

Alpha Wealth Funds, LLC

“the opportunities never stop”

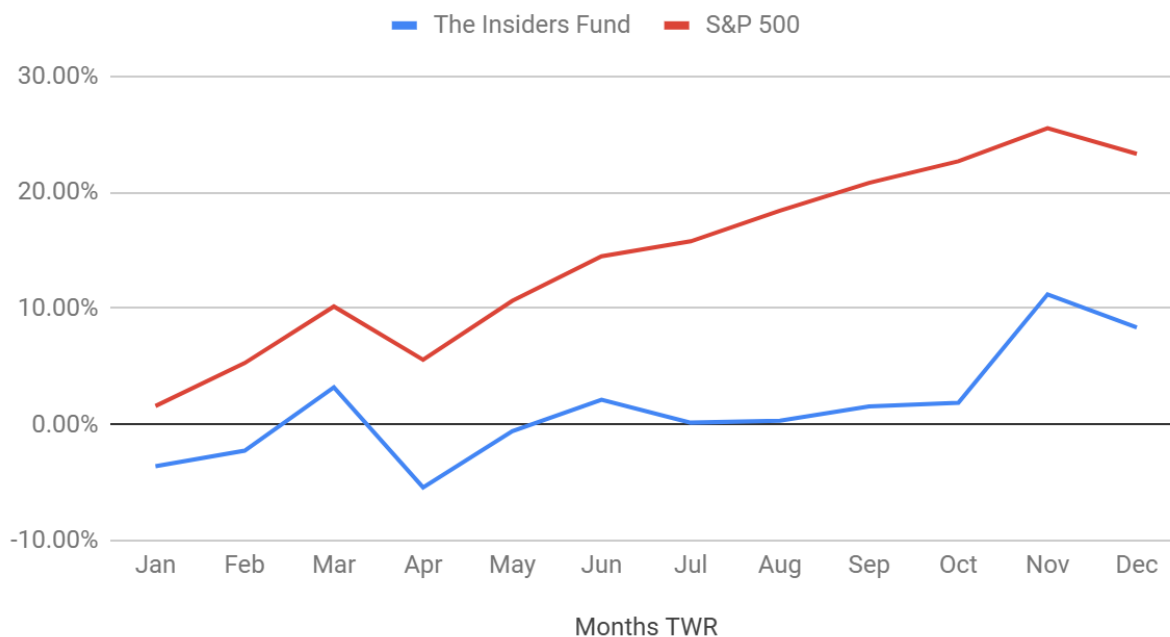
January 2025

The Insiders Fund, LP 4th Quarter 2024 Partner Letter

Deja Vue

The Insiders Fund finished the month down 2.51%, bringing 2024's returns to 7.55%. The S&P 500 was down 2.37%, bringing its YTD return to 23.3%. Your returns will vary slightly from this based on the date of your investment and fee arrangements. NAV Consulting provides the official results for the Fund.

The Insiders Fund vs S&P 500 YTD



Winners and Losers:

This letter is our report card to you. It was another year of relative underperformance, but at least our winners primarily lined up in the long-term basket. The Insiders Fund deploys an unusual strategy. It has two accounts, one for long-term capital gains and another for trading mark-to-market gains. *Mining long-term capital gains versus market-to-market returns may take a toll on total returns, but if implemented correctly, it should improve the money you get to keep versus the money you earn.* We will see how well that worked come tax time.

Monitoring insider trading has often been a successful investment strategy. While it doesn't always beat the market, it helps curb excessive enthusiasm when herd behavior drives markets above reasonable levels. For example, after a 20% market drop like in 2022, a 25% gain is needed to break even, and a 50% drop requires a 100% return to recover.

Our biggest winner for the quarter and the year has been Energy Transfer, the world-class natural gas and petroleum pipeline company, founded by Warren Kelcy. One of the prime beneficiaries of the Trump Presidency is expected to be increase export of liquified natural gas, LNG. ET is one of the main companies that will make this happen. Fortunately, we have this winner in our long-term capital gains account. Most of its substantial dividends should be subject to long-term dividend treatment as well.

