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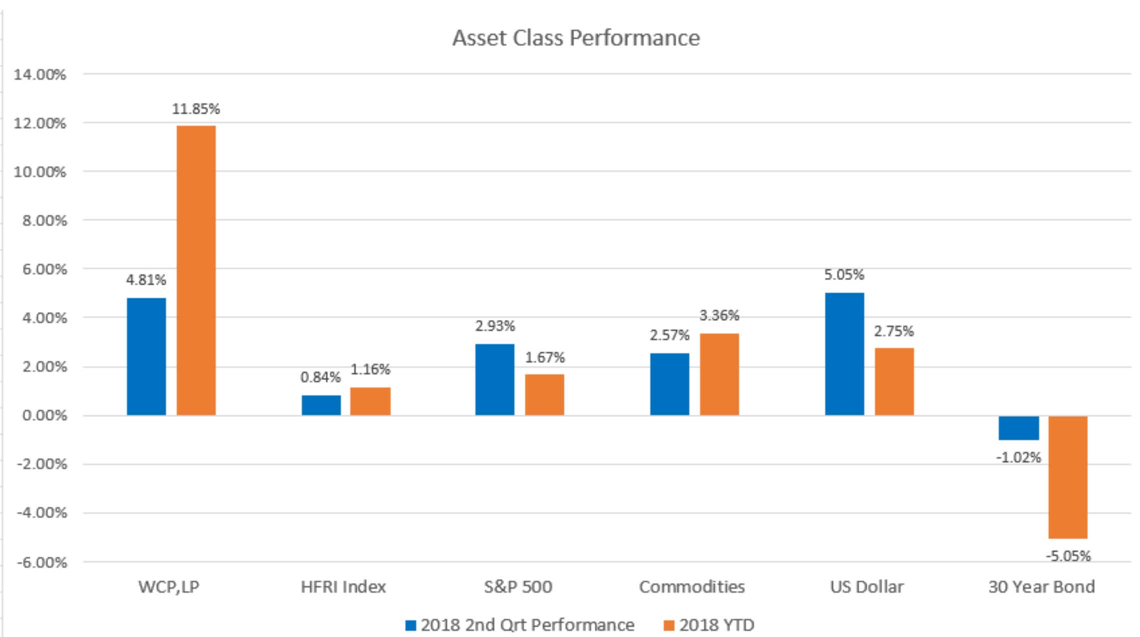
Dear Investors and Friends,

First Half 2018 Performance

Worch Capital Partners, LP (WCP) finished the second quarter of 2018 with a healthy return of +4.81% bringing our year-to-date net return to +11.85%. This drastically outperformed our benchmark the HFRI Equity Hedge Index on both quarterly +0.84% and year-to-date performance +1.16%.

The second quarter experienced improved returns over the first quarter yet the first half of 2018 remained challenging across the investment landscape as subdued returns persisted. Strength resided with US domestic markets while global stocks struggled with their worst start to the year since 2010. The dollar led asset class performance in the second quarter as it put in the best first half in three years. This rise in the dollar along with higher oil prices have put pressure on emerging markets. Additionally, fixed income remains a laggard as higher yields weigh on bond prices.

With this backdrop, we have started the first half on a positive note and will not get complacent in our effort of delivering market generating returns with less risk while providing an uncorrelated asset for our partners. We look forward to continuing our momentum the remainder of the year.



Current Market View

From 2013-2016, the fear gauge or VIX index, averaged 16.35 for the first quarter and 14.25 for the second quarter. The first half of 2018 is running higher than the historically low volatile environment of last year but also higher than normalized years. As we see in the table below, volatility for the first two quarters of 2018 has intensified.

