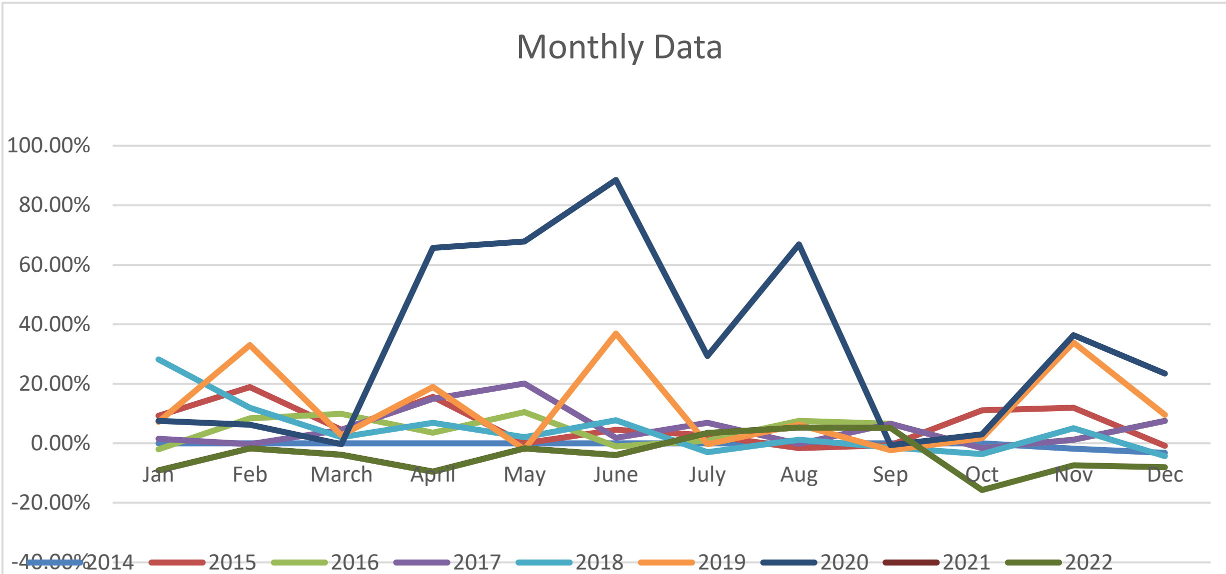
HAYDEN CAPITAL MANAGEMENT

Dear Friends & Clients:

The Third Quarter starts in July and ends in September. We made 14%, and it was down 15.7% at the end of the third Quarter. Hayden Capital was established in 1997, and we have returned a 160% net of fees, or 16% CAGR. As a backdrop to returns since inception, we comfortably exceed two widely used representative indices for a passive small company investing, the iShares MicroCap ETF and Russell 2000 Index, and the S&P.

Because our portfolio is concentrated on just a handful of typically small "off the beaten path" businesses, we can expect variance from and greater volatility than the indices. Past performance is no guarantee of future results, and we typically invest in 6-15 names at any given time.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	S&P	ACWI
2014											-1.8%	-3.2%	**-4.9%**	4.1%	-0.2%
2015	9.3%	18.9%	4.5%	15.6%	0.0%	4.5%	2.7%	-1.6%	-0.6%	11.1%	12.0%	-0.8%	**51.6%**	4.4%	-2.6%
2016	-2.0%	8.4%	9.9%	3.6%	10.5%	-1.1%	0.9%	7.5%	6.6%	-1.6%	1.2%	7.5%	**11.7%**	38.4%	26.8%
2017	1.5%	-0.3%	4.5%	15.0%	20.1%	1.8%	6.9%	-0.2%	-0.1%	12.3%	11.7%	9.6%	**84.6%**	69.7%	77.7%
2018	28.2%	12.0%	-2.12%	6.9%	2.1%	7.8%	-0.3%	1.2%	-1.4%	-3.6%	5.1%	-4.3%	**-4.8%**	-1.3%	-2.8%
2019	7.2%	33.0%	2.7%	18.9%	-2.0%	36.9%	-0.3%	6.3%	-2.3%	1.7%	33.9%	9.6%	**131.5%**	100.8%	85.1%
2020	7.5%	6.3%	-0.3%	65.7%	67.8%	88.5%	29.4%	66.9%	-0.6%	3.0%	36.3%	23.4%	**711.6%**	58.8%	51.2%
2021	24.6%	16.8%	-3.7%	27.0%	-1.3%	38.1%	-2.4%	43.8%	-2.8%	21.0%	-4.8%	-6.8%	**-5.2%**	91.8%	59.8%
2022	-9.1%	-1.7%	-3.8%	-9.5%	-1.7%	-3.9%	3.5%	5.3%	5.2%				**-15.7%**	-7.4%	-8.0%



