Upslope Capital Management
ALTERNATIVE \ VALUE \ CONCENTRATED

2018-Q1 Update

April 6, 2018

Dear Fellow Investors,

I am excited to provide this update for Upslope Capital Management. Highlights for Q1 2018 include:

- Upslope's core long/short strategy returned[1] +6.1%
- Upslope's average net long and gross exposure were 40% and 94%, respectively
- The S&P Midcap 400 ETF (MDY) returned -0.8%; the HFRX Equity Hedge Index was +1.2%

As always, I will discuss: market conditions, portfolio positioning, and key updates to the portfolio. I am also bringing back a rotating topic on investment philosophy (this quarter: the role of M&A in Upslope's strategy).

MARKET CONDITIONS: Volatility, Finally!

After more of the same in January (booming markets, frustrated value-oriented investors), February marked a shift: the S&P 500 fell 10% in nine trading days – one of the fastest "corrections" in history. Despite the carnage, volatility for Upslope was modest due to low net long exposure, a few outperforming longs, and a well-timed volatility hedge (shorted SVXY in late January; fascinating back-story on the blow-up is here). In March, markets remained volatile – particularly for long-time *market* leaders (e.g. Facebook, Amazon, Netflix, Google). Appropriately, the biggest event for Upslope was unrelated to broader markets. CME announced plans to acquire NEX Group, one of our largest and longest-held positions, for a ~50% premium.

Looking ahead, I am less pessimistic on the outlook for equities than 90 days ago. "Neutral" is probably the right word. While I was outright concerned last quarter, the truth is that today I don't have conviction in either direction (I am quite comfortable with this, given Upslope's strategy). What has changed?

- Volatility has returned; the obvious signs of exuberance have (partly) faded[2]
- Valuation metrics are cheaper – a result of the pull-back and improved bottom-lines (tax cuts)

That said, a few considerations weigh on my mind. First, while the economy is undoubtedly strong, I continue to wonder how much better it – and a forward-looking market – can really get. Second: while markets have pulled back, investors need to maintain perspective. Most equity indexes are still just 6-7% below *all-time* highs. We are hardly awash in bargains.

Given this environment (still-elevated valuations, rising volatility, later innings of economic cycle), I believe prospects for Upslope's long/short approach to add value and alpha for clients in 2018 and beyond remain very attractive. No doubt, I am shamelessly biased and "talking my book." But, with 95%+ of my own liquid net worth invested alongside Upslope clients, these aren't just words.

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[1] Unless otherwise noted, all returns are shown for a composite of all accounts invested according to Upslope's core long/short strategy (the vast majority of AUM) and are net of all fees and expenses billed during periods shown. Composite performance calculations verified by Stonegate International Administration. Performance may vary by account and clients should check individual statements for actual individual results. **Please consider all performance figures in conjunction with accompanying disclosures and complete data in Appendix A.**

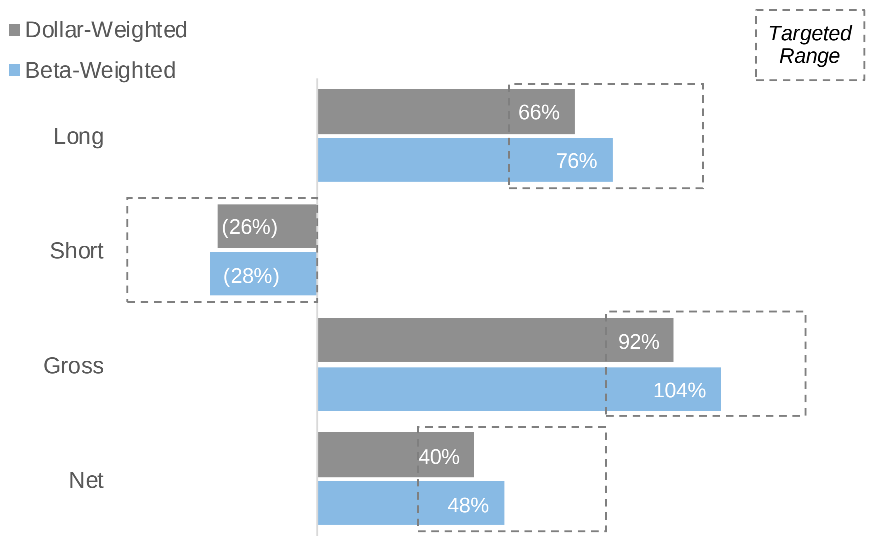
[2] As an example: many of the "blockchain" companies I noted in our Q4 letter are down 30-40% since early January.

