December 2019

OCCASIO PARTNERS LLC

San Francisco, CA

Performance Summary:
December: +1.1%
***2019 Return: +15.5%**

Long Positions	Short Positions
-Telaria -Snap -Bitcoin Trust	

Performance Summary: We closed out 2019 on a positive note and ended the year up 15.5%, which we are pleased with, but not satisfied with, considering how the overall indices performed this year.

The good news is our trading side of the ledger continues to remain consistent and profitable; which has enabled us to post double-digit returns this year. Our portfolio picks however in December were lackluster at best, led by an 11.8% rise in Snap and 6.1% jump in Telaria. But stalled by an 8.9% drop in our Bitcoin Trust position and a 4.3% rise in Netflix, - which rendered our puts worthless by expiration. We no longer have a position in Netflix. We also eliminated long positions in Lyft and Antares Pharma.

But we enter 2020 heavy in cash and full of optimism that this year will be full of profitable opportunities in many markets and with various strategies. Our focus this year is to expand our horizons with different markets and some new platforms to exploit these prospects.

This month's report will be go into all this in much more detail and hopefully lay out clearly what we see as the landscape for 2020. Knowing full well that it can and will change at any moment, and that trying to predict the future is a futile endeavor, but preparing for a variety of scenarios is not.

Moving On: We are going to use a good portion of the last update of the year to reflect on the events of 2019, and evaluate our performance, progress, and what we expect as 2020 unfolds. We aren't going to spend a ton of time on 2019 for the simple reason that it is our belief that looking forward is much more productive than lamenting the past.

With that being said, we are going to start off by talking about Tesla. We came into 2019 with a lingering bearish view on the company. Primarily related to their woeful balance sheet and "creative" accounting practices that have drawn ire from skeptics for years now. Our bearish take was rewarded for the first half of 2019 as Tesla's stock price fell nearly 40% in six months. There were serious concerns that Tesla would not be able to exist in its current state.

But this is Tesla, one of the most controversial stocks ever, and it has proven extremely hard to short. Since that June low, the stock has rebounded nearly 100% and is finishing off 2019 near the $420 level. Fundamentally, Tesla has had a mixed year (which was reflected in the stock moves), but overall, it's safe to assume that not much has changed in regards to their balance sheet and projected deliveries. They also changed general counsel three times this year, which only adds fuel to the shady accounting practice camp.

As for our success with trading Tesla, it was mixed at best. We were pleased with catching a good portion of the early downside move, but relinquished much of the profits in the late summer and then essentially gave up on the name for the remainder of the year. That move was more in an effort to retain some mental capital than lose real capital. Simply, there were just better opportunities to focus on.

Tesla will report their Q4 results on January 28th, we'll take a look then, but for now we are just watching this exceptionally entertaining show.

Our biggest disappointment this year has no doubt been the price action, particularly the last quarter, in Bitcoin and other crypto currencies. We got involved in the space early this year and looked like geniuses for a bit, but now we are looking a lot less "genius-like" and are beginning to question our own resolve as the crypto's 2019 finish was in dreadful fashion (much like 2018)

We hope that we have made it clear that Bitcoin is, and has remained, a tiny portion of the fund. We have not actively traded it, nor have we added to our position on any weakness. It's one of the rare times we have gotten into a position with the stated purpose of it becoming a long-term investment. And the reason we are taking this rare step is because we view Bitcoin as a potential ultimate disruptor in many facets of society in the coming years. That may seem like a bit of a grandiose statement, and it is, but the fact that the potential is there for this once-in-a-lifetime possibility, makes it worth holding on to.

On the positive side, we kept our drawdowns low this year and did an admirable job of adding consistent profits on a monthly basis, focusing primarily on shorter-term strategies. Also, we did a nice job navigating the volatility in Trade Desk and Twitter, both of which had considerable drawdowns this year.

