

# Alpha Wealth Funds, LLC

“the opportunities never stop”

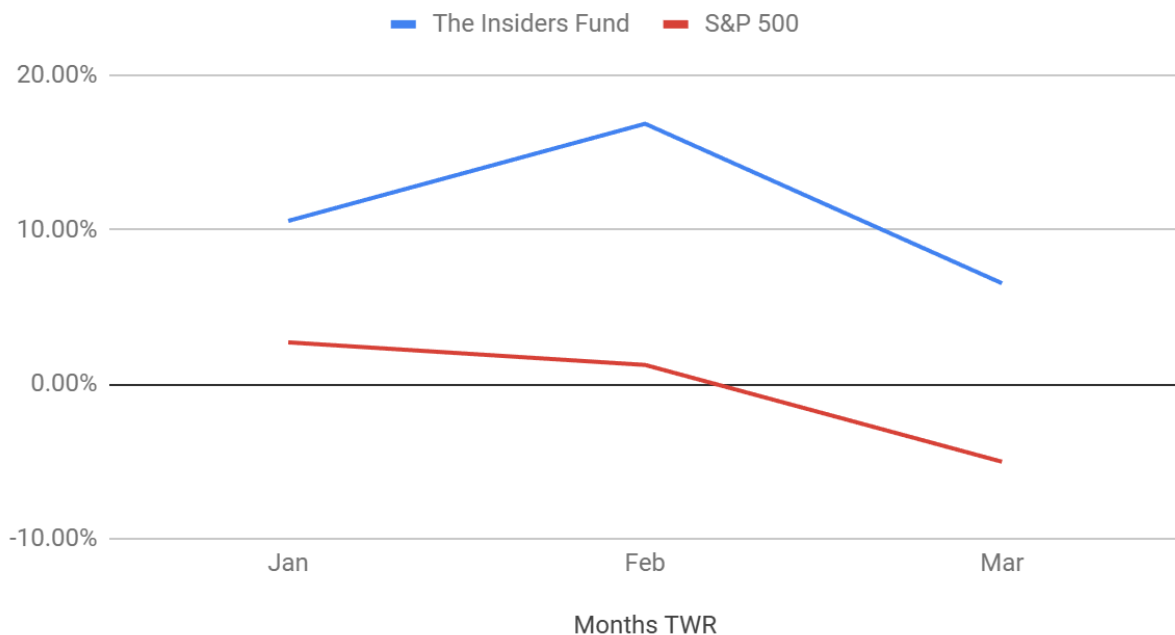
April 2025

## The Insiders Fund, LP 1st Quarter 2025 Partner Letter

### Catching a Falling Knife

The Insiders Fund finished the month down ~8.8%, reducing 2025's returns to 5%. The S&P 500 was down 5.8%, bringing its 1st Quarter return to -4.6%. 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. This was the worst quarter for the S&P 500 since 2022, which actually isn't really that bad considering the following week, the market lost 9% making it the worst week since the Covid meltdown in 2020. The Insiders Fund had a **challenging** month, but it wasn't completely unexpected. Much of the gains during the first quarter were from outsized unrealized gains from one position, our largest, Grail, which rocketed 300% in an unsustainable price trajectory. We sold off enough of our holdings to reduce our cost basis to zero, but did not sell it all as we have lots of conviction in the product and its ultimate reward, multiples higher.

