AsymMETRIC
Capital Management

January 31, 2022

ASYMMETRY IN MOTION

Dear Investors and Friends of ACM:

A famous phrase, “It was the best of times, it was the worst of times, “appears in the opening paragraph of Charles Dickens’ novel *A Tale of Two Cities*. Certainly 2022 can be more easily characterized as the worst of times given all the yuk in the financial markets. It was noteworthy that the frequency of experiencing negative returns in the US for both stocks and bonds over rolling 12-month periods since 1926 is a paltry 2%. Worse yet, the magnitude of the dismal performance for both in 2022 was unprecedented. Conversely, the performance **for** stocks and bonds has been positive 80% of the time over that period.

Lately, there has been a plethora of charts and research about today’s challenges of a 60/40 stock/bond portfolio. As an aside, a former colleague of mine and research icon has firmly held that a 60/40 stocks/bonds mix worked over the last several decades for all the wrong reasons. Bonds were buttressed by the sleigh ride down for interest rates from around 20% to the recent trough of zero. Amid Fed tightening this past year, interest rates are now hovering around 5% resulting in bonds being a losing asset notwithstanding being a fruitless hedge for equities over this period. It was certainly not an environment for a flight to quality to treasuries when equities declined.

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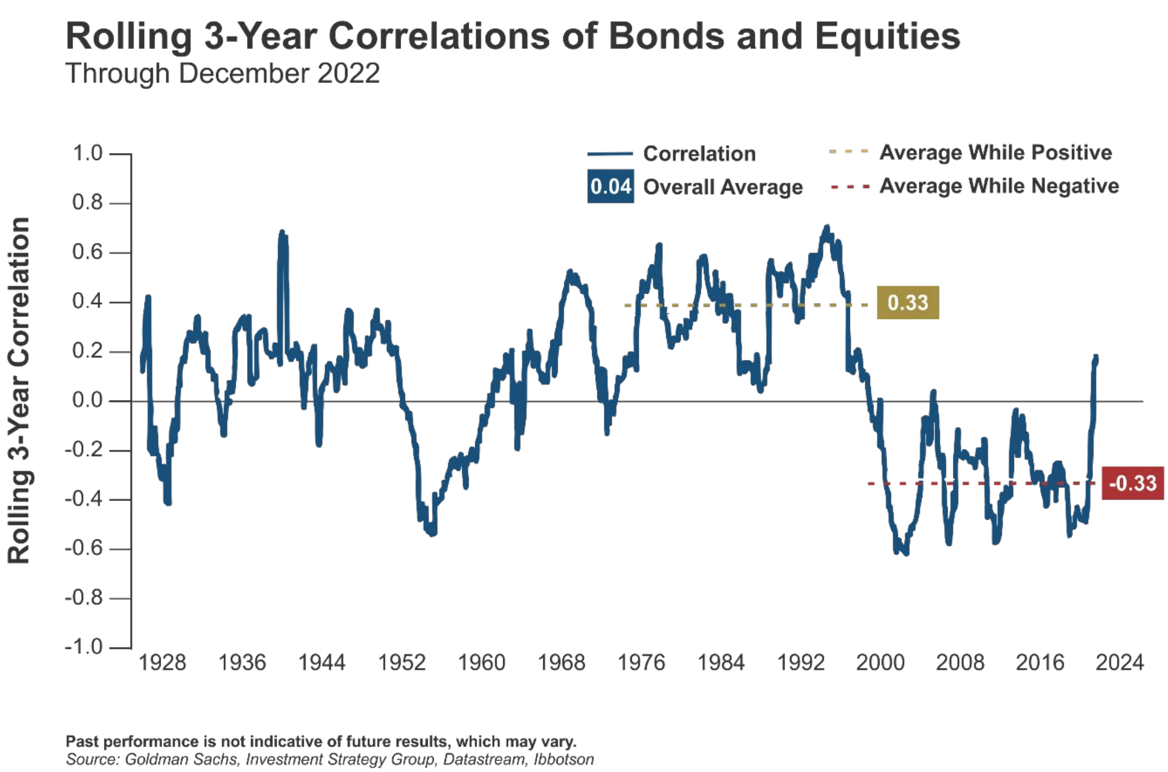
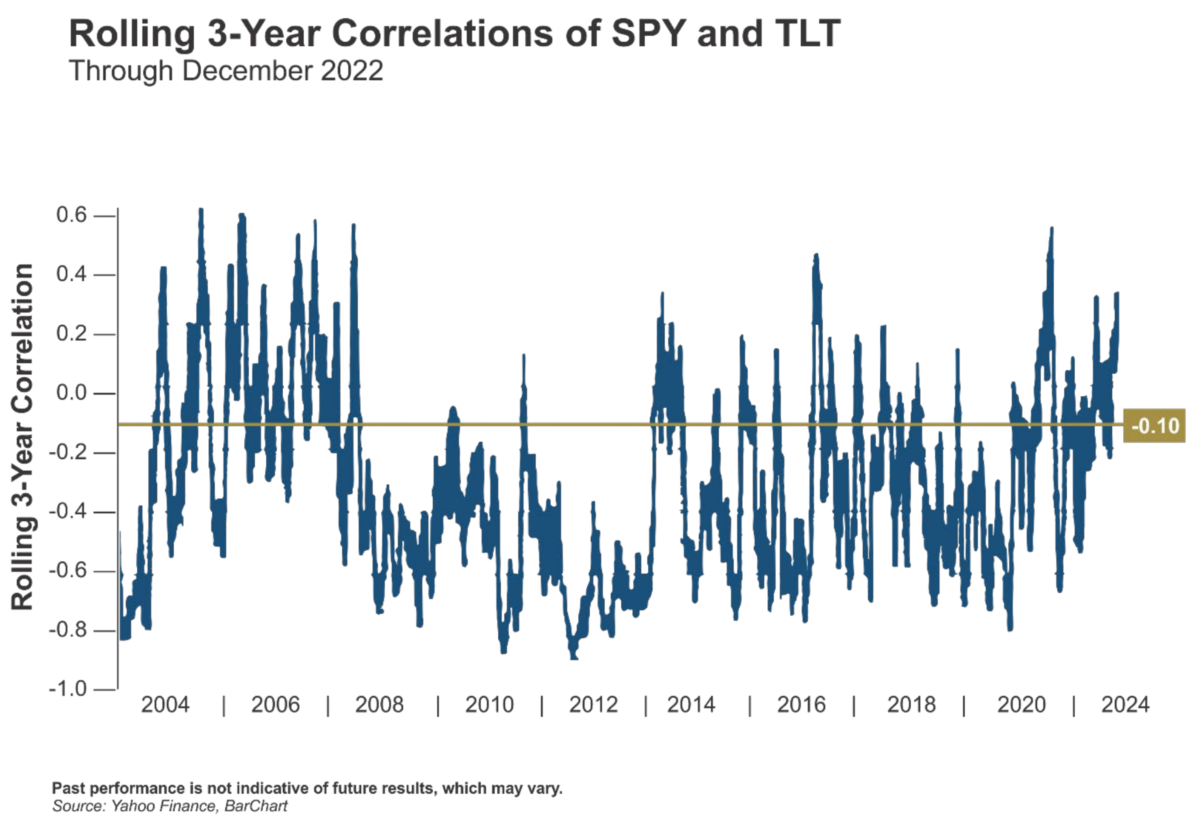
This leads us to an important topic for our update, *Correlations*. In statistics, correlation is any statistical relationship, whether casual or not, between two random variables. Although it may indicate any type of association, in statistics it usually refers to the degree to which a pair of variables are linearly related. Correlations are useful because they can indicate a predictive relationship that can be exploited in practice much like what we're attempting to do with our strategy. We invest in very liquid assets for stocks, bonds, and volatility with specific target allocations for each. These assets have proven to be negatively correlated over the long-term as they can zig and zag in an inverse manner most optimally.

