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Dear Investors and Friends,

<u>2021 2nd Quarter Performance</u>

Worch Capital Partners, LP (WCP) finished the second quarter of 2021 with a net gain of +2.84% for a year-to-date loss of -3.89%. This was compared to our benchmark, HFRI Equity Hedge Index, return of +5.06% for the second quarter for a year-to-date gain of 12.26%**.** We remain committed to being excellent stewards of your capital and are grateful for the opportunity to serve our partners.

The general market was primarily choppy for most of the quarter as it digested gains from the first quarter. However, most of the winners and losers were due to rotational movements based on macro trends. Large capitalization stocks outperformed small caps and growth started to pick up performance on value during the latter part of the quarter. Nevertheless, there were a lot of interesting developments through all the sideways action that determined most of the rotation throughout the second quarter. The most surprising was the pullback in yields after the historic run to start the year. This was in the face of inflation indicators running extremely hot. Most consumers are recognizing the increase in prices from food, housing, and gasoline. When we dig into the recent CPI and PPI reports it confirms broad based price increases across the board.

- On a year-over-year basis, total CPI was up 5.0% (vs. 4.2% in April), which was the largest increase since August 2008. Core CPI was up 3.8% year-over-year (vs. 3.0% in April), which was its largest increase since June 1992!

- On a year-over-year basis, the Producer Price Index for final demand was up 6.6% in May versus 6.2% in April while the Producer Price Index for final demand, less food and energy was up 5.3% in May versus 4.6% in April.

If you have traveled this summer, it is obvious how much more expensive it is with regards to the cost of food, gasoline, rentals, airline tickets, etc. Not to mention the rapid increases in home prices, used cars, shipping rates, and all materials. The key takeaway is that prices from the consumer to producers are increasing which adds to the inflation narrative. A recent article in the Wall Street Journal highlights how the rise in consumer prices affects a normal family of 5. You can see the biggest increases come from essentials, food and gasoline.

The Galbraith family's May 2021 monthly budget

LINE ITEM	2020 PRICE	2021 PRICE	CHANGE
Mortgage	$ 3,135.00	$ 2,536.00	▼ –19.1%
Groceries	768.00	1,023.00	▲ 33.2
Clothing	0	731.00	N/A
Restaurants, delivery	284.00	301.00	▲ 6.0
Gasoline*	50.00	250.00	▲ 400.0
Utilities†	196.00	167.00	▼ –14.8
Subscriptions**	60.00	135.00	▲ 125.0

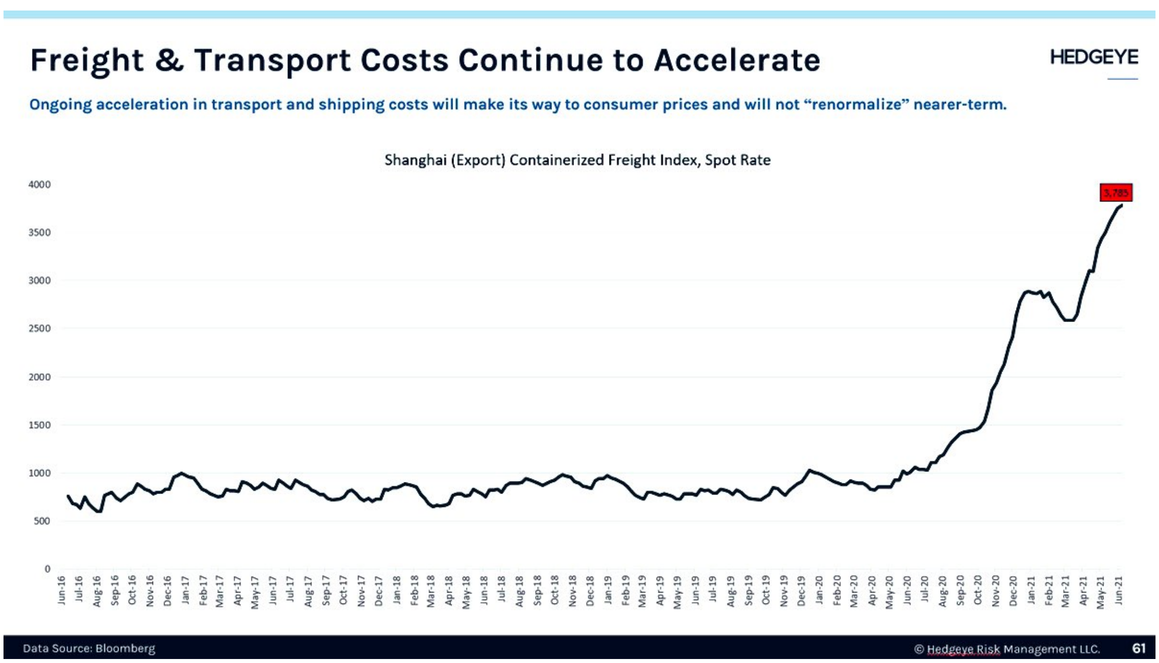
The Galbraiths refinanced during the pandemic and put their savings toward principal.