Liberty Energy, Biohaven, Sleep Number, Treace Medical were also sources of profitable trades and holdings. We continue to hold shares in all of those names trading in and out of them opportunistically.

Other winners in the quarter include our trades in Grail, although the bulk of our holdings are being held for long-term appreciation. Another big winner in the 4th quarter was Lululemon. We believe that the current market valuation already reflects Lulu's success, making Lulu a potential source of funds at present levels.

Devon Energy has been underperforming, although recent price movements in hydrocarbons indicate potential improvement. Devon is a well-managed company that appears fundamentally undervalued. It is possible that the unrealized losses here could reverse, similar to what occurred with Comstock Resources. Comstock, along with other natural gas-heavy investments, experienced significant share price increases in the fourth quarter. While there was eventual profit from our Comstock holdings, it was called away prematurely through covered call options. By contrast, Devon holds substantial natural gas reserves and pipeline infrastructure that currently seem undervalued by the market.

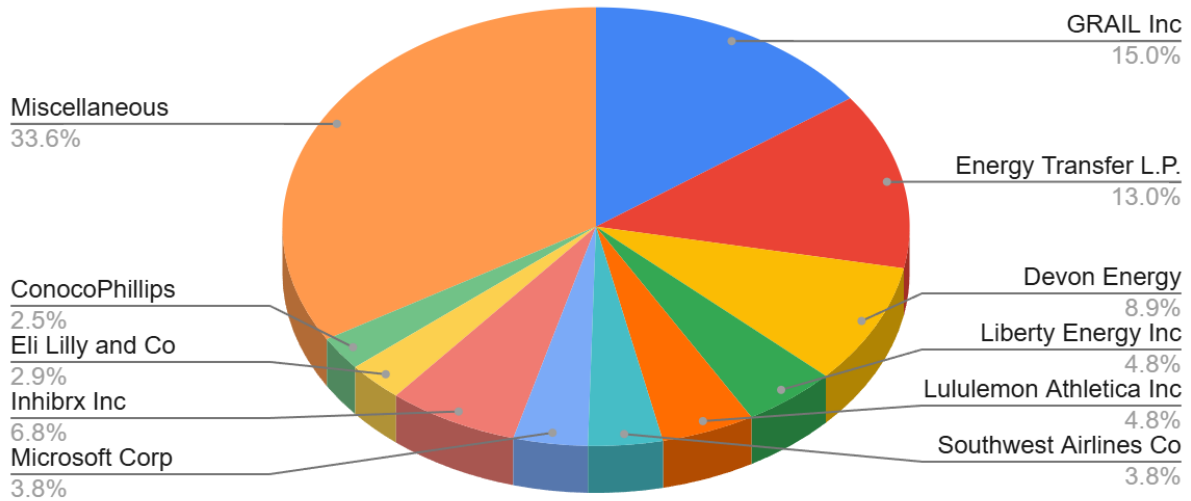
Another underperformer this quarter was RXSight, a company specializing in adjustable lens cataract repair. We are optimistic on RXSight' potential impact on the cataract repair industry. Although speculative and not yet profitable, it is experiencing rapid growth. Cataract surgery is the most common surgery in the U.S and the Company has a technological advantage as the only FDA approved lens that can be adjusted to the patient's unique needs after implant.

Some profits were given back in Carrier Group; however, shares continue to be held for the long term, with a steady amount of covered calls written to reduce cost basis. Carrier seems like to a good long term play on the need for refrigerated solutions due to climate change.

There were also unsuccessful trades involving Microsuper Computer and Solar Edge, attempting to capitalize on declining stock prices. Investments related to solar energy have been financially challenging for shareholders despite increasing adoption. Predicting the alternative energy market remains difficult. These forays were small but have cumulative effects.

