

2022 Annual Letter

Yiqiao Yin

Abstract

This is the 2022 annual letter to shareholders. This year our assets grow by 30%. Our real estate portfolio held strong while our crypto and equity portfolios showed unrealized loss of 40%. The benchmark index S&P 500 Index Fund (SPY) had a negative return as well, at 19%. Within expectation due to our high beta names in our portfolio, we lost to S&P 500 by 20%. It was not a good year, but I hope to use this letter to convey to you why in the long run our portfolio stands strong.

1 Performance

Date	Returns (0.01 means 1%):		Simulations (from \$1 USD):	
	WYN	S&P 500	WYN	S&P 500
			\$1	\$1
1/3/2011	(0.35)	0.02	0.65	1.02
2/1/2011	0.24	0.03	0.81	1.06
3/1/2011	(0.02)	(0.00)	0.79	1.05
4/1/2011	0.10	0.03	0.88	1.08
5/2/2011	0.06	(0.01)	0.93	1.07
6/1/2011	(0.04)	(0.02)	0.89	1.05
7/1/2011	(0.04)	(0.02)	0.85	1.03
8/1/2011	0.05	(0.05)	0.89	0.97
9/1/2011	0.05	(0.07)	0.93	0.90
10/3/2011	0.06	0.11	0.99	1.00
11/1/2011	0.49	(0.00)	1.47	0.99
12/1/2011	(0.27)	0.00	1.08	1.00
1/3/2012	0.10	0.05	1.18	1.04
2/1/2012	0.09	0.04	1.28	1.09
3/1/2012	0.10	0.03	1.41	1.12
4/2/2012	(0.03)	(0.01)	1.36	1.11
5/1/2012	(0.01)	(0.06)	1.35	1.05
6/1/2012	0.54	0.04	2.08	1.08
7/2/2012	0.06	0.01	2.19	1.10
8/1/2012	(0.12)	0.03	1.92	1.12
9/4/2012	(0.07)	0.02	1.78	1.14
10/1/2012	0.90	(0.02)	3.39	1.12
11/1/2012	0.04	0.01	3.51	1.13
12/3/2012	(0.01)	0.00	3.49	1.13
1/2/2013	0.02	0.05	3.55	1.19
2/1/2013	0.11	0.01	3.95	1.21
3/1/2013	0.03	0.03	4.07	1.25
4/1/2013	0.02	0.02	4.17	1.27
5/1/2013	0.20	0.02	5.00	1.30
6/3/2013	0.19	(0.02)	5.96	1.28
7/1/2013	(0.04)	0.05	5.72	1.34
8/1/2013	0.06	(0.03)	6.07	1.30
9/3/2013	0.06	0.03	6.43	1.34
10/1/2013	0.06	0.05	6.82	1.40
11/1/2013	0.06	0.03	7.23	1.44
12/2/2013	0.06	0.02	7.66	1.47
1/2/2014	0.06	(0.04)	8.12	1.42
2/3/2014	0.06	0.05	8.61	1.48
3/3/2014	0.01	0.00	8.70	1.49
4/1/2014	(0.67)	0.01	2.83	1.50
5/1/2014	(0.75)	0.02	0.71	1.53
6/2/2014	4.96	0.02	4.23	1.56

