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BodhiTree  
ASSET MANAGEMENT

### Ongoing Update / COVID-19 Latest Thoughts

Dear Bodhi Tree Investor,

I am writing these updates because I simply haven't had the time to craft a proper letter. I want you to know I am available on the phone/email/WhatsApp at any time to convey my thoughts personally. In the future, please consider your continuing support and investment in boutique investment managers besides me. Being with a boutique manager versus a big institution is akin to eating at a limited table French restaurant versus Applebee's. There are numerous ancillary benefits as you all know. I do this because I love being right and nothing else. If we make some money from it, even better.

Before writing further, if you have a chance, I suggest you spend 10-15 minutes to listen to my [interview with "Market Huddle" in Q4-2019](#) where I predicted a fairly substantial "black swan." In this video, I provide charts and details that can help us with timing on when to begin to take more risk (hint: we're likely not close!). Details begin at 10:38 and end before the 23rd minute.

The Fund continues to generate a positive return for the month, and that gain has moderately increased in the last couple of days. We've achieved this despite being net beta long to stocks.

**Please remember, I don't want to run market-neutral. I expect to make most of our money on the long side by lifting our hedges. The fact that we have not lost any P&L, while adhering to our process, all while our "basis" for entry has dropped significantly is a MASSIVE win. We should be proud!**

How exactly have we done this?

1. Our portfolio is currently about 100% exposed to long 25 unique stocks. Those stocks have lost substantially but have created "alpha" so that's a WIN.
2. We have a -70% short on IWM, the Russell 2000 ETF. Initially, this was -40% and paired with a position in the U.S. treasury long bond. But as yields have fallen, the efficacy of using bonds in a portfolio is being lost. Given bond dynamics, I upped our equity short to -70% which takes us to a beta-neutral posture with a bias toward large-cap and quality. Given the tremendous rally in bonds, I have also used this period to sell calls against our position to collect additional income for the Fund.

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Make no mistake, as I wrote to each of you individually last year, the permanent zero yield environment we are entering has tremendous implications on your portfolios and I'd be happy to discuss that with you from an Advisory standpoint if you wish.

3. Finally, we have taken a position in gold on the current deleveraging. The Gold position will slowly be replacing the bond holdings, which are soon to be dead money. We could increase our gold position with more confirmation that a reflationary environment has begun.

**Some quick thoughts on COVID-19.** It should be no secret by now that a major spike in cases is forthcoming. The severity of the crisis is going to be a function of how well or poorly the U.S. has done in terms of initial testing and distancing. My initial thought is we haven't done a good job and our outcomes in certain cities like New York could rival the worst cases seen globally, but this view is evolving and can change.

Some additional thoughts based on my reading:

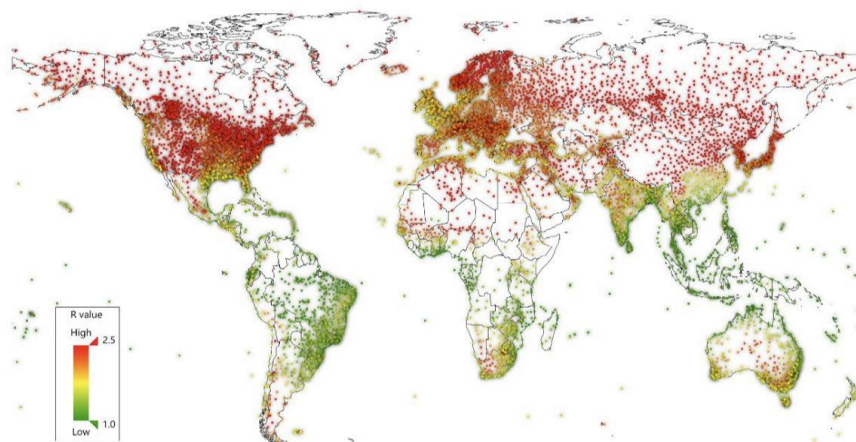
1. COVID will have different outcomes in different places. America is a big and diverse country.

Florida and the deep South should be ok due to weather and population density. Seattle/San Francisco/Chicago will be worse.

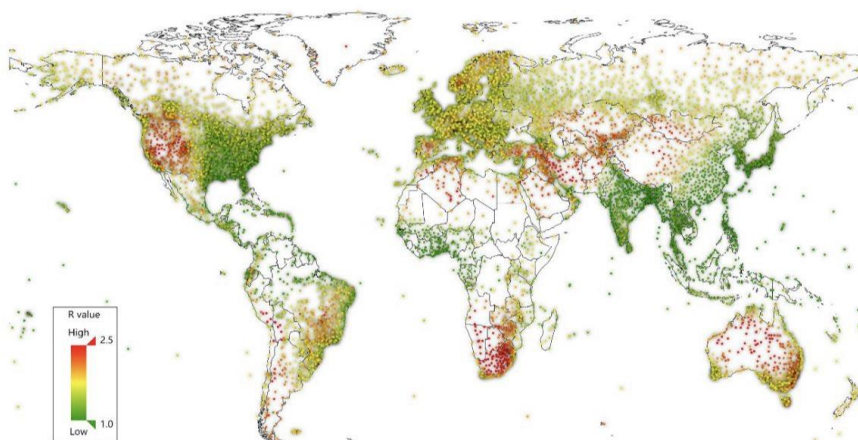
2. COVID will largely be contained by the summer. While it will take time for recovery, that recovery will come and it will be wonderful. I plan to lift our hedges when we see 2<sup>nd</sup> derivative indicators begin to improve.

The biggest reason I believe COVID-19 will dissipate by summer is that viruses simply do not thrive in warm, humid conditions. I learned this even as a dropout in UC Berkeley's pre-med program. It will end.

Below, for instance, is a map showing how the virus spreads in March. It is based on a linear regression of Chinese cities by temperature. If you want to read the whole paper, you can find it here: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3551767](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3551767)

(a)  $R$  values in March

And here is estimated virality in July:

(b)  $R$  values in July

So, as you can see, this too shall pass. It is not so much the virus that concerns me, rather, it's the aftermath, namely:

What does a post-COVID-19 America and world look like? I fear it may look very different. As I gather my thoughts on this, I will make sure to pen them in a formal letter.

**Please note that you have full permission to forward these notes to investors who have been let down by their fiduciaries. I suspect there are many.**

Please stay safe, otherwise.

Sincerely,

Shalin