



	Long	Short	Gross	Net	SP500	Beta	Alpha	Sortino	AUM
H2 2018	-23%	26%	-3%	-3%	-7%	0.97	0.18	-0.2	\$50k
FY 2019	58%	21%	91%	76%	31%	0.64	0.55	3.3	\$200k
FY 2020	65%	64%	171%	132%	18%	1	0.95	3.4	\$1.5m
FY 2021	80%	-17%	49%	44%	29%	0.21	0.39	2.1	\$16m
FY 2022	-11%	123%	98%	73%	-18%	0.02	0.68	4.3	\$43m
FY 2023	58%	-27%	15%	15%	26%	-0.23	0.15	0.73	\$58m
YTD	22%	4%	27%	25%	22%	0.12	0.21	2.56	\$81m
Total	520%	251%	2,078%	1,313%	133%	0.36	0.49	2.50	

*Past performance does not guarantee future results.*

*Net of .5%/year management fee and 25% performance fee over S&P 500 returns.*

*Militia Capital launched February 1st, 2021. I was investing from my personal account before that.*

I use Interactive Broker's portfolio analyst to create the reports that I share in these letters. The Sortino ratio above comes from them. This year, starting right after new years, portfolio analyst has been adding an extra trading day to each week. It's some weird glitch. This is causing the fund's Sortino to be understated by around 12% and I'm going to adjust it up until Interactive Brokers fixes this.

October 1st, 2024

*I use rough numbers to save time and they don't include fees. See the administrator's statement for precise numbers.*

## 1. Results from July 1st - September 30th

S&P 500 +5.8%

Militia Capital +2.8%

We made 15.5% on longs and lost 11% on shorts.

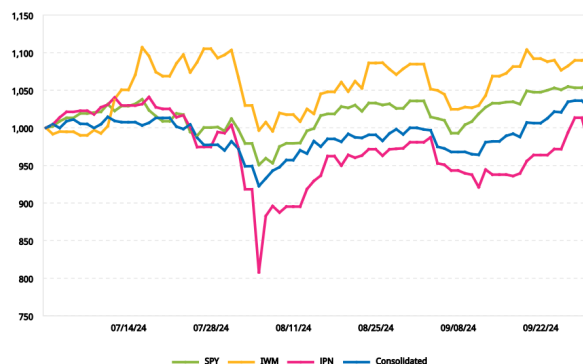
We're currently 205% long and 130% short.

JPN in this report represents long Japanese stocks on borrowed yen, roughly the same as Militia's 40% exposure to Japan. In just 3 weeks that index dropped 22%, an extreme outlier market event. The way beta gets calculated, outliers have a big effect which makes it seem like I've increased Militia's beta and correlation to the market in the numbers below. That is not the case. We are still well positioned for a weak market just like we have been all year. This was a Japan/yen specific event.

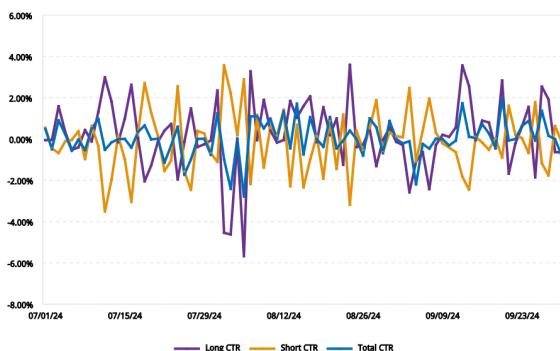
### Risk Analysis

	SPY	IWM	JPN	Consolidated
Ending VAMI	1,057.52	1,092.48	979.00	1,027.77
Max Drawdown	8.41%	10.07%	22.38%	9.07%
Peak-To-Valley	07/16/24 - 08/05/24	07/16/24 - 08/07/24	07/17/24 - 08/05/24	07/10/24 - 08/05/24
Recovery	39 Days	Ongoing	Ongoing	43 Days
Sharpe Ratio	1.02	1.20	-0.16	0.36
Sortino Ratio	1.39	1.77	-0.20	0.50
Standard Deviation	0.88%	1.38%	2.17%	0.86%
Downside Deviation	0.65%	0.93%	1.72%	0.63%
Correlation	0.36	0.13	0.68	-
$\beta$ :	0.35	0.08	0.27	-
$\alpha$ :	0.00	0.03	0.07	-
Mean Return	0.07%	0.12%	0.00%	0.04%
Positive Periods	55 (69.62%)	51 (64.56%)	54 (68.35%)	42 (53.16%)
Negative Periods	24 (30.38%)	28 (35.44%)	25 (31.65%)	37 (46.84%)