Shown below is rolling 3-year correlations of equities and bonds from 1928 through December of 2022. The average is 0.04 for the period or significant uncorrelation. Interestingly, the average for both positive and negative period correlations is 0.33. Of note is that recently this correlation has moved into positive territory but not to levels seen before.

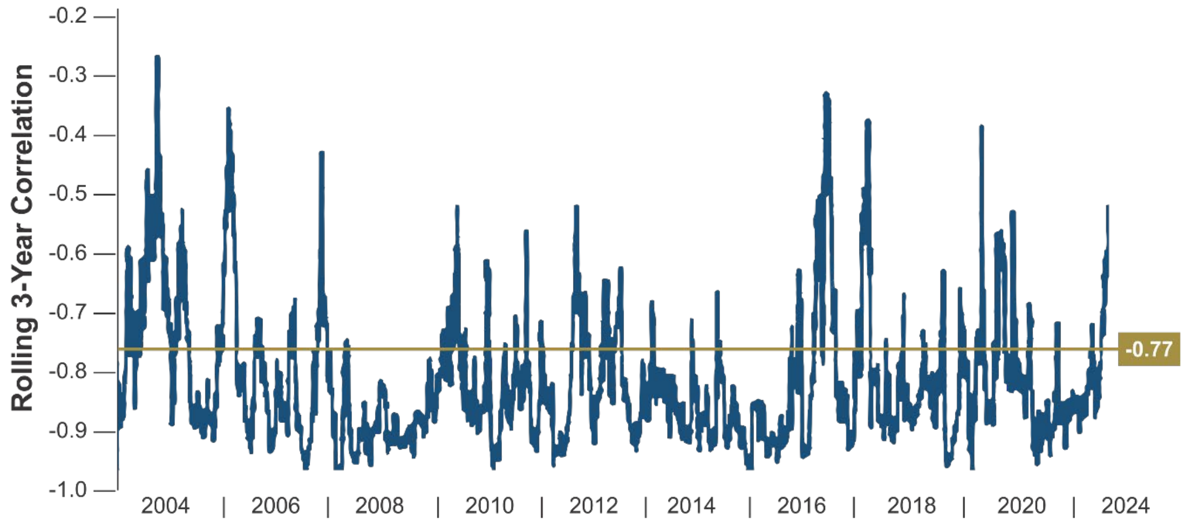


In reviewing components that we use for our strategy, also shown are the correlations for the S&P 500 (SPY) and the TLT (Bonds) and the S&P 500 (SPY) versus the VIX (Volatility) from September 2002 through December 2022. Also noted is that 75% of the time over this period, SPY versus TLT has been -0.10 or more negative and for SPY versus VIX the correlation is -0.77, or significant uncorrelation for each.

Whereas SPY versus TLT is currently in positive territory it is not at levels that we've seen throughout this period. The same holds for the SPY versus VIX which is now hovering in the -0.5-correlation range or above where it's been 3/4s of the time for about the last 20 years.



Rolling 3-Year Correlations of SPY and VIX
Through December 2022



Past performance is not indicative of future results, which may vary.
Source: Yahoo Finance, BarChart

3 Year Rolling Correlations *(Since September 2002)*

	SPY vs VIX	SPY vs TLT
Min	-0.966	-0.885
0.25%	-0.855	-0.561
0.50%	-0.841	-0.363
0.75%	-0.769	-0.102
Max	-0.293	0.565

