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OCCASIO PARTNERS LLC

Clean Slate: If there is one thing, we can take away from 2020, and there is obviously a lot more than one this year, it is that the prediction game is as futile as ever. Let's just look back at the early stages of this pandemic. Back in late March fear and uncertainty gripped the world and *no one* knew what we were in store for in the coming months. The equity markets reflected this, falling over 28% in a virtual straight line. Let's also remember then that there was a growing chorus of people who were clamoring for the markets to shut down and "save" everyone's 401ks from going to zero – which did not seem that incredulous on certain days back then.

Fast forward to the late fall/winter of 2020 year and we now find ourselves in the midst of speculative, borderline mania with regard to tech, cannabis, and notably SPAC stocks (more below). All this despite a backdrop of spiking Covid cases nationally and an economic backdrop that remains murky at best. It is not our contention that any of this is "wrong" per se; markets are markets and have acted irrationally at times since humankind started trading them. We welcome the speculation as it leads to more areas in which we can partake, wider trading ranges, and quicker intraday moves that can result in daily profits and aid the fund's overall performance. In short, it creates many more opportunities.

But the point is, no one could have possibly predicted this complete 180 reversal in market sentiment and psychology. And no one did. But those who followed price action and came in each day with few or at least light opinions fared pretty well during this oddest of years. Going forward, that is not going to change. As the year winds down and it is again that time for strategists to roll out their 2021 prediction lists- of which 90% will never come to fruition (but it makes for good reading); such lists justify a firm paying its strategist an overblown salary.

There are many ways to tackle financial markets: technical, fundamentals, psychology (sentiment), structural – but guessing the future is surely not one of them. We have been repeating that mantra for years – and this year it was as reinforced as ever.

As we look ahead into 2021, the one area of focus will be the threat of inflation and its effects on not only society, but the bond markets. We all know that the Fed has been trying to get inflation to the magical 2% level it deems so unfeasible. It has also essentially guaranteed that rates will remain low through 2021, and for much of 2022 now as well. But what if it gets what they are hoping for – plus a whole lot more. It's rather obvious to state that we are in a theoretical inflationary environment based on the monetary policy conducted for years now. But one would have thought that would have led to inflation or even hyperinflation years ago, and it has not. Maybe the fact that it hasn't has only bolstered the confidence of the central bankers and dare we say made them a tad arrogant? Case in point - they are now talking about how to regulate climate change via monetary policy – which reeks of hubris in our opinion. But that is a discussion for a different time.

It will be interesting, and potentially frightening to see what form the reaction will take if indeed inflation does become an issue in 2021, and looking at the chart below, it at least indicates that the long-term downtrend in commodity prices may be coming to an end and a new uptrend is rearing its potentially damaging head. Granted, one chart showing a break of a long-term downtrend doesn't mean higher inflation is a certainty. But when you look at the 2020 moves in copper (+26%), corn (+25%), soybeans (+37%), lumber (+68%), palladium (+29%), combined with the yearly gains in Freeport McMoran (+101%), US Steel (+56%), and Rio Tinto (+27%) - despite a year of sharp economic retrenchment, it's a reasonable assumption that inflation is being readily signaled - with or without the Fed's blessing -mostly due to the anticipation of the re-opening of economies if Covid does indeed subside and vaccinations continue to grow.

How this effects the bond markets (and the $253 trillion of global debt, much of it issued by uber low rates) will have a significant consequence in the pricing of assets in 2021. The world and practically every asset class have been lulled into a low-rate environment. Higher rates have been the "boy who cried wolf" prediction for years now (including from us), maybe this time it's different, maybe not. But we will point out that a bevy of commodities and commodity producers are trying to tell us something. Maybe this year we need to finally listen?

The biggest underreported story of 2020 was the rise of inflation in goods we all use practically on a daily basis.

This may become THE story of 2021 and will have significant ramifications on policy, rates, and society as a whole. We will update this chart during the course of the year and try and gauge where we are and how, or if, it is affecting other asset classes.

One stock we continue to champion and have been long off and on for years now is Twitter. We feel it is still under appreciated and undervalued in the scope of social media and still has the capacity to be near par with Facebook's market cap. In late 2020, JP Morgan had this to say about Twitter:

"We are bullish on online advertising in 2021 and expect industry growth to reaccelerate. We believe TWTR will show the biggest rebound given its sharper pandemic-driven ad decline, along with revenue prioritization throughout the company, early benefits from rebuilt ad tech through the new Ad Server and rollout of Map 2.0, and increases in both advertiser count and ad loads."

The real carrot in front of Twitter shareholders is the rumored subscription model. One that we fully endorse and believe cannot only obviously increase revenue but also help eliminate some of the fake accounts, fake bots, and likely make the environment a bit more civil – something that has been a longtime complaint from users and has certainly cost them some advertising revenue in the past years.

We think Twitter can trade near $100 in 2021, provided the overall backdrop is favorable.

We are going to spend a portion of this update looking back on 2020 - but not too much. We are big believers that looking in the rear-view mirror is not nearly as effective as looking out the front window. But this year was like no other as we all know.

Our biggest regret this year, bar none, was not sticking with our Trade Desk position, a position we began to get involved in when the stock was trading around the $75 level (Trade Desk closed the year at $801). There really is no excuse to make to justify the mistake; we knew the company was a good one and had high potential growth, but certainly did not foresee this type of move. It's also why we have migrated to Magnite, which is the old Rubicon Project. They are in the same space as Trade Desk, and we are hopeful that they will be able to compete and beat Trade Desk at their own game, an arduous task we concede, but the stock was up 62% in December alone and was named the top pick for 2021 by Wedbush Securities. We enter 2021 long the name and aren't predicting another Trade-Desk like move in 2021 - but aren't ruling it out anymore either.

