position on the TLT. This is not surprising in a bear market. In the last month, June, many of the short sales were not working as the market is showing bottoming signs. The Chinese market, as expressed by the FXI was up ~12%. Typically one learns more from the losers. You dwell on it, wondering what you missed, could have done differently.

Uber was sold at an average price of $31.50 and closed Friday, July 1st, at $21.34. Bally's was sold at $27.28 and closed at $20.22 on July 1st. These two names had massive insider buys that have been wrong for now.

Smartsheet was an earnings play sold at $29.58 and closed July 1 at $32.34. A partial position in Crocs was sold at $66.90 and closed at $47.95. The same goes for Thor. We still own a lot of Crocs and Thor, as you can see below in our top holdings section.

The semi ETF, SMH, was sold at $235 and closed at $195.66. Zillow sold at $39.10 and closed at $33,80. There was no current insider buying in Zillow. I was guessing insiders would come back to buy as they had done in the past after it took a major hit. Their absence speaks volumes. SMG sold at $108.96 and closed at $80.18 on Friday. DocuSign was deeply disappointing. The CEO was a large buyer who was just pushed out of the role while the company undergoes a new search. *There is little I could have done better other than not to have bought in the first place.*

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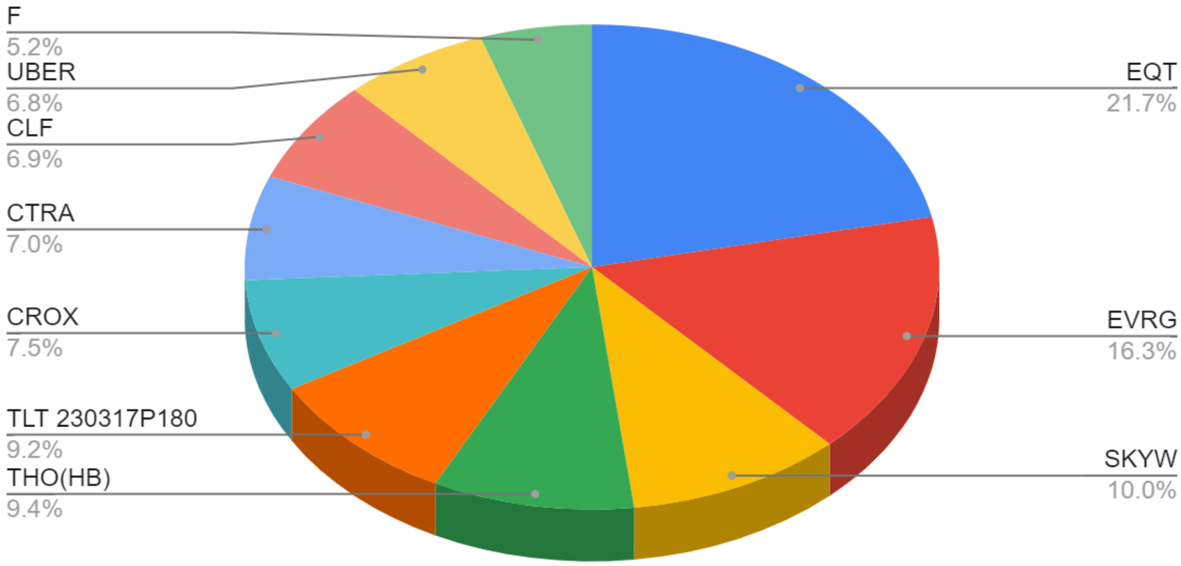
Top Holdings:



Top 10 Holdings The Insiders Fund April 10th, 2022

The first thing I do nearly every day is practice an exercise that keeps me honest about my investments. I look at all the major positions and many of the smaller ones and ask myself, knowing what I know today, would I buy or sell short this stock again? If I can't answer affirmatively in that, I'll likely get out of the position, regardless of the loss. It's a much trickier proposition with taxable gains. Looking at the holdings above is where I want to start.

We had a very large position in Equitable Holdings, which we paired back dramatically. That was a fortunate move as EQT is down 40% from its April 10th price as oil and gas producers have had a significant retracement. We had significant option hedging positions in that name that reduced some of our profits. I did not want to sell the stock as I think natural gas long-term

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is an exceptionally good play. Profits were taken in Corterra. Both positions are markedly reduced and hedged with covered calls and/or puts.