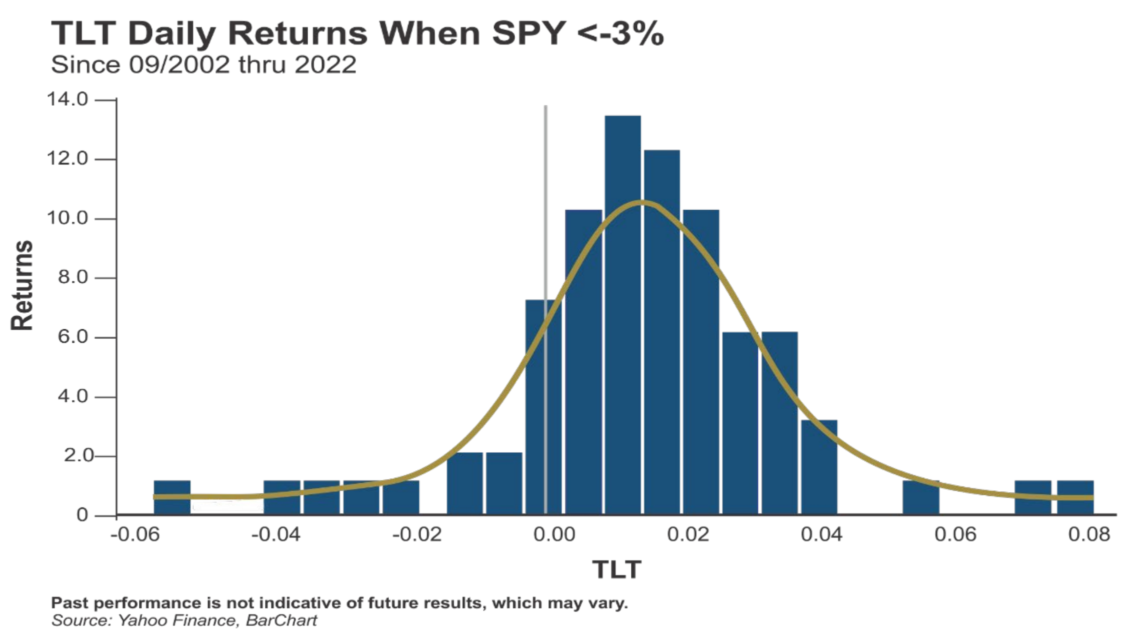
Different market environments will impact correlations. As cited earlier, treasuries were not a viable option for a “flight to quality” when equites declined with interest rates at ground zero and then rising throughout 2022. The TLT, our bond component and a hedge for equity exposure, was down over 30% for the year with equities down in the high teens. It was the worst of times for both in 2022.

In addition to correlations, relating performance provides some insight. Since September 2002, the SPY was down more than 3% on 79 occasions. During those trading days, the TLT return was on average 1.2%. Listed below depicts 7 times when the TLT was down more than 1% on the same day that the SPY was down more than 3%. Perhaps 2022, where this occurred 3 times, was an anomaly given the interest rate environment.

PERFORMANCE of SPY <-3% and TLT <-1% since 09/2002

Date	SPY	TLT	VIX
10-24-2008	-5.07%	-1.06%	0.16%
01-29-2009	-3.25%	-2.30%	0.07%
03-11-2020	-4.88%	-3.68%	0.14%
03-18-2020	-5.06%	-5.64%	0.00%
04-29-2022	-3.69%	-1.29%	0.11%
05-05-2022	-3.55%	-2.73%	0.22%
06-13-2022	-3.79%	-3.13%	0.22%

Please refer to the distribution of daily returns for the TLT when SPY <-3% since 09/2002 through 12/2022. Most of the time, the TLT was in positive territory, or compelling evidence of an inverse relationship, with the exceptions noted.

