July 12, 2017 **2017-Q2 Update**

Dear Fellow Investors,

I am particularly excited to write about Q2 2017. First, our portfolios continued their strong performance YTD (now +12.5% net of management fees[1]). Second, I'm pleased to announce that I've begun the process of transitioning management of the portfolios to a newly-formed, independently-owned firm. The new firm, for which I am the Founder and Portfolio Manager, is named Upslope Capital Management.

While most of the operational work for Upslope is complete, I await registration of the firm with the State of Colorado as a registered investment adviser. In the meantime, I continue to manage the strategy for prior clients on a no-fee basis during the transition period.[2]

Now, back to the topics at-hand. In addition to the usual updates on portfolio positioning, market conditions, and performance, I will also spend some time discussing my general approach to short-selling this quarter.

Market Conditions

Equity markets advanced once again in Q2 – but more modestly and with a few hiccups. For the quarter, the S&P Midcap 400 ETF (MDY) and the HFRX Equity Hedge Index, returned 1.8% and 1.0%, respectively. Despite our conservative positioning (average of 52% net long during the quarter), the Upslope accounts more than kept pace during the quarter, returning 6.1%.

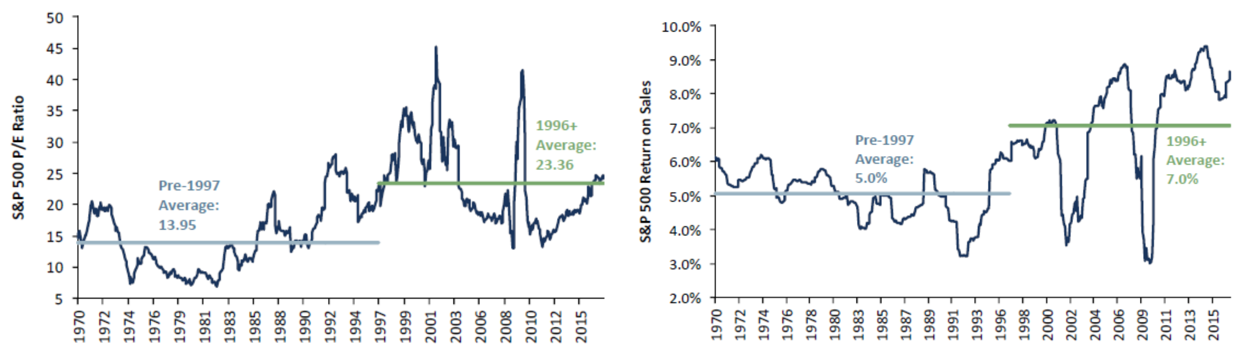
I continue to be wary of current market conditions. Equities look fairly expensive (though I don't believe there are real parallels to the 90's tech bubble, as some do) and a general "buy the dip" mentality seems pervasive. There were a few little tremors over the past month. Over the last three weeks of the quarter, "FANG" stocks (Facebook, Amazon, Netflix, Google) – which have carried much of the momentum for the overall market in recent years – pulled back an average of almost 6%. This was somewhat new.

Additionally, GMO's Jeremy Grantham, who is known by many as a sober, long-time market skeptic stated in his most recent quarterly letter, "this time seems very, very different" with regards to current and historical valuations. While acknowledging those are some of the most dangerous words in investing, Grantham goes on to detail why he thinks valuations and corporate profitability may have permanently shifted higher (the short version: he believes even if markets fall, valuation lows will be higher than they have in the past).

[1] Unless otherwise noted, all returns are shown for a composite of all accounts invested according to Upslope's core long/short strategy, and are net of all fees and expenses billed during period shown. For the second quarter of 2017, the portfolio manager's prior employer elected to waive all accrued fees (both management and incentive) that had not yet been billed. As such, prospective performance-based fees are not included in any returns shown. As of the date of this letter, prior client accounts are being managed on a no-fee basis.

[2] For simplicity, I refer to "Upslope" throughout this document when discussing the current management of "client" accounts. However, Upslope is not currently operational. "Client" accounts are currently managed by the Portfolio Manager as an individual and on a no-fee basis.

