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Dear Investors and Friends,

<u>2020 4th Quarter and Full Year Performance</u>

We are excited to report record setting returns for our partners, as this is the strongest year since WCP inception and by far some of the best returns in the industry. Worch Capital Partners, LP (WCP) finished 2020 with a full year net gain of +75.4% and the fourth quarter with a net gain of +15.11%. This was compared to our benchmark, HFRI Equity Hedge Index, return of +17.49% for the full year and fourth quarter of +14.49%**.** We remain committed to being excellent stewards of your capital and are grateful for the opportunity to serve our partners.

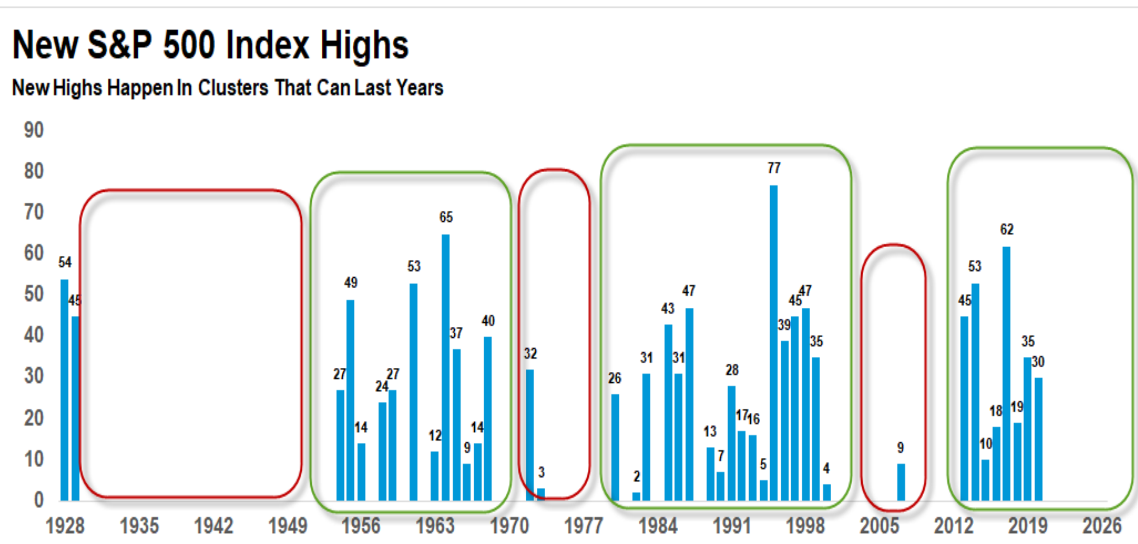
Even with outsized gains, we see tremendous opportunities for gains in 2021 and beyond and our strategy is positioned to capture the unfolding technological revolution that has been expedited by the global pandemic.

From my perspective, we are in the early stages of technological disruption and the next decade will provide massive opportunities as industries will be transformed creating a new group of leaders as innovation and efficiency puts a whole swath of companies at risk. Cathy Wood, visionary CEO and CIO of Ark Investments, which focus on disruptive technologies, identifies five innovation platforms businesses will need to invest in or lose their way: DNA sequencing, robotics, energy storage, artificial intelligence, and blockchain technology. This transformation is happening across the spectrum of industries from energy, health care, education, transportation, finance, entertainment, and even space exploration. According to Tony Seba, a world-renowned thought leader, “the 2020s will be the fastest, deepest, most disruptive decade in history for energy, transportation, food/agriculture, information, and materials, with cascading effects across all sectors of the economy, cities, geopolitics and the environment and dramatic implications for humanity.” A recent McKinsey survey published in October 2020 found that “companies are three times likelier than they were before the crisis to conduct at least 80 percent of their customer interactions digitally. More positively, in the past, it has taken a decade or longer for game-changing technologies to evolve from cool new things to productivity drivers. The COVID-19 crisis has sped up that transition in areas such as artificial intelligence (AI) and digitization by several years, and even faster in Asia.” According to the CEO of Twilio, “the coronavirus response accelerated the digital communication strategies by about *six years* for businesses.” Microsoft’s CEO noted in April 2020 that “we’ve seen two years’ worth of digital transformation in two months.” This once-in-several-generations change helps confirm our bias that the next decade is ripe for historic money-making opportunities. Our strategy is well positioned to prosper from the unfolding disruption; however, we expect plenty of volatility along the way.

Looking Forward

2020 was dominated by the global pandemic that ushered in multiple waves of the virus, lockdowns, and a global recession. Lockdowns drove massive amounts of unemployment and economic numbers not seen since the depression. The policy response from central banks and governments around the world was to flood the markets with liquidity. The Fed will maintain extremely accommodative policy into the foreseeable future which calls for the fed funds rate to remain unchanged for several years and 2021 could see a wave of additional stimulus as a new administration takes over. One of the consequences of all the lockdowns was a spike in household savings rates. Personal savings in the United States reached an all-time high of 33.70% in April. It currently stands at 12.9% which is still elevated versus the long-term average of 8.93% going back to 1959. According to Morgan Stanley, “US household are currently holding on to an excess saving of US $1.4 trillion, which equals about 9.3% of 2019 annual consumption expenditures.”

