READING TIME: 4 MINUTES

Investor Letter Q1 2020

Dear Titan Client,

"The pessimist complains about the wind. The realist adjusts the sails." William Arthur Ward

Our goal with this **quick quarterly brief (4 pages)** is to keep you informed on everything related to your money at Titan, especially during times like these. In case you're pressed for time, below are the five key points. We've also published a brief video in the app.

1. The Titan composite had a **challenging quarter due to the COVID-19 crisis**. Our Aggressive clients finished down -15.9% (after fees) versus the S&P 500 -19.6%.

2. **The coronavirus pandemic has rapidly gripped the world** over the past several weeks, driving shutdowns and bringing the global economy to a standstill. The range of potential near-term economic outcomes has never been wider.

3. **We've been shorting the market for clients to generate profits during this selloff.** Our 20 companies are well-positioned to make it through this pandemic without long-term earnings impairment, but we do see continued volatility ahead.

4. **Valuations across our Flagship portfolio are near their most attractive levels in years, presenting buying opportunities for long-term investors.** As we'll explain in our Thought of the Quarter, we can't predict a bottom, but we don't need to.

5. **The COVID-19 crisis isn't over, and markets may fall further in coming months.** At the same time, we are buyers at today's prices where we find good value, as we do across the Flagship portfolio. These statements aren't inconsistent.

In Q1, we launched Instant Deposits, improved performance metrics, and more, to help you capitalize on the attractive opportunities we see in the market. As 2020 continues, we'll keep doing our part as your money manager to better build, manage, and explain your capital through thick and thin.

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Clayton Gardner
Co-CEO & Chief Investment Officer

Titan

Portfolio Review: Hedged and Prepared for Battle

SUMMARY

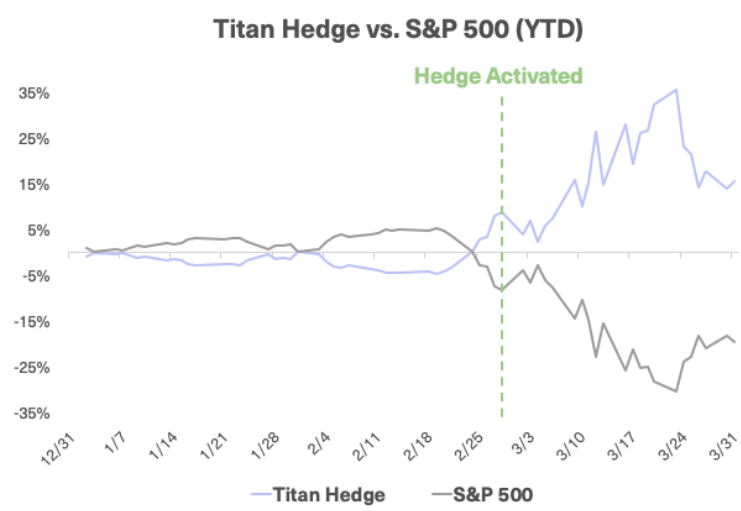
We had a challenging Q1 with our Flagship composite down -15.9% after fees (vs. S&P -19.6%). We began fully hedging clients in late February as the coronavirus began to spread globally; our hedges helped clients outperform the market index in Q1. Biggest gainers were Netflix (NFLX) +16% and Amazon (AMZN) +6%. Biggest detractors were TransDigm (TDG) -43% and Credit Acceptance (CACC) -42%.

Late last year, the residents in the city of Wuhan in China started becoming ill with common flu-like symptoms. Little did China's health authorities know this flu-like illness would birth a global pandemic.

COVID-19 case growth continued to accelerate globally throughout February, eventually gaining attention in the U.S. Our Research team took note and began tracking the potential impact of ongoing shutdowns and layoffs to the U.S. economy broadly and your Titan Flagship companies specifically.

With most of our Flagship companies being industry leaders with strong balance sheets and profitability in tech-enabled industries outside of the worst-hit sectors (e.g., travel, brick-and-mortar retail), we felt well-positioned to weather the storm. We continue to believe that today. However, we recognized that U.S. equity markets broadly had likely not fully priced in the potential impact from COVID-19.

We began to short the S&P 500 for our clients in late February, via our personalized hedge. This hedge enabled our clients to enable some profits to offset losses across the basket of 20 Flagship companies. **As a result, our clients retained solid relative outperformance vs. the S&P 500.**



	YTD Return	Difference vs. S&P	Benefit from Hedge
Titan: Conservative	-11.4%	+8.2%	+5.5%
Titan: Moderate	-14.2%	+5.4%	+2.7%
Titan: Aggressive	-15.9%	+3.7%	+1.0%
S&P 500	-19.6%		

Note: Data through 3/31/2020. See website for full disclosures.

Heading into Q2, we're prepared for battle and remain fully hedged for our clients. We believe our 20 Flagship companies have fallen to quite attractive valuations vs. our view of their long-term earnings power. Clients would do well to buy more at these levels, particularly in long-term accounts like IRAs. However, volatility is likely to continue, and markets may not have bottomed.