Date	Returns (0.01 means 1%):		Simulations (from \$1 USD):	
	WYN	S&P 500	WYN	S&P 500
7/1/2014	0.14	(0.01)	4.81	1.54
8/1/2014	0.04	0.04	4.98	1.60
9/2/2014	0.28	(0.02)	6.38	1.57
10/1/2014	0.01	0.02	6.47	1.60
11/3/2014	(0.20)	0.03	5.16	1.65
12/1/2014	(0.12)	(0.01)	4.52	1.63
1/2/2015	(0.34)	(0.03)	2.98	1.59
2/2/2015	(0.37)	0.06	1.88	1.68
3/2/2015	0.37	(0.02)	2.57	1.64
4/1/2015	0.27	0.01	3.26	1.66
5/1/2015	0.74	0.01	5.66	1.68
6/1/2015	(0.27)	(0.03)	4.13	1.64
7/1/2015	0.00	0.02	4.15	1.67
8/3/2015	0.12	(0.06)	4.66	1.57
9/1/2015	(0.09)	(0.03)	4.24	1.52
10/1/2015	(0.04)	0.09	4.07	1.65
11/2/2015	(0.06)	0.00	3.84	1.66
12/1/2015	(0.01)	(0.02)	3.82	1.62
1/4/2016	0.08	(0.05)	4.12	1.54
2/1/2016	(0.28)	(0.03)	2.95	1.49
3/1/2016	1.14	0.07	6.32	1.59
4/1/2016	0.23	0.03	7.76	1.65
5/1/2016	0.21	(0.00)	9.41	1.64
6/1/2016	(0.07)	0.01	8.79	1.66
7/1/2016	(0.04)	0.00	8.48	1.67
8/1/2016	0.02	0.04	8.69	1.73
9/1/2016	0.08	0.00	9.39	1.73
10/1/2016	0.06	(0.01)	9.93	1.72
11/1/2016	(0.00)	0.00	9.92	1.72
12/1/2016	(0.22)	0.02	7.72	1.75
1/1/2017	0.15	0.02	8.84	1.78
2/1/2017	(0.06)	0.02	8.33	1.82
3/1/2017	0.40	0.05	11.67	1.91
4/1/2017	(0.34)	(0.02)	7.69	1.87
5/1/2017	(0.02)	0.01	7.56	1.90
6/1/2017	(0.20)	0.01	6.07	1.92
7/1/2017	0.17	0.00	7.12	1.93
8/1/2017	0.05	0.02	7.47	1.97
9/1/2017	(0.18)	0.00	6.16	1.97
10/1/2017	(0.10)	0.01	5.53	2.00
11/1/2017	0.36	0.02	7.54	2.05
12/1/2017	0.10	0.02	8.27	2.09

Date	Returns (0.01 means 1%):		Simulations (from \$1 USD):	
	WYN	S&P 500	WYN	S&P 500
1/1/2018	0.25	0.02	10.34	2.13
2/1/2018	0.34	0.05	13.90	2.24
3/1/2018	(0.12)	(0.04)	12.28	2.14
4/1/2018	(0.13)	(0.04)	10.74	2.05
5/1/2018	0.04	0.02	11.14	2.10
6/1/2018	0.09	0.03	12.15	2.17
7/1/2018	0.01	0.00	12.26	2.17
8/1/2018	0.02	0.03	12.54	2.24
9/1/2018	0.31	0.04	16.39	2.32
10/1/2018	0.04	(0.01)	17.11	2.30
11/1/2018	(0.08)	(0.06)	15.73	2.16
12/1/2018	0.05	0.03	16.55	2.23
1/1/2019	(0.02)	(0.11)	16.19	1.97
2/1/2019	0.16	0.09	18.80	2.15
3/1/2019	0.03	0.04	19.31	2.23
4/1/2019	0.02	0.02	19.74	2.26
5/1/2019	0.10	0.04	21.64	2.34
6/1/2019	(0.06)	(0.07)	20.32	2.19
7/1/2019	0.08	0.08	21.85	2.35
8/1/2018	0.03	(0.00)	22.59	2.34
9/1/2019	(0.02)	(0.01)	22.11	2.31
10/1/2019	(0.00)	0.01	22.02	2.33
11/1/2019	0.00	0.04	22.03	2.43
12/1/2019	0.02	0.01	22.52	2.46
1/1/2020	0.03	0.05	23.11	2.58
2/1/2020	0.02	0.01	23.56	2.62
3/1/2020	(0.00)	(0.06)	23.55	2.46
4/1/2020	0.03	(0.20)	24.24	1.96
5/1/2020	0.07	0.15	25.96	2.25
6/1/2020	0.07	0.08	27.88	2.43
7/1/2020	0.07	0.02	29.79	2.47
8/1/2020	0.06	0.06	31.56	2.61
9/1/2020	0.18	0.07	37.09	2.80
10/1/2020	(0.03)	(0.04)	36.02	2.68
11/1/2020	(0.05)	(0.03)	34.29	2.60
12/1/2020	0.14	0.12	39.16	2.91
1/1/2021	0.12	0.02	43.77	2.97