PORTFOLIO POSITIONING

At quarter-end, net long and gross exposure were 40% and 92%, respectively. This level of net long exposure sits moderately below the middle of our typical (25-75%) range – reflecting ongoing challenges in finding high-conviction value on the long side, along with greater ease in finding short opportunities.

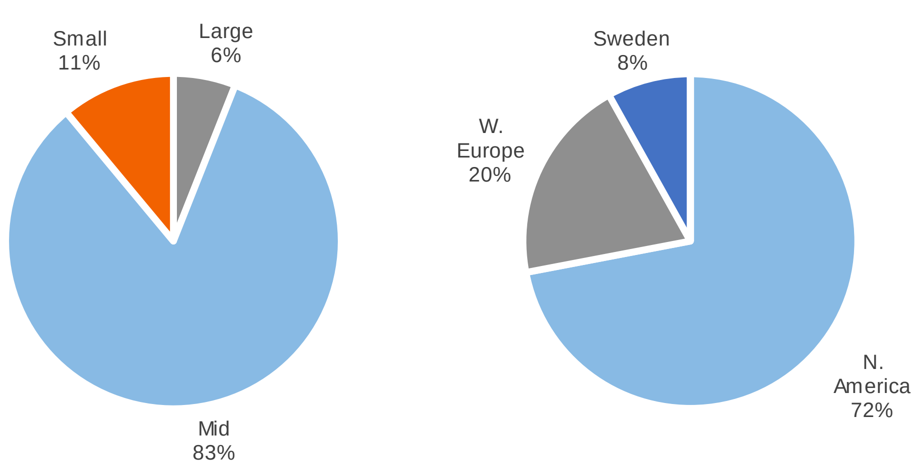
Exhibit 1 below shows exposure on both a “Dollar-Weighted” and “Beta-Weighted” basis. As a reminder, “Dollar-Weighted” is calculated using the dollar value of each position. “Beta-Weighted” accounts for the beta (rough proxy for past volatility) of each position.

Exhibit 1: Current Portfolio Exposure (% of Net Asset Value)



Source: Upslope, Interactive Brokers, Sentieo
Note: as of 3/31/18.

Exhibit 2: Gross Exposure by Market Cap & Geography



Source: Upslope, Interactive Brokers
Note: as of 3/31/18. Definitions: Small ($250mm - $3bn), Mid ($3bn - $11bn), Large (>$11bn)

PORTFOLIO UPDATES

The largest contributors to and detractors from quarterly 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 (Gross)

Positive	Negative
NEX Group (L, +520 bps)	Bemis (L, -85 bps)
MarketAxess (L, +100 bps)	Burford Capital (L, -60 bps)
Camping World Hldgs (S, +95 bps)	MDY Hedges (L, -50 bps)
Total Contribution from Longs	**Total Contribution from Shorts**
+370 bps	+255 bps

Source: Upslope, Interactive Brokers
Note: Amounts may not tie with aggregate performance numbers due to rounding

Key changes and updates to the portfolio are discussed below:

- **Burford Capital (BUR.LN) – New Long:** Burford is an alternative asset manager focused on investing in commercial litigation claims. Historically, Burford invested using its own balance sheet. Today, Burford *also* has a fund business (acquired in late 2016 and similar to traditional HF/PE models). Despite rapid growth, Burford continues to earn attractive returns (historical ROIC/IRR of 75%/31%). The stock has doubled over the past year on the back of strong performance. But, this does not mean it is expensive, in my view. To the contrary, I believe Burford's current price is reasonable given the attractive nature of the business. I confess that I did a poor job of initiating/managing the position early on (thus, the position appearing in our top three losses for the quarter). But, I'm hopeful it will be merely a minor blip over the long-run. The 'pitch':

  (1) **Dominant player in rapidly growing industry, with significant runway ahead**: no competitors of comparable scale, little penetration of large addressable market, opportunities for geographic expansion.

