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In this special report we cover how to position for the coming sweeping civil unrest, and volatility surrounding the upcoming US elections.

Two separate but interrelated events have conspired to produce an inevitable outcome. Civil unrest.

1. Lockdowns
2. and the political polarisation and rise of marxism.

Think what you will about the quarantines, the fact is that leaders didn't consider the consequences of their actions when instituting these. They still aren't. Power, once granted, is not something humans give up willingly, and right now bureaucrats from sea to shining sea have been granted the sort of powers that have never been granted before in history without an authoritarian regime instituting them.

Lockdowns have decimated economies, breaking many people mentally and economically, while forcibly destroying social cohesion. It is a recipe for civil unrest.

Quarantine has been used many times in the past, but only for those who are sick, and never at such scale. Consider that quarantine is "a state, period, or place of isolation in which people or animals that have arrived from elsewhere or been exposed to infectious or contagious disease are placed." Quarantines are something that are **imposed on you**. They are not voluntary and, in the present day instance we are living through, the populace has not been nor is being consulted or engaged in the decision making process. If you're feeling anxious, frustrated and have a sense that you don't control your own destiny this is why.

Riots are a predictable consequence of lockdowns.

To explain why civil unrest is both inevitable and imminent we need only look at the psychology of us bipeds. A recent Forbes [article](#) explains well.

When Italy signed an [unprecedented containment decree](#) less than two weeks ago, the details were leaked hours before the announcement. The result, thousands of Italians packed up and fled. Taking the virus with them, and highlighting how much people did not want to be locked in place, no matter the national crisis. Further, following the announcement overcrowded prisons saw [multiple prisoners die](#) after riots broke out. Those already stripped of their freedoms believed they were being locked in to die. The same happened [last week in Beirut, Lebanon](#).

During the 2014-2015 Ebola crisis, riots carried on for days in the [West Point neighborhood](#) of the Liberian capital of Monrovia. About 70,000 people woke up one morning to find themselves blockaded into their poor area – including checkpoints and a buffer zone according to NPR

reporters on site. But to make matters worse, a government official was escorted out of the zone, causing an eruption of outrage, violence, and inevitably – the spread of Ebola. Their rage was both predictable and reasonable as they saw it. Injustice was being done, and others were likely deciding who lived and died.

In the 1700's the [Russian plague ravaged Moscow](#) and the city found itself in a quarantine that resulted in many deaths including the murder of the Archbishop. Throughout the 1800's cholera pandemics (there were seven) [led to no less than 70 riots](#) across the globe, as people were unsure of the source of the infectious disease, but believed city and national government officials were withholding the truth from them and leaving them to die. In [Milwaukee, Wisconsin](#) and Laredo, Texas, there were protests and riots around the start of the 1900's due to smallpox isolation. [Prisoners in Mexico rioted](#) during the H1N1 (Swine Flu) outbreak as recently as 2009. The examples go on and on.

In 1951 researchers at McGill University paid a group of male graduate students to stay in small chambers equipped with only a bed for an experiment on sensory deprivation. They could leave to use the bathroom, but that's all. They wore goggles and earphones to limit their sense of sight and hearing, and gloves to limit their sense of touch. The plan was to observe students for six weeks, but **not one lasted more than seven days**. Nearly every student lost the ability "to think clearly about anything for any length of time," while several others began to suffer hallucinations. "One man could see nothing but dogs," wrote one of the study's collaborators, "another nothing but eyeglasses of various types, and so on."

In a study of California's prison system, researchers found that from 1999 to 2004 prisoners in solitary confinement accounted for **nearly half of all suicides**. A 1995 study of the federal prison system found that **63 percent of suicides** occurred among inmates locked in "special housing status," such as solitary or in psychiatric seclusion cells. As one inmate cited in the study explained:

"The Hole and Segregation cells are depressing enough to drive many men to take their lives in order to escape. For some it would appear to be the only way out. After years of living in the cramped confines of a segregation cell with no hope of getting out, it is easy to see why a man would prefer death."

I could provide you with countless more studies and evidence but I'm sure you get the point. Lockdowns, while not as restrictive or severe as those in prisons, have a meaningful impact on the mental health of people. Sadly we now have Governments around the world who have to a greater or lesser extent instituted varying degrees of solitary confinement on their citizens. This has been done at a scale never before experienced. Even in World War 2 citizens had a greater freedom of movement on a daily basis than many have had and are currently experiencing. To think that this will not have an impact on the society is myopically stupid.

So we expect civil unrest to manifest itself on a go-forward basis. Actually the truth is we believe we are on the cusp of incredible civil unrest...centered largely in Western Europe, The United States and Great Britain.