Date	Returns (0.01 means 1%):		Simulations (from \$1 USD):	
	WYN	S&P 500	WYN	S&P 500
2/1/2021	0.08	0.01	47.27	2.99
3/1/2021	(0.02)	0.04	46.44	3.10
4/1/2021	(0.01)	0.03	46.05	3.19
5/1/2021	0.02	0.05	47.06	3.34
6/1/2021	0.04	0.01	48.82	3.36
7/1/2021	0.13	0.01	55.08	3.41
8/1/2021	(0.05)	0.03	52.55	3.50
9/1/2021	0.16	0.03	61.12	3.60
10/1/2021	(0.05)	(0.05)	58.17	3.43
11/1/2021	0.57	0.05	65.56	3.67
12/1/2021	(0.02)	(0.02)	64.15	3.58
1/1/2022	0.01	0.05	64.71	3.78
2/1/2022	(0.08)	(0.05)	59.33	3.60
3/1/2022	(0.01)	(0.06)	58.52	3.40
4/1/2022	0.06	0.06	61.93	3.60
5/1/2022	(0.22)	(0.09)	48.61	3.28
6/1/2022	(0.09)	(0.01)	44.18	3.26
7/1/2022	0.15	(0.07)	50.65	3.03
8/1/2022	(0.05)	0.08	48.11	3.27
9/1/2022	(0.11)	(0.03)	42.88	3.15
10/1/2022	0.34	(0.08)	57.51	2.92
11/1/2022	0.57	0.05	90.01	3.06
12/1/2022	(0.07)	(0.00)	83.87	3.06

2 Management Discussion and Analysis

This is the annual letter for W.Y.N. Associates, LLC. We are operated in the State of New York. For the content of this letter, we refer our company as “the company” or “WYN”.

2.1 Outlook

The fiscal year of 2022 has been a very volatile year. We have taken the decision to be rather patient than to execute quick orders comparing with the year before. While the fiscal year the performance has been negative, we believe this fits the argument of long term thesis of the type of portfolio we see successful in the future.

While S&P 500 ETF SPY started this year with around 476, the fiscal year of 2022 finished with a jaw-dropping 380 level, a 20% drop. While some funds see this as trading opportunity or market environment to exit, we have been slowly acquiring equity-based assets in tech sector. We have increased our portfolio by increasing our position with Tesla, our shares with Google, and we have also increased crypto-based currency such as Bitcoin.

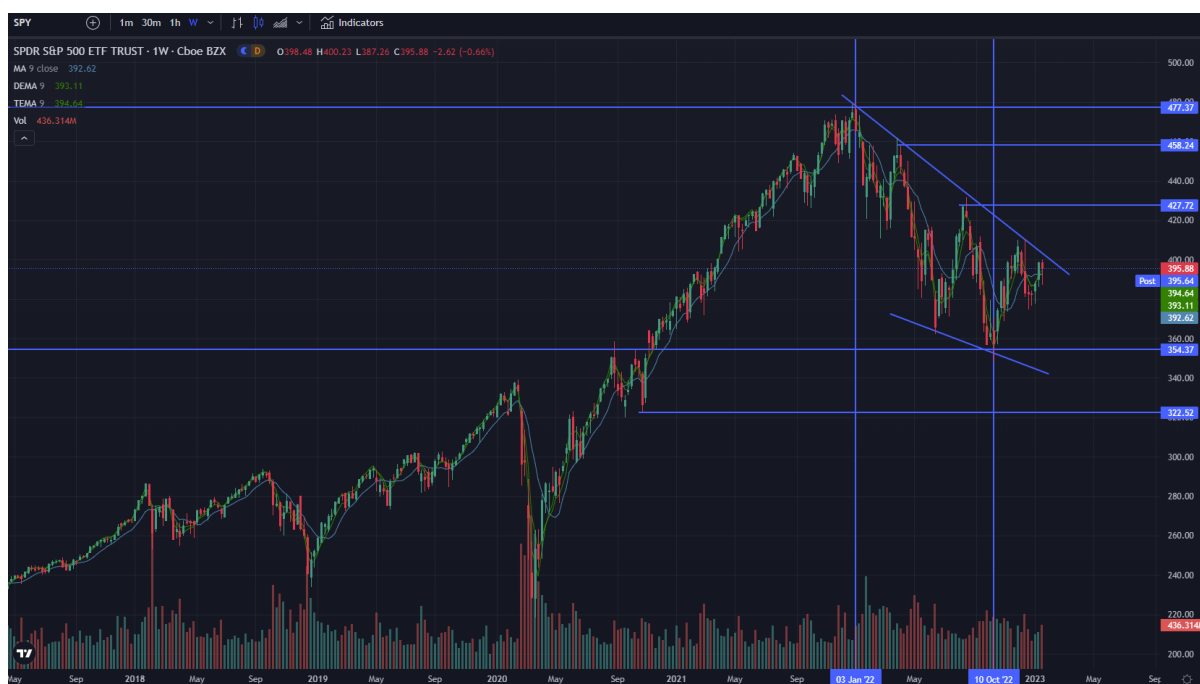


Figure 1: The S&P 500 ETF SPY in weekly candlesticks. The technical indicators such as the support and resistance lines are provided by W.Y.N..