Another thorn in our side this year follows the same pattern as Trade Desk, but focuses on cloud software, or more specifically the iShares Software Index (IGV). During the depths of the market swoon in late spring this year we came to the conclusion that despite all the carnage going on, the need for cloud computing would not be going away anytime soon and would even become more in demand with the new work-from-home movement. Initially, we did buy they IGV at much lower levels and executed some successful trades with it. The same goes for Trade Desk, but also like Trade Desk we cut our profits too quickly and missed the meat of the move.

It's always easy to look back and criticize for selling too soon. But we need to keep in mind just how uncertain everything was in mid-2020. This was an environment no one had ever been thrust into and the pending variables were some of which we had never even considered during normal times. Still, what we are upset with ourselves over is not recognizing the change in character and sticking with the overall trend – despite the incredibly noisy and scary backdrop that we all woke up to day after day.

Capital preservation will always be at the forefront of our thinking – it may lead to periods of less capital appreciation than we had hoped, but avoiding large drawdowns and constantly striving to keep the fund's performance near its highs is our number one objective.

On the positive side, our Bitcoin investment obviously was a huge winner in 2020 – surging nearly 300% to new all-time highs. We have not done much with this position aside from watch it grow into a much bigger one, which is nice. Our game plan for 2021 isn't a whole lot different. We are still in the camp that cryptocurrencies are in the early innings and prices are destined for much higher levels, all with the concession that it will be a bumpy, scary ride that causes many to question its thesis time and time again.

We took a short position in Microstraetgy, which has become a de-facto Bitcoin play based on their heavily laden Bitcoin balance sheet, in an attempt to create some sort of hedge against our long Bitcoin trust position. It's not a perfect hedge by any means, but it's difficult to find a way to hedge cryptocurrencies aside from the still-thin futures markets. This is a strategy we are exploring for 2021 in response to the nearly 300% move up in 2021 and the promise of continued volatility that is sure to show itself this year.

We enter 2021 with Bitcoin speculation at a feverish pitch, which is rarely a good thing. The highlight being the Carolina Panthers player asking to receive 50% of his salary in Bitcoin. This isn't the type of story you read at market bottoms.

As we peer into 2021, and all of us expect and practically demand a better year. There are a few themes we are sure will dominant the investing world. The first is the explosion in SPACs or Special Purpose Acquisition Companies. They are essentially shell companies that look to acquire privately owned companies and essentially take them public via their vehicle. They are nicknamed "blank check" companies. Some of the most popular ones this year included: DraftKings, Skillz, and Virgin Galactic.

There were more than 242 SPACs introduced this year with the average size being $335 million. Expect both of those numbers to rise in 2021. Some are pointing to the explosion in SPACs as a sign of excess on Wall Street and a sure sign a severe correction is coming. Others argue that they are simply a pushback on traditional IPO methodology and this is just another example of "disrupting" the old guard.

Whatever the answer is (and it's probably a combination of both), it has created a new asset class to participate in and mine opportunities from. Much like cryptocurrencies were and still are.

Looking Forward and other Market Commentary: There will be no shortage of news as we kick off 2021. First up are the Georgia elections on the 5th, followed by the electoral college certification process on the 6th that is somehow being called into question by a few in Congress. After that, we have the first employment number of 2021 (although it will be December data) on the 8th.

Earnings season does not kick off in earnest until the morning of January 15th when the big money center banks begin to report that morning. After that, we will have four straight weeks of earnings releases and guidance that will help shape 2021. It will be especially significant this season given the stretched valuations we are currently saddled with.

All six major central banks meet in the last week of this month. Highlighted by the Fed on the 29th. It should be noted that by then, President Biden will be in command and Janet Yellen will be treasury secretary. That should not have any bearing for the meeting on the 29th, but it is a change of character at least. We fully expect chairman Powell to keep his job under the Biden regime; there have been no hints thus far of anything to the contrary.

2021 has all the makings of being a banner year for Occasio. For one, we are looking at an extension of a fertile trading environment, one which served us well in 2020. Just because a market is deemed speculative, expensive, or irrational, doesn't mean it can't be lucrative. Just ask any active trader from 1996-2001. Second, and we touched on this on the 2021 preview there are new areas to explore which include cryptocurrencies, SPACs, cannabis, and the hopeful long-awaited return to more volatile rate environment.

Also, we continue to try and develop new quantitative trading alerts and systems to add to our repertoire. Despite 2020 being one of the worst years ever for purely quantitative funds, we are in the camp that programmed analysis and possible execution, combined with active management have the ability to blend some tasty ingredients for a really nice meal. It is an area we are excited to explore and feel has almost become a necessity in the modern world of finance.

We are going to attempt to take a more aggressive approach in our methodology and learn from the mistakes of Trade Desk and IGV. Also, we are really going to emphasize exploring new avenues of investment as we highlighted above and in the 2021 preview.

2020 has been a trying year on many levels. But we all survived and even were able to prosper some on the financial side at least. Hopefully, this year we can prosper again financially but also get back to a sense of normalcy and enjoy the things we all took for granted for so long - like travel, real social interaction, restaurants (and bars!), and just an overall sense of calm. 2020 wreaked a lot of havoc on our psyches and priorities in life, Let's all hope 2021 will be a year of healing. It won't be immediate or smooth, but it will happen. Our job here at Occasio is to provide our partners with consistent returns so that they can focus on the important things in life and let us do the financial worrying – and that is exactly what we intend to do this year.

Happy (thank God) New Year to all our valued partners. Let's prosper in 2021 like no year before – on and off the court.