We believe 2021 will be the year of vaccines, spending, and recovery. The pent-up demand from months of lockdowns will be unleashed as the vaccine gets distributed and the virus dies down. With consumers flush with cash and governments spending like debt does not matter, 2021 should see a huge recovery as US GDP growth is expected to grow between 4-6%. This begs the question: how much of this recovery is already priced in after a huge rally off the March lows which was one of the best rallies in the last 100 years? Some data below suggests there is plenty of runway for the bull market to continue. As stocks indices continue to make new highs and surprise to the upside, Ryan Detrick chief market strategist at LPL Financial, shows how this is bullish, he explains, “One thing that surprises many investors is that new highs happen in clusters that can last a decade or more. Given that this cluster of new highs is only seven years old, history would suggest that we don’t bet against several more years of new highs.”



Source: LPL Research, FactSet 12/15/2020 (1928 - Current)
All indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.
The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

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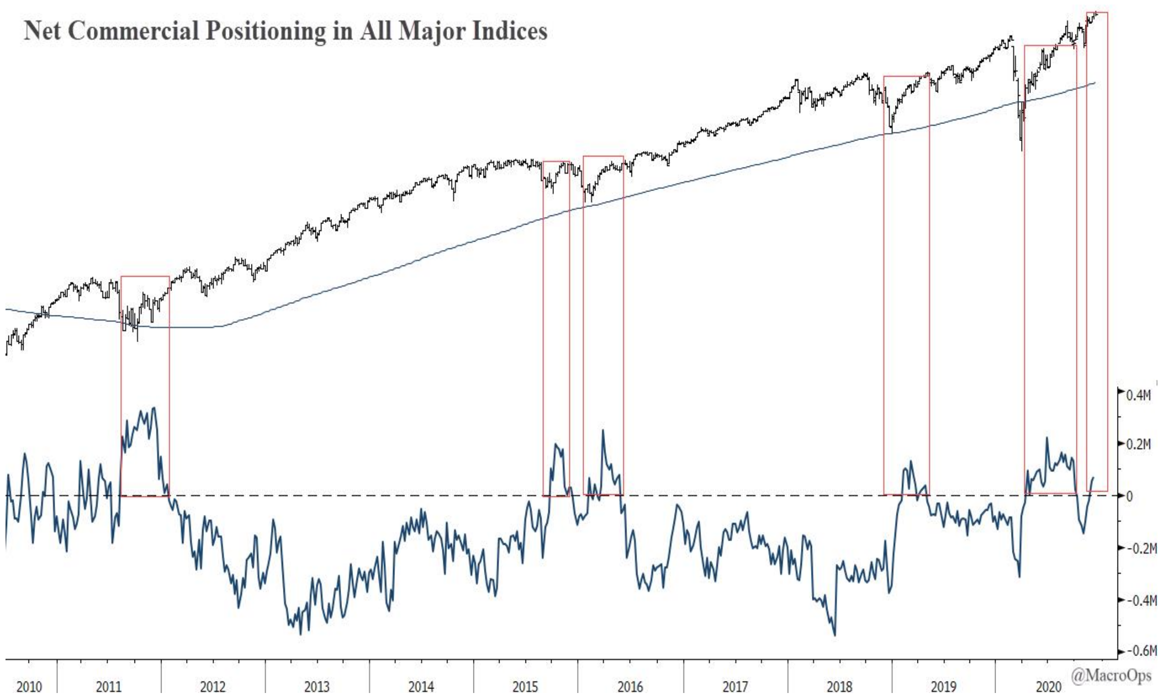
On the other hand, in the short term, markets are certainly overheated and extended to the upside as the Russell 2000 is trading 9% above its 50-day moving average. Sentiment among investors is getting stretched as the most recent AAII sentiment survey shows 46.1% of participants are bullish. The December 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. Yet, an interesting statistic from MacroOps shows the positioning chart below. “It paints such a different picture than all the others. It shows net commercial positioning in all major indices is positive. Meaning, conversely, that specs are still short. This is typically more common at bottoms than tops.”



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. With the Fed willing to continue to provide support to the economy, trillions of savings on the sideline, pent up demand, and the vaccine being distributed more and more every day, the second half of 2021 should see a strong recovery.

We prefer to stay away from predictions, especially in the short term, as we let our strategy dictate our market exposure. In the same breadth, we believe the future remains bright for growth equities as disruption takes hold. As active managers, our smaller size allows us the flexibility to change our exposure levels with more ease, which is critical for extracting

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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.

Happy New Year!

Wishing you and your family health and happiness and all the best in 2021.

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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