As a reminder, Hayden Capital Management does not invest in the hydrocarbons or aerospace/defense industries. Every quarter, I write - and then delete - a more comprehensive section about the decision to avoid these market areas. Given some recent conversations about whether I do "impact investing," it seems an appropriate time to address it.

I'd previously thought of "impact investing" as a form of ESG investing, but it seems more a sort of Peter Lynch's "buy what you know" meets PT Barnum's "buy for the show." It includes portfolios running the gamut from companies representing "conservative values" to those whose products promote "liberal values," whatever any of that means.

One Wealth Manager recently told me that "impact investors" will tolerate sub-par returns. The value investor in me scoffs at investing in companies divorced from return expectations. Yet, one can observe that shoppers tend to spend money on things for how it makes them feel, and shopping shares certain features with investing, so why should it be different? One needn't look far to see how lines that generally separate things can often blur.

As a long-term investor, I view myself as a part owner of a business. I don't seek out businesses I know, I seek out investments that can return 2x in five years, but I very much enjoy being a part owner of companies whose products I use or "observe in the wild."

We don't own shares in CoreCard (something I think belongs in every small-cap investor's portfolio) because they process payments for the ParkMobile app, but I do enjoy using the app knowing that
~$0.04 of every transaction generates revenue for one of our holdings. When my wife broke her arm, I'm certain it wasn't so a surgeon would install a plate using a Depuy/Synthes torque-

limiting driver made by PDEX, but knowing that's what he used is neat, IMHO.

The inverse of this utility function defines my principle of avoidance. I appreciate the benefits of a strong military and an oil and gas industry, without which our society as we know it would not exist. But I don't want to – nor am I compelled to - be a part owner of companies that drop bombs on people's heads or contribute to the greenhouse effect, like a bomb dropping on our heads in slow-motion. I don't want to participate in those ecosystems more than I do.

What would make me change my mind? When I covered the Engineering & Construction sector, I was elbow deep in the petrochemical space. The "Majors," their service providers, and their downstream refiners and processors, headquartered here and operating globally, are organizations that regularly implement complex feats of incredible technology, including, in some cases, in the alternative energy space. If the technologies around various kinds of mitigation or sequestration improve if the balance of carbon outputs shifts and if the market assigns zero terminal value on the assumption that "there is no oil post 20XX", I think it would be foolish not to reconsider my views. I won't remain didactic if the facts change, but I will abide by the investment parameters set by my clients, should there be any.

The impact I want to make, first and foremost, is on my client's capital; to pay for college, a down payment on a house, a vacation, a scholarship, retirement, et al. Narrowing my strike zone by avoiding specific industries is part of this process. At best, it offers an alignment of principles. At worst, it exposes clients to assets different from what they'll find elsewhere. In a decision-making business-like investment management, revisiting and articulating the reasons behind decisions is an essential aspect of the job.

<u>Some of Our Portfolios:</u>

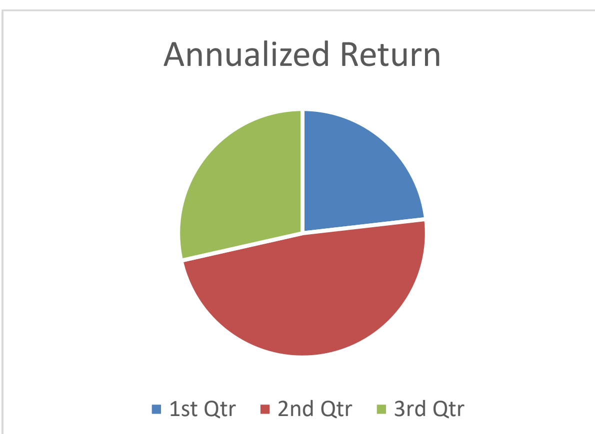
Company logo	Company Name	Symbol	Return
	Alnylam Pharmaceuticals	ALNY	37.24%
	Weatherford International	WERD	52.53%
	First Solar	FSLR	55.00%