Exhibit 1: Is It Different This Time? Some of Grantham's Evidence



Source: GMO, Compustat. Data as of 3/31/17

While Grantham's rationale is not unreasonable, I find it concerning to see more and more "it's different this time" arguments (many of which are convincing!) – especially when they start coming from people such as Jeremy Grantham. One quibble: I'd throw out much of the data in Grantham's P/E ratio chart (left chart in Exhibit 1 above) around the 2000-2001 and 2008-2009 periods, given these periods involved bursting bubbles (i.e. the "E" – earnings – in P/E ratios during these periods quickly shrunk, causing P/E ratios of certain sectors to temporarily spike). Bottom-line, while our (still conservative) positioning is driven by a bottom-up process, broader valuation measures and anecdotes such as the above give me some comfort that I'm on the right track.

Approach to Short-Selling

This quarter I'd like to discuss my approach and philosophy on short-selling – and some recent, related changes stemming from the transition to managing the portfolios under Upslope.

First, why do we short stocks? Two reasons: (1) **To make money** (as opposed to just a money-losing insurance policy)**.** Given the vast majority of returns in equity markets are generated by a small percentage of stocks, there *should* be opportunities to identify and profit from the losers. (2) **To enable more aggressive *buying* in a potential market downturn**. Having a portfolio of shorts that generates positive returns in a market downturn has tremendous psychological and practical benefits in managing a portfolio. While short-selling is a very different endeavor than seeking concentrated, high-quality long-term investments, I believe it adds real value over a full equity market cycle.

My approach to short-selling has always been to focus primarily on secular "losers," businesses with challenged financial models, and fads. Often, this means shorting companies that appear cheap – but whose stocks are likely to continue to slide, as estimates for future earnings continue to fall. In most cases, an impaired competitive position or lousy financial model can be observed by analyzing certain financial patterns: low returns on capital, poor/unpredictable cash flows, and persistent need to raise additional capital. I tend to avoid pure "valuation shorts" (shorting based on a specific view of what valuation multiples *should* be) and tread cautiously (with regards to position sizing) around "battleground" stocks (those with abnormally high short interest that can be subject to erratic trading as a result).

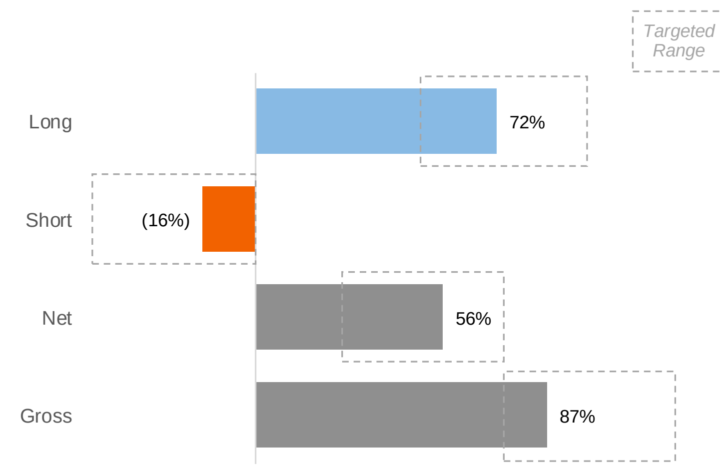
For a variety of reasons, I believe that shorting stocks of individual companies ("alpha shorts") is strongly preferable to shorting broad indexes. Under my previous employer, however, additional research coverage commitments made fully implementing this preferred approach impractical. As a result, I leaned more on market hedges than individual shorts as the most efficient way to manage the portfolios. Going forward, I plan to use market hedges far more sparingly and put greater emphasis on gaining short exposure through alpha shorts. You'll notice in the *Portfolio Update* section below that this process is already well underway.

One consequence of the shift is that the number of stocks in the portfolio will be somewhat higher than in the past. This is due to a conservative approach towards sizing short positions. While our longs can be quite large (several are around 10%), individual alpha shorts will never exceed 5% of the portfolio (in fact, most will be in the 1-3% range). Shorting stocks carries a number of added risks (examples: buyouts, short squeezes, etc.) and conservative sizing is, in my view, the most effective way to manage these risks.