We no longer own the TLT put options as I believe the market is now fully pricing in the interest rate hikes. The Fed doesn’t control the long end of the yield curve, and markets have been signaling for weeks now that long rates look like they have peaked. The market thinks the Fed will either blink or the economy will dramatically slow in 2023, and the Fed will start lowering rates. Either way, we made nice money on this trade, and we’re out of it for now.

Uber has been gone completely for some time. We lost money on the investment, selling it all at an average price of $31.50. It closed Friday, July 1st, at $21.34.

Thor has been trimmed back a little at $82.95. It closed Friday at $76.30. Evergy has been sold with a profit, traded, and bought back again but not in anywhere near the percentage holdings, more like 1.9% of the Fund. We have been consistently rewarded with trading the utility group. Cleveland Cliffs was traded out of and bought back significantly lower. We have a relatively small but losing position there.

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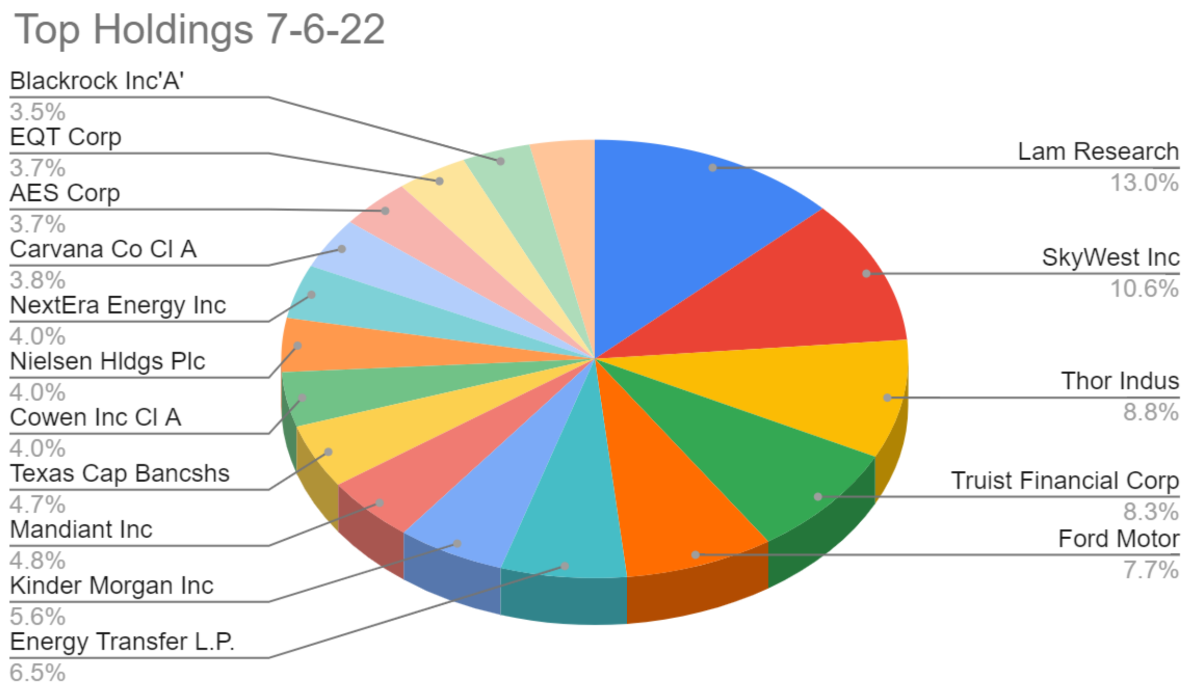

Lam Research. There is a global semiconductor shortage. Cars to refrigerators are on back order because they can't get the chips they need. Companies are investing heavily into new supplies to make even faster chips and better foundries to manufacture them in. The world used to live on oil- now it's oil and semiconductors. Moving the supply chain from China long term will cause some disruptions and covid induced lock down measures certainly crimped demand in recent quarters but both of these setbacks are transitory. Michael Zekas, Morgan Stanley's strategist said in his Thoughts on the Market June 29th podcast that " CAPEX needed to build these new supply chains,... semiconductor capital equipment companies could see a major upshift in demand." As usual, they are analysts that take the opposite side to this argument. Price action says the bears are winning for now.