Portfolio Holdings:

Portfolio Holdings 1-10-25



1. Grail Inc (GRAL)

- **Business:** In 2016, Illumina discovered that DNA methylation could predict early cancer diagnosis. They launched a new company, Grail, to develop this machine learning technology. GRAIL detects over 50 types of cancer and identifies the associated tissue or organ. The test screens for many deadly cancers without existing screening methods and has a false positive rate of less than ~1%.

The Galleri® test, using GRAIL's methylation technology, is for adults at high cancer risk (e.g., 50+ years old). It doesn't detect all cancers but complements routine screenings. False positives and negatives can occur, so use it as advised by your healthcare provider. Although not FDA-approved, physicians can order it for under \$995. Insurance currently does not cover it.

- **Insider Buying/Selling:** A recently disclosed investment group, CRCM Funds, submitted a Form D, revealing ownership of 10% or more of the outstanding shares.
- **Recent News:** Analysts remain cautious and neutral since the Company went public. Skepticism from Illumina's failed reacquisition attempt still affects market perception. Grail needs to succeed in large U.S. and U.K. trials. Results from the first 25,000 PATHFINDER 2 participants are expected in late 2025, with final NHS-Galleri trial results in 2026.
- **Thesis:** The cash burn is expected to reduce significantly as most of the sunk costs are behind them. With substantial RSU incentives for management, investors can anticipate that they will be highly attentive to this matter and take appropriate actions. This is a new test, and public awareness is just beginning to grow. According to the Pew Research Center, about 19% of adults in the United States are considered upper middle class. Applying this percentage to the population over 50, it is estimated that 10.41 million people could be the target market. Grail aims to capture the MCED private pay market, which could have an addressable market size of \$8-10 billion per year from the U.S. alone. Analysts are focused on insurance reimbursement but may be underestimating the private pay market.
- Congress may approve legislation that would enable Medicare to cover MCED tests. If this occurs and the test receives FDA approval, it could become one of the most widely prescribed diagnostic tests globally, potentially justifying the \$8 billion Illumina paid for the company.

- The key question is whether the test provides more benefits than risks. While no diagnostic test is flawless, the positive predictive value of this test has been implicitly endorsed by reputable institutions such as the Mayo Clinic, Cleveland Clinic, Intermountain Healthcare, and MDVIP, the largest network of concierge physicians.

2. Energy Transfer LP (ET)

- **Business:** ET is a diversified energy company with operations in pipelines, storage, processing, and distribution of natural gas, natural gas liquids, crude oil, and refined products. Their network spans across the U.S. and Canada.
- **Insider Buying/Selling:** Insiders continue to purchase shares, most recently in August at \$15.68. There have been no insider sales.
- **Our Thesis:** ET has acted well all year. Its business is not overly dependent on the price of hydrocarbons; it functions more as a toll road. LNG exports are growing, and ET is a prime beneficiary. We are up 47% on our investment with the and it pays a current yield of 6.64%. We expect the payout to increase as the Trump administration desire to see U.S. LNG exports grow is very favorable for ET. Founder and largest shareholder, Warren Kelcy, was a major campaign donor.

3. Devon Energy (DVN)

- **Business:** Devon Energy Corporation (**NYSE: DVN**) is a leading independent energy company engaged in the exploration, production, and development of oil, natural gas, and natural gas liquids (NGLs). Based in Oklahoma City, Oklahoma, the company operates primarily in several prolific U.S. onshore basins. Below is an overview of Devon Energy's key attributes: As of December 31, 2023, Devon Energy Corporation reported estimated proved reserves totaling 1.8 billion barrels of oil equivalent (Boe). Of these reserves, approximately 29% is natural gas, 28% is natural gas liquids (NGLs), and 43% is petroleum.

