MERCADYNE FUNDS

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Hunting not Gathering

When considering various individual investments (long or short) for your portfolio, one should go hunting, not gathering. Gathering is passively purchasing securities, fairly immediately, when one learns about them (from a friend, magazine article, online research report, brand affinity, etc.); and perhaps even adding to these investments incrementally over a duration of time; or when disposable income allows for further purchases. It is investing based upon a story, thesis or even familiarity (e.g. brand equity-say you love Container Store or Dunkin Donuts). Gathering investments uses only the information overtly in your view. It does not search for or canvass the entire picture. There is no regard for timing, price or valuation in making the investment. It is passive, instant gratification investing. Filling the desire to deploy cash or jump on the band wagon to start marking money. While in theory gathering investments could/can be profitable if duration of holding the investment is for a long enough period of time (e.g. buying FAANG stocks many years ago and for sure before July 2017); it almost certainly requires luck; and the majority of this type of investing results in losing money. Frankly, I think I would rather play Blackjack [arguably with better chances to make money] than to gather my investments. At least Blackjack has a strategy.

Hunting investments. Think of yourself as a hunter or sniper. Taking single rifle shots, not shot gun shots. You are not trying to hit everything. You are trying to hit a few targets on center. Consider the behavior of your target, distance, speed, momentum, etc.; and of course your ballistics: projectile (round), flight behavior, speed, trajectory, windage and Coriolis Effect. Investing successfully requires hunting investments. Sniping. Everything matters. Investment considerations include but are not limited to: the type of business; its product/service market,; TAM (total available market); geopolitical issues (i.e.tariffs) business model (how does the company make money) and competition; regulatory factors; company's balance sheet and capital structure; and management team (always bet on the jockey not the horse--think Steve Jobs, Jeff Bezos). After all of these factors are assessed, then consider all valuation factors: absolute and relative valuation, now and historically across the public life of the company; operating metrics; and financial ratios. If these check out, now you have your investment in your sights. But don't pull the trigger yet. Continue to stalk your investment. Consider other qualitative factors such as the management team's propensity to conduct active investment community visibility activities (critical for a microcap security), sponsorship in the name increasing/decreasing, insider buying? interest or lack thereof now or later for sell side research coverage. Insure that the company is not going to do a financing in the near future (which will dilute your position and drag the equity down fairly immediately). Continue reading the news for a while. Study the overall markets' behavior compared to the behavior of the security you are stalking. Consider measuring correlation coefficient to the indices. Watch the price, volume and price behavior closely. Remember: Volume is the fuel of price. Sentiment is the fuel of volume. Calculate your return-risk profile. Consider all aspects of applicable technical analysis (e.g. exponential moving averages—select your durations, stochastics, Bollinger Bands); When all of the fundamental, quantitative, qualitative, technical, correlation and return-risk profile. questions and considerations are answered to your satisfaction and comfort and there are no surprises since completing your research and stalking process: Take the shot! Invest. Hunting not gathering. www.mercadyne.com

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