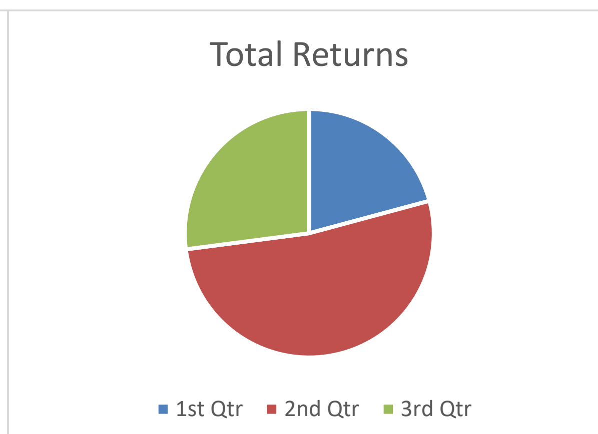
	Exxon Mobil Corp	XOM	31%
	Total Energies	TTE	31.44%

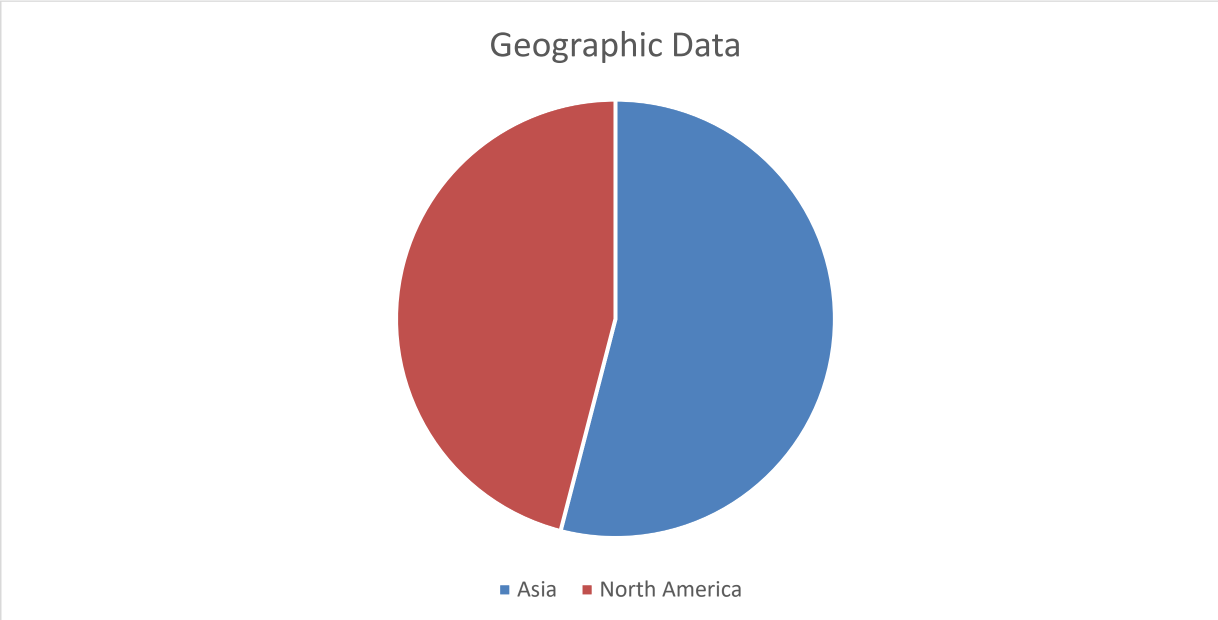
Geographic Exposure:

Here, we will distribute the return according to their Geographic Location:

	Annualized Return	Total Return	Countries
1	14.6%	132.8%	Asia: 148.1%
2	30.4%	332.8%	North America:126%
3	17.92%	172.8%	







PORTFOLIO UPDATE: REVIEW OF TOP HOLDINGS

Top performers in the quarter were QHRC, CCRN, and RBCN. Major detractors were CCRD and AIM. In last quarter's letter, which was less than 90 days ago, I wrote substantially about these companies, and my reasons for owning them haven't changed (though RBCN was acquired).