Portfolio Positioning

At quarter-end, the portfolio remained conservatively positioned, with net long exposure of 56% (vs. 25-75% typical range) and gross exposure of 87% (towards the bottom of our normal range). As a reminder, overall positioning is guided by my success (or lack thereof) in identifying actionable, attractive investment opportunities – as opposed to a broader market view.

Exhibit 2: Current[3] Portfolio Exposure (% of Net Asset Value)



Source: Interactive Brokers, Upslope Capital

Portfolio Update

The most notable changes to the portfolio during the quarter were on the short side. We added four new "alpha short" positions and one hedge. We also closed one alpha short position and one hedge. I don't expect this level of activity to continue, as it was mostly due to a re-alignment of our short-selling strategy going forward. Activity on the long side was more muted: we added one new position and exited two others.

Details on the major changes to the portfolio during the quarter are provided below:

- **Eros International (EROS)** – new short. Eros is a leading producer and distributor of "Bollywood" film content. The company is headquartered in India but listed on the NYSE. I have followed this business for two years and have been continually amazed by its poor financial model, significant insider self-dealing and conflicts of interest, and entertainingly promotional management team.

[3] As at June 30, 2017.

While this is more of a “battleground” short than I’m normally comfortably with (40% of float is short), it checks virtually every other box one could possibly want in a short position.

- **Blue Apron (APRN)** – new short. Blue Apron completed its IPO on June 29 and is the leading home delivery service for meal kit deliveries (they provide specific recipes and portioned ingredients). While revenue growth has been explosive (albeit at a slowing pace), virtually every key performance indicator points to significantly worsening business prospects (in-line with the intensively and increasingly competitive environment in which APRN operates). Additionally, APRN has yet to reach profitability or positive free cash flow. While valuation appears “cheap,” I believe this will ultimately prove to be a value trap.

- **Bank of the Ozarks (OZRK)** – new short. Headquartered in Little Rock, AR, Bank of the Ozarks has grown into a major national player in the construction lending business, with total assets approaching $20 bn. While OZRK touts its conservative lending standards, it has grown its loan book at a ~40% CAGR for several years – a pace I believe will ultimately lead to material credit issues. Despite its much-touted conservatism, OZRK enjoys a far better yield on its loan assets, while maintaining a much lower allowance for losses than the vast majority of its peers. In short, something doesn’t add up, in my view. While I am confident OZRK’s model will eventually be proven less-than-conservative, I believe we are early. So, our position sizing is modest as we await concrete signs of fundamental deterioration.

- **STORE Capital (STOR)** – new long. STORE Capital is a leading triple-net REIT that owns and manages single-tenant properties (think of a single Taco Bell location). Over the past three months, I had fully researched the business as a contrarian play on retail sector pessimism. Valuation appeared reasonable, but not “table-pounding.” So, I did nothing. Then, on June 26, STOR announced a major investment from Berkshire Hathaway. I normally despise the concept of riding on the coattails of well-known investors. But, this situation was different: (a) I already knew and liked the business, and (b) the BRK investment seems likely, in my view, to tip STOR into a virtuous growth cycle (or at least provide a decent floor to the stock). Importantly, the position also provides a nice diversification benefit to the portfolio (STOR trades somewhat in sync with long-term bonds).

- **OTC Markets Group (OTCM)** – exited long. As I fine-tuned the overall strategy for Upslope (including a desire to maintain attractive liquidity terms for prospective clients), I ultimately decided OTCM’s trading volumes were too thin to fit the strategy going forward. Frankly, this was a disappointment, as I continue to like OTCM and its long-term prospects.