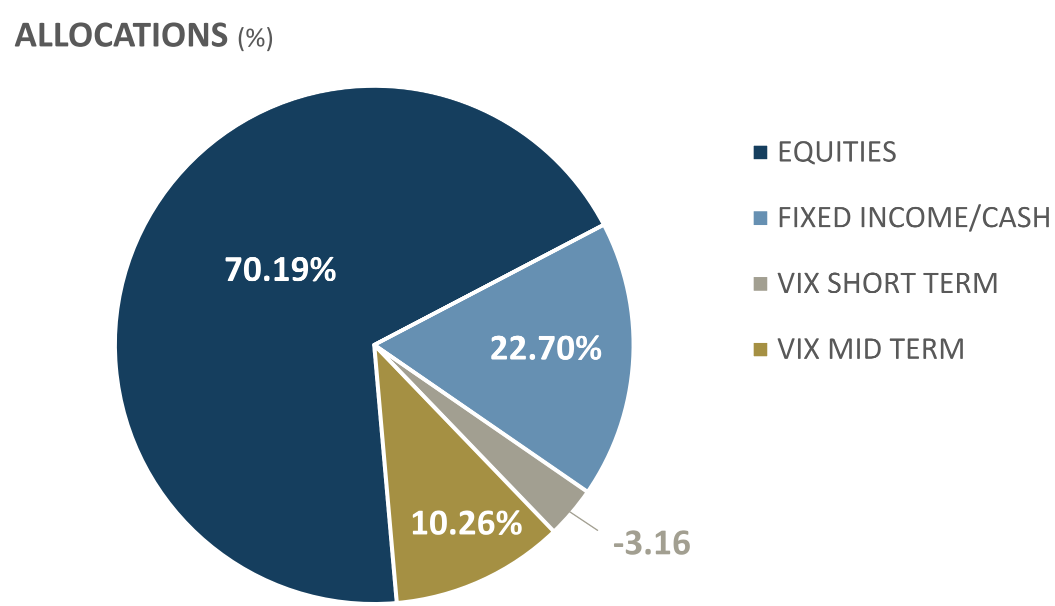


Our **Risk Managed US Equity Fund** performed as follows for the period ending December 31, 2022, on a net basis:

As of 12/31/2022	4Q 22	YTD Return
ACM Fund	**4.64%**	**-16.37%**[1]
70% IVV, 30 AGG – 70/30	5.79%	-16.62%
S&P 500 Total Return – S&P 500 TR	7.56%	-18.11%
HFRX Equity Hedge Index – HFRXEH	1.69%	-3.19%
*EALTS Index	4.91%	-15.86%

The EALTS benchmark *was created by ACM and launched in May of 2017 with S&P Dow Jones serving as the calculation agent. Please refer to our link https://www.spglobal.com/spdji/en/custom-indices/asymmetric-capital-management/acm-risk-managed-us-equity-index/#overview Even though it is not an investable benchmark per se, other than for our benefit, it serves the purpose of relating the performance of our innovative construct and provides public awareness. Given that our Fund performance is shown on a net basis, which includes fees, we expect to track the performance of EALTS quite closely over time.*

Current allocations for each asset class along with their components and respective performance:



As of 12/31/2022

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Allocations by Holdings: Weighted Average

As of 12/31/22	ALLOCATION
iShares Core S&P 500 ETF – IVV	30.08%
iShares Russell 1000 ETF - IWB	25.04%
iShares Core S&P Mid-Cap ETF - IJH	10.04%
iShares Russell 2000 ETF - IWM	5.03%
iShares 20+ Year Treasury Bond ETF - TLT	10.03%
CASH	12.67%
SHORT VIX FUTURES – SHORT TERM	-3.16%
LONG VIX FUTURES – MID TERM	10.26%

Quarterly Returns

As of 12/31/22	QTD Return
iShares Core S&P 500 ETF – IVV	8.02%
iShares Russell 1000 ETF - IWB	7.49%
iShares Core S&P Mid-Cap ETF - IJH	11.04%
iShares Russell 2000 ETF - IWM	6.64%
iShares 20+ Year Treasury Bond ETF - TLT	-1.61%

Source: Bloomberg

In deconstructing performance for the recent quarter, the contribution to return is shown for each component with comments.

