

ONESIXTYTWO

CAPITAL

Market Update - OneSixtyTwo Capital Appreciation Fund LP

We hope you are all well and staying safe.

In the month of March, the Capital Appreciation Fund returned -8.8%. *At the time of writing we are now down approximately 10% YTD, well ahead of both the S&P 500 index (down 16%) and many of our competitors.*

To begin, we'd like to provide a brief understanding of the mathematics of a market correction. With the stock market down 16%, a \$100 index investment is now worth \$84. Mathematically, in order to get back to the original \$100, the portfolio must return 20% from its low, not, as some might assume, 16%. In fact, a portfolio that is down 50%, requires a 100% return to erase the previous loss. In our case, however, our 10% decline requires only an 11% gain to break even. *In other words, the market needs to generate nearly twice the returns of our portfolio in order to recoup this year's losses.*

We make this point for one simple reason, our protection of capital on the downside has afforded us the opportunity to significantly outperform the market.

All this, of course, is predicated on our ability to commit capital on a thoughtful and diligent basis. In that vein, we are pleased to report that thus far, we have deployed 40% of our capital to our net equity long holdings and 20% to gold.

The rationale for equities is that we are taking advantage of seriously depressed stock prices and valuations that may not again arise for decades. Additionally, if prices were to fall further or our assessment of the economic damage caused by the Corona crisis were to change for the better, we have available capital to add to our net long position.

Our 20% gold position was taken for two reasons: If market conditions continue to worsen, gold should act as a store of value; and if market conditions improve, the unprecedented government subsidies and monetary stimulus that has been approved, should cause inflationary pressure. In either scenario we believe an allocation to gold is prudent and will prove profitable for our investors.

Going forward, we intend to take advantage of the opportunities provided by this pandemic. In the end, we are hopeful that the beneficial position we are in, translates into profits for our unitholders.

We thank you for your continued support and look forward to further communications.

Sincerely,

Your OneSixtyTwo Capital Team