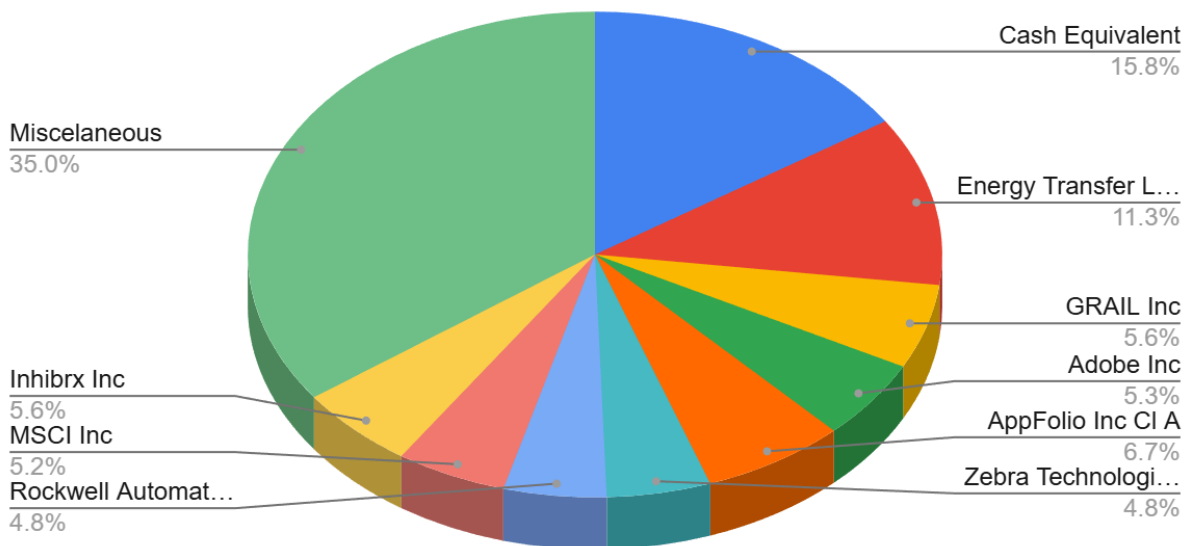
We ended the second quarter with 16% in cash, an unusually large cash position. We believed we had immunized our portfolio from the widely telegraphed China trade tariffs but no one is immunized from a global trade war. When the market crashed on the Trump tariff sell-off, these out-of-the-money puts, if exercised, would have made us 105% invested. I am not comfortable at this time with that level of exposure, so we closed some at a loss to get our worst case exposure to something we could live with. This one time event added about ½% of realized losses that I was certain would have been avoided before the Trump tariff reveal.

Our largest position, Grail started the quarter around \$17 per share. We sold enough of Grail in the low \$50's to reduce our cost basis to zero. We planned on holding all of this position for the long term, but stock price moves like this are rarely sustainable. We offset these large short term gains with losses from Devon Energy.

We still maintain a position in Devon, but you will notice it is not our list of largest positions any longer. We no longer own Conoco. We are not excited about owning oil stocks when the President's core economic strategy is low gasoline prices. Natural gas and service providers are possible exceptions. Drill baby drill sounds like more work for the service providers, but perhaps less value for the producers considering that lower prices reduces the value of reserves in the ground. There have been many insiders buying in the service group. They have yet to be rewarded.

We sold Lululemon out completely in anticipation of China reciprocal tariffs. We sold Southwest for small profits, figuring it was dead money at most, and all of Microsoft, as we've been disappointed; They floundered an early lead in AI and had an aggressive spend. Eli Lilly was a trade and we made a little money on it.

Besides the anticipated loss in Grail, another losing position was Sleep Number. We still own Sleep Number, but have reduced our position to just 0.25% of our portfolio. It should benefit handsomely when interest rates fall and the new home market improves. Like many others, we have poured through our portfolio reducing our exposure to manufacturing or even sales in China. We are shocked, like most, that the tariff regime is so expansive, that if enacted as is there are few places to hide.



## Portfolio Holdings: ( have made some adjustments

based on the latest tariff announcements)

### 1. Grail Inc (GRAL)

- Business:** The Galleri® test based on GRAIL's methylation technology is recommended for adults at elevated risk for cancer (such as those aged 50 or older). The Galleri test screens for a signal shared by over 50 cancer types, most lacking recommended screening tests. In a clinical study with a shared cancer signal, adding the Galleri test to recommended single-cancer

screening approximately doubled the number of cancers detected with recommended screening alone.