If there is an area we are really going to focus on in 2020 it is likely the currency and metals markets. They presented some good price action (both ways) in the latter half of 2019 and we only expect that to continue in 2020 as the world continues to adjust to unusual central bank policies. We plan on doing a lot of work in the currency markets this year, an area we have inexplicably largely ignored during the past few years.

Lastly, we are anticipating that the world bond markets will offer some of the most fertile trading opportunities of 2020. There were hints of this in 2019, but we are in the camp that the placid environment surrounding rates for years now is about to come to a vehement end.

In fact we view global rates as the single most important factor for determining the markets moods for 2020. The amount of debt, both government and corporate, that has been accumulated the past few years is staggering and record-setting. The cost of money (i.e. rates) has never been so imperative to assets is it is today.

When we look at 2019, obviously tech was a leader, and proved to be the area with the best overall performance. So it is with that we are really befuddled with two hugely popular tech companies and their performance in 2019. Those two would be Twitter and Amazon.

We have long been fans of Twitter, both the company and the stock, but have only been renters of the stock at times, and not long-term holders. That decision has proven fruitful seeing that the stock will end 2019 around $32 and is only up 33% since 2018. It is amazing to us that a platform that has so much global recognition and is the medium used when so many major news events are break, most notably by President Trump, still languishes at these levels.

Not to mention that fact that every major corporation, media outlet, celebrity, and even government offices have some sort of Twitter presence. Also, throw in the fact that it has helped revolutionize financial news and interaction amongst traders, investors, and fiduciary institutions like nothing we have seen since Bloomberg terminals became all the rage years ago, and one's head scratching continues to deepen.

Twitter's stock was actually performing admirably until that bomb of an announcement in mid-October which led to a 17% drop in share price overnight, and left the stock's performance drastically behind the overall indices for 2019.

So maybe it is time to look within and start to ask if it isn't time for a change at the CEO level? Jack Dorsey has been at the helm since 2015 and has done a respectable job. But he is also CEO of Square, so we automatically have to question the amount of focus can deploy on both companies? Maybe it's time for him to choose one, and appoint a full-time CEO at the other.

Because frankly, we can't see another reason why this stock has underperformed for so long. Especially when you look at the chart of Facebook, Snap, or even privately held Tik Tok for that matter. It's not like social media has gone the way of the pay phone in recent years. If anything, its popularity has only been bolstered by the younger generation growing up not knowing any other way to communicate or receive news.

Yes, we are aware of the criticism that Twitter has endured for years. It's too visceral and has become a wasteland full of hatred and bullying. All true to some extent, but the same can be said for Facebook and others, and they have still performed well. Also, Twitter's DAU/MAU numbers have not plummeted by any means, and Twitter still continues to post profitable quarters.

The other criticism Twitter faces is its inability to successfully monetize such a powerful platform. That remains a fair criticism, but one that is slowly dissolving as advertisers continue to recognize what their future mediums are, and continue to exploit them.

The second stock we are puzzled by is Amazon. Everyone on the planet knows what Amazon does, and seemingly everyone uses their services in one way or another; the most obvious being on-line shopping. But Amazon is also streaming via Prime, and has a large AWS business that is used by some of the well-recognized companies on earth.

Amazon is also well-known for attempting to gain access to almost every market out there. From groceries via their Whole Foods purchase or prescription drugs via their Pill Pack acquisition, they are gaining a reputation for being fearless to invade any market they believe that they can take share from. And they have proven, for the most part, to be successful at it – although not always with immediate profits.

So one would certainly assume that Amazon would have no issues participating in the tech rally of 2019. But, for some reason we can't formulate a concrete thesis for the underperformance. However, if we were forced to present a theory on why, it would likely involve other big name retailers such as Target, Walmart, Costco, and Best Buy, to name a few; they have all really improved their online experiences, pricing, and return policies to compete against the Death Star that is known as Amazon.

That's not to say Amazon is going by the way of Webvan, but healthy competition in an area that knows little loyalty might be the reason why Amazon has (relatively) struggled this year. Another smaller factor may be the increasing competition in the AWS space from behemoths such as Microsoft and Oracle. But also now from smaller, rapidly growing competitors that include Service Now and Snowflake.