- **Other Notable Changes**: We exited **TACO** (hit price target) and **JNS** (concerned stock could rally after closing its merger with Henderson). We also initiated two short positions in ETFs (exchange-traded funds). First, we shorted **HACK**, which is a “cyber security” ETF. This position was designed as a hedge to our significant long position in CHKP, which hit estimated fair value far faster than expected. Additionally, we also added a short position in **EWC** (broad Canadian equities ETF). While this is an ETF short, I view it more as an “alpha short” intended to benefit from broad weakness in the Canadian economy and financial system in general. While shorting Canadian banks (which comprise >25% of the ETF) has historically been known a “widow-maker” (popular idea that no one has made much money off of to date), recent challenges at a top sub-prime mortgage lender combined with broad energy market weakness, gave me confidence the timing was right to take a shot here and now.

Performance Update

Please note that all reported performance numbers are shown for a composite of all accounts invested according to Upslope's core long/short strategy, and are net of all fees and expenses billed during period shown. Returns shown are gross of potential performance fees (as none have been billed nor are currently accrued through the date of this letter). Performance by individual account may vary due to timing differences involving deposits/withdrawals and other operational differences. Please refer to individual statements produced by the custodian for account details.

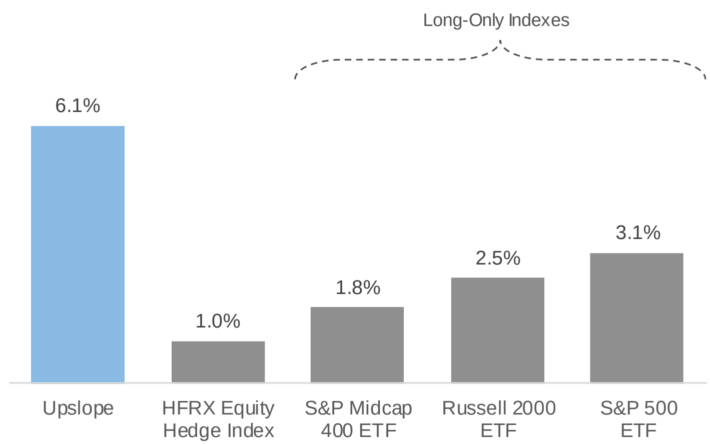
Performance for the Upslope portfolios during Q2 2017 was +6.1%. The largest contributors to and detractors from performance are noted below. Gross contribution to overall portfolio return is noted in parentheses, along with identifiers for whether a position was long (L) or short (S).

Exhibit 3: Top Contributors to Quarterly Performance[4]

Positive Contributors	Negative Contributors
NEX Group (L, +217 bps)	Natural Grocers (L, -80 bps)
Crown Holdings (L, +125 bps)	Owens-Illinois (S, -38 bps)
AptarGroup (L, +113 bps)	Janus (S, -23 bps)
Total Contribution from Longs	**Total Contribution from Shorts**
+669 bps	-67 bps

Source: Interactive Brokers, Upslope Capital
Note: amounts may not tie with aggregate performance numbers due to rounding, the impact from foreign currency cash positions (SEK, GBP) and fees

Exhibit 4: Q2 2017 Performance vs. Selected Indexes



Source: Interactive Brokers, Morningstar, Hedge Fund Research, Sentieo
Note: based on total return

[4] Individual contribution data based on performance of a representative account and may vary from account to account.

Closing Thoughts

Despite my continued unease with broader markets, I remain very enthusiastic about our unique portfolio. I am forever-grateful for your trust and the opportunity to manage a portion of your hard-earned money. Please do not hesitate to contact me (note: new email address provided below) with any questions at all regarding the portfolio, your account, or any other matters.

Best Regards,

George K. Livadas
george@upslopecapital.com

Appendix A: Historical Performance[5]

Net Returns (Composite)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Midcap 400[6]
2016[7]	--	--	--	--	--	--	--	0.0%	(0.7%)	(1.6%)	2.8%	(1.7%)	**(1.4%)**	**6.2%**
2017	7.3%	(1.9%)	0.8%	3.8%	2.6%	(0.4%)	--	--	--	--	--	--	**12.5%**	**5.7%**
Since Inception													**11.1%**	**12.3%**

Above returns are net of all fees billed to date. This includes a composite (dollar-weighted) average annualized management fee of 0.79% through 1Q 2017 (no fees thereafter). Returns do not include prospective performance-based fees, as none have been billed nor are currently accrued (through the date of this letter). Data includes all accounts managed using long/short (vs. long-only) strategy.