The family didn't buy new clothes in 2020.

Family was home full-time in 2020 because of the pandemic. It is watering the yard less in 2021 because of the drought.

*April and May total †Includes gas, water and electric
**Video, music and exercise streaming subscriptions
Note: Dollar amounts have been rounded.

Lastly, a chart from Hedgeye risk management illustrates the drastic acceleration in freight and shipping costs that is contributing to the inflation storyline.



In our last few letters, we discussed the staggering outperformance of growth versus value. The last six months has put a huge dent in that theme as value has picked up massive relative performance against its growth counterpart. This has also reset expectations and worked off overbought conditions from a wildly extended environment for the growth sector. Below is a ratio chart of the Russell 2000 growth ETF vs the Russell 2000 value

ETF. When it is moving higher growth is outperforming. It recently traded back to the long term up trendline and only in recent weeks have we seen growth bounce back coinciding with the drop in yields.

<u>Looking Forward</u>

Considering the strong returns in the first half of 2021, we will provide our thoughts on the second half. Obviously, we cannot predict the markets; however, we can use some statistical analysis to shape a thesis and probabilities. Usually, market strength begets strength and most of the studies confirm this. That is bullish for the second half of the year. We will look at two studies: one that confirms that bias and one that differs. For a bullish tone, a study by one of our favorites, Ryan Detrick, shows that when the S&P 500 is up greater than 12.5% year to date at the end of June, the next six months are up a median of 9.7% which is twice the median final six months for all years.

First Six Months Indicator

If The S&P 500 Index Is Up >12.5% YTD After Six Months, The Bulls Usually Smile

	S&P 500 Index Returns	
Year	**YTD Return At End Of June**	**Return Rest of Year**
1954	17.7%	23.2%
1955	14.0%	10.8%
1958	13.1%	22.0%
1967	12.8%	6.4%
1975	38.8%	-5.3%
1976	15.6%	3.0%
1983	19.5%	-1.9%
1985	14.7%	10.1%
1986	18.7%	-3.5%
1987	25.5%	-18.7%
1989	14.5%	11.1%
1995	18.6%	13.1%
1997	19.5%	9.6%
1998	16.8%	8.4%
2013	12.6%	15.1%
2019	17.3%	9.8%
2021	14.4%	?
	Average	7.1%
	Median	9.7%
	% Positive	75.0%
	Average Year	4.7%
	Median Year	5.0%
	% Positive All Years	70.4%

Source: LPL Research, FactSet 06/30/2021 (1950 - Current)

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

[redacted]

If we want to pump the breaks on optimism, we know that the third quarter is the most challenging during the year with August and September being some of the worst trading months. A recent study from Nautilus Capital provides a contrast to the recent strong upside momentum presented above, writing “#SP500 first half year to date momentum "IS" typically a good indication of continuing rest of year momentum (no revelation there as many technicians; including us monitor this closely.) In contrast, the study below offers an interesting "twist" on potentially excess momentum....”

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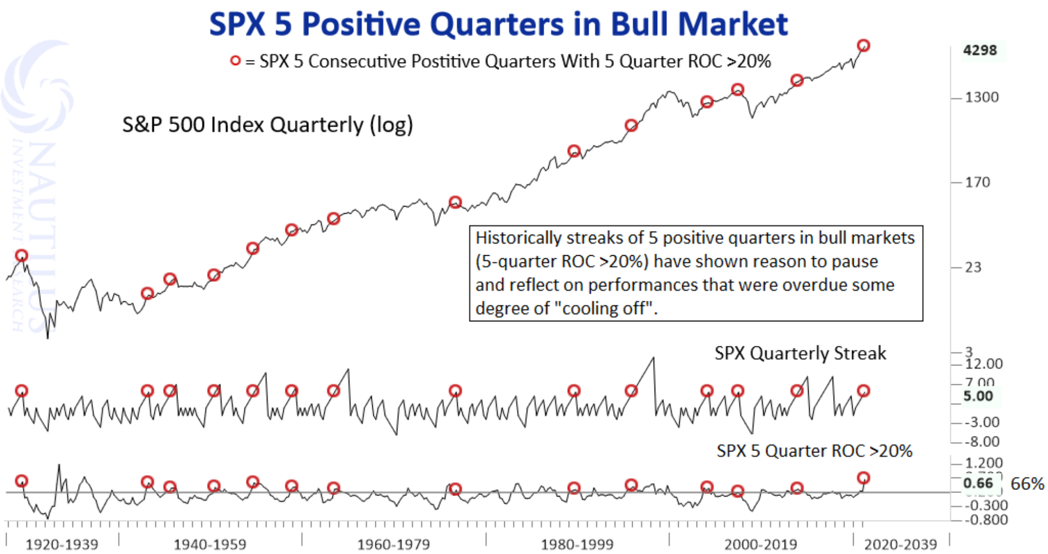


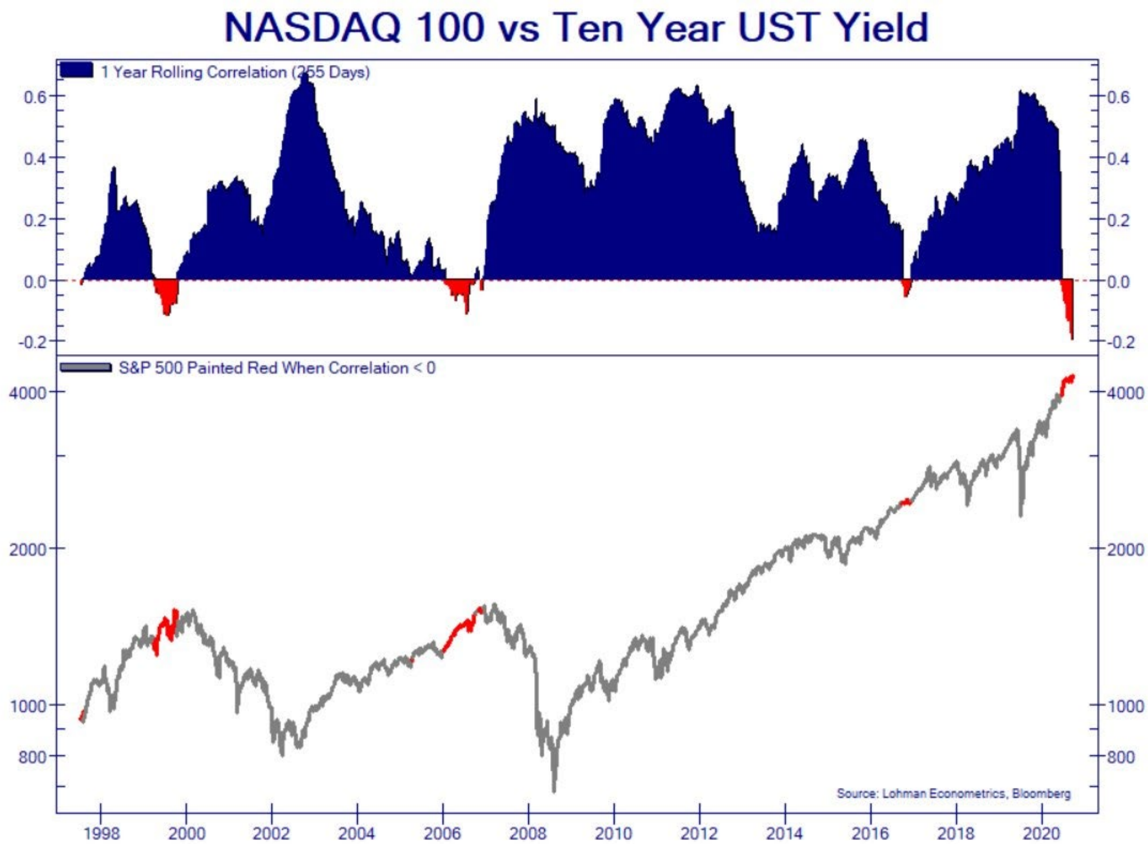
SPX Multiple Condition = 5 Consecutive Positive Quarters With 5 Quarter Rate of Change >20%