  (2) **Scarcity value**: few competitors of scale, little correlation with major asset classes, natural path to liquidity (not reliant on capital markets) for underlying investments, high returns supported by at least some price insensitivity (bidding less competitive due to confidential nature of cases, time-sensitivity).

  (3) **Durable competitive advantages**: Burford is the biggest player in its space and has a critical mass of specialized talent. To hire/assemble a comparably experienced team of scale would be very challenging. Clients also benefit from Burford's scale via broader service offerings, deeper expertise, and an ability to deploy capital for larger opportunities.

  (4) **Reasonable valuation**: low-teen multiple on normalized (Upslope-estimated) earnings, despite rapid historical/expected growth and a scalable model (similar to other traditional/alternative asset managers).

  (5) **Soft catalysts**: rising sell-side coverage, potential up-listing to major exchange (from LSE's AIM), positive resolution to major cases, significant flows from fund performance fees.

(6) **Key risks**: recent management share sale (CEO/CIO sold 1/3 of holdings – first sale since founding in 2009), key man risk, estimate uncertainty, regulatory risk, potential losses in large cases, little portfolio transparency, FX (portfolio mostly in USD, debt mostly GBP).

- **Check Point Software (CHKP) – Exited Long:** After a series of less-than-inspiring excuses from management for repeat under-performance (seemingly losing share), we exited our position in Check Point. The position was more tactical in nature (tech being closer to the edge of my core competencies). As a reminder, this means I am typically quicker to exit a position when observing heightened risk (either fundamental, as was the case here – or valuation, when a stock reaches our price target) versus "Core" positions.

- **NEX Group (NXG.LN) – Current Long:** NEX (formerly known as ICAP) was one of the original investments made at the founding of the Upslope strategy. After a bumpy six months, NEX got back on track, reporting solid results in February. The big news, however, was an announcement that CME Group plans to acquire NEX for £10/share (~50% premium to NEX's unaffected price). The thesis behind our NEX investment from the start could be characterized as "expected turnaround and/or sale" (not unlike Bemis and Ferragamo). Based on contribution to returns since inception, we got a bit of both.

- **Salvatore Ferragamo (SFER.IM) – Current Long:** There's no way to sugar-coat it: Ferragamo is a mess. The company warned about a sales miss in December and then terminated its CEO in February (< 2 years in-role). No replacement has been named (search underway). The Ferragamo family rejects the prospect of a sale. Nonetheless! Despite the bad news, the stock has been resilient (it contributed a whopping +9 bps to Q1 returns). As I've noted before: expectations remain very low (investors appear to have completely written off 2018). While the turnaround is taking longer than I expected, I believe a sale of the company (despite family claims to the contrary) is incrementally more likely.

- **Bemis (BMS) – Current Long:** Bemis reached an agreement with activist investor Starboard Value during Q1. In addition to changes to the board, the agreement also called for the creation of a "Finance and Strategy Committee." The most notable component of the committee's mandate is to "retain independent financial advisors…to review the strategic landscape and explore and evaluate potential mergers, combinations, acquisitions, sales of [Bemis'] shares or significant assets, divestitures and strategic investments." I believe this is a positive development on the road to either a turnaround or sale of the company.

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INVESTMENT PHILOSOPHY: The (Accidental) Role of M&A in Upslope's Strategy

Since inception of the Upslope strategy 20 months ago, we have had three major holdings that have been the target of acquisitions: Advisory Board (sold), Orbital ATK (pending sale), and NEX Group (pending sale). While Upslope's approach doesn't explicitly seek M&A targets, I believe there is a decent correlation between the types of businesses and situations I often look for and above-average odds of an eventual sale. So, at a very high-level, what do I look for?

(1) **Unique, one-of-a-kind asset(s), with very few (if any) direct comparables**[3]

In many cases the businesses I'm describing are the "only game in town" for investors (or acquirers) to gain exposure to a specific industry/secular trend. For example: Advisory Board has a very unique business model aimed at helping healthcare providers improve efficiency through collaboration with peer companies. Orbital ATK is dominant in key parts of missile defense and has unique exposure to space. And NEX holds a virtual monopoly in its core U.S. treasuries trading platform business.