- **Insider Buying/Selling:** Insiders have been enthusiastic buyers in the past, but the last purchase was by outgoing CEO Muncrief's purchase of \$666,330 at \$44.42 on 3/4/24.
- **Recent News:** In the third quarter of 2024, Devon Energy reported earnings per share (EPS) of \$1.10, slightly surpassing analysts' consensus estimate of \$1.09. Devon Energy has announced that its President and Chief Executive Officer, Rick Muncrief, will retire effective March 1, 2025. Muncrief, 66, has led the company since January 2021 following its merger with WPX Energy. The current Chief Operating Officer, Clay Gaspar, who also joined WPX, will succeed Muncrief as CEO.
- **Thesis:** Although Devon is now the 3rd largest U.S domestic oil and gas producer, the market is not placing a higher value on its oil assets and seems to ignore its considerable 29% total natural gas reserves. Despite low natural gas prices, several natural gas companies such as EQT and Comstock Resources have experienced substantial price increases during the fourth quarter.
As of January 10, 2025, Devon's stock was trading at a price-earnings ratio of 6.7, with a trailing 12-month revenue of \$14.5 billion and a net profit margin of 23.4%. In comparison, EQT Corporation, another significant player in the natural gas sector, had a price-earnings ratio of 73.1, with a trailing 12-month revenue of \$4.6 billion and a net profit margin of 6.8%.

4. Liberty Energy (LBRT)

- **Business:** Liberty Energy Inc. is a leading North American oilfield services company specializing in hydraulic fracturing and related technologies for onshore oil and natural gas exploration and production. Founded in 2011 and headquartered in Denver, Colorado, Liberty Energy offers a comprehensive suite of services, including wireline operations, proppant delivery solutions, data analytics, and well site fueling logistics.
- **Insider Buying/Selling:** Over the past 24 months, Liberty Energy insiders have sold approximately 897,747 shares, totaling around \$17.49 million. Notably, CFO Michael Stock sold 20,000 shares on January 2, 2025, at an average price of \$20.82 per share. Insiders currently own about 3.60% of the company's stock
- **Recent News:** In November 2024, President-elect Donald Trump nominated Liberty Energy's founder and CEO, Christopher A. Wright, as the U.S. Secretary of Energy. Upon Senate confirmation, Ron Gusek, the current President, is expected to assume the role of CEO, with William Kimble becoming the non-executive chairman.

- **Thesis:** Liberty is an opportunistic play on President Trump’s “drill, baby, drill” approach to U.S. domestic oil and gas industry. Liberty as a leading and profitable oil and gas field services provider should be an ideal way of participating in the growth without direct commodity price exposure. Also, Liberty, former CEO Wight is on the board of Oklo, a very momentum-based stock play founded by Sam Altman of Open AI to promote nuclear energy for AI.

5. Lululemon Athletica (LULU)

- **Business:** Lululemon is known for its vertically integrated, high-quality, stylish workout clothes and accessories. Founded in 1998 by Chip Wilson, the company has grown significantly and is now the category killer in the activewear market.
- **Insider Buying/Selling:** CEO, Calvin McDonald bought ~\$1 million in September at \$260. Director Morfitt bought \$1.4 million at \$389 earlier in the year in March. Since then, the stock has rallied strongly and attracted sizeable sale from Americas President Burgoyne
- **Our Thesis:** LULU has spawned successful imitators, including Vouri and high-end yoga wear vendors. The stock price got ahead of itself during the Pandemic as yoga pants became the “blue jeans” of the modern female. Pull-forward demand slowed down the hyper-growth of earlier years, but by no means is the Company in secular decline. Lulu has a bulletproof balance sheet, double-digit growth in male clothing, and a rapidly expanding international presence, particularly in the Chinese market. Former Sephora CEO, McDonald, took over the reins in 2018. He has been instrumental in driving the company’s growth and expanding its international presence. Our investment thesis has played out and we may take profits in the near future.