2.2 Asset Allocation

We have major assets in four different divisions. The assets are distributed in Financing, Cryptocurrency, Equities, and Real Estates. The largest weight resides with Real Estate, at 33% of our portfolio. The next on the list equity-based holdings such as stocks, which takes about 28% of our portfolio. We also have about 30% cash reserves and the rest are in Financing.

2.2.1 Financing

We have not made any decisions this year to participating in any financial leverages such as using margin accounts or loans. Many experts on the street have made arguments why leverage could increase the profitability. We do not see things the similar way. Financial leverage could enlarge profits at a numerical level, i.e. dollar amount. However, the risk, in percentages, result also in enlarged size where the reward might stay same percentage wise or worse. Since there is no real tangible way of increasing or even managing risk-reward ratio, we did not pursue this direction.

This is not to discourage any of my audience who are expert in this field. Though we have our analysis and we do not see an improvement in risk-reward ratio, this is not a negation of the whole field.

2.2.2 Cryptocurrency

We have been involved in cryptocurrency since the summer 2021. As observed, the current market valuation is the lower then when it was in 2020. From our analysis, the liquidation of most of the crypto-based funds are at risk and some of them have gone bankruptcy (see [Reuters](#)). We see cryptocurrency for its value according to the following pillars.

First, just like any other currency, it is a hedge against offshore risk. The same way U.S. dollars, the British pounds, and the Chinese yuan could depreciate and evaporate values from our accounts, it may be the case for cryptocurrencies as well. Whenever there is an exchange rate, that temporary transaction unfortunately creates a zero-sum game. When a transaction of different currency occurs and there is some shock in the economy, there is always one person benefits and the other loses value. This is unrealized at the time and will only realize to real profits or loss when another transaction occurs. We do not intend to swap our cryptos with other accounts, at least not yet.

Second, we see a long thesis for cryptos. Just like Gold, it is another form of currency. Also like Gold, engineers and cryptographer are required to mine the cryptocurrencies. Modern day cryptography is based on prime-numbers and the ability to take a complex number to break them into a public key and a private key. Though there are infinitely many prime numbers, the ability to discover them is not infinitely and can be very costly. Hence, this creates a supply curve that cannot continue to go on to match the demand. This is a view from our analysis and we believe that the bottleneck might come sooner than later. With this vision, the current shock with the crypto-related volatility can be ignored if the horizon we are looking at is decades if not longer.

Third, we know the liquidity of cryptocurrency is not as fruitful as equities. It is easy to buy a million shares Apple stocks with very little price slippages, but it is not easy to buy a million dollar cryptos with the same percentage of price slippages. The nature of this tape form a unique beta (a quantitative metric measuring the security price against the market benchmark) is hence enlarged with a factor of the level of the liquidity. In other words, we view the current drop in the crypto market a “norm” from what it is supposed to happen.

2.2.3 Equities

The highlight of this letter is probably this section. We have a unique way of interpreting the Chinese-America conflict. To avoid hurting the feelings of what we call “angry teens”



Figure 2: The U.S. Dollars of Bitcoin in weekly candlesticks. The technical indicators such as the support and resistance lines are provided by W.Y.N..

(from Chinese culture) or “gen z who cancel others” (from American culture), let me elaborate this in terms of business practices instead of in the name of two nations.

Every country has their ways or means of making a living. In China, Deng Xiaoping started opening up the borders, led by Shenzhen and also where I was from. This reopening of China has welcomed a lot of foreign investors (America included). The intermediary components of supply chain management had its revolution across nations. Take China-America as an example. Steve Jobs had his chief engineers to design the iPhone. Then they outsource the production to a factory in China to build the iPhones by putting things together. The products get shipped by to America and sell it back to China with twice the costs. The China-America conflict started long before and it was planned down in the root since the early 90s.