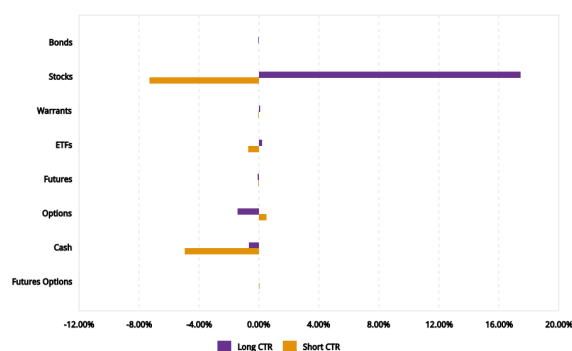
### Value Added Monthly Index (VAMI)



### L & S Performance Comparison



### L & S Performance by Financial Instrument Comparison



*This report is generated by Interactive Brokers. It uses gross returns. See net of fee returns above.*

*Militia uses the S&P 500 as a benchmark because it shows the fund's correlation and volatility relative to risk assets, not because you should gauge our performance to the S&P 500 quarter to quarter - we are not positively correlated, after all.*

Right after the yen carry trade blew out Militia's alpha [surged again](#) after being weak since May 1st. The market has felt a lot different since then, with lots of junky stocks relatively weak [under the surface](#). That's nearly the exact same timing as last year, funny enough. I've pointed out several times that my alpha tends to be autocorrelated and I'm hopeful that this is the start of a new, strong run.

## 2. Multi-Strategy Update

Our third portfolio manager started a month ago so I've now had a chance to see his portfolio in detail. Me and him only have 20% overlapping positions despite running the same strategy<sup>1</sup>. We've been uncorrelated so far. Combined, we have so many positions that it's like we're long and short broad etfs. It's still early but this is incredibly promising.

Militia hit a new milestone. We have over 1,000 simultaneous stock and option positions. At this level of diversification, once closer to equal weight, our volatility will be much lower than the S&P 500 and our tail end risk approaches nil.

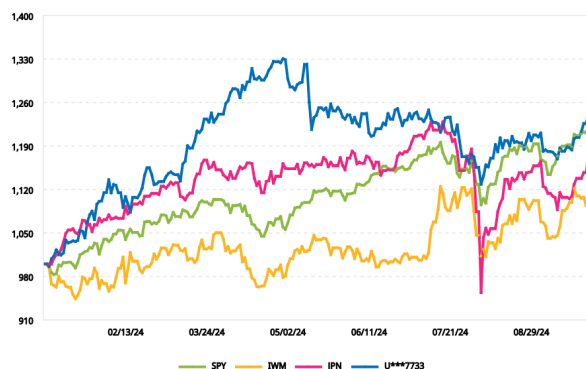
Here are the combined results of my partition alone vs all portfolio managers combined. Our alpha is about the same but together our risk is *way* lower:

### Risk Analysis

#### Only Me

	SPY	IWM	JPN	U***7733
Ending VAMI	1,218.55	1,110.22	1,155.96	1,231.71
Max Drawdown	8.41%	10.07%	22.38%	15.20%
Peak-To-Valley	07/16/24 - 08/05/24	07/16/24 - 08/07/24	07/17/24 - 08/05/24	04/30/24 - 08/05/24
Recovery	39 Days	Ongoing	Ongoing	Ongoing
Sharpe Ratio	1.55	0.45	0.61	1.20
Sortino Ratio	2.26	0.64	0.80	1.70
Standard Deviation	0.71%	1.17%	1.40%	1.02%
Downside Deviation	0.49%	0.83%	1.08%	0.72%
Correlation	-0.06	-0.36	0.36	-
$\beta$ :	-0.08	-0.31	0.26	-
$\alpha$ :	0.21	0.22	0.16	-
Mean Return	0.09%	0.05%	0.07%	0.10%
Positive Periods	155 (67.10%)	143 (61.90%)	156 (67.53%)	132 (57.14%)
Negative Periods	76 (32.90%)	88 (38.10%)	75 (32.47%)	99 (42.86%)

