Ryan Worch
Worch Capital, LLC
Principal
Tel 301.202.8916
rworch@worchcapital.com

April 13th, 2021

Dear Investors and Friends,

2021 1st Quarter Performance

After reporting a record gain of 75.4% in 2020, this year has started off with a small, to-be-expected pullback. Worch Capital Partners, LP (WCP) finished the 1st quarter 2021 -6.54%. This was compared to our benchmark, HFRI Equity Hedge Index, return of +7.36% for the first quarter**.** We remain committed to being excellent stewards of your capital and are grateful for the opportunity to serve our partners.

For many months, the market celebrated outstanding growth equities selection as outsized returns mounted. The speculative action in recent months reached a fever pitch with IPOs (Initial Public Offerings), SPACs (Special Purpose Acquisition Companies), meme stocks, and illiquid micro caps rising to frothy gains, some in as little as days. However, the first quarter was a reality check for growth stocks specifically and the unfettered enthusiasm that gripped the market over the last few months. We were not immune to the selling, since even top-notch growth names sold off, and after a historic run we expected some give back. Our risk management protected us from what was essentially a bear market in growth stocks and helped us avoid the carnage. We never like reporting quarterly losses but that is the nature of investing and speculation and we ask that you judge our performance based on our 14-year track record rather than one quarter.

The correction in high quality growth names will set up future opportunities, yet the first quarter was the tale of two tapes and the opposite of last year. There was a huge rotation out of growth and into value, small caps, and the reopening theme. Below is a good representation of the shift out of growth and into value. It is a ratio chart of the VUG (Vanguard Growth ETF) to the VTV (Vanguard Value ETF). When it is rising, growth is outperforming which we see with the historic rise last year. This trend started to stall out in the fourth quarter of last year and broke down in the first quarter of this year as money rotated away from high growth and into more value centric ideas.

We touched on some of the excessive readings in our last letter and how we thought the first half could be volatile.

"*As COVID shows significant increases in cases, as a second surge takes hold, getting through the first quarter will be key. With P/E ratios sitting at historically high levels, and the indices extended, we believe we could be in for a volatile first half. However, the equity risk premium is not at incredibly low levels because of historically low interest rates. In turn, with rates at these levels, money will be rotated away from fixed income as equites become the natural asset class to search for yield. Sentiment among investors is getting stretched as the most recent AAII sentiment survey shows 46.1% of participants are bullish. The December BAML fund manager survey was the most bullish all year as asset allocators are underweight cash for the first since May of 2013 as investors are overweight equities as vaccine hope induces a strong "buy the reopening" trade.*"

One of the big surprises of the first quarter was the historic rise in interest rates. The 10-year treasury note started the year around 90 basis points roughly doubling to 175 basis points. Albeit from a very low starting point, the 10-year yield put in the biggest 40-week rise in rates, by a long shot, going back 50 years.

The increase in yields put the biggest pressure on high valuation growth stocks. Many growth stocks are in bear market territory even with the general market positive on the year. This bifurcation is the exact opposite of what worked last year. Toni Sacconaghi, a longtime technology analyst at Bernstein, encapsulated the dynamic in a fascinating piece of research. "He points out that, in 2020, investors seemed to be buying techs almost *because* of their high price tags. In fact, if you divide the tech universe into quintiles ranked by price/earnings ratios, the returns were lowest for stocks with the lowest valuations—and highest for those trading at the loftiest multiples. The average tech issue outpaced the broad market by 28 percentage points last year, but those in the top quintile outperformed by 60 percentage points. Writes Sacconaghi: The more expensive a stock was in 2020, the better it generally fared. But investor behavior is shifting. Tech shares have underperformed the broad market by about four percentage points this year, according to Sacconaghi. The most expensive names are running 10 points behind and the stocks at the other end of the valuation spectrum—the cheapies—have beaten the market by about 6%. In short, what went up is indeed starting to come down, he writes."