There are not a lot of companies that can supply the tools for this trade. The existing companies that do this are giant and have hegemony in this business. They are not easily replaced. One of them has a Director buying $800k of stock recently. Lam Research trades at 13.75 PE and has grown revenue by 74% over the last four years. Much has been made in the most recent days about a semiconductor downturn and consequent downgrading of the stocks in the group. Analysts are great at forecasting the industry, but as a group, I'm not impressed with their price

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predicting prowess. Analysts raise price targets in rising markets and drop them in declining markets regardless of the price of the underlying stock. This begets the question, you loved it when it was going up and kept boosting your price target and now that it has declined significantly, you are getting bearish on the stock. Maybe try selling high, buying low?

Of course, the sudden gloom in the semiconductor industry hurt our fortunes in the last month but we anticipated some of this and sold July $420 covered calls for a healthy premium lowering our cost basis.

SkyWest The Chairman of the Board and founder made his largest open market purchase in the history of this regional airline. When you look at the population trend, the Great Migration from the big cities to the smaller, more affordable towns is well underway around the country. Only one airline services most of these towns, and they work under contract with all the major airlines. Sky West has a high-class problem; more demand than they can serve. It’s hard to see how this is not a good business. Monopolies usually are. As jet fuel prices come down, profits should pick up. There is little one-time vacation binge buying here. People don’t travel to Helena, Montana, for a vacation.

THOR America loves camping. Americans love the outdoors. Venture to any national park this summer, and you will come to that conclusion, and many of them, more than ever, like doing that in an RV as opposed to hard ground and extensive prepping. The leading company in the business has over a one-year backlog they're struggling to keep up with trading at a record 3.72 price-to-earnings ratio.

Soaring gas prices are close to peaking. The Baker Hughes drilling count has increased dramatically in the last 12 months. Give it another 12 months you possibly see oil in the $60s. Even as it is, you can’t find a cheaper vacation short of sleeping on the beach and surfing in Nicaragua.

Checks with his dealer inventory constantly show no real shortage of demand and balanced inventory. A very solid buffer provides good margins of safety.

Enterprise Products, Energy Transfer, Corterra, and Equitable Holdings. The country's largest natural gas pipelines have tons of Insider buying and 7% plus annual dividend yields. Electricity demand is expected to soar due to increased electrification of the transportation fleet.

There are only limited ways to make electricity. Natural gas, coal-fired solar wind, and hydroelectric.

Record drought just about assures no growth in the already mature hydroelectric industry. Renewables, as desirable as they may be, need batteries to replace always-available natural gas and coal. Lithium, the primary battery component, is at record high prices, and supply chains can’t keep up with the demand from the rapidly growing EV industry. Nuclear is being decommissioned and ungodly slow to permit and expensive to build. Coal is, well, coal, a dirty fuel of last resort.

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World events have proven that fighting Russia while depending on them for natural gas is proof of one of our most obvious political and governmental blunders in history. It's an absolute no-brainer to understand we will be hooked on fossil fuels for much longer than the population is beginning to understand, and more than likely, we will never get off of natural gas until the planet runs out of it. We're estimated to have 100 years of supply in the US, but we're supplying natural gas to an increasingly larger part of the world, which will make a big dent in the 100-year supply.

Natural gas is a commodity that could soar in value and the companies getting it out of the ground. We own the largest producer in the United States at just a $13.5B market cap. Does that seem right to you?

Truist, TCBI, Zions Bank, KRE Regional Bank Index- and just like everyone else, I struggle with the question is the economy going into a recession? Tech layoffs have already begun, although they could be due to an overhyped sector and not indicative of the entire economy. These things have ripple effects, and we don't know the answer to that one. We know that rates have gone up dramatically, and banks are loving it as long as that extra earned interest doesn't turn into defaults This should be a great time for regional banks, except they're all trading at 52-week lows. Insiders are buying here. Do you think they know something?