Today, doctors screen individually for 5 specific cancers — colorectal, lung (for those at risk), breast, cervical, and prostate. While these single-cancer screenings play an important role, adding the Galleri test allows you to go beyond these 5 cancers to screen for additional cancers, such as stomach and pancreatic.

The Galleri® test, which utilizes GRAIL's methylation technology, is recommended for adults with an elevated risk of cancer, such as individuals aged 50 or older. This test screens for a shared signal present in over 50 cancer types, many of which lack established screening protocols. A clinical study demonstrated that the addition of the Galleri test to existing single-cancer screening methods approximately doubled the number of cancers detected compared to recommended screening alone.

Currently, healthcare professionals screen for five specific cancers: colorectal, lung (in at-risk populations), breast, cervical, and prostate. While these individual screenings are essential, incorporating the Galleri test expands the scope of cancer detection to include additional malignancies, such as stomach and pancreatic cancer. Many of these cancers have no screening test at all.

The test is undergoing further population scale testing under Pathfinder II and with the NHS, the United Kingdom's national healthcare system.

- **Insider Buying/Selling:** A recent little-known investor group, CRCM Funds, filed a Form D indicating that it owned 10% or more of the outstanding shares.
- **Recent News:** During the quarter Grail announced that it sold more than 137,000 Galleri® Tests in 2024, growing U.S. Galleri Revenue 45% Year-Over-Year to \$108.6 Million

Completed Study Visits for Two Registrational Studies in July to Support Modular PMA Submission for Galleri

On Track for Continued Commercial Growth in 2025 with TRICARE Coverage and Recent Announcement of Quest Integration

Moderated Cash Burn, Ending 2024 with a Cash Position of \$767M, Extending Runway into 2028

Rollout in primary care practice of Community Health CYH, a large community hospital company

- **Thesis:** The cash burn will be significantly reduced as much of the sunk costs are behind them. With the huge RSU's incentive for management, investors can expect them to be very sensitive to costs and act appropriately as shareholders.

This is a new test, and the awareness of this in the general population is just beginning. Cancer will soon be named the world's largest killer, and age is the greatest indicator of possible cancer. It is commonly believed that if you can catch cancer early, you have better odds of beating it.

We sold enough Grail in the low \$50s to reduce our cost basis to zero. When the test gets approved by the FDA or the NHS adopts it as standard of care, it will have multibillion recurring annual revenue.

## 2. Energy Transport (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. Based on Energy Transfer's last quarterly dividend of \$0.305 per share declared on November 9, 2023, the current dividend yield is 9.06%.
- **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 substantially on our investment, not including the ~8% dividend yield we have been collecting. The thesis looks intact but I am reluctant to invest any more. We are adding some small amounts to MPLX, a similar less leveraged play. ET has been hit sharply by Trump tariffs. I can see some concern about imported prices and reciprocal tariffs

but I think ET is one that I would consider adding to it if it were not so heavily weighted already.

### 3. MSCI (MSCI)

- **Business:** MSCI Inc. is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data, and technology, MSCI enables clients to understand and analyze key drivers of risk and return, facilitating more effective portfolio construction. The company's offerings include indexes, portfolio risk and performance analytics, and governance tools

MSCI has established a strong competitive moat, particularly through its flagship index benchmarks such as the MSCI EAFE Index, MSCI ACWI Index, and MSCI Emerging Markets Index. These indexes have become industry standards, creating high switching costs for clients and reinforcing MSCI's market position. The company's early leadership in non-U.S. indexes has resulted in over \$15 trillion in benchmarked assets.

- **Insider Buying/Selling:** Henry Fernandez bought \$3,044,902 worth of shares at 5300 at \$574.51. At the end of December he purchased \$1.77 Million at \$612.8.
- **Recent News:** MSCI's revenue has demonstrated consistent growth over the past five years. In 2024, the company reported annual revenue of \$2.856 billion, a 12.94% increase from the previous year. This reflects a compound annual growth rate (CAGR) of approximately 12.89% over the past five years
- **Our Thesis:** MSCI has a monopoly on many international market indices and accompanying ETTs. If this is the time to diversify your investments internationally MSCI should be a prime beneficiary.

