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Dear Investors and Friends,

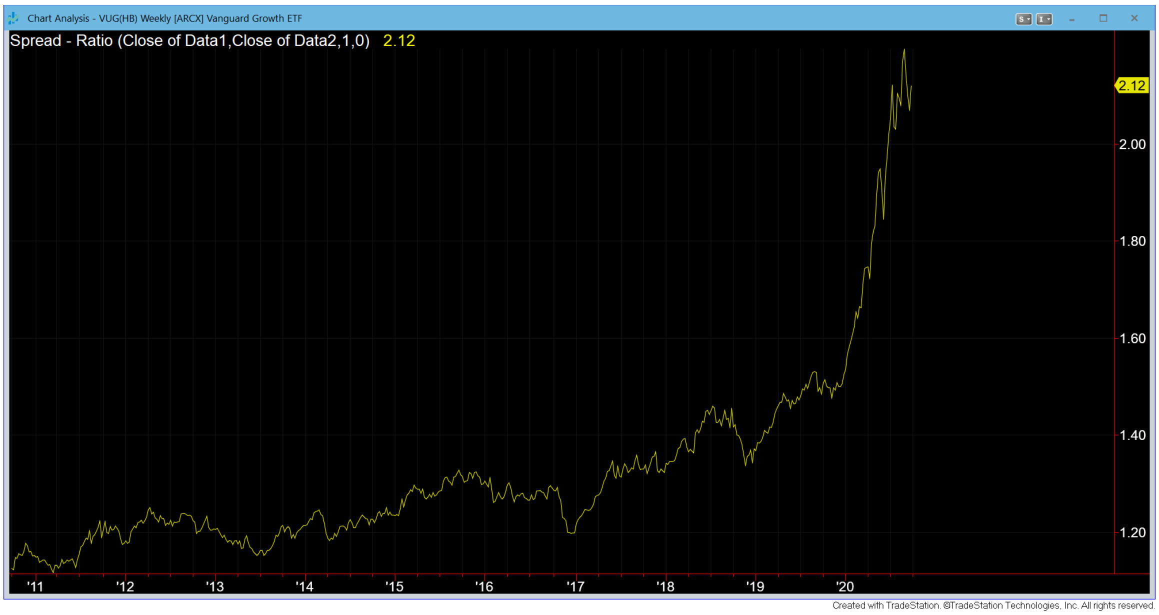
2020 3rd Quarter Performance

Worch Capital Partners, LP (WCP) finished the third quarter of 2020 with a net gain of +24.95% for a year-to-date gain of +52.38%. We remain committed to being excellent stewards of your capital and are grateful for the opportunity to serve our partners.

How did we do it? This is the number one question posed to us considering the outsized gains and outperformance of our fund in a tumultuous year. For newer investors and readers, let me explain our process which contributed to our lofty gains year-to-date. To many of our investors or long-time readers of our quarterly letters and blogs this will be more of a refresher as we continually bang the drum for our strategy. For those that are curious, no, we have *not* discovered the holy grail or implemented some secretive quantitative black box model. Instead, we rely on hard work and discipline to extract profits from the market. The core principles of our strategy have not changed and will not change. Sure, we will adapt to changing market conditions, as all good money managers should, but we believe in our approach and trust our work. The results speak for themselves and are a direct byproduct of our disciplined investment methodology focused on taking advantage of unique opportunities when presented with the right market environments. This quote by Benjamin Franklin sums it up best, *"failing to plan is planning to fail"*.

So how does our fund make huge, market beating returns during a year that has registered a pandemic driven bear market along with volatile market swings leaving most investors barely up for the year? (The S&P is only up 4.1% year-to-date as of 9/30/20.) We begin first and foremost with risk management. Our number one goal is to protect our partners' capital as our motto is: *win by not losing*. The first quarter of 2020 is a prime example of putting this into practice. During the waterfall event brought on by the pandemic, as the general market plunged 30%+ in weeks, we locked in profits in the first quarter and avoided the massive drawdown most other investors had to endure. WCP has a history of sidestepping major drawdowns and has the evidence to back it up.