6. Southwest (LUV)

- **Business:** Southwest Airlines Co. (NYSE: LUV) is a major U.S. airline renowned for its low-cost, point-to-point service model. Historically, the airline has maintained consistent profitability and a strong balance sheet. However, recent years have presented challenges, including operational disruptions and increased competition, prompting strategic shifts to enhance revenue and operational efficiency.

- **Insider Buying/Selling:** In late September and early October 2024, Director Rakesh Gangwal purchased approximately 3.6 million shares of Southwest Airlines, totaling over \$100 million. Gangwal, co-founder of IndiGo, joined Southwest's board in July 2024 amid pressure from activist investor Elliott Investment Management. He has expressed opposition to further leadership changes, suggesting they could be counterproductive.
- **Recent News:** In January 2025, Southwest entered into a sale and leaseback deal for 36 Boeing 737-800 aircraft with Babcock & Brown Aircraft Management, generating \$871 million in proceeds. This move aims to bolster liquidity and support fleet modernization efforts.

Leadership Changes: Chief Financial Officer Tammy Romo and Chief Administration Officer Linda Rutherford announced plans to retire on April 1, 2025. The company is actively searching for Romo's successor.

Revenue Outlook: In December 2024, Southwest raised its fourth-quarter revenue guidance, citing strong travel demand and improved revenue management strategies. The airline anticipates a 5.5% to 7% increase in revenue per available seat mile (RASM) year-over-year.
- **Thesis:** The airline is implementing significant changes, such as transitioning to assigned seating and introducing premium options, to enhance customer experience and revenue. The sale-leaseback transactions and planned share repurchase programs indicate proactive financial management aimed at strengthening the balance sheet and returning value to shareholders.

Despite recent challenges, Southwest maintains a strong brand with a loyal customer base and extensive domestic network, positioning it well to capitalize on travel demand recovery. Delta, UAL, and American Airlines are all making new highs with favorable industry trends and conditions.

7. Microsoft (MSFT)

- **Business:** Our thesis on this is unchanged so much of what I wrote last quarter is still relevant. It's easier to ask what software business Microsoft is not in. The sprawling empire continues to grow, encompassing every part of our lives. Microsoft represents

the most compelling opportunity in AI that approaches a reasonable stock market valuation.

- **Insider Buying/Selling:** No buying but not an unusual amount of selling either for a tech company.
- **Recent News:** Q2 Revenue increased by 18% driven by growth across each of their segments. Analysts were worried about a small tick down in the growth rate of Azure and the large capital investments Microsoft is making in AI data centers. The CEO emphasized in response to multiple analysts questioning their capital allocation that their investment is based on demand signals.
- **Our Thesis:** While our thesis remains mostly unchanged, uncertainty about the ownership stake in Open AI and ongoing litigation with Elon Musk and Microsoft has led us to reduce our weighting. It's clear that Google search is facing significant disruption and Microsoft is aiming to be the primary beneficiary of this, yet MSFT has yet to show meaningful revenue from search.

Microsoft is reportedly developing a new version of Windows, codenamed Hudson Valley, which will integrate AI more deeply into the operating system. Expected for launch in 2025, this version aims to blur the line between cloud and edge computing, potentially boosting the slow-growing OS business.

The future impact of investments in AI data centers is unpredictable, but we believe the best is yet to come from Microsoft. We are confident that the future of AI is just beginning, making Microsoft an attractive investment.

8. Inhibrx Inc (INBX)

- **Business:** Inhibrx Biosciences, Inc. (NASDAQ: INBX) is a clinical-stage biotechnology company specializing in the development of novel biologic therapeutic candidates. The company leverages its proprietary protein engineering platforms to create therapies tailored to specific disease biology, focusing on oncology and rare diseases. Inhibrx's pipeline includes multiple candidates in various stages of clinical development, such as INBRX-109, a tetravalent death receptor 5 agonist for cancer treatment, and INBRX-106, a hexavalent OX40 agonist targeting oncology indications.

