



January 4, 2021

## 2020 Investor Letter

### **Results**

In 2020, Citron Capital, LP (“Fund”) generated a gross return of 202% and net return of 155%. The Fund’s average exposure during 2020 was 98% long and 78% short. The average net exposure for the year was 20%.

One year ago, in the Citron Capital 2019 annual letter, we noted that Citron would never opine on the state of the market or specific asset classes as we understood our role as reacting to market conditions rather than predicting them. While Citron prides itself on understanding market conditions, I did not realize how prophetic this investment directive would become.

In a market whose movement has become increasingly more dependent on psychology and less about business, we maintain our focus on not predicting economic, political, or scientific events; rather we focus on how to capitalize on investor’s reactions to these events.

*“Winning takes precedence over all. There’s no gray area. No almosts.” – Kobe Bryant*

Citron does not find it necessary to rehash investment opinions on our outsized long side contributors (JMIA, RH, MSTR) as they have all been written about during the year on the Citron Research site.

The only large contributor that we did not write about was an outsized long position in Amazon initiated in late March, in the midst of the Covid-19 related panic. The logic was simple. If we continue to stay at home, Amazon is a huge winner. If everything goes back to normal, Amazon will still be a big winner.

In hindsight, we should have bought Etsy (facemasks) instead – Oh Well.

On a positive note, we successfully predicted multiple acquisitions in 2020 (BFYT, RST).

### **Short People Got No Reason**

Our 2020 short book can be highlighted more not by what we were short, but rather what we were NOT short. As promised in 2019, we stayed away from all story stocks and were not short Tesla or any of the high short interest story names that became detached from any underlying

financial metrics. Our largest contributor on the short side was Inovio, which became a multi-billion-dollar company despite using the same exact deceptive playbook (verbatim) that it has used for five high profile viruses over the past 10 years.

One of our biggest losers on the short side was GSX, a complete stock fraud that decided to go parabolic. Luckily, our respect for the markets and its irrationality allowed this to be a loss and not a game changer.

The highlight of the year for Citron concerned a company we were not even short -- The Bankruptcy of Mallinckrodt. As our readers know, Mallinckrodt was the personification of the worst corporate America has to offer. We are proud of the years of work we put into that name.

Again, we are not using this letter to give details on any particular stock as we spend the year communicating our investment opinions to Wall St. This letter is intended to highlight our financial performance and the overall directive of the fund.

2021 will be the 20th year of publication of Citron Research and while we will continue to expose stories, both long and short, that we believe deserve investors' attention. We are proud of our almost 20-year track record and will continue to abide by the fundamental tenants on which our newsletter rests on:

1. Intellectual honesty
2. Easy to understand
3. A currently investible situation

### ***What to look for in 2021***

If it is not broken, don't fix it. We will continue to look for situations, both long and short, that are misunderstood by the market and present an actionable investment opportunity. With the recent SPAC explosion, we do not believe there will be a shortage of ideas.

While we are excited about 2021, we by no means are expecting to or setting goals to exceed this year's extraordinary performance. Rather, we wake up daily with fresh eyes on our positions and continue to work. We are not going to try and guess when this whole thing will deflate but we remain focused on trading dynamics in our investments.

I also wanted to use this letter as an opportunity to introduce a key ingredient in the success of Citron Capital. Ryan Choi is a founding partner of Citron Capital. Prior to joining Citron, he worked as an investment analyst at Ivory Capital for four years. Before joining Ivory, Ryan worked at Corriente Advisors as an investment analyst, and at Deutsche Bank as an investment

banking analyst. He graduated cum laude from Dartmouth College in three years with a B.A. in Economics in 2010.

I have had the honor of working with Ryan since the inception of the fund and we are looking forward to expansion. Citron's goals of expanding our team were put on hold for 2020 for obvious reasons, but will continue in 2021 as we look for individuals with creative research skills and an understanding of the markets who can add to our culture.

### ***Conclusion***

Sitting in the comfort of my home office over the past year has been more of a humbling experience than empowering. Behind all of the symbols that run across the screen are stories of people adapting, innovating, and sacrificing to make the world a better place.

Through advanced technology, dedication to science, and the advancement in human behavior there are going to be many disruptors and disrupted in 2021, and we look forward to watching these developments and taking advantage of the opportunities that they will create.

Sincerely,

Andrew Left

Managing Partner of Citron Capital, LP

### **Notes and Disclosures**

Citron Capital is an exempt reporting investment adviser registered with the California Department of Business Oversight. Citron Capital manages a pooled investment vehicle, Citron Capital, LP ("Fund"). Fund returns presented are unaudited, net of all fees and expenses, including accrued but unpaid performance fees.

Further disclosures regarding the risks associated with the firm's investment approach are contained in the Fund's offering memorandum and the firm's Form ADV. Additional information is available upon request. Past performance may not be predictive of future results.

This letter is for informational purposes only and does not constitute an offer of securities or an offer to provide investment advisory services. It should not be construed as an offer to sell or the solicitation of an offer to purchase interests in the Fund in any jurisdiction. Such offer can

be made only by means of the offering documents of the Fund. Interests in the Fund are offered within the United States exclusively to accredited investors under Rule 506(b).