Adding to this we have the coming political elections in the US. You don't need me to tell you that the country is politically charged as the "woke" marxist mob continue their heretofore unimpeded and relentless charge to reform society to their own ideological standards.

What to do?

We want to keep this discussion straight to the point. We just don't know how things will pan out surrounding the election - as to whether Trump or Biden win. What should be as obvious as a second

head is that no matter who wins the odds of the US entering a civil war are higher than not. Consider what happened when “The Donald” was elected. Remember “not my president?”

That was nothing compared to what we’ll see should Trump win the election. The radical left will positively lose their shit.

Then on the other hand if Biden wins the election the country will go through some version of the following:

- There has been an extraordinary rise in crime that’s been a direct consequence of initiatives to defund the police, and destroy the ability of law enforcement to - well enforce the law. No police officer today risks being seen as “racist” or using “undue force”. Furthermore, pray tell who wants to be a police officer in the US today? This rise in crime will be used as evidence that the country is in chaos and needs authoritarian controls.
- There will be an argument put forward that the violence is being perpetrated by citizens with guns. This will be true but belies what’s coming next. Which is revoking the 2nd amendment. Some folks will say “over my dead body”. And this is when the military will be brought to heel. It will not be possible to defend oneself against the world’s largest most powerful military with handguns.

And this is where it’s anyone’s guess at this point in time as to how things proceed. Will the military fire on its own citizens? Will some in the military choose a different side? I don’t know but what does make sense to us is that the country splits. We are already seeing these divisions rapidly forming. Those who live in states governed by either blue or red have been moving to states which more closely resemble their own values.

Either way things look to get ugly and quickly.

Now one thing I’d like to point out is this. These trades don’t fall into the “toxic waste” deep value category, i.e. they aren’t extremely out of favour with the investment community (like uranium, oil services, natural gas, shipping etc).

While these ideas may interest you and we believe they’ll do well the reality is that our current portfolio stands to benefit from tensions and a breakdown in trust, which is exactly what we’ve been predicting for years now. As such you may look at these ideas and determine that instead of spending money on puts on the S&P 500 you may wish to simply put a little more into long term positions on gold or uranium miners or maybe fertilizer stocks (or any of the other sectors in our deep value lineup).

Volatility in Equity Markets

Ok so let’s look at some option strategies. Note all these payoffs are calculated as at expiry of the option. There are too many variables to consider during the life of the option strategy so we will keep it simple.

- ATM Put on S&P 500 - 18 Dec2020 exp 310 strike @ 22
 - o A 14% fall to make a 100% return or 21% for 200%
- Bear put spread on SPY 18 Dec2020 310/269 spread @ 11
 - o Max payoff = 2.7x for a 15%+ fall
- A straddle on SPY - buying 18 Dec2020 310 call and put @ 44
 - o A 28% move up or down for a 100% return.

One thing is obvious - we're not talking about "10x bagger" returns here - **the big issue is that the cost of options remains high** - if the VIX was @ 15 then we would be able to get way more dramatic payoffs.....but the VIX isn't @ 15 and it is doubtful it is going to come down anytime soon!



Gold

When the shit hits the fan could we see a spike in gold? Yes we could, but if there is a "liquidity" event like what we saw in March then even gold would go down.

But let's play the bull gold scenario. Calls on GLD - 18 Dec 2020 167 strike @ 8.30 = 10% move in GLD for 100% return.

This seems reasonable, even if the US election turns out to be nothing like what people think it will be we could still see gold 10% higher 6 months from now.

The USD

It would seem counterintuitive if anarchy breaks out in the US that the USD would go up. Or maybe it gets clobbered? Sitting on the fence you may say? Well both outcomes happened in March!

Our stand on this issue remains. The US for all its warts is the most liquid currency on the block and the alternative really is the EUR which is almost half of the dollar index. The EUR we are extremely bearish on (a story for another day).

Let's have a look at various option payoffs - all 18 December 2020 expires all valued at expiry.

- Call 27 strike @ 0.37 - 5.5% move for 100% return
- Put 26 strike @ 0.57 - 5.4% move for 100% return
- Or putting both together for a strangle - about an 11% move for 100% return in either direction.

We more or less did have +/- 10% move in UUP over March, but by the start of April UUP was unchanged on where it was mid Feb! Yes that was true volatility but you would have needed to have been quick to lock in those gains with either calls or puts, i.e. you couldn't have just let those options go to expiry. It would have been cruel to have called the volatility in March right but have nothing to show for your efforts!



Guns and Ammo! - Going long the 2nd amendment

Yes the right to bear arms! As long as Americans can do so they'll be buying guns and ammo. The environment aint getting better soon.