Contribution Returns

As of 12/31/22	CONTRIBUTION
iShares Core S&P 500 ETF - IVV	2.44%
iShares Russell 1000 ETF - IWB	1.91%
iShares Core S&P Mid-Cap ETF - IJH	1.13%
iShares Russell 2000 ETF - IWM	0.35%
TOTAL EQUITIES	**5.83%**
iShares 20+ Year Treasury Bond ETF - TLT	-0.18%
TOTAL FIXED INCOME	**-0.18%**
Long VIX Futures	-1.63%
Short VIX Futures	0.86%
TOTAL VOLATILITY	**-0.77%**

Performance Highlights

- The total equity contribution for the quarter was 5.83% with an overall allocation of approximately 70% for equities. The best performer for the period was the S&P Mid-Cap at 11.04%. For the year in return contribution, equites contributed approximately -11.91%.

- 20+ YR Treasury Bonds (TLT), with a 10% target allocation, attributed -0.18% for the quarter. Given the rise in interest rates and high inflation, the TLT was down over 30% for the year and a significant drag on overall performance with approximately -3.44% for performance contribution. Treasuries were not a haven for declining equities in an interest rate environment that generally went from zero to 5%. Cash contributed 0.22% for the year.

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Attribution Highlights *(cont.)*

- As a strategic hedge to equities, volatility, with an overall target allocation of 15%, was -0.77 for the quarter and -0.65 for the year. Volatility was rather benign this year given the decline in the equity market. Please note that we will always be net long volatility regardless of the shape of the implied volatility curve.

In Summary

It was indeed the worst of times for the financial markets in 2022. It was also a challenging time for our strategy given the performance for stocks and bonds, and volatility being a relative non-factor given the decline in equities. If someone were to ask what the worst environment for our strategy was, it would include 2022. Sure, correlations can shed some light on the picture but not with any resonation beyond what has been seen historically. Of some consolation, in a most dismal environment, we still outperformed 70/30, the S&P 500 along with many other equity strategies for the year.

Where is the best of times in all this? It's about staying with your disciplines! We remain optimistic regardless of the market environment for our strategy along with having the highest conviction about rebalancing uncorrelated assets.

We are grateful for your support and look forward to benefitting from **"Asymmetry in Motion"** in the future. All the best for the new year and please be healthy and safe!

Cordially,

Peter J. Johnson

Asymmetric Capital Management

IMPORTANT DISCLOSURES

PERFORMANCE DISCLOSURE

[1] The performance shown is for illustrative, informational purposes only. It reflects the returns for a tracking investor who invested as of January 1, 2022, and made no withdrawals or additional capital contributions during the period shown. YTD performance reflects the reinvestment of dividends and other earnings, the deduction of Fund expenses and an expense ratio of 0.65%. Returns experienced by individual investors will differ for various reasons, including based on the date of investment, the amount of management fees and performance allocations the investor pays. The variance in performance may be material in some periods. Limited Partners should refer to their individual account statements for actual capital account balances and returns.

The performance shown was prepared by ACM and has not been compiled, reviewed, or audited by an independent accountant nor ACM's fund administrator. The presented results are based on the Fund's internal books and records and are subject to adjustment following its year-end audit. The Fund's returns are shown, in each case, at the end of the period indicated. The results are based on the periods but results for individual months or quarters within each period may have been more or less favorable than the average. Investors may not experience returns, if any, comparable to those shown. No representation is being made that any investor or account will or is likely to achieve profits or losses like those shown. This material is not intended to forecast or predict future events and does not guarantee future results.

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PERFORMANCE DISCLOSURE *(cont.)*

This letter shall not constitute an offer to sell or the solicitation of any offer to buy any interests in the Fund, which may only be made at the time a qualified offeree receives the Fund's offering and subscription documents. These securities shall not be offered or sold in any jurisdiction in which such offer, solicitation or sale would be unlawful until the requirements of the laws of such jurisdiction have been satisfied.

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