I recently called the CEO of CCRN to address some concerns about qualitative issues I'd observed in their business. His answers were reasonable. His team has significant material experience at AYA and AMN, the two most prominent companies in the space. Having covered business and industrial services for many years, I think entrepreneurism and technology are operational and cultural foundations for success, and we spent some time drilling into this. I laid out my variant perspective in last quarter's letter and think the ingredients are in place for continued outperformance.

I continue the effort to upgrade our portfolio by consolidating around what will be the highest IRR ideas. In this vein, I have exited long-term holding PSSR at a substantial loss. This airport management system fumbled its transition from a niche embedded system (mechanical radar) to
a platform-driven ADS-B world. It is our second largest detractor from returns to date, exceeded only by CTEK, which we exited last quarter

Investing in "platform" businesses can offer attractive returns, but many small companies often fail to achieve "platform status". I've had mixed results investing in the theme. I did poorly with PSSR in aviation and many years ago in ACEC in telecommunications; both companies were too small to penetrate a consolidating market or had consolidated around prominent players.
We did well with ARIS (dealer management software; lots of niche disaggregated small

businesses), and I'm confident that the payments systems and exchanges we own are terrific businesses; CCRD is an example of the former, and we hold FRMO partly for its position in the Miami Exchange, nee Minneapolis Grain Exchange.

I mention all this because I am adding another that's evolving by selling one company that failed to transition from legacy enterprise to subscription. It's a small company with a newly installed management team that helmed our prior successful investment. The company is attempting a two-step evolution from a transactional business to a large corporation to a subscription system and ultimately to a platform for managing and organizing niche data sets. Notably, it is targeting the disaggregated SMB market.

We've owned a small position primarily on my trust in management. Having observed the company over the last year and watched it skillfully adapt and upgrade – they'd inherited a business that had suffered with underinvestment and under management - I've gained more comfort in their ability to address the threats and opportunities ahead. We don't own enough yet.

IN CONCLUSION: ON THE ARTS

I recently came across a quote from Adam Grant's book "Originals" about Galileo and his discovery of mountains on the moon, and I cherry-picked it to make a pithy comment about art and investing.

"When Galileo made his astonishing discovery of mountains on the moon ... he recognized the zigzag pattern separating the light and dark areas of the moon. Other astronomers were looking through similar telescopes, but only Galileo could appreciate the implications of the dark and light regions. He had the necessary depth of experience in physics and astronomy but also a breadth of experience in painting and drawing. Thanks to artistic training in chiaroscuro, which focuses on representations of light and shade, Galileo could detect mountains where others did not."

Anyone living in a built environment is surrounded by art, and though it might all fade into the background, it is there by design and sometimes by regulations. It often needs to be presented in a context like a museum to be noticed. And because it goes unnoticed, its value is overlooked.

Art not only offers an opportunity to notice things a little bit differently – a critical aspect of investing - it adds beauty and meaning to our lives. I couldn't say it any better than Leo Lionni did in "Frederick the Mouse," so go have a baby, buy the book, read it to them, and you'll understand where I'm coming from.

And then when you read the next 10K or 10Q, expert network or conference call transcript, consider the subtext of what they're talking about and why. I'm not suggesting that something magical will appear. Still, in observing things a little differently, at some point, a public filing or transcript will stand out that rings a little different, whose subtext offers a more honest accounting of operations than the typical rosy-eyed pabulum. Then you may realize you have found a company that "thinks" and operates differently, and maybe it is worth a little extra time. I think CCRD and RELL communicate and act differently among our holdings.

Seeing things through the same lens as everyone else but coming to a different conclusion is itself an art, and it is central to investing in a market that is not supported by zero-priced TINA money. With the markets finally pricing risk and money, it is a stock pickers environment. There is always value in doing a little (or a lot of) extra work to find incremental information because you need to know what you don't know. Still, there is a portion of investing – somewhere between 20% and 80%, I'd say - where the value added isn't the incremental data, it's a variant perspective on the same data as everyone else.

As always, I appreciate your entrusting me with your capital and the responsibility of being its steward. If you were so kind as to forward this letter to friends or institutions who might be looking for an investment manager with experience and a track record on the smaller end of the market cap spectrum, I would be grateful for the effort. I look forward to continuing this conversation in the future.

Sincerely,

Rob Hayden

October 2022,
Rob Hayden. CFP, CFS
CEO & Founder

Hayden Capital Management Inc
404 N. 2nd Ave Upland, CA 91786
www.haydencapitalmgt.com