For Upslope's investment process, "uniqueness" can be a short-cut to uncover two desirable characteristics: obvious/sustainable competitive advantages and a lack of crowding in an investment (e.g. stock isn't widely-owned by a large group of hedge funds). Why does this short-cut sometimes work? First, companies with few (or no) peers are, almost by definition, industry leaders more likely to be competitively advantaged. Second, in my view, larger institutional investors are more likely to avoid digging into a quirky one-off industry with just one public company – not the most efficient use of time.

The other common themes that I generally look for are:

(2) **Supportive secular growth trends**

(3) **Attractive underlying financial model**

Bringing it all together, we hope to find a *unique* business that has good long-term growth prospects and an attractive financial model. It's simple and two of the three points aren't particularly original. But, this combination has the potential to make for a compelling acquisition target for a buyer looking to quickly expand into an adjacent product/service. For me, the possibility of owning an attractive business whose shares are (potentially) back-stopped by eager strategic buyers is ideal from a risk/reward perspective. Looking at the current portfolio, I see two potential examples:

(1) **MarketAxess (MKTX)**: virtual monopoly in electronic trading of corporate bonds in the U.S. (plus strong international offerings), backed by very strong secular (and potentially cyclical) tailwinds and a defensible, attractive financial model

(2) **Burford Capital (BUR.LN)**: leader in commercial litigation finance, an esoteric and uncorrelated asset class. Rapidly growing penetration of large end-market, high returns on portfolio investments (75% ROIC) and significant competitive advantages

To be clear, a sale of either business is not a part of my core investment thesis. Rather, the point of this exercise was to observe that acquisitions have so far been a byproduct of Upslope's independent investment process seeking interesting, higher-quality businesses.[4]

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[3] Competitors with a similar overall business make-up (e.g. product, geography contributions).

[4] I would be remiss if I didn't address the fact that the two investments I have most explicitly identified as potential acquisition targets (Bemis and Ferragamo) are not mentioned here. The reason: I consider these to be different types of investments versus those discussed above. Upslope's strategy has deliberate allocations to higher-quality "Core" positions and more modest quality "Tactical" holdings, such as Bemis and Ferragamo.

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CLOSING THOUGHTS

I remain very excited about the prospects for Upslope's unique long/short portfolio to add value and alpha for clients in 2018. The developments of the past quarter (rising volatility and interest rates) should make for a more attractive environment for Upslope's strategy.

I am grateful for your trust and the opportunity to manage a portion of your hard-earned money. Please do not hesitate to contact me with any questions regarding the portfolio, your account, or any other matters.

Last, but not least: **I will be in New York in mid-May to meet with prospective investors**. If you or anyone you know might be interested in learning more about Upslope (whether in New York or elsewhere), please email me or pass along my contact information.

Sincerely,

George K. Livadas
george@upslopecapital.com

Appendix A: Historical Long/Short Composite Performance

Net Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Midcap 400[5]
2016[6]	--	--	--	--	--	--	--	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%)	2.3%	0.1%	2.1%	(1.2%)	(0.6%)	0.5%	**16.1%**	**15.9%**
2018	(1.4%)	1.7%	5.9%										**6.1%**	**(0.8%)**
Since Inception													**21.4%**	**22.1%**

Gross Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Midcap 400
2016	--	--	--	--	--	--	--	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%)	2.3%	0.1%	2.1%	(0.7%)	(0.6%)	0.5%	**17.1%**	**15.9%**
2018	(1.3%)	1.7%	5.9%										**6.3%**	**(0.8%)**
Since Inception													**22.7%**	**22.1%**

NOTE: Returns are shown for a composite of all accounts invested according to Upslope's core long/short strategy (the vast majority of AUM). **Individual account performance may vary** (minimum net returns for an account invested since inception and YTD 2018 were 20.5% and 6.0%, respectively)**. Net returns are net of all fees and expenses billed during periods shown.** Given the change in fee structure with the formation of Upslope, and the variability of fees across individual accounts, gross returns are also provided. Data from inception to June 24, 2017 is based on portfolio manager's ("PM") performance managing the strategy under prior firm (as sole PM). After leaving the firm, PM personally managed the strategy/accounts on a no-fee basis through August 11, 2017. Upslope became operational and has been managing the strategies thereafter. **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS**