### Value Added Monthly Index (VAMI)

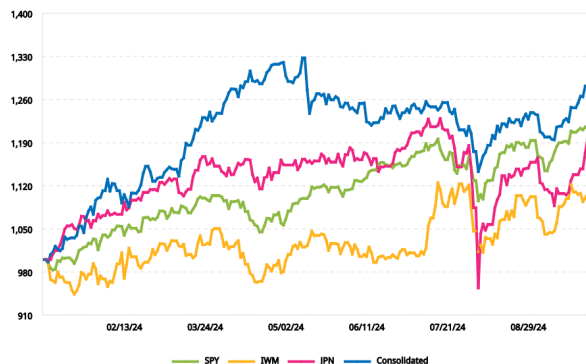


### Risk Analysis

#### Combined PMs

	SPY	IWM	JPN	Consolidated
Ending VAMI	1,218.55	1,110.22	1,155.96	1,273.21
Max Drawdown	8.41%	10.07%	22.38%	13.91%
Peak-To-Valley	07/16/24 - 08/05/24	07/16/24 - 08/07/24	07/17/24 - 08/05/24	05/12/24 - 08/05/24
Recovery	39 Days	Ongoing	Ongoing	Ongoing
Sharpe Ratio	1.55	0.45	0.61	1.59
Sortino Ratio	2.26	0.64	0.80	2.29
Standard Deviation	0.71%	1.17%	1.40%	0.90%
Downside Deviation	0.49%	0.83%	1.08%	0.63%
Correlation	0.09	-0.19	0.43	-
$\beta$ :	0.12	-0.14	0.28	-
$\alpha$ :	0.21	0.24	0.19	-
Mean Return	0.09%	0.05%	0.07%	0.11%
Positive Periods	155 (67.10%)	143 (61.90%)	156 (67.53%)	134 (58.01%)
Negative Periods	76 (32.90%)	88 (38.10%)	75 (32.47%)	97 (41.99%)

### Value Added Monthly Index (VAMI)



*This report is generated by Interactive Brokers. It uses gross returns. See net of fee returns mentioned earlier in this letter.*

<sup>1</sup> As a reminder, we're both high gross leverage, diversified long/short each with hundreds of bets.

Right now a couple PMs are running higher beta and I'm running lower beta to compensate, which is why the combined PMs had a sharper drawdown through August 5th than you might expect, and my own drawdown smaller. The reasoning here is that historically most of my alpha comes from shorts, while most of their alpha comes from longs. We might be able to squeeze out some extra alpha by doing this. This is an experiment, though. Longer term we'll likely have individual PMs run .5 beta or less to keep correlations down.

### 3. August 5th Email to Partners - Japan Update

As you probably saw, Japan just had a sell off that neared its infamous 1987 crash, -12% in a single day:



Militia is holding up fine. With 40% gross long exposure to Japan we lost 3% today.

Yesterday [I reviewed every stock in our Japanese long basket](#) before this happened. I was anticipating Japanese market volatility, though I couldn't have guessed that the move would be so extreme. I created a list of 30 stocks that I wanted to buy more of. Last night I stuck with my plan. The bid/ask often had a 5%+ gap and I kept putting in lowball bids on a wide basket. I am hoping for continued volatility so that I can do this again tonight.

Our basket of Japanese stocks started very cheap, and now their cheapness is nearing what I saw during covid. I do not expect a fast recovery like back then, but the IRRs from here will be wonderful especially since corporate governance has been noticeably improving.

This worldwide market sell off is technical in nature. Many people caught in the same trade are trying to get out at the same time. The "yen carry trade", as it's called. People would borrow yen interest free to buy investments worldwide. That's unwinding because US rates are dropping (the market is pricing in ~4% rates by December) and Japanese rates are rising. There is a lot of indiscriminate selling going on.

Japan's sell off being extreme compared to the rest of the world has some fundamental basis. A stronger yen lowers Japanese corporate profits because they generate so much of their revenue in foreign currencies, which are now worth less. However, the companies that I'm buying tend to have less exposure to foreign revenue and they tend to have lots of yen on their balance sheet. They stand to benefit from a stronger yen. And yet these stocks are selling off with everything else.

#### **4. September 19th Email to Partners - Gung Ho Entertainment \$3765**

I've been aggressively selling Militia's position in Gung Ho Entertainment for two reasons.

1. Shares rose a lot on hype for the new Disney game that they are releasing early October. That game just doesn't seem good to me.
2. They own a large stake in the Korean game company Gravity \$GRVY, whose shares have been trading very weak.

Combined, the risk:reward is not nearly as attractive up here. To my mind, the bet already went well - this investment had virtually no downside risk but it still outperformed the market this year.

#### **5. Brief Operational Update**

I'm finally hiring a professional firm to handle Militia's middle office work. They will help prepare Militia for the SEC registration which becomes mandatory once our AUM gets a bit higher. This will bring lots of regulatory nonsense so I'm front running it. I will outsource as much of this burden as I can.

Researching this has been a headache, which is ongoing, but once it's set up I won't have to think about administrative work too much anymore.

I'm paying for this out of my own pocket. No additional fees or expenses will be passed on to you.

-

Thanks for your investment. As always, I will keep giving it my best,

David Orr

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The figures provided in this letter are unaudited.

Past performance is not indicative of future results.

Each investor / Limited Partner will receive individual statements from the funds' administrator showing actual returns.

Reference to the S&P 500 does not imply that Militia Capital will achieve returns, volatility, or other results similar to that index. Indeed, while the S&P 500 is a long-only index primary of large capitalization companies, Militia Capital takes long and short positions in many securities. As such, Militia Capital's portfolio may often differ materially from the S&P 500, hence the manager's consistent reference in this letter to a lack of correlation.

The specific investments identified and described in this letter are not a representation of all potential positions or strategies used by the Fund and, to the contrary, may represent a small percentage of activity. This information is presented to provide insight into explaining the Fund's performance, Sharpe ratio, or commenting on investment principles such as valuation.