So the big question we are all asking ourselves now is this? Is the relative underperformance in these two companies a rare "easy" buying opportunity in the hopes that they will play catch-up in 2020? Or is the 2019 price action more indicative of further problems to come and a red-flag to stay away from these names in 2020?

The answer, as almost always, is somewhere in the middle. Both companies remain stalwarts in the tech landscape and their futures look brighter rather than bleaker. But there is something currently attached to both companies that have given investors pause this year. Our loyalty remains with Twitter, just because it is one of the best platforms for communication ever built. And has cemented itself as a global brand that is practically a must have for a large swath of people and more importantly for businesses.

A change in CEO could result in an immediate 10-15% jump in share price in our opinion. And a CEO shakeup in 2020 would hardly come as a shocking event.

Both companies are set to report their earnings in the latter part of January. These two events should really set the tone for 2020 and just what kind of year is in store for them.

This month one of favorite long positions, The Rubicon Project, agreed to merge with Telaria, in an all stock deal that will combine the two emerging advertising companies into one entity that continues to battle the behemoth in the space which is Trade Desk.

This merger will create the largest independent sell-side advertising platform which helps monetize media. This deal makes sense for both companies, although we would have liked it if Rubicon had demanded more of a premium, as it makes them a serious threat in the connected TV market (CTV).

We sold our Rubicon on the merger news and have swapped the stake for Telaria. The way we see it is that we might as well own the stock that will become the company rather than the one that will eventually merge and delist. Apples to oranges really, but it just seems like a cleaner way to play it.

Going forward, this area is one that we have been bullish on for quite some time, our affinity for Trade Desk as evidence. But we are in the camp that the new Telaria and Trade Desk can both prosper handsomely in the coming years. Trade Desk is an obviously more volatile stock, and needs to be treated as such, but we see Telaria as a longer-term hold.

Looking Forward and other Market Commentary: The first month of 2020 will be chock full of scheduled events that will likely set the immediate tone for markets in the new decade. Most notably will be the first round of corporate earnings which will effectively begin on the 14th when the big money-center banks begin to report their Q4 results. The ensuing four weeks after the 14th will be dominated by earnings from all sectors and may be some of the most heavily scrutinized in recent memory, given the monster run-up in equities in 2019.

With that, we should remind everyone that despite the equity performance in 2019, the average corporate earnings rate declined by nearly 2%. So there is added pressure on this set of earnings to help justify the recent run, and provide fuel for any bullish thesis in 2020.

"It is a mystery how this all ends, as we can't keep inflating out of a problem forever, but one needs to focus on the liquidity momentum for now. To put it plainly, after four rate hikes in 2018, the S&P 500 returned -6.3% -- the worst result since 2009, even though it had the best earnings per share in eight years at around 20%. In 2019, after three rate cuts, the S&P 500 returned 28.5% -- the best results since 2013 -- while its earnings per share produced the worst return since 2015-2016." Kenny Polcari, *Seven Figure Publishing*

As always, we will do our best to keep tabs on a large swath of industries, while keying in on specific bellwether companies that always seem to set the tone for overall market moods. Some of the obvious names include: Boeing, Citigroup, Cat, Facebook, Amazon, General Motors, Intel, Lam Research, Amgen, MasterCard and Visa, and some select Chinese internet names – to name just a few.

Also, in the super obvious department, we will pay extra special attention to names we own or names we are long/short or have on our always changing watch list. Some of these include Teleria, Snap, Antares Pharma, Twitter, Lyft, Trade Desk, and Tesla.