SPX forward returns after 14 events 12/30/1927 - 6/30/2021

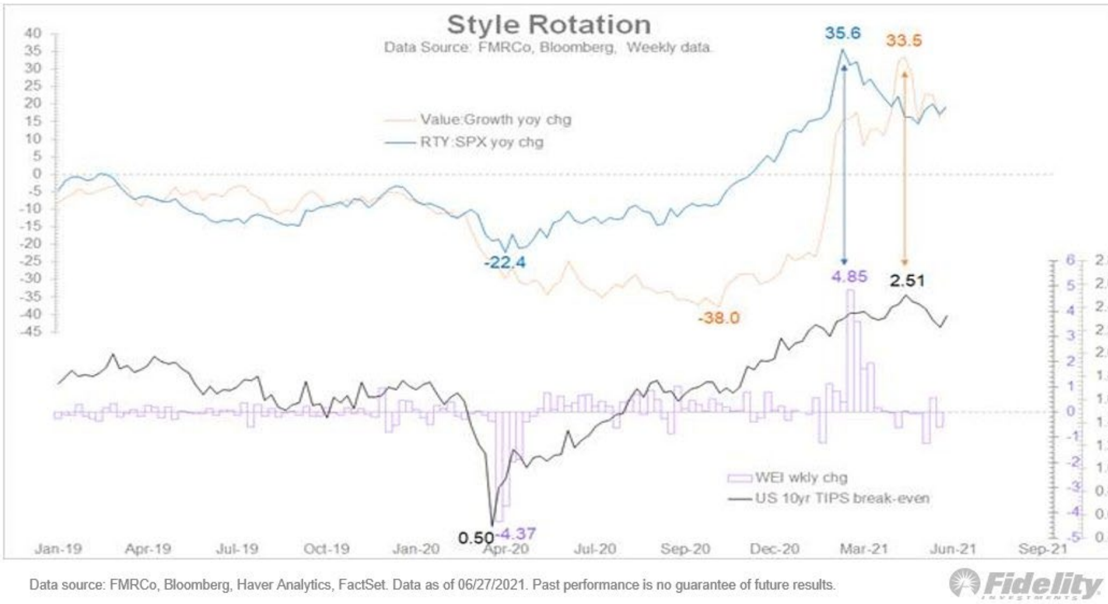
Event Dates	1Qt	2Qt	3Qt	1Yr	2Yr
09/30/1929	-28.88%	-16.64%	-32.16%	-38.36%	-67.81%
06/30/1943	-2.19%	-5.51%	-2.67%	5.10%	20.40%
12/31/1945	3.92%	6.16%	-13.82%	-11.87%	-11.87%
09/29/1950	5.04%	10.44%	7.76%	19.59%	26.17%
12/31/1954	1.67%	14.04%	21.37%	26.40%	29.71%
03/31/1959	5.47%	2.60%	8.03%	-0.18%	17.35%
09/30/1963	4.63%	10.15%	13.93%	17.41%	25.47%
12/31/1976	-8.41%	-6.50%	-10.17%	-11.50%	-10.56%
12/29/1989	-3.81%	1.31%	-13.40%	-6.56%	18.02%
03/29/1996	3.89%	6.48%	14.75%	17.29%	70.68%
06/30/2004	-2.30%	6.23%	3.48%	4.43%	11.34%
09/28/2007	-3.82%	-13.36%	-16.16%	-23.61%	-30.76%
03/31/2014	4.69%	5.34%	9.96%	10.44%	10.01%
06/30/2021					
Avg after Signals	-1.55%	1.59%	-0.70%	0.66%	8.32%
Average All Periods	2.03%	3.97%	5.95%	8.07%	15.67%
T-Statistic	-1.35	-0.88	-1.52	-1.40	-0.78
# Events Up/Down	7 / 6	9 / 4	7 / 6	7 / 6	9 / 4
Significance	-90%	-80%	-92%	-91%	-78%

NAUTILUS INVESTMENT RESEARCH Quarterly 12/30/1927 - 6/30/2021 Data Source: FactSet 7/1/2021 7:21

This study certainly paints a different picture than the normal strength begets strength argument. Another study shows the one-year rolling correlation of the Nasdaq 100 against the ten-year treasury yield. This is simply another valuation metric that shows that the index is historically extended. The question is whether the future is based on the 2000 and 2007 precedent or more like the mid-90s and 2017-time frame. Clearly the outcomes are incredibly different with the former leading to devastating bear markets and the later just a continuation of a secular bull market.



As we look to the second half, the most important consideration from a macro stance will be the direction of interest rates and yields. The language from the Fed will determine most of that action and their decision to taper, raise rates, or do nothing will be the most important discussion. Every statement or comment will be combed through in fine detail looking for the smallest of nuances. Yet, after a tough first half for growth equities, we could see a sustained rotation out of value and back into growth if rates subside. A recent tweet from Jurrien Timmer sums this up, "with peak reopening and peak inflation likely behind us, I expect some ongoing counter rotation from growth stocks."



We expect the inflation debate will continue in the back half of the year. Additionally, there will be ruminations about the pace of economic growth, which is certain to decelerate from the torrid pace seen in the first half of the year. The Fed will be central as they attempt to shift policy and dance around concerns over peak growth, Delta variant, and inflation.

We still believe the market remains in a secular bull market and the future remains very bright for growth equities as the technological revolution continues even after a tough first half. 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

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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.