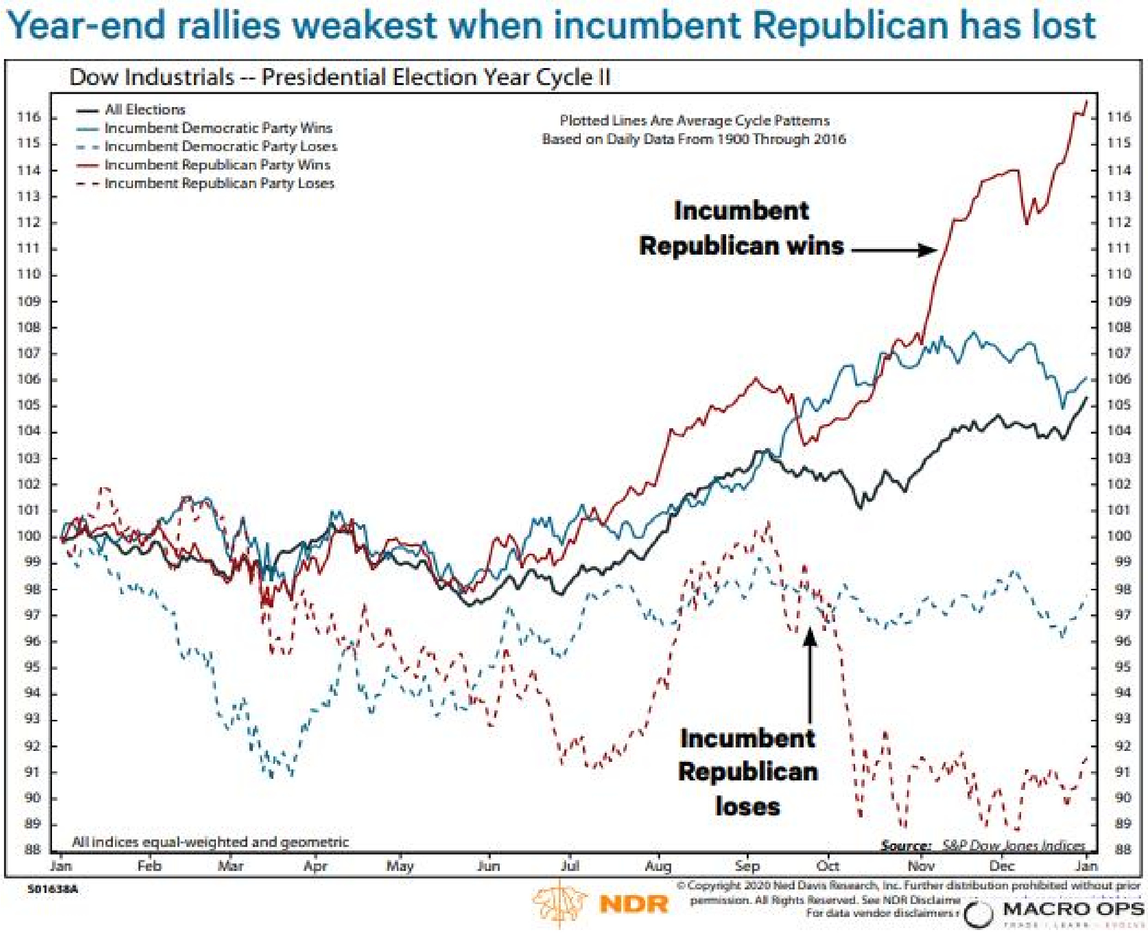
Now that we have established a pattern on capital preservation by avoiding major drawdowns, our models look for a bottoming process and a subsequent turn in the market to take long positions in leading growth stocks. We have a proprietary market signal on the general market that dictates our market exposure. If we are on a sell signal the portfolio is positioned with a defensive posture (cash and/or hedges). This year, that sell signal flipped to a buy signal in early April at which point we started positioning the portfolio more aggressively to the long side. Once the trend turned up giving us more confidence that a bottom was potentially established in March, we started concentrating the portfolio in stocks that meet our criteria. We specifically are looking for disruptive companies or super growth stocks that share common traits of exceptional sales and earnings potential. These companies are leaders in their respective industries and are exhibiting strong relative strength versus the general market. This strategy paid off in spades for us in 2020, as the clear winners of a post pandemic world favored growth-oriented technology companies that create more efficiencies for the work-at-home theme. More traditional old economy value plays were left behind in what became an extremely bifurcated market. The ratio chart below shows the dramatic outperformance of growth versus value in 2020 as the relative performance of growth has gone parabolic. When this line is moving up, growth is winning, and when it is moving down, value is the leader.