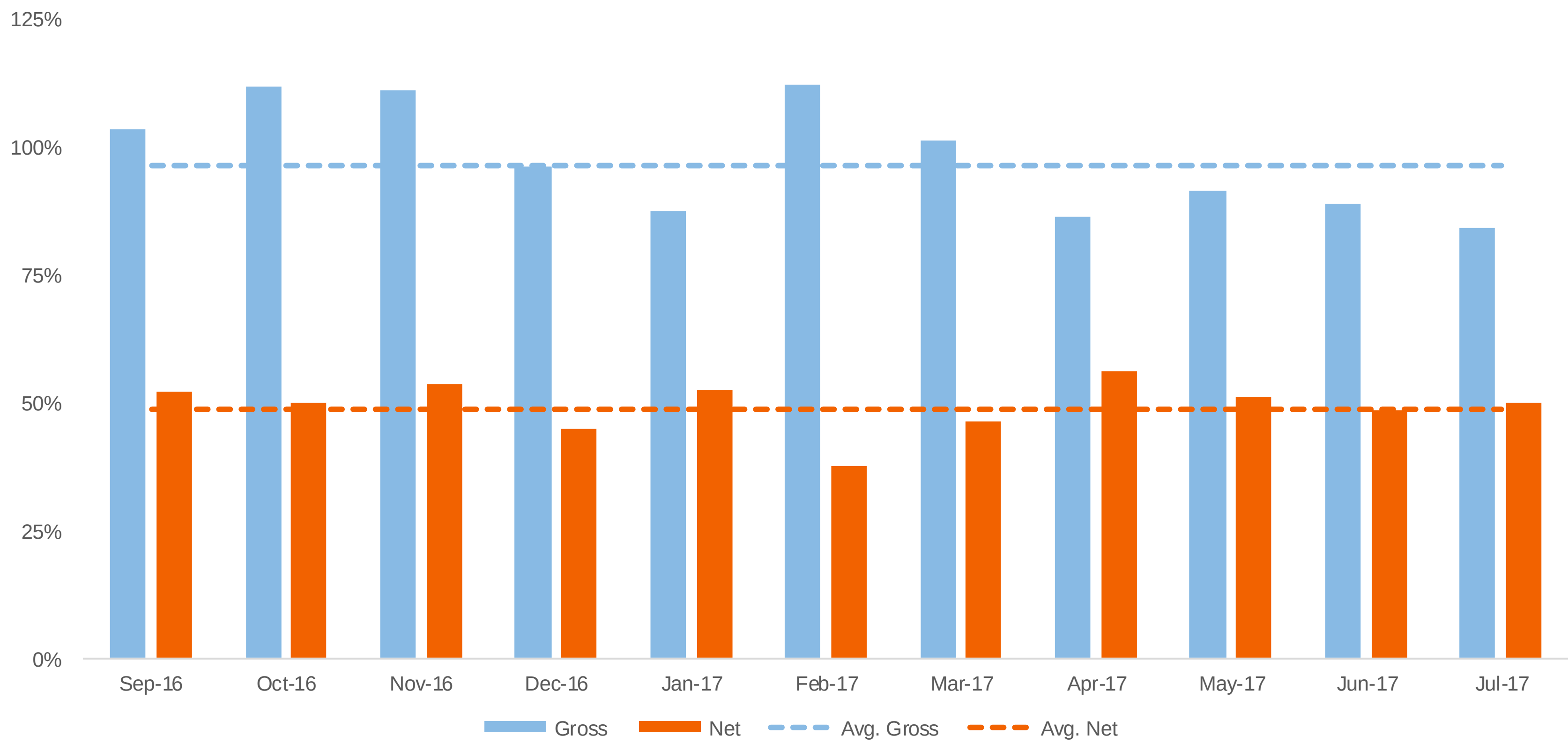
Given the variability in fees among accounts and timeframe, gross returns are also provided below.