In January 2024, Inhibrx announced an agreement with Sanofi, under which Sanofi would acquire INBRX-101, an optimized recombinant alpha-1 antitrypsin (AAT) augmentation therapy for treating alpha-1 antitrypsin deficiency (AATD). The deal was valued at up to \$2.2 billion. Following this transaction, Inhibrx's remaining assets and pipeline programs were spun off into a new publicly traded entity, Inhibrx Biosciences, Inc., which continues to operate under the existing management team.

- **Insider Buying/Selling:** Regarding insider activity, there has been notable buying in recent months. For instance, on November 19, 2024, Director Jon Faiz Kayyem purchased 69,686 shares at an average price of \$14.23 per share, totaling approximately \$991,632. Additionally, CEO Mark Lappe made multiple purchases in September 2024, acquiring shares at prices ranging from \$14.03 to \$17.13 per share. These transactions suggest confidence in the company's prospects among its leadership.
- **Recent News:** In its third-quarter 2024 financial results, Inhibrx Biosciences reported a strong cash position, with cash and cash equivalents totaling \$337.3 million as of September 30, 2024. This financial strength is expected to support the advancement of its clinical programs, with data readouts anticipated within the next 12 months.
- **Our thesis:** The investment thesis for Inhibrx centers on its innovative approach to biologic therapeutics, a robust pipeline targeting significant unmet medical needs, and a solid financial foundation to support ongoing and future clinical development. The recent insider purchases further indicate management's confidence in the company's strategic direction and potential for value creation.

9. Eli Lilly (LYL)

- **Business:** Eli Lilly and Company (NYSE: LLY) is a leading pharmaceutical firm headquartered in Indianapolis, Indiana. Established in 1876, the company focuses on developing innovative medicines across several therapeutic areas, including diabetes, oncology, immunology, and neuroscience.

- **Insider Buying/Selling:** On November 20, 2024, board member Mary Lynne Hedley purchased 315 shares of Eli Lilly, totaling approximately \$229,916. This insider buying activity may indicate confidence in the company's future performance.
- **Recent News:** Eli Lilly is in advanced discussions to acquire Scorpion Therapeutics, a biotech company specializing in cancer treatments, for up to \$2.5 billion. The proposed deal includes an upfront payment of about \$1 billion, with up to \$1.5 billion in performance-based milestones. This move aligns with Lilly's strategy to diversify its pipeline using profits from its successful diabetes and obesity drugs, Mounjaro and Zepbound.system, which will be funded by its midstream partnership.

Eli Lilly has developed a promising Alzheimer's drug called donanemab, which has shown significant potential in treating early symptomatic Alzheimer's disease. In July 2024, the U.S. Food and Drug Administration (FDA) approved donanemab, marketed under the brand name Kisunla, for adults with early symptomatic Alzheimer's disease, including those with mild cognitive impairment and mild dementia stages of the disease.

- **Our thesis:** Eli Lilly's investment appeal is underpinned by several factors:
 - Strong Product Portfolio:** The company's successful drugs, particularly in the diabetes and obesity segments, have significantly contributed to revenue growth.
 - Strategic Acquisitions:** Potential acquisitions, like that of Scorpion Therapeutics, demonstrate Lilly's commitment to diversifying and strengthening its pipeline, especially in oncology.
 - Analyst Confidence:** The reaffirmation of 'Buy' ratings by multiple analysts, with price targets exceeding current trading prices, suggests anticipated upside potential.
 - Research and Development:** Lilly's ongoing investments in R&D and infrastructure aim to sustain innovation and meet market demand, particularly in high-growth areas like weight management and oncology.
- In summary, Eli Lilly's robust product lineup, strategic growth initiatives, and positive market sentiment contribute to a compelling investment case for potential investors.

10. Conoco Phillips (COP)

- **Business** ConocoPhillips (NYSE: COP) is a leading global energy company specializing in the exploration, production, transportation, and marketing of crude oil, natural gas, and natural gas liquids. Its diverse portfolio includes conventional assets across North America, Europe, Asia, and Australia, as well as oil sands operations in Canada. The company is also actively involved in global liquefied natural gas (LNG) developments.
- **Insider Buying/Selling:** In December 2024, Director R.A. Walker purchased 10,400 shares at an average price of \$97.80 per share, totaling approximately \$1.017 million. Additionally, Director Arjun N. Murti acquired 2,500 shares at an average cost of \$95.87 per share, amounting to about \$239,675.
- **Recent News:** In its third-quarter earnings report released in October 2024, ConocoPhillips reported adjusted earnings of \$1.78 per share, surpassing analysts' expectations of \$1.64. The company also increased its full-year production forecast, citing higher output from key assets.
Furthermore, ConocoPhillips announced a 34% increase in its quarterly dividend to \$0.78 per share and expanded its share repurchase program by an additional \$20 billion, underscoring its commitment to returning value to shareholders.
- **Investment Thesis:** The investment thesis for ConocoPhillips centers on its robust production and reserve base, strategic acquisitions, and financial resilience. The acquisition of Marathon Oil is expected to yield significant synergies, enhancing operational efficiency and expanding market presence. The company's diversified portfolio and strategic investments position it favorably to capitalize on global energy demand. Additionally, ConocoPhillips' commitment to shareholder returns, evidenced by dividend increases and share buyback programs, makes it an attractive option for investors seeking exposure to the energy sector.

Our Outlook:

The Insiders Fund is a highly concentrated fund, and the prospects of a few companies will likely determine its overall performance. However, it's not immune to market forces either.

We would always like to invest in stocks that we put away and never sell. That after all worked well for the Oracle of Omaha. That even worked well for us this year with our investment in Energy Transfer up 52% with an insanely good dividend yield. We will continue to try and identify those kinds of opportunities and hold them on our long-term investment account. We think Grail is one of those long term holds.

Its is increasingly challenging though to find these buy and hold forever ideas. The market's fundamentals are stretched thin compared to history. A lot of bullish market enthusiasm has greeted Donald Trump's re-election due to the prospect of lower taxes and decreased regulation. At the same time uncertainty about proposed tariffs and the recent rise in interest rates, ongoing foreign conflicts and the U. S's approach to them will likely increase volatility. The L.A. fire catastrophe may have rippling financial implications we don't yet fully understand. As previously mentioned, insider buying is anemic. The S&P's price-to-earning ratio, which compares the S&P's total price to its constituents' projected profits over the next 12 months, is 21.6, about 30% higher than its 25-year average of 16.4. The market has become much more momentum based, more speculative than I've seen in years, and we expect more trading, not less from our trading account. The north star we use most often, insider buying, appears to show little enthusiasm lately. Officers and directors of U.S. companies bought \$2.3 billion of their companies' stock this year through September, the lowest amount over such a period since 2014, according to data from the Washington Service. Last year, they bought \$3 billion in the first nine months."

Although insider buying opportunities have been few, I believe the opportunities never stop. We continue to be vigilant and direct you to our [blog](#), where we regularly report on them.

Once again, we thank you for your trust and confidence in having us assist you in managing your money. This is one of the highest honors anyone can achieve, and I don't take it lightly for one moment.

Please discuss any concerns or thoughts you want to share at the upcoming partner meeting. The Ring Central partner call information is below. I especially look forward to those one-on-one calls as I don't believe there is a substitute for one-on-one calls. If you would like to schedule, please do so at [Schedule a call](#)

The Insiders Fund is inviting you to a partner video meeting on Wednesday January 22nd, at 4:00 PM. The meeting will be recorded for replay.

Join Ring Central Video Meeting

<https://v.ringcentral.com/join/029208690>

Stay tuned for the email calendar invite.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'HWS', is positioned below the text 'Sincerely yours,'.

Harvey Warren Sax