**Ryan Worch**
Worch Capital, LLC
Principal
Tel 202.798.1977
rworch@worchcapital.com

October 13th, 2023

Dear Investors and Friends,

## Q3 2023 Performance

Worch Capital Partners, LP (WCP) finished the third quarter with a net loss of -7.9%, for a year-to-date loss of -8.7%. This was compared to our benchmark, HFRI Equity Hedge Index, net loss of -0.8% for the third quarter, for a year-to-date gain of +4.8%. We remain committed to being excellent stewards of your capital and are grateful for the opportunity to serve our partners.

***Since our inception 15 years ago, Worch Capital Partners has compounded its partners' capital at 10.3% annually. Most importantly, this return was achieved with low risk since our maximum drawdown was only 15%.***

While the quarter was difficult, we must recognize that the opportune moment for investment often emerges amidst the shroud of uncertainty. I can rattle off a bunch of reasons to be bearish and pessimistic: things like debt, deficits, possible recessions, shifting interest rates, inflation concerns, elections, war in Israel, Ukraine, Russia, China, border, and strikes that perpetually monopolize the news cycle.

Nevertheless, a retrospective glance through history reveals a consistent pattern: markets possess an uncanny capacity to shrug off bad news and power higher. Sure, there are times when things get tough for a while and markets struggle, but one thing stays the same: capitalism, the engine driving the American economy, just keeps chugging along, pushing innovation and stock prices higher.

Some will suggest that the current political environment is ruining the American dream.
At times, governmental intervention may indeed encumber the trajectory of potential progress. But you know what? The American spirit, our grit and determination, always seems to win in the end.

This year so far has been disappointing, but not unexpected as it's important to recognize that no strategy can outperform in every market environment. In fact, when we delve deeper into the details, we can begin to comprehend why the past 24 months have presented such challenges. If we consider the possibility that stocks entered a new bull market last October—and it's a significant 'if,' as we won't have a definitive answer until new highs are reached—we can see that small capitalization stocks haven't reflected this potential shift.

Typically, small-cap stocks exhibit the strongest rally when transitioning from a bear to a bull market. However, in the current market scenario, we are witnessing the weakest rally for small caps ever during the onset of a new bull market. To put it into perspective, small-cap stocks are currently trading at levels comparable to those seen in September 2018, marking five years of negligible progress. Furthermore, this year's rally in the S&P 500 is notably the weakest year-one advance of any bull market since 1957. Adding to the unique circumstances, it's the first time that the S&P 500 has experienced three separate 7% pullbacks in its first year of a bull market.

When we examine the performance gap between the equal-weighted and market-capitalization-weighted versions of the S&P 500, it becomes evident that the performance this year has been primarily propelled by the performance of just seven large-cap stocks. The top seven performers within the S&P have surged by an impressive 50% year-to-date, whereas the remaining 493 stocks constituting the S&P 500 have seen relatively flat performance over the same period. In essence, the equal-weighted S&P 500 has shown minimal progress over the past 2.5 years, highlighting the significant influence of these select large-cap stocks on the broader index's recent performance.

A recent study by BTIG sums up the current environment and why it's been so challenging. "The common perception is that 2023 has been a 'good year' for stocks, largely because the S&P 500's +12% YTD gain is the standard benchmark. While that's true, that hardly tells the whole story. This year's current YTD return is slightly higher than 2014's 11.4% gain. Yet when we compare the median SPX stock performance, this year's 1.07% is in a different planet compared to 2014's +16.24% gain. The Russell 3k (98% of investable U.S. equities) is up 11.34% YTD and was +10.45% in 2014. The median R3k stock is ***DOWN*** -2.24% YTD while it was +6.85% in 2014."

When we incorporate the performance of bonds, it becomes evident that 2023 has presented significantly more challenges. Beyond the standout performers often referred to as the 'magnificent 7,' most asset classes have encountered a challenging year in 2023 and continue to lag well below their 2021/22 highs. For instance, the S&P 600 index continues to languish, remaining 22% below its 2021 peak and showing flat performance year-to-date. Additionally, long-term treasuries took a sharp 11.8% plunge in the third quarter, marking the fourth-worst quarterly performance since 1926.

Ultimately, we're not in the business of making excuses. Instead, we conduct thorough post-analysis, aiming to learn and improve continually. We firmly believe that those who find themselves on the losing side often resort to excuses and complaints, while winners maintain their discipline, trust their process, eliminate negativity, and remain confident. We strongly emphasize the importance of focusing on things that are within our control. We prioritize managing our proven processes effectively. Despite the current challenges, we maintain our enthusiasm for the journey ahead. I'd like to reaffirm to our partners that my capital is invested alongside yours. I remain fully committed to our shared process and anticipate brighter months, quarters, and years on the horizon. The prolonged bear market and underperformance of most growth stocks is setting up a generational opportunity. We are excited about the future and will work to position ourselves in the best growth names as opportunities arise.

As active managers, our smaller size allows us the flexibility to change our exposure levels with ease, which is critical for extracting alpha for our partners. We believe our methodology protects our partners' capital through various cycles. WCP has more capacity, and we are accepting new contributions on the first day of every month. If you would like to add to your account or know someone who may be a good fit for Worch Capital Partners unique approach, please call or email anytime.

Thank you, as always, for the trust you've placed in us to manage your hard-earned money. Please do not hesitate to call 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.