Defund the police = a hell of a lot more gun sales!

Take a look at the two gun listed makers - Ruger and S&W.

Sturm Ruger.....maker of the famous AR-15 (an offshoot of the US Army's infamous M16), and a whole lot more. Yes the stock is already up some 50% since the start of the year - although it's not madly expensive - P/E 25x, ROE 12%, no debt, lots of cash.....



Smith & Wesson

Since the start of the year S&W is up some 120%. When looking at S&W I think it would be easy to say that a lot of anarchy has already been priced into equity markets. Smith & Wesson is essentially handguns and assault rifles. As mentioned in this report we unfortunately believe we're in for a hell of a time and as such both RGR and SWBI go higher.



Vista Outdoor

Is a supplier of outdoor and shooting products. Vista is really interesting as it owns many [iconic brands](#) that you all will recognize but you probably didn't realize they were owned by Vista! As far as shooting goes Vista owns many big ammunition brands, Federal, CCI, Speer, Estate. Then there are all the accessories. Buying a gun is one thing, but then you have to deck it out with a scope, cleaning kits, carrying bags and whatever else that goes with it and lest we forget - ammo! The company has had a hard time over the last 4 years mainly on the back of debt fueled acquisitions that went wrong.



“Protection” Stocks

The below are some stocks we present to you as some you may wish to add though we’re keeping it purposefully simple and buying RGR, SWBI and VSTO.

Nevertheless the following are pretty darn interesting too.

Axon Enterprises

The old Taser Co.....Tasers of various shapes, sizes and descriptions and body cams.



Vislink Technologies Inc.,

A provider of wireless video solutions to broadcast, law enforcement and defense markets, and private mobile broadband networks for use in a range of environments. The Company markets its technology solutions across three business units: Integrated Microwave Technologies (IMT), Vislink Communication Systems and xMax. The Company offers a range of frequency-agnostic cognitive radio solutions. It focuses on various industries across the world, such as telecommunications, cable, defense and public safety, municipal governments, critical infrastructure and markets ranging from rural to urban areas and expeditionary deployments.



Digital Ally, Inc.

Manufacturer of digital video imaging and storage products for use in law enforcement, security and commercial applications. The Company's products include in-car digital video/audio recorder contained in a rear-view mirror for use in law enforcement and commercial fleets; a system that provides its law enforcement customers with audio/video surveillance from multiple vantage points and hands-free automatic activation of body-worn cameras and in-car video systems; a weather-resistant mobile digital video recording system for use on motorcycles, all-terrain vehicles (ATVs) and boats; a miniature digital video system designed to be worn on an individual's body, and a hand-held laser speed detection device that it offers primarily to law enforcement agencies. The Company sells its products to law enforcement agencies and other security organizations, consumer and commercial fleet operators through direct sales domestically and third-party distributors internationally.



Cemtrex, Inc.

A diversified technology and manufacturing company. It is a multi-industry technology company that manufactures advanced custom engineered electronics, including integrated hardware and software solutions and wearable devices, systems for controlling particulates and other regulated pollutants. The Company's operations are divided into two business segments: Advanced Technologies and Industrial Services (IS). The Company's Advanced Technologies segment delivers technologies in the IoT, wearables and smart Devices, such as the SmartDesk. It delivers designing and development solutions to create enhanced experiences for mobile, Web, virtual and augmented reality, wearables and television and video surveillance. The Company's Industrial Services segment offers single-source services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers.



Wrap Technologies, Inc.,

The Company is engaged in providing solutions to customers, primarily law enforcement and security personnel. Its product includes the BolaWrap 100. The BolaWrap 100 is a hand-held remote restraint device that discharges an eight-foot bola style Kevlar tether to entangle an individual at a range of 10-25 feet. BolaWrap 100 assists law enforcement to safely and effectively control encounters. BolaWrap 100 enables law enforcement to remotely and temporarily control an individual or impede flight by targeting and wrapping an individual's legs.



Shotspotter Inc.

Precision-policing and security solutions for law enforcement and security personnel. The Company's flagship public safety solution, ShotSpotter Flex, is an outdoor gunshot detection, location and alert system. Its security solutions, ShotSpotter SecureCampus and ShotSpotter SiteSecure, are designed to help law enforcement and security personnel mitigate risk and enhance security by notifying authorities of a potential outdoor gunfire incident, saving critical minutes for first responders to arrive. Its gunshot detection solutions consist of cloud-based software integrated with Internet-enabled sensors designed to detect outdoor gunfire.



That's it for this report folks.

Wishing you only the best.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris MacIntosh", written in a cursive style with a long, sweeping underline.

Chris MacIntosh

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