Gross Returns (Composite)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Midcap 400[8]
2016[9]	--	--	--	--	--	--	--	0.0%	(0.7%)	(1.5%)	2.8%	(1.7%)	**(1.3%)**	**6.2%**
2017	7.6%	(1.9%)	0.8%	4.0%	2.6%	(0.4%)	--	--	--	--	--	--	**13.0%**	**5.7%**
Since Inception													**11.8%**	**12.3%**

[5] Data from inception to June 24, 2017 is based on portfolio manager's ("PM") performance at prior firm. PM has personally managed the strategy/accounts on a no-fee basis since June 27, 2017. **Past performance is no guarantee of future results.**
[6] Total return for the S&P Midcap 400 ETF (MDY) is shown.
[7] August 2016 and YTD 2016 data are shown from inception of the strategy on 8/29/16.
[8] Total return for the S&P Midcap 400 ETF (MDY) is shown.
[9] August 2016 and YTD 2016 data are shown from inception of the strategy on 8/29/16.

Appendix B: Daily Average Net Long & Gross Positioning by Month[10]



[10] Source: Upslope Capital, Interactive Brokers. Based on composite of all accounts invested according to Upslope's core long/short strategy.

IMPORTANT DISCLOSURES

Upslope Capital Management, LLC is a Colorado registered investment adviser. Information presented is for discussion and educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. **Past performance is not indicative of future performance.**

While Upslope believes all information herein is from reliable sources, no representation or warranty can be made with respect to its completeness. Any projections, market outlooks, or estimates in this presentation are forward-looking statements and are based upon internal analysis and certain assumptions, which reflect the views of Upslope and should not be construed to be indicative of actual events that will occur. As such, the information may change in the future should any of the economic or market conditions Upslope used to base its assumptions change.

The description of investment strategies in this presentation is intended to be a summary and should not be considered an exhaustive and complete description of the potential investment strategies used by Upslope discussed herein. Varied investment strategies may be added or subtracted from Upslope in accordance with related Investment Advisory Contracts by Upslope in its sole and absolute discretion.

Any specific security or investment examples in this presentation are meant to serve as examples of Upslope's investment process only and may or may not be trades that Upslope has executed or will execute. There is no assurance that Upslope Capital will make any investments with the same or similar characteristics as any investments presented. The investments are presented for discussion purposes only and are not a reliable indicator of the performance or investment profile of any composite or client account. The reader should not assume that any investments identified were or will be profitable or that any investment recommendations or investment decisions we make in the future will be profitable. Any index or benchmark comparisons herein are provided for informational purposes only and should not be used as the basis for making an investment decision. There are significant differences between Upslope's strategy and the benchmarks referenced, including, but not limited to, risk profile, liquidity, volatility and asset composition. You should not rely on this presentation as the basis upon which to make an investment decision.

There can be no assurance that investment objectives will be achieved. Clients must be prepared to bear the risk of a loss of their investment.

Any performance shown for relevant time periods is based upon a composite of actual trading in accounts managed by Upslope under a similar strategy. Except where otherwise noted, performance is shown net of billed management and incentive fees (where applicable), and all trading costs charged by the custodian. Composite performance calculations verified by Stonegate International Administration. Performance of client portfolios may differ materially due to differences in fee structures, the timing related to additional client deposits or withdrawals and the actual deployment and investment of a client portfolio, the length of time various positions are held, the client's objectives and restrictions, and fees and expenses incurred by any specific individual portfolio. Dividends and other cash distributions are not automatically or directly reinvested in securities held by Upslope clients.

Benchmarks: Upslope's performance results shown are compared to the performance of the HFRX Equity Hedge Index, as well as exchange-traded funds that track the S&P 500, S&P Midcap 400, and Russell 2000 indexes (tickers: SPY, MDY, IWM, respectively). The HFRX Equity Hedge Index is typically not available for direct investment. Benchmark results do not reflect trading fees and expenses.

The HFRX Equity Hedge Index was chosen for comparison as it is generally well recognized as an indicator or representation of the performance of equity-focused hedge fund products. The other benchmarks noted above (SPY, MDY, IWM) and used by Upslope have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized, investable indexes. Results for these benchmarks do not reflect trading fees and expenses.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS