



Blood, Sweat & No Tears

Blood, Sweat & Tears is an American jazz/rock music group founded in New York City in 1967. Fronted by lead singer and fellow Torontonian, David Clayton-Thomas, the group's self titled album that won a Grammy included the hit song "Spinning Wheel". The first line, "What Goes up Must Come Down", is likely how most investors are feeling after a difficult August and September, when the S&P500 Index gave back almost half of its gains generated between January and July.

As a result of our defensive maneuvering at the end of July (see "Regenerative Braking"), the Fund retreated less than Index. ***In September, the Fund lost -3.4% versus -5.1% for the Index.*** Over the past two months, our decline of -4.8%, vastly outperformed the -9.0% for the Index. ***For the year, we are up +21.7%, well ahead of the Index that is up +11.7%. We note that both our YTD returns and +1000 bps (+10.0%) of outperformance are exceptional and place us among the best of all mutual and hedge funds in 2023.***

Despite the backdrop of fears caused by economic, political, and macro issues, our portfolio remains well positioned for any environment. ***In these uncertain times, we feel fortunate to own our MAMAA's (Microsoft, Amazon, Meta, Apple, and Alphabet), in addition to JP Morgan and Berkshire Hathaway.*** These amazing companies generate enormous free cash flows, and together, have a combined \$700+ billion of cash on hand. To put the size of this combined war chest into context, their cash represents over 2% of the total value of the entire S&P500 Index. Further, this cash will generate over \$30+ billion of incremental interest income in this higher interest rate environment.

To protect our downside, we continue to hold Index puts that were purchased when volatility was low and when the Market was at its zenith (puts become more valuable when the Index declines). ***This means that we paid a small price to protect our downside and have profited handsomely on these positions.*** Our resultant portfolio is 80% long our holdings, 30% "short" the Index via our puts, and holds 20% in cash.

In addition to "Spinning Wheel", the Grammy Award winning album also contained the hit song, "You Make Me so Very Happy". While I am not pleased about losing money in September, I am so very happy that we are up +21.7% YTD, own great businesses, and are in a highly favorable position to monetize our puts and deploy our cash should opportunity arise. ***We look forward to next month's communication, thank you for your continued support and are grateful that an abundance of my blood and sweat has prevented the need for us to shed any tears!***

Sincerely,

Steven Tuchner
Founder and CIO

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