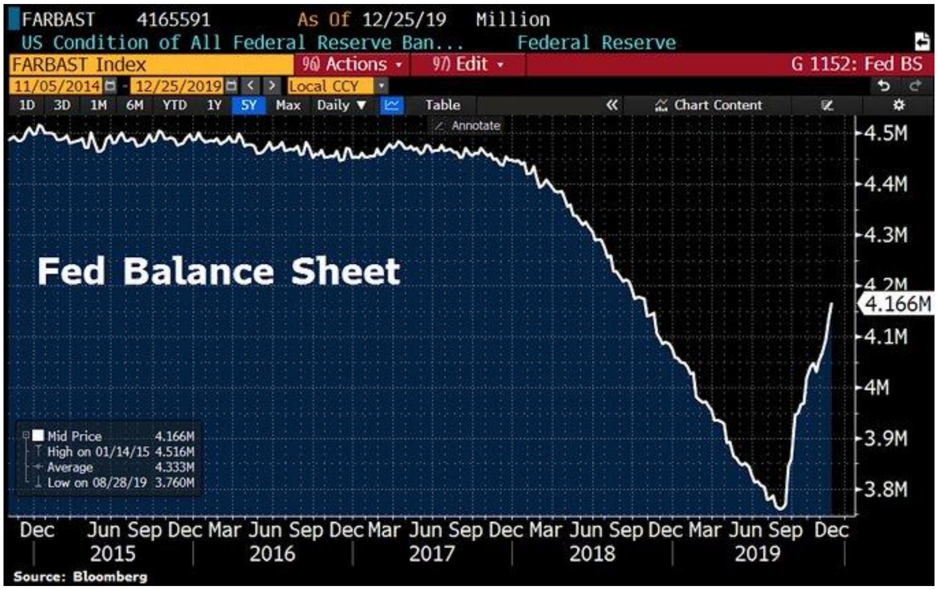
Aside from the barrage of earnings in January, there are also some macro events that will aid in setting the early tone for 2020. We will start with the Bank of Japan, which meets on the 14th. In December we saw the JGB 10-year yields hit a positive yield, as odd as it seems to point it out; it actually was a significant turn considering negative yields were essentially started in Japan and the overwhelming consensus mid-year 2019 was that the world's rate markets were all heading to negative yields and Japan was just the perennial posterchild.

Consequently, it will be interesting to see if the BOJ addresses this, and if they display any verbiage that contradicts their uber-dovish policy that has been cemented in their markets for years now.

Following the BOJ, the ECB will kick of their 2020 campaign on the 23rd. Newly appointed chairman Christine Lagarde has already, at least orally, seemed to take a more hawkish tone. Now we will listen in and see if she has any bite behind her bark in 2020.

Lastly, the Fed will close out January with a meeting on the 30th. The chart below clearly shows what the Fed has been doing with its balance sheet in the past few months and the correlation with equity prices is certainly something to ponder. The stated reason for the surge in their balance sheet debt has been the Repo market, something we touched on in the *2020 and Beyond* preview we sent out last month. It will be interesting and telling to see if Chairman Powell uses his press conference to address these problems and if he signals any change of tone regarding the amount of liquidity that is still needed and how much they anticipate providing.

The overwhelming consensus for 2020 is that the Fed will remain in a holding pattern in regards to rate moves, with more traders leaning towards further cuts than hikes this year.



Chairman Powell tried to trim the Fed's balance sheet but had to retreat when he saw the market's reaction. So now they and other central banks are trapped in a liquidity crunch which they will have a tough time escaping – without inflicting some major pain to asset prices. This is THE story for 2020 and years after unfortunately.

"It is not only the Fed that is boosting the market with liquidity. The ECB balance sheet has now hit a fresh lifetime record high as Christine Lagarde presided over her first press conference yesterday. Total assets rose by another 11 billion euros in QE to 4.709 billion euros as she keeps the printing press on. The ECB balance sheet now equates to 40.7% of Eurozone GDP vs. the Fed's 18.9% and Bank of Japan's 103.5%. So rest assured, there is still room to improve if we are to follow Japan's model. Well at least the U.S. Fed tried to bring it down by $700 billion last year during Quantitative Tightening, a noble venture no doubt, only to give in almost immediately as rates turned sour, running with its tail between its legs." - Maleeha Bengali, *CEO MB Commodities*

Away from the bankers, the annual Davos Economic Forum will be held on January 21-24. Normally, this is a non-event and not even worth writing about. But this year President Xi will be in attendance and likely will comment on the Phase 1 trade deal that apparently has been agreed upon - but not yet signed. President Trump is not expected to attend Davos, but we would guess he will be actively tweeting during the event.