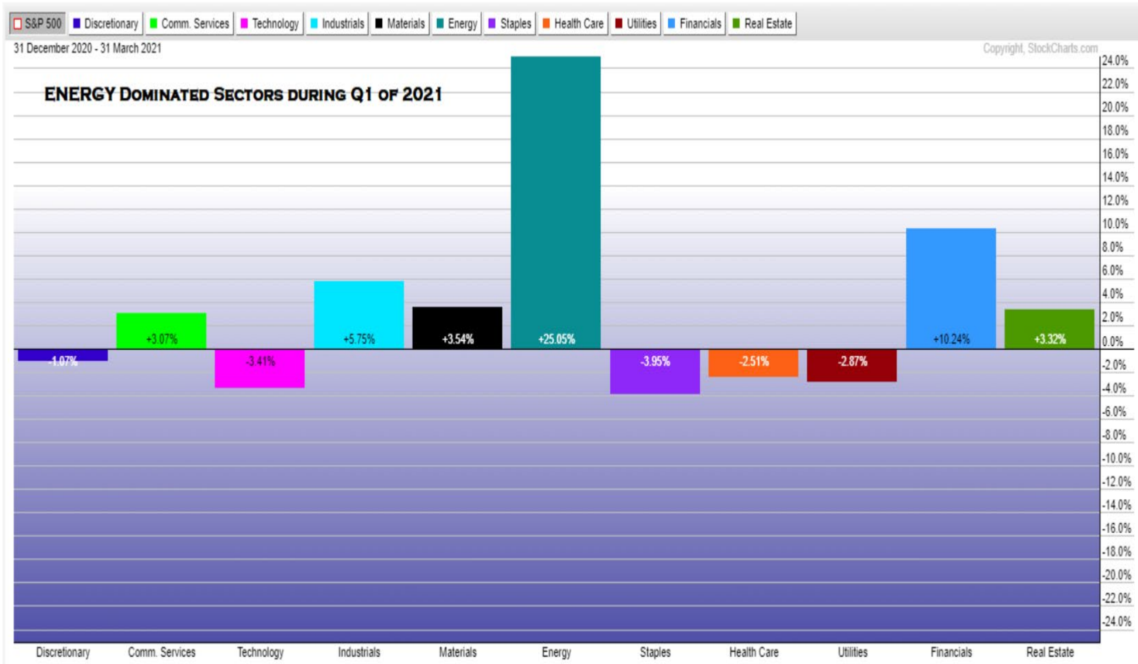
Below are some of the big winning growth stocks from last year and how much they have sold off from recent highs.

FSLY	-48%
ZM	-44%
TDOC	-40%
PTON	-33%
ARKK	-33%
Z	-32%
CHWY	-30%
COUP	-30%
DOCU	-28%
ROKU	-26%
TSLA	-23%

This is a small sample size of how poorly growth stocks have traded in the past few months but gives a good idea of the struggle for high quality growth in the first quarter. Even the highly acclaimed Ark Innovation Fund sold off -33% from peak to trough in the first quarter. However, this allows stocks to digest prior gains and sets up future opportunities for disruptive growth companies.

Looking Forward

This unusual first quarter of 2021, digested a bevy of developments that featured a massive rotation out of growth, rising inflation fears, a new president and regime, multiple hedge fund blow ups, and the biggest fiscal stimulus ever. At WCP, we believe the best way to build long-term returns is to protect capital during periods of instability and be ready for the next crop of opportunities as they develop into a fat pitch. We tend to be most aggressive when we are winning and cautious when growth names are out of favor. We become more risk adverse during periods of market stress and prefer to be patient and wait until the market presents us with higher probability of success. The next few months may continue to benefit value stocks over growth until the excess in valuations adjusts or interest rates sell off; however we are prepared for a turn. We know the right market environment for our strategy to perform well and it is one when we can concentrate our portfolio in select growth names that will outperform the general market. Right now, growth remains out of favor as witnessed by what led the market in the first quarter.



When beaten down energy and financials are leading the market that is not a ripe environment for growth. The key takeaway: We remain laser-focused on our edge and will not force our style on a market that is not rewarding it. In the interest of risk management and discipline we do not go and chase the latest hot product or investing style. We remain patient like a tiger stalking his prey and are ready to pounce once the opportunity is presented.

We still believe the future remains very bright for growth equities as the technological revolution continues. As active managers, our smaller size allows us the flexibility to change our exposure levels with more ease, which is critical for extracting alpha for our partners. We believe our methodology protects our partners' capital through various cycles. We will continue to focus on surprising to the upside as we execute our strategy. WCP has more capacity and we are accepting new contributions the first day of every month.

We are always available to discuss our approach. Contact us if you wish to wire additional funds at this opportune time or 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

THIS IS NOT AN OFFERING OR THE SOLICITATION OF AN OFFER TO PURCHASE AN INTEREST IN WORCH CAPITAL PARTNERS, LP (“WCP”). ANY SUCH OFFER OR SOLICITATION WILL ONLY BE MADE TO QUALIFIED INVESTORS BY MEANS OF A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND ONLY IN THOSE JURISDICTIONS WHERE PERMITTED BY LAW.

AN INVESTMENT IN THE FUND IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. OPPORTUNITIES FOR WITHDRAWAL, REDEMPTION AND TRANSFERABILITY OF INTERESTS ARE RESTRICTED, SO INVESTORS MAY NOT HAVE ACCESS TO CAPITAL WHEN IT IS NEEDED. THERE IS NO SECONDARY MARKET FOR THE INTERESTS AND NONE IS EXPECTED TO DEVELOP.

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.