### 4. Adobe (ADBE)

- **Business:** Adobe serves creative professionals, marketers, businesses, and consumers, with a mission to empower digital transformation and creativity. Its products are integral to workflows in design, media production, and enterprise marketing.

*Digital Media:* Includes Creative Cloud (e.g., Photoshop, Illustrator, Premiere Pro) for content creation and Document Cloud (e.g., Acrobat, Adobe Sign) for PDF and e-signature solutions.

*Digital Experience:* Offers marketing, analytics, and commerce solutions via Experience Cloud (e.g., Adobe Analytics, Adobe Campaign), targeting enterprises.

*Publishing and Advertising:* A smaller legacy segment (<5% of revenue) covering technical publishing and niche advertising tools.

- **Insider Buying/Selling:** Insiders have been enthusiastic buyers. CFO Durn bought 1300 at \$390.58 on 3-20 and Dir Ricks bought \$1 M at \$443.98
- **Recent News: Adobe Q1 beat consensus on revenues and earnings and provided consensus forecast. The market is worried about a new class of disruptive competitors**
- **Our Thesis:** Adobe owned the creative market, but it is now under siege by generation tools like Canva Magic, Runway ML, Midjourney, Figma AI, ChatGPT, Copilot, and any number of generative AI models that will instantly create graphics and videos from prompts. These AI graphic creators, though, will only get you to 90% of where you want to be. The remaining 10%, call it the “last mile” is painful, near impossible to fix with prompts.

Will they get better, undoubtedly but will they replace the tools that Adobe has dominated for many years, that’s the answer to the investment puzzle. Adobe is not sitting still, either. They are trying to innovate AI into their Adobe Creative Cloud with a product called Firefly. Creative professionals will find Adobe’s prompt-based creation to satisfy the last 10%, the last mile far more readily than competitors.

Although not cheap at 25.52X last twelve month’s earnings, Adobe’s Annualized Recurring Revenue (“ARR”) of \$17.63 billion, representing 12.6 percent year-over-year growth, may deserve a premium multiple.

## 5. AppFolio, Inc. (APPF)

- **Business:** AppFolio is a leading provider of cloud-based business management solutions tailored primarily for the real estate sector. Their platform offers property managers a comprehensive suite of tools, including

tenant screening, electronic payment processing, and management services. It primarily caters to multi tenant residential properties. It is the category leader with near 20% market share.

- **Insider Buying/Selling:** Dir Wolf bought 13,500 shares at \$215.07.
- **Recent News:** A couple of firms downgraded App Folio on its last quarterly numbers.
- **Our Thesis:** Tariff immune AppFolio is not particularly cheap but great companies with 20% market share and plenty of room to grow with wind at their back with strong recurring revenues are rarely bargains.

## 6. ZBRA Technology (ZBRA)

- **Business:** Zebra Technologies Corporation (NASDAQ: ZBRA) specializes in designing and manufacturing automatic identification and data capture products. Their offerings include mobile computers, barcode scanners, RFID readers, and specialty printers used across various industries such as retail, healthcare, manufacturing, and transportation.
- **Insider Buying/Selling:** Insiders have been enthusiastic buyers. Most recently Dir Gustafsson bought 3227 at \$309.96
- **Recent News:** ZBRA recently sold off in February based on muted expectations because of tariffs. Zebra said it would take until the end of the year to completely account for them in their supply chain.
- **Thesis:** In a world where everything is digitized from the band on your arm during a hospital visit, to an item on Walmart's shelf or a pallet item in a Cosco shipping container, ZBRA looked like a good long term hold. We have dramatically cut back our holdings to a 1.29% weighting because of very poor price response, down 17% on Trump tariffs. We are awaiting further insider buying confirmation.