There is now a theoretical signing date scheduled for January 15th – although that has yet to be confirmed by Chinese officials as of the 31st of December.

A few names we are really focusing on for 2020 are Snap and Telaria. Both are smaller-cap names, but both are set-up for good runs this year in our opinion. But with that said, we are starting out the year on a cautious note and don't feel the need to rush into big positions just because the calendar has turned to January – especially considering the run equities have had in the past few months.

In fact, with the above mentioned coming events in January, we feel it may be best to stay light on our feet and see how the markets interpret the outcomes. That may mean we miss an initial move or two, but it also ensures us that we won't start the new year trying to dig out of a hole – something no fund ever wants to do.

Some themes for 2020 that we anticipate doing a lot more research on include the continued shift to cloud computing. For which there are many current companies in the space with asinine valuations attached, as well as some that could prove to be great investments for years to come. Another theme is the global push into the 5G Network; one which is a boom for many companies but also one which falsely awards others.

The energy sector struggled in 2019 and will likely continue to do so in 2020. The reasons primarily for the struggles are the ever-changing environment on how and why we want to generate energy in the future. The obvious answer is renewables and other forms of "clean" energy. This push has been going on for years now, but if anything, 2019 showed us that the teeth of the movement are real and not a fad. It is fair to say that traditional energy industry has changed forever.

Also keep in mind that energy companies are highly leveraged and very reliant on the debt markets to fund their operations. 2019 proved to be a good year for corporate debt, but any turn down in those markets will hit the energy sector hard and fast - as history has proven time and again.

Finally,

We will candidly admit that we aren't too sad to see the page turn on 2019 and open up a new one that says 2020. It was obviously a good year for the majority of assets, and that is a great thing for those who are in possession of them. We truly hope all our partners had a fruitful year in any investments outside of Occasio, and were at least satisfied with a 15.5% return in a vehicle that is marketed as an alternative investment fund.

But 2019 was rough for a variety of reasons, both on and off the court as they say the return to a permanent low-volatility environment both surprised us and frustrated us at times. Also, the lack of follow-through for some of the themes we identified such as Bitcoin and the metals also led to some inner consternation.

With that out of the way, we can stand here on January 2nd, 2020 and honestly say we have not been more excited for an upcoming year to start as we are for this one. We feel, and admittedly hope, that the opportunities that will present themselves this year will be epically advantageous.

As we hope you all know by now, we are not in the prediction game and will let the "experts" tell us where the markets will be in 363 days from now. But with the elevated prices of all assets now, expanded trading ranges, hopeful higher levels of volatility, immense geopolitical issues (election being the biggest), new asset classes to explore (cryptocurrencies), and more and more interesting trading vehicles coming to the markets (ETF's), we can hardly contain our enthusiasm for 2020.

This obviously doesn't guarantee any type of massive return, and maybe we are reading the tea leaves wrong and 2020 will morph into a dull, stagnant year – but we highly doubt it.

Whatever the case may be, we are prepared and excited for this year, and will expend every ounce of energy to make it profitable for our valued partners.

Below is a quote that we occasionally re-read and thought it would be a fitting way to conclude our last words of 2019…

"One of the great advantages of this approach to the market is that it frees you from trying to predict the future. Institutional Wall Street likes to pretend that it helps investors by providing them with special insight into where the market is heading. They have an abysmal record of doing that, but market players tend to believe it. Rather that waste time on hopes and dreams, stay focused on what is happening right now and react accordingly." – James DePorre, *Real Money*

*2019 Final account statements will be out next week.

**2019 K-1's will be sent by end of January, if not sooner.

*2019 total return does not include any management or performance fees withdrawn per articles agreed upon in operating agreement.

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