Year	Qtr1	Qtr2	Qtr3	Qtr4	Yearly Average
2013	13.53	14.84	14.28	14.23	14.23
2014	14.83	12.74	13.07	16.06	14.17
2015	16.56	13.74	19.31	17.03	16.67
2016	20.49	15.68	13.23	14.10	15.83
2017	11.69	11.43	10.94	10.31	11.09
2018	**17.35**	**15.30**	**?**	**?**	**16.32**
Qrt Average	15.74	13.96	14.18	14.36	14.57
2013-2016 Average	16.35	14.25	14.97	15.36	15.23

The increased volatility in the first half reflects the battle between fearful investing and strong economic data. As the character of the trend has changed, an awareness that this bull market is starting to question its own fate is apparent. We expect volatility to stay elevated throughout the balance of the year. A recent insight from Ryan Detrick at LPL Financial confirms our suspicions as we enter the third quarter: *"Historically the third quarter can be tricky for stocks, but especially so during a midterm year. In fact, going back to 1896 and the start of the Dow, this is the second worst quarter of the four-year presidential cycle. Could we be in for trouble this time around?"*

Equity investors are stuck in neutral as they remain frustrated and new capital waits on the sidelines. With the S&P 500 in the midst of the second-longest bull market since World War II, investors will no doubt be on the lookout for any signs of weakness as portending a market top. Investment decisions should not be based on news or frightening projections because there are always reasons to be scared; rather primary indicators such as market trend and action of leading stocks. Some of the current themes that have frightened investors the last few months include:

- Geopolitics
- November elections
- Trade and tariffs
- Italy's political challenges and banking system
- Federal Reserve increasing rates and yield curve
- China's devaluation
- Valuations, debts, and deficits

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As fear has crept in, investment returns remain muted offsetting the strength in the economy, low unemployment, tax cuts, buybacks, and earnings growth. Rather than focus on the ever-present fear and the latest tweets or news headlines we prefer to depend on our own process and analysis. Our job isn't to make predictions. Instead we use our ECLASS methodology to determine the right amount of exposure levels for the environment to put the reward to risk in our favor. The quote below from legendary fund manager Bill Miller sums it up perfectly:

"Markets are context dependent, their behavior is a function of the particular circumstances that exist and how those circumstances are expected to or do change. The trick is not to predict an unknowable future, but to try to understand the present and the probabilities of the various paths that may evolve from it."

While the first half has brought increased volatility and subdued returns, there is plenty of encouraging data that favors the bulls. The drivers of this optimism begin with expanding earnings with the best growth rates since 2010. Combined with strong underlying fundamentals such as solid housing data, employment, improving retail sales and consumer confidence, the stage is set for the bull market to endure. The table below presents some statistical data that supports the bullish thesis. When May and June are positive, and S&P is up year-to-date, the remainder of the year averages a 7.8% gain as the last 11 occurrences have all been positive. If the anomaly of the 1987 crash was excluded, the returns would be even more favorable. The average gain for the whole sample is 4.6%.

June	What is return July-December
1952	6.45%
1954	23.18%
1958	22.04%
1964	3.75%
1968	4.30%
1975	-5.25%
1980	18.84%
1985	10.13%
1986	-3.46%
1987	-18.72%
1988	1.54%
1993	3.53%
1995	13.07%
1996	10.45%
1997	9.64%
2003	14.10%
2004	6.23%
2009	21.30%
2014	5.03%
2016	6.67%
2017	10.32%
Average	**7.77%**

If we revisit a study from Ryan Detrick in our last quarterly letter, we feel earnings growth is the most important driver of higher equity prices. *"When you have double-digit earnings growth, the S&P is higher every single time since 1990 (12 out of 12 times),"* said Detrick. *"Earnings drive long-term gains. We'll still side with the bulls here led by earnings. The S&P 500 is expected to post 21 percent earnings growth for the full year as tax cuts passed in December give rise to companies' bottom lines. The second-quarter earnings season, also expected to show off double-digit gains, will kick off with the big banks in mid-July."*

A GOOD SIGN FOR EQUITY BULLS THIS YEAR?

When Earnings Are Up >10%, The S&P 500 Is Higher 12 Of 12 Times

Year	S&P 500 Earnings	S&P 500 Earnings Growth	S&P 500 Total Return
2018	$152.5*	13.8%	?
2017	**$134.0**	**13.1%**	**21.6%**
2016	$118.5	0.8%	11.8%
2015	$117.6	-1.8%	1.4%
2014	$119.7	8.3%	13.5%
2013	$110.6	6.7%	32.2%
2012	$103.7	4.8%	15.9%
2011	**$98.9**	**15.9%**	**2.1%**
2010	**$85.3**	**37.8%**	**14.8%**
2009	$61.9	-13.7%	25.9%
2008	$71.7	-19.6%	-36.6%
2007	$89.1	2.4%	5.5%
2006	**$87.0**	**14.1%**	**15.6%**
2005	**$76.3**	**13.2%**	**4.8%**
2004	**$67.4**	**15.2%**	**10.7%**
2003	**$58.5**	**11.5%**	**28.4%**
2002	$52.5	5.2%	-22.0%
2001	$49.9	-11.7%	-11.9%
2000	$56.5	1.3%	-9.0%
1999	**$55.8**	**20.9%**	**20.9%**
1998	$46.1	0.0%	28.3%
1997	**$46.1**	**10.7%**	**33.1%**
1996	$41.7	8.0%	22.7%
1995	**$38.6**	**23.1%**	**37.2%**
1994	**$31.3**	**16.3%**	**1.3%**
1993	**$26.9**	**15.8%**	**10.0%**
1992	$23.3	9.5%	7.5%
1991	$21.2	-14.1%	30.2%
		S&P 500 Avg Return If EPS >10%	16.7%
		% Higher	100% (12 of 12)
		S&P 500 Avg Return If EPS Is Negative	1.8%
		% Higher	60% (3 of 5)

Source: LPL Research, Bloomberg 03/14/18
*LPL Research's 2018 S&P 500 EPS forecast is $152.50
Bold is 10% or more S&P 500 earnings growth

Outlook for Second Half 2018

As the ongoing bull market matures, the first half of this year has not been without its challenges. The uncertainty created from the escalation of tariff wars has created a higher volatility environment which adds to the weariness of investors. However, the healthy fundamental backdrop persists leaving us in the bullish camp for the second half of 2018. We don't think the road will be as easy as last year, but we believe there is upside ahead.
WCP continued to capitalize on opportunities presented in the second quarter as we navigated the choppy waters. For the second half, we'll concentrate on asymmetric trades continuing to focus on risk management while remaining disciplined to our ECLASS methodology.

We are always available to discuss our approach. Contact us if you wish to inquire about a possible investment in WCP. Additionally, if you know of anyone who might be interested in our strategy, please feel free to make the introduction. Please do not hesitate to call us with any questions or comments.

Kind Regards,

Ryan Worch
WCP, LP Principal and Fund Manager

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THE FEES AND EXPENSES CHARGED IN CONNECTION WITH THIS INVESTMENT MAY BE HIGHER THAN THE FEES AND EXPENSES OF OTHER INVESTMENT ALTERNATIVES AND MAY OFFSET PROFITS. NO ASSURANCE CAN BE GIVEN THAT THE INVESTMENT OBJECTIVE WILL BE ACHIEVED OR THAT AN INVESTOR WILL RECEIVE A RETURN OF ALL OR PART OF HIS OR HER INVESTMENT. INVESTMENT RESULTS MAY VARY SUBSTANTIALLY OVER ANY GIVEN TIME PERIOD.

The performance data represents the performance of Worch Capital Partners, LP ("WCP"). The results reflect the deduction of: (i) an annual asset management fee of 1.0%, charged quarterly; (ii) a performance allocation of 20%, taken annually, subject to a high water mark; and (iii) transaction fees and other expenses incurred by WCP. During the time period shown, WCP used only those investment strategies disclosed in its Private Placement Memorandum. Results are compared to the performance of the S&P 500 Index (excluding dividends) for informational purposes only. WCP's investment program does not mirror the S&P 500 Index and the volatility of WCP's investment program may be materially different. The performance figures include the reinvestment of any dividends and other earnings, as appropriate. All investments involve risk, including the loss of principal.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

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