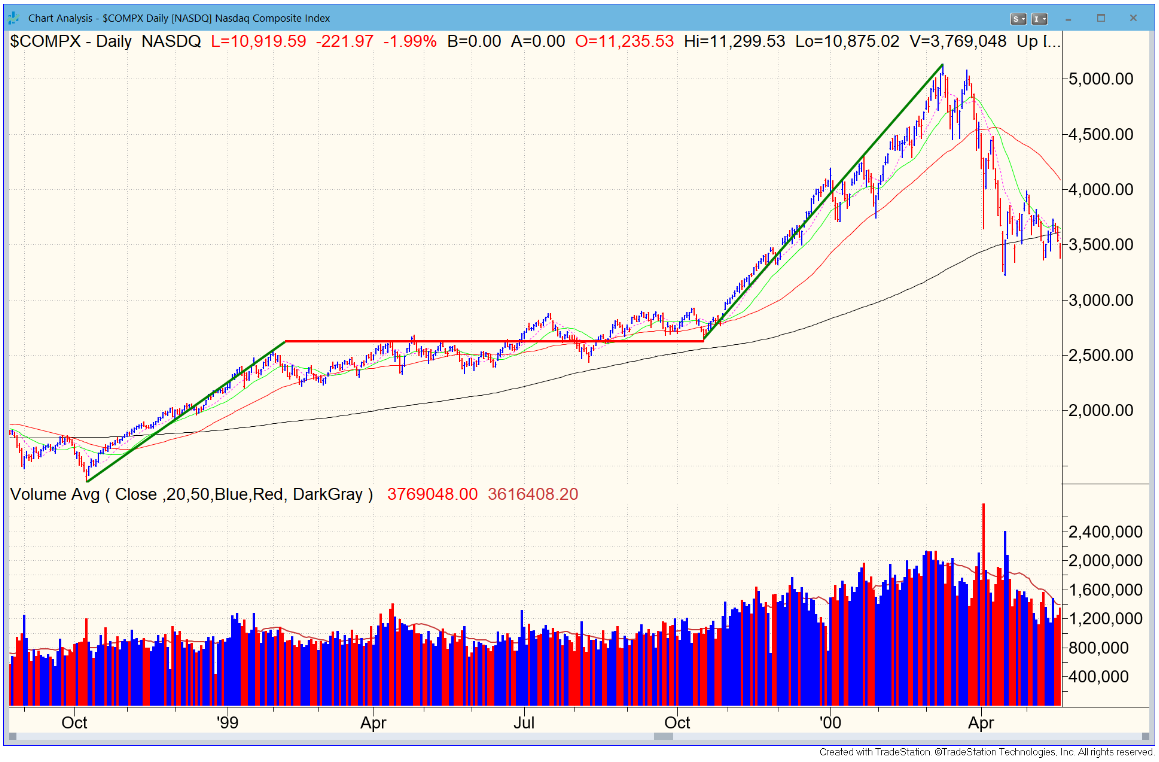
Truthfully, WCP has not done anything differently this year versus our 13-year history, as always, we executed our plan. This year our continued diligence was rewarded with stunning outperformance. Our edge relies in our disciplined and flexible approach that creates opportunities to extract profits from the market while emphasizing strict risk management. In other words, we focus on asymmetrical trades, where the profit potential far outweighs the risk. *In fact, our historical net exposure is only 50%, which means our partners' capital is only exposed to the market half of the time and in cash the rest of the time, avoiding downtrends.* For example, we hedged the portfolio and quickly raised cash locking in profits in February, as we watched the market avalanche in February and March. Our investors did not have to worry about whether their investments would bounce back, since we sidestepped the devastation. WCP has a low historical correlation to the S&P 500 which acts as a diversifier to an overall portfolio. Our historical performance since inception offers a highly liquid strategy generating market beating returns (net of fees), with reduced risk. We're optimistic about the future, as we believe these opportunities will continue as entire industries are disrupted and innovators grow (leapfrogging adoption rates by a decade or more) due to pandemic-driven work and lifestyle changes.

