Dear Investor,

In this letter we will review our performance in Q3 2022 including our biggest impact performers as well as our investment focus for the remainder of the year.

Rod Capital Q3 2022 Results

In the third quarter of 2022, Rod Capital was down -8.18%. The S&P 500 was down -4.89%, the NASDAQ Composite was down -3.91%, and the Russell 2000 was down -2.18%.

In the first three quarters in 2022, Rod Capital was down -32.53%. The S&P 500 was down -23.88%, the NASDAQ Composite was down -31.99%, and the Russell 2000 was down -25.11%.

Our top performer in Q3 and YTD was Twitter (TWTR) contributing 8.88% during the quarter and 5.70% for the year. We took an opportunistic large position in Twitter as market misinformation about the Elon Musk buyout allowed us to benefit from Mr. Musk's transaction with Twitter.

Our worst performer in Q3 and YTD was the South Korean semiconductor company Magnachip (MX) contributing -8.25% during the quarter and -10.41% for the year. The company was negotiating for a sale of its business when the bottom fell out of the semiconductor sector and persistent lockdowns in China drove this stock down near book value. It has dropped over 90% of its enterprise value and we continue to hold and add.

October 2022 Update

Our largest position in October, Twitter, has contributed to overall outperformance during the month. Twitter has contributed about 7% more in the month of October as we were confident that Elon Musk would end up being the owner of Twitter. We were holding our shares for every last penny we could get from Mr. Musk, who has most generously and graciously improved our performance through his antics this year.

When a large special situation position such as Twitter closes, it reduces our exposure and opens up more opportunities to reposition as we continue to seek distressed situations in the market. This strategy has led to increased volatility this year but that comes with the prospect of outsized returns.

Q3 2022 Review

In Q3, we made a fairly large mistake during the quarter in not selling down our Magnachip stake when we had the chance. The Chinese Covid lockdowns have been hugely disruptive to the company's end markets and when we saw these reports about persistent lockdowns amid a Chinese consumer slowdown we did not act quickly enough to reduce our exposure. Now, it trades near book value and the company is a buyer of their own stock through a buyback program. Their discounted purchases will reduce the acquisition cost of potential buyers who may be waiting in the wings for their opportunity to snatch the asset at a large discount. This was not what we had hoped would happen! But hope turned out to be our enemy in this case.

Our three top gainers in the quarter were entirely offset by our three top losers. All of these were involved in some form of acquisition discussions. Our top three positions either closed or are near closing their acquisitions. The losers had busted situations and we were left holding the bag.

However, in this bag are growing companies that are trading around or below book value where potential acquirers would love to buy at premiums to these levels but the companies simply believe they deserve more. Dealmaking has been disrupted by higher interest rates and falling markets. Often, when deals collapse, investors rush out at unreasonable levels and open up huge long-term opportunities. We thus find ourselves holding stocks that we know are worth double the price but they remain in the stock market "penalty box" until buyers come back around. So we wait holding the undervalued assets.

Our best performing short position was NIO Inc. (NIO) a Chinese electric vehicle car company that has been called the "Tesla of China". In reality, Nio is an overhyped company with low sales, a highly questionable strategy, and accounting gimmicks that overstate their weak performance. Our worst performing short was… Tesla (TSLA), of course. Tesla is going to be two times the size of Apple, according to Elon Musk, and investors are still eating it up. We are not amused.

Q4 2022 Investment Focus

The market downturn has taken everything down altogether and allows us to buy discriminately and more confidently into the carnage. While gunning for short-term gains from dealmaking, we will hold these growing positions long-term until price targets or deals are achieved and replace completed deals with other deals. We have been early with this focus but continue to believe that we are in a time period where dealmaking – due to strong balance sheets – are sure to make a strong comeback.

Amateurs are rightfully running away from this market and there are opportunities to benefit. Bond and stock market deflation in the midst of consumer inflation is a confusing combination. The rise of interest rates are an attempt to squeeze out speculation in a quick and dramatic way. Yet, bank accounts and balance sheets remain strong and companies have an insatiable appetite for more (and better) workers. This makes for an unusual economy and market dynamic where everyone anticipates a slowdown and debates only about how painful it will be, while there is plenty of cash and a stable workforce.

Let me just say that in my view the overall problem with the economy – both American and International – is the massive and increasing wealth gap. The Elon Musk situation exemplifies what is happening. Here's a guy who was born into privilege and has a gift for raising capital by making super exaggerated promises that wealthy people believe. They believe in him so much that they essentially let him get away with turning himself into the richest guy in the world, off the backs of other wealthy people who play a similar game.

Monetary policymakers are trying to engineer a way out of the problem of too much "dumb" money out there. But it is beyond them, they can only do so much. And political policymakers are way behind on ways to fix the problem of too much money in the wrong places and the wrong people. They can start with tax reform, immigration reform, better regulations, and promoting peace and fair trade in the world. Instead, extremists have taken hold of almost all the governments thanks to the relatively new tools of social media. So, we continue to rely on monetary policymakers to be the remaining adults in the room.

The adults make it increasingly likely and clear to me that interest rates are going to remain elevated for a long time to gradually squeeze out the scammers and empty the pockets of gamblers and grifters. People such as Elon Musk and

Cathy Wood are naturally calling for a reversal of this new possible future. But since so much money and work is still out there, a "hard landing" or crash is probably more of a boogeyman than an impending reality – despite all the noise and fear about it all. Instead, earnings remain strong, but skepticism and cynicism is spreading and the valuations of companies like Tesla (TSLA), our largest short position once again, will probably make its way back to reality as people look more closely at numbers and less closely at the sideshows. There will be a cyclical slowdown in opportunities overall, but that is the price society is paying for being so loose with criminality and excess.

This worldview of a more challenging future is partially why we moved the majority (two thirds) of our exposure into companies interested in dealmaking. Because this is the time to get real about valuations. The bear market is improperly discounting stocks which may be acquired, but that volatility is natural in a shifting financial environment.

One of our top ten positions is an example of potentially strong returns from dealmaking. Kohl's Corp (KSS) trades at an $8B enterprise value despite having what we estimate to be $6-9B worth of commercial real estate. The high side of our estimate reflects the fact that much of that commercial real estate is in areas that can be rezoned to residential real estate. Dealmakers have been circling Kohl's to try and acquire these valuable properties, with much resistance from management. But we believe activists are applying enough pressure that will result in a deal that values the total company (real estate plus core business) over 50% higher than its current share price.

Most of today's distressed stocks are in the small and mid-cap space where we have almost all of our exposure. While we have opened ourselves up to higher volatility in recent months with higher than normal exposure, we believe these investments are prudent for the long term in this environment and can lead to outsized rewards.

The economy is uncomfortably making its way back to a state of normal interest rates and speculation. Bonds have become more attractive and risk-taking is becoming more expensive. This is the ideal state for value-oriented investors like myself to leverage my skills to make wise long-term investment decisions that are less about the investment "story" and more about reality. For a long time, we had to adapt to a speculative environment, with exposure to shiny stocks that became costly investment mistakes this year. However, those meltdowns have opened opportunities for confident and concentrated exposure in sound undervalued businesses that will benefit us greatly in years to come.

Please let us know if you have any questions. We hope you and your families are well and I look forward to writing you once again in a few months.

Best Regards,

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