## 7. Rockwell Automation (ROK)

**Business:** Rockwell Automation (NYSE: ROK) is a leading provider of industrial automation and digital transformation solutions. The company operates through three segments: Intelligent Devices, Software & Control,



and Lifecycle Services. These segments offer a range of products and services, including control systems, software, and consulting, aimed at enhancing manufacturing efficiency and productivity.

- **Insider Buying:** CFO Rothee bought 7,273 at \$275.11 on 11/12/24.
- **Recent News:** On February 10th, Rockwell lowered FY25 revenue view to \$8.1B from \$8.2B, consensus \$8.12B. "We continue to expect gradual sequential improvement in our sales and margins as we move through this fiscal year, including potential impacts from tariffs. I'm pleased with the progress our teams are making toward our long-term productivity and margin expansion targets, and I'm confident we are making the right investments to drive sustained growth and profitability.
- **Our Thesis:** The only way companies can bring industrial production back to the United States is through factory automation and robots. Rockwell Automation's competitive advantage lies in its extensive installed base of programmable logic controllers (PLCs) and its comprehensive suite of automation solutions. This positions the company to benefit from ongoing trends in industrial automation and reshoring, as manufacturers seek to enhance efficiency and reduce reliance on foreign production.

## 8. Inhibrx Inc (INBX)

- **Business:** INBRX-109 is a tetravalent therapeutic candidate targeting death-receptor 5, currently in Phase 2 clinical trials for unresectable or metastatic conventional chondrosarcoma  
INBRX-106: A hexavalent sdAb-based therapeutic candidate targeting OX4, in Phase 2 clinical trials for various cancers, including non-small cell lung cancer, melanoma, head and neck cancer, gastric cancer, renal cell carcinoma, and urothelial cell carcinoma
- **Insider Buying/Selling:** Insiders are heavy buyers of the spun off INBRX. They have purchased almost \$10 million worth of stock between \$13.83-\$17.32.
- **Recent News:** Cofounder Eckleman and Chief Scientific officer left the company to form a new biotech company. The new company has entered into an exclusive license agreement for the rights to certain technologies no longer being pursued by Inhibrx. The agreement includes an upfront payment

upon completion of the initial funding of Eckelman's new company and other future development milestones

- **Our thesis:** We don't pretend to know the medical science behind this investment but insiders have bought \$10 million of this Company on the open market. There is no China risk with most developmental biotech companies.

## 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. The gut wrenching sell-off over the last few days makes anyone feel like selling everything and leaving it in money markets with their handsome yield. This would be a mistake, in my opinion.

The inevitable consequences of the Trump tariff trade policy, if left unchanged, will be to raise the prices of almost everything except energy. At the same time the most immediate impact of higher prices across a consumer based economy such as the U.S will be lower economic growth. This will likely lead to the Federal Reserve lowering rates. The net longer term results are likely purchasing power decreasing from higher cost of goods, while risk free assets provide even less protection against inflation.

As previously mentioned, insider buying is anemic. I expect this to change dramatically as prices have dropped, continue to drop, and the 1st quarter earnings blackout lifts. The Insiders Fund will be very patient and wait for insider buying signals to guide us. but when markets inevitably turn, they move so fast that you don't have time to get back in. Historically, these have been the very best market opportunities for us. Insiders like to buy their stocks when they are cheap. When we see that, we will begin to fill out and diversify our investments. This may seem like catching a falling knife but there is no other way to do this.

Every bear market has only ended with an explosion of insider buying. I've attached these two charts for you that support this view.