Spirit Airlines, Mandiant, Nielsen Holdings, Tenga, An arbitrage deal; an all-cash deal that seems highly likely to succeed is trading at a 40% discount; that may be the biggest merger-arbitrage discount I've ever seen where I'm reasonably confident the deal will go through. Another arbitrage deal which I'm 100% confident will go through; with government blessing on our national security interest, and only gets more valuable for the buyer. It has a 14% annualized premium in an all-cash deal which is a rounding error for the buyer.

Ford is a great American car company transitioning to EV vehicles that can't meet the overwhelming demand for the next 5 years, trading at one of the lowest multiples in its history, and down 40% for the year. This is a true American icon with insider buying trading at a 4.0 P.E.TTM. The average age of a car in the US is up to 12.2 years, a new record.

Cowen CWN is a mid-tier investment bank that has a lot of biotech business. Biotech is in as vicious a bear market as I've seen in 25 years, and the stock has reached compelling valuations for a takeover. There were three significant insider buys from November 29th to March 25th, 2022. Friday, July 1st, after the market close, Bloomberg reported Toronto Dominion was exploring an acquisition of the company. I find this highly credible as it would make great sense

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for the Canadian bank. Insiders often get far enough ahead of trade to avoid being accused of insider knowledge.

Carvana is a company that reinvented the way cars are sold down to $24 from $360. Founders have bought more than $600 million in stock this year, and management is buying hands over fist.

So when I say these are some of the best values I've seen in my long career, I'm sure that most of you that got this far in the letter would agree with me. I could go on and on with the bargains we own, but these are the biggest positions.

My Outlook:

Reasons to be bullish

Investor Sentiment is horrible. The bull/bear ratio is at extreme levels of pessimism.It rarely gets worse. This is a classice contrarian indicator.

S&P 500 had its worst 6-month start of the year in 50 years. Investors are in no mood to buy stocks. Again, this is another contrarian indicator.

The economy is slowing but at a gradual rate, not collapsing. No economic collapse is on the horizon unless the Fed follows the Volker playbook and raises rates beyond my expectations. The biggest wildcard is the war in Russia and the impact it might have on energy prices.

Interest rates, as measured by TLT, Long Treasury Bonds, and other yield curve instruments that the Fed doesn't have direct control over, have exhibited bottoming action for weeks now in spite of all the tough talk from the Fed about their inflation-fighting tools at their disposal.

Sweden and Finland overcoming Turkey's objections and joining NATO represent a major victory for the West and free-market economies versus totalitarian regimes like China and Russia. People vote with their feet and their money. Capital inflows into Western economies will benefit.

Baker Hughes's rig count has been steadily increasing. The cure for high oil prices has always been high prices. Supply will eventually catch up with demand, and prices will decline, bringing inflation down with it and the end/or moderation of the rate hike cycle.

Relatively benign taxing regime. An evenly balanced congress negates extreme fiscal policy risk as any legislation without broad bipartisan support will not get through congress.

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Reasons to be bearish

Insiders have been absent from the market, with notable exceptions in companies that we own. That may change in the coming weeks as the blackout periods end with the 2nd quarter earnings release.

Market valuations are still high by historical comparisons.

Germany is saying that if Russia cuts off natural gas to its economy, entire sectors of their company could disappear, probably throwing the world into a global deep recession. At the same time, they are balancing a commitment to NATO and supplying Ukraine with weapons and money to fight the Russians. JP Morgan analyst said that if Russia boycotts selling oil to the West, crude could reach $380. Exxon is saying that they expect gasoline consumption to decline to 2014-2016 levels due to the electrification of the transportation flight. Notably, they didn't predict the price.

Trends are hard to reverse. Clearly, we are in a bear market. In the short term, most stocks follow the overall market direction. There isn't much we can do about that, and hedging is expensive. Volatility is part of stock market investing, and leverage increases it. We are fully invested now.

Housekeeping:

Giving Back Program

We've spent a lot of time and brain cells trying to figure out what we're doing with the giving back program. The funds we collected are still undistributed. We found a local attorney that specializes in the kinds of foundations and trusts we want to do and are negotiating his engagement letter. I think we have a good solution. We should have a lot more for you in the next quarter's partner letter.

Sincerely yours,

HWS

Harvey Warren Sax

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