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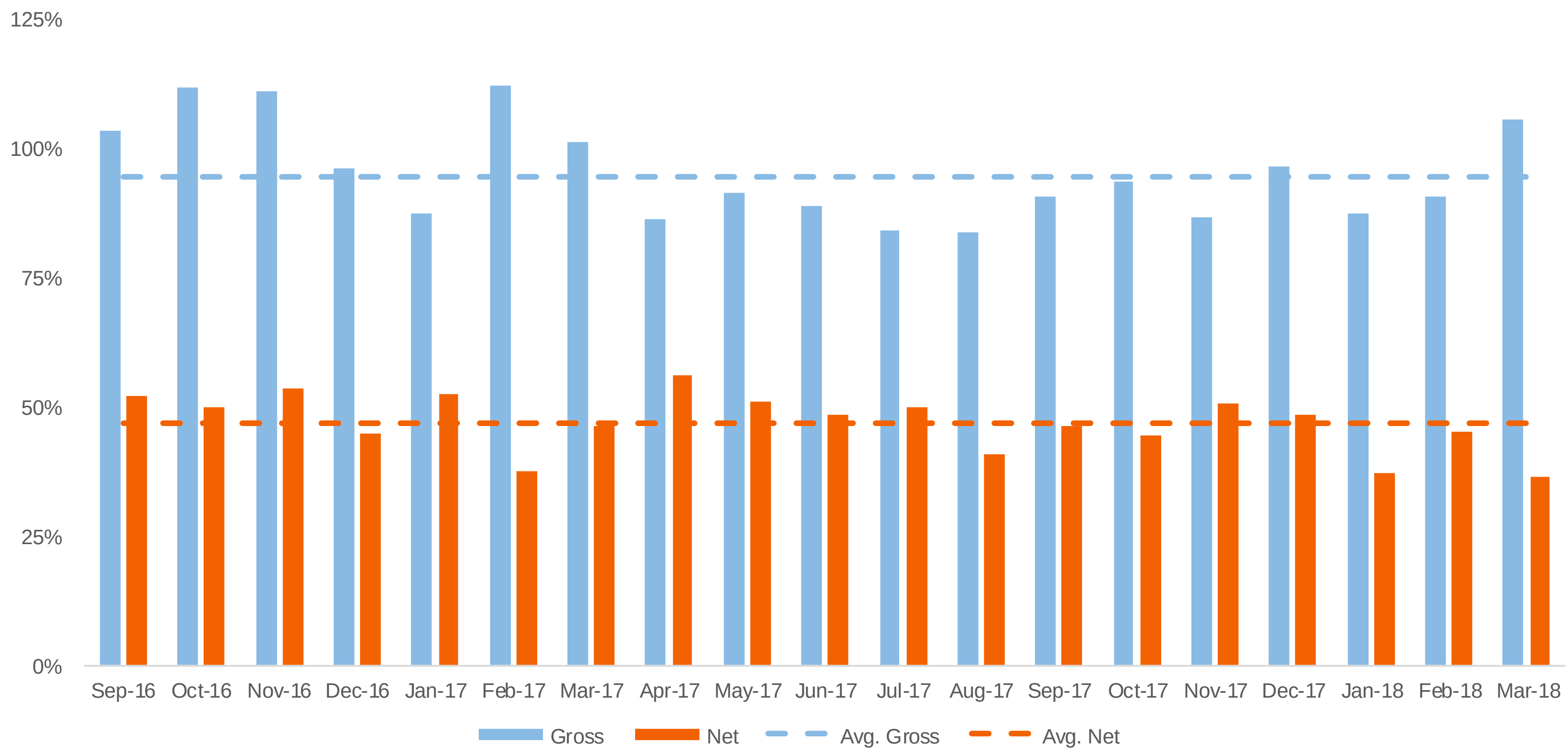
5 Total return for the S&P Midcap 400 ETF (MDY) is shown.
6 August 2016 and YTD 2016 data are shown from inception of the strategy on 8/29/16.

Appendix B: Daily Average Net Long & Gross Positioning by Month[7]



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

IMPORTANT DISCLOSURES

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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 the exchange-traded fund that tracks the S&P Midcap 400 (ticker: MDY). 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 (source: Hedge Fund Research, Inc. www.hedgefundresearch.com, © 2017 Hedge Fund Research, Inc. All rights reserved) was chosen for comparison as it is generally well recognized as an indicator or representation of the performance of equity-focused hedge fund products. Any other benchmarks noted 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