# Waves of Insider Buying at Historic Market Bottoms

Housing mortgage market collapse and global repercussions

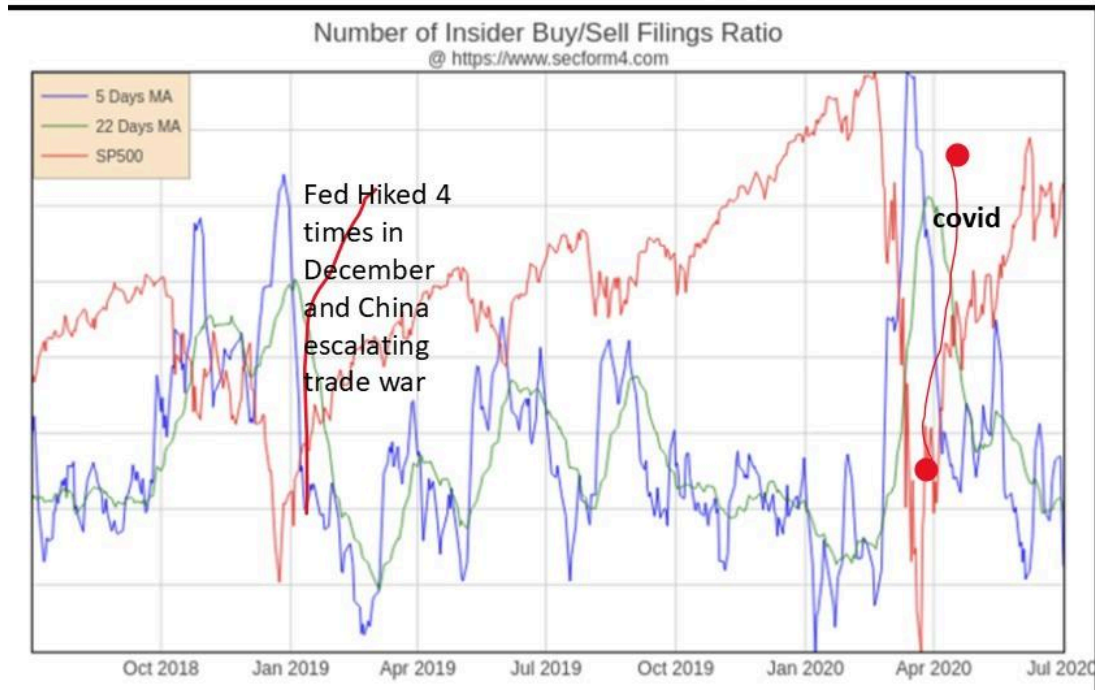


Reflects data as of 8/12/14.

Most recent period reflects ratio for trailing 30 days activity.

Confidential for The

# Waves of Insider Buying at Historic Market Bottoms



## Housekeeping:

As I previously wrote to you, I have sold my interest in Alpha Wealth Funds to my partner, Chase Thomas, and concurrently signed a five year management agreement to run the Insiders Fund. I now get to put aside the management responsibilities I had as an owner of a wealth management firm, and get to concentrate all my efforts on what I like doing the most, managing the Insiders Fund.

Please discuss any concerns or thoughts you want to share at the upcoming partner meeting. The Zoom 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's. If you would like to schedule, please do so [here](#) on my calendar link..

## Tax Info

*Unfortunately, I have yet to receive the Fund's tax return and at this point I am certain that you will need to file an extension. I apologize. I have been relentlessly asking Maurice, the owner, to crack the whip on his staff to get our return done. Perhaps a complaint from you to [mb@berkowerllc.com](mailto:mb@berkowerllc.com) might help*

**The Insiders Fund is inviting you to a tentative scheduled Video meeting on Friday 3:00PM MST. This will be recorded**

**Please join using this link:**

<https://v.ringcentral.com/join/092224920>

**Meeting ID: 092224920**

**One tap to join audio only from a smartphone:**

**+16504191505,,092224920# United States (San Mateo, CA)**

**Or dial:**

**+1 (650) 4191505 United States (San Mateo, CA)**

**Access Code / Meeting ID: 092224920**

**International numbers available: <https://v.ringcentral.com/teleconference>**

Stay tuned for the email calendar invite.

Sincerely yours,



Harvey Warren Sax

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