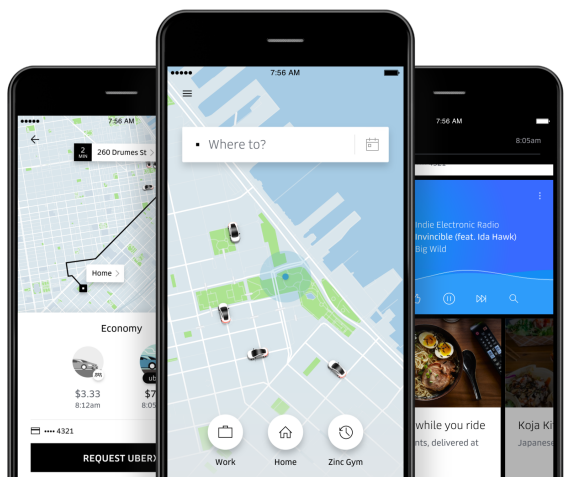
Position Updates: Initiation in Uber (UBER)

SUMMARY

In mid-February, Uber Technologies (UBER) entered the portfolio. It is the world's leading ridesharing platform with scale advantages and network effects. It replaced digital media holding company IAC.

After a few quarters of public market discipline since its 2019 IPO, Uber has increased its reporting transparency, begun cutting back on excess spending, and even brought forward its profitability target by a year.

We initiated a position in UBER in Q1, as we think it is in the early stages of a powerful transformation into a more mature, sustainably growing business supported by multiple secular tailwinds, easing competitive pressures, and potential upside from a number of smaller "bets."



UBER replaced IAC in the Titan composite. As a reminder, IAC is a large digital asset holding company whose primary asset was an 80% stake in Match Group (MTCH) - the dating app leader that owns Tinder, Hinge, and other dating platforms. Because of this holding company structure, IAC's large stake in MTCH was being significantly undervalued by the market. Many hedge fund investors believed that IAC would one day spin off MTCH, closing this "holding company discount" as IAC has done many times in the past.

In late 2019, this vision was finally realized as IAC announced a spinoff of MTCH to shareholders. With the spinoff announced and slated for completion in Q2 2020, the investment thesis for IAC neared fruition, and as a result many hedge funds began to close out their IAC stakes.

In terms of active positions, your biggest gainers in Q1 were Netflix (NFLX) and Amazon (AMZN), up +16% and +6%, respectively. Your biggest detractors were TransDigm (TDG) and Credit Acceptance Corp (CACC), which fell -43% and -42%, respectively.

Netflix was a standout performer in an otherwise brutal quarter for most stocks across the U.S. indices. As millions of consumers adjusted to a work-from-home environment with lockdowns and quarantines, the value of streaming video clearly increased, as did investor sentiment around stocks enabling entretainment at home. Netflix was no exception: it finished Q1 up +16%.

On the flip side, TransDigm had a tough quarter marked by significant hedge fund selling as the air travel industry saw one of the largest demand shocks on record. With a growing number of planes grounded and countries preventing international travel, many planes are not flying. That means less wear and tear, which theoretically means less aftermarket maintenance parts required from TransDigm. Combined with its heavy (though manageable) debt load, TDG was an easy target for profit taking amidst the selloff.

Thought of the Quarter: Finding the Bottom

SUMMARY

As a stockholder, similar to a homebuyer, you are a long-term owner of a productive asset that you believe is priced below its true worth. When you find a deal, grab it.

As the COVID-19 pandemic rampages across the globe, it has created plenty of uncertainty, leading to a sharp sell-off in stocks. The most common question we're hearing now from you: "where's the bottom?" **Should you wait for the market to bottom before buying more? No.**

Why? Because we believe the market is pricing in too pessimistic of expectations for our Flagship companies over the coming years... regardless of whether the market has bottomed or not.

To explain why, let's use another investing situation: buying a home.

Suppose you've been shopping for a house. You find an extremely high-quality one. It's in a safe, clean neighborhood with great schools and friendly families. But due to coronavirus, many people aren't buying new homes, so your real estate broker offers you a price at a 30% discount to a few months ago.

	HOME PRICE	HOME VALUE
A Few Months Ago	$1,000,000	$1,000,000
Today	$700,000	$1,000,000

Would you risk the deal going away to try to nitpick an even lower price? Heck no. You'd pounce at the chance to own your dream home at that steep discount. You know it's worth much more. Why should stock investing be any different? It's not.

To us, the Titan Flagship companies are 20 high-quality homes in an excellent neighborhood being offered at a 30% discount. In both homes and stocks, when you find a deal, grab it.

With that said, it's entirely plausible that markets may fall lower in the coming months. Plenty of risks remain, hence we may not have bottomed. Regardless, if our Flagship stocks' long-run earnings power remains intact (as we believe it does), and if they trade at discounts to intrinsic value (as we think they do), we'd advise buying even more. Even if the S&P falls again.

Warren Buffett is famous for saying he likes hamburgers, and when hamburgers go on sale, he eats more hamburgers. It's funny how most investors behave the exact opposite with their capital.

Performance	Titan Aggressive	Titan Moderate	Titan Conservative	S&P 500
2020 First Quarter Performance	-15.9%	-14.2%	-11.4%	-19.6%
2019 Full Year Performance	+33.7%	+30.2%	+25.8%	+31.5%
2018 Full Year Performance	-7.0%	-6.3%	-5.6%	-6.1%
All-Time Annualized Return	**+0.6%**	**+0.8%**	**+1.2%**	**-0.4%**

All performance results are net of fees and include dividends and other adjustments. Figures represent a hypothetical portfolio for a Titan client. 2018 Full Year results are from Titan's launch date of 2/20/18 through 12/31/18. All-Time Annualized Return is from Titan's launch date of 2/20/18 through 3/31/20. See full disclosures that follow.

Long

You are always long 20 stocks. We believe they are world-class businesses which can hopefully deliver superior returns.

TransDigm	Dominant niche aerospace parts supplier
Facebook	Poised to capture shift in advertising dollars online
Autodesk	The "Microsoft Excel" for designers
Microsoft	Shift from legacy PC business to cloud-based services
Amazon.com	Growing dominance in online retail
Alphabet (Google)	Owns Google and has several monopolies
Apple	Consumer and technology leadership with loyal base
Credit Acceptance Corp.	Leading subprime auto lender with unique loan program
Visa	Growing transition to electronic payments
Twilio	The Stripe of electronic communications
Booking Holdings	Capital-light online travel agency with network effects
Mastercard	Duopolistic industry structure with Visa
Charles Schwab	Leading Investment brokerage with flywheel effect
Uber	The world's leading ridesharing platform
PayPal	Positioned to benefit from eCommerce growth
Charter Communications	Broadband service provider
Netflix	Global streaming video giant with untapped pricing power
Salesforce.com	Market leader in growing CRM software
ServiceNow	Enterprise software leader automating manual workflows
Disney	Entertainment franchise machine shifting to subscription business model

Short

You are automatically short the market using an inverse S&P 500 ETF. This means when the broader market declines, you have the opportunity to make money. The size of the short is personalized based on your individual risk tolerance.

Titan Invest ("Titan") is an SEC registered investment adviser. Brokerage services are provided to Titan Clients by Apex Clearing Corporation, an SEC registered broker-dealer and member FINRA/SIPC. Clients are encouraged to compare the account statements received from the qualified custodian to the reports provided by Titan Invest. Market data by IEX. Titan's investment advisory services are available only to residents of the United States in jurisdictions where Titan is registered.

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Past performance is no guarantee of future results. Any historical returns, expected returns, or probability projections, are hypothetical in nature and may not reflect actual future performance. Important: All Titan performance results include the use of a personalized hedge for a hypothetical client with an "Aggressive" risk profile; clients with "Moderate" or "Conservative" risk profiles would have experienced lower returns. For all Titan accounts we employ a personalized hedge based on a given client's personalized risk tolerance. We believe it can help mitigate losses on the Titan portfolio during periods of volatility. However, there is no guarantee that any or all losses will be mitigated by this hedge.

Performance results are net of fees and include dividends and other earnings. 2020 First Quarter results are from 1/1/20 through 3/31/20. 2019 Full Year results are from 1/1/19 through 12/31/19. 2018 Full Year results are from Titan's launch date of 2/20/18 through 12/31/18. All-Time Annualized Return is from Titan's launch date of 2/20/18 through 3/31/20. All figures represent performance of a hypothetical account created on Titan's launch date of 2/20/18 using Titan's investment process for an aggressive portfolio, not an actual account. All-Time Annualized Return based on an illustrative starting Titan account value of $1,000 at inception on Titan's launch date of 2/20/18 and its ending value on 3/31/20. Results for the Titan portfolio as compared to the performance of the Standard & Poor's 500 Index (the "S&P 500") is for informational purposes only. Account holdings are for illustrative purposes only and are not investment recommendations. The S&P 500 is an unmanaged market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. The investment program does not mirror this index and the volatility may be materially different than the volatility of the S&P 500. Reference or comparison to an index does not imply that the portfolio will be constructed in the same way as the index or achieve returns, volatility, or other results similar to the index. Indices are unmanaged, include the reinvestment of dividends and do not reflect transaction costs.

Performance results were prepared by Titan Invest, and have not been compiled, reviewed or audited by an independent accountant. Performance estimates are subject to future adjustment and revision. Investors should be aware that a loss of investment is possible. Additional information, including (i) the calculation methodology; and (ii) a list showing the contribution of each holding to the portfolio's performance during the time period will be provided upon request.

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