Now that we understand the source of pain. Let us then take a look at did the Internet-of-Things do to this supply chain management that established the so-called peace since the early 90s. Internet-of-Things brought us a whole new world where everything is digital. There are digital goods, coins, you name it. What fueled the success of Internet-of-Things is the hardware, specifically in semiconductors or computer chips. In the old days, it was IBM who claimed the title. At today’s world, there are 2 very successful companies that are both registered in the United States yet with Taiwanese CEOs. They are NVidia and AMD. Both are publicly traded companies in the United States. At W.Y.N., we do not see why there has to be a fight. Yet the world leaders do not agree. Sacrifices must be made when you are a world leader and that better not be your own people. Fueled by fear from that philosophy. A fight is inevitable between China and America to compete with the domination of the Internet of Things. China decides to take Taiwan. As a reaction, America took a humanitarian channel, leveraging the mistreated Muslims in China and rallying its allies to reduce the international trades with China. Neither parties realized that the two American born Taiwanese CEOs are the best form

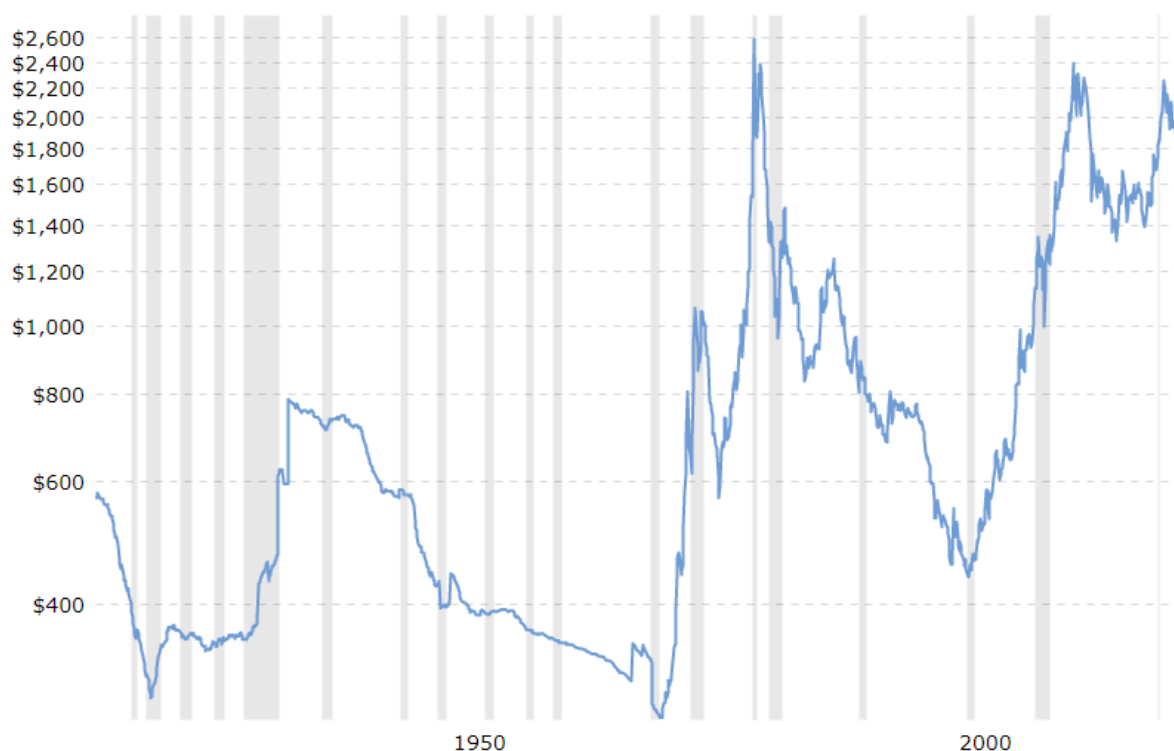


Figure 3: The historical Gold Price is presented in this figure and it dates from 1915-present.

of what both worlds can do to people.

As a consequence, many investors pulled out of semiconductors and funds have down-weighted their holdings in these two companies. NVidia has tanked from its peak at 340 dollars per share to the lowest of 140 dollars per share, a 41% drop. AMD has tanked from its peak at 164 to the lowest of 41 dollars per share, a jaw dropping 75% loss. At W.Y.N., we did not hold heavy positions, yet we have given back all our profits from the past 2-3 years of gain.