Looking Forward

The next few months have plenty of drama to unfold and will have some big implications for the stock market. Time to buckle up! It could be a bumpy ride in the fourth quarter with: a second wave of coronavirus; announcements on vaccines; health news regarding public officials; earnings season; and, amongst all that, potentially the wildest election season ever. The uncertainty heading into this election is of massive proportions. Historically, the winner of the election is determined on election night. Outside of the 2000 election, most run smoothly. However, this year could make the Bush/Gore election fiasco seem like a walk-in-the-park. With the amount of mail-in voting, and the partisan rhetoric on both sides, we may not have an actual winner for months. The one thing markets hate the most is uncertainty. That is why October of an election year is historically the worst performing month for stock market returns. Typically, heading into an election there is enough doubt to keep investors on the sidelines. This year the anxiety may be at epic levels, before and possibly after, if we get into a contested election. This is all happening as the market enters the weakest month of an election year. If we use history as a guide, we can see how the markets react after a presidential election. The chart below from Ned Davis displays the presidential election year cycle. Quite a difference in returns for the fourth quarter between an incumbent Republican win versus loss.



In my recent blog, we compared the current market to similar periods. We thought the most comparable were the 1998 and 2018 market V-bottoms and continue to value those precedents (see the charts below). Observations from those historic recoveries that might resonate with today's market is the action after the rallies stalled out. The Nasdaq rallied 78 days in 1998 and 85 days in 2018 before slowing down. After the rally off the bottom in 1998, the Nasdaq grinded higher in a choppy manner from February to October, 1999 before moving higher to the ultimate top in 2000. During the 2018 rally, the Nasdaq went sideways from May to November, 2019 in a choppy, sector-rotation type of market.



Not only is October the worst month in an election year it is also historically the most volatile month. 2020 has also been an extremely volatile year so far. Below are the days with 2% drops in the S&P 500 since 2000:

Year	Days with a 2% or greater loss
2000	19
2001	13
2002	29
2003	5
2004	0
2005	0
2006	0
2007	11
2008	41
2009	28
2010	10
2011	21
2012	3
2013	2
2014	4
2015	6
2016	5
2017	0
2018	15
2019	5
2020	24

Considering the average per year going back to 1950, is under 6 days with 2% drops, 24 occurrences year-to-date shows just how volatile 2020 has been. If the current rally peaked in the short-term on September 2nd it would be 113 days from the March bear market low. Of course, we never like to predict the future but studying historical precedents and having a game plan for various scenarios helps establish our expectations and prepare ahead of time.

In summary, we see the potential for a trader's market unfolding over the next several months, as volatility will stay elevated for the remainder of the year. This could foster a choppy range-bound market that frustrates the masses. Yet, it will create excellent opportunities for patient-minded investors when the bull market resumes.

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. As we stay disciplined and control risk, WCP 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 has taken undue losses and 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.

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