2.2.4 Real Estate

2.3 Q1 Summary

The first fiscal quarter of 2022 was when things started to turn around and went downhill. At W.Y.N., we try to avoid churning stocks (the actions of getting back into positions shortly after getting out) because we believe it is a behavior fueled by fear and does not contribute to our main risk-reward ratio. Hence, we decided to hands off in the first fiscal quarter.

As a matter of fact, I put out an executive command to pause all trading orders for the first fiscal quarter.

2.4 Q2 Summary

The second fiscal quarter we started with adding cryptocurrency back on our radar. We did not allocate any cash reserve to these positions yet, but judging by the rate the technology sector was coming down we decided to just hold off a little longer.

It was the end of the Q2 when we decided to slowly adding positions in cryptocurrency and technology sector. We started adding in cryptocurrency first.

2.5 Q3 Summary

Entering into the third fiscal quarter, we have had doubled our bitcoin positions. In addition, with financing and new capital coming into the company from our investors, we have basically tripled our cash reserve for new positions.

The third quarter we started putting technology sector back on our radar. We started a new position with Google and eventually we came back to Tesla.

2.6 Q4 Summary

The last fiscal quarter our bet was on Tesla. There were good and bad things occurring at the same time. From every perspective of our analysis, Tesla was traded at a discounted price. It is too hard to be missing out on this opportunity. On the other hand, we did also want to get ready for Elon Musk's decisions on buying Twitter. He had deals to financing \$44 billion dollars purchase to buy Twitter (see [here](#)). This is not a cheap purchase from a personal perspective. However, the way he liquidated his Tesla shares was something we did not fully anticipate. We were aware that he would tender some of his shares. However, the way he does it and the speed he did it were something that went against what I believe to be correct way of liquidating positions, which I did not expect from someone like him. This, by all means, does not change our views about Tesla as a company, but for Mr. Musk the shares were tendered a little too fast and too furious to be considered rational to avoid price slippage from traders' perspective. Had he had any traders on the desk to consult him with this decision, he would have gotten much better exit price from it. Unfortunately, this also hurt our portfolios as he was doing it. Though our position in Tesla is back to normal as I type this paragraph, the position did take a negative hit in the fiscal year of 2022.

Now the good parts. Most people see Tesla as a car company. Humanitarian lovers see Tesla as a environmental company. I respectively disagree. Tesla is neither a car company nor an environmental company. I would not even categorize as a company of automobile. Tesla is a company of data. The autonomous vehicle disregard all the bad news of delayed production (see this [news](#)) is, end of the day a channel for data transfer. The data, taking [auto pilot](#) as an example, has eight cameras constantly live stream data to the cloud service of Tesla central database. Tesla now knows where you would go before you even knew it. They have not released how they will bank on this data, but from our analysis this action is coming sooner than you know. In addition, Starlink, which will be part of Tesla implementation, is rolling out in production in 2023 and 2024. This combines everything we know about the Internet-of-Things, traffic data, and, on top of that, NeuralLink. That has not taken into the consideration that Elon Musk is the founder of OpenAI who created the ChatGPT (see [here](#)). For a current \$420 billion market evaluation of Tesla, we gave it a \$1 trillion dollar market valuation, and, yes, that is a buy for us.

3 Education

Last annual letter, I disclosed that our Education department has been partnering up with Udemy to create online courses. This year we partner up with Packt Publisher to pursue our AI4ALL dream for everyone in the world with an internet connection to be able to learn AI.

We are in conversation with Packt Publisher to release my courses on their platform. We already signed the contract with them and the videos are scheduled to be released end of 2022 and beginning of 2023.

4 Final Words

The fiscal year of 2022 was a stagnant year. Despite our negative gains, our assets have grown which is an upside. Truth being told, we entered into 2022 known that a correction is ahead. What we were not able to time or if anybody is able to time, for that matter, was when the correction starts and how long it will last.

From our analysis, as a forward-looking statement, we believe the correction is near its end, if not, has stopped already. The year of 2023 we will be able to start seen some rebound of some positions. We are ready and we are positioned to enter into Q1 of 2023 with a positive growth. For that, I am eager to get the new year started.

5 Appendix

5.1 Software

All of the functions and software required for reproducing the results are published online. Please feel free to access our software:

- access personal site [Yin Software](#)
- access our R package at Github page [YinsRLab](#)
- a more advanced development package at [YinPortfolioManagement](#)
- and newly released python library for AI and machine learning at [W.Y.N. Associates Github](#)