Upslope Capital Management
ALTERNATIVE \ VALUE \ CONCENTRATED

2021-Q4 Update

January 19, 2022

Dear Fellow Investors,

Upslope's objective is to deliver attractive, equity-like returns with significantly reduced market risk and low correlation versus traditional equity strategies. 2021 was a relatively challenging year in which "equity-like" returns were not achieved, owing to lingering COVID issues at two key longs (AptarGroup and Bright Horizons, both of whom should see challenges ease in 2022)[1] and a tough environment for defensive styles during much of the year. Nonetheless, I am heartened by the fact performance in a challenging year was still positive, and am very excited for what lies ahead, given recent equity market developments.

	Upslope Exposure & Returns[2]		Benchmark Returns	
	Average Net Long	Net Return	S&P Midcap 400 ETF (MDY)	HFRX Equity Hedge Index
Q4 2021	59%	+3.4%	+8.0%	+2.7%
FY 2021	61%	+4.2%	+24.6%	+12.1%
Since Inception*	**46%**	**+10.5%**	**+13.2%**	**+5.3%**

Note: clients should always check individual statements for returns, which may vary due to timing and other factors.
*Since Inception returns are annualized.

MARKET CONDITIONS – "I'M LOOKING THROUGH YOU"

Why, tell me why did you not treat me right?
Love has a nasty habit of disappearing overnight
You're thinking of me, the same old way

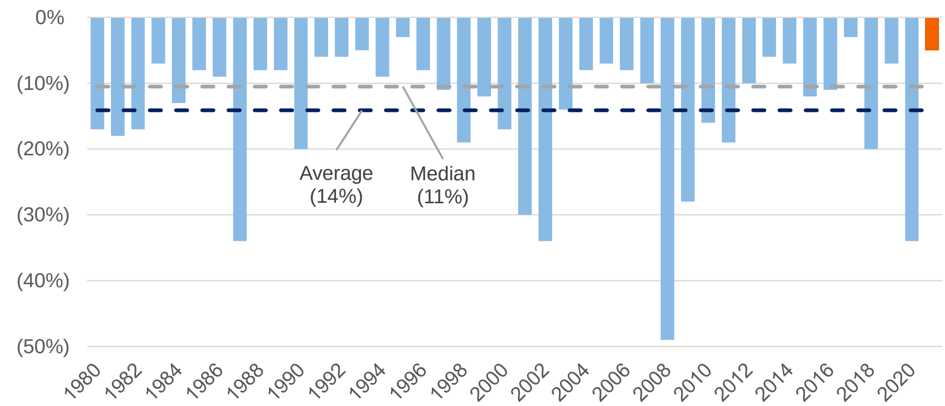
(The Beatles, 1965)

After a mixed Q3, U.S. equity markets roared back in Q4. But much like Q2 2018, when I first referenced *I'm Looking Through You* in this section, things have changed under the surface. Despite rising indexes, many growth stocks – and the funds holding them – have gotten clobbered. The poster child for "speculative growth," the Ark Innovation ETF (ARKK) has been more than cut in half from its highs.[3] "Value" has performed well – though performance within indexes has generally been limited to a narrow set of stocks (often, but not always, a sign of poor underlying market health). While it won't be a straight line, this backdrop should continue to bode well for our significant short exposure in the year ahead.

2022 is very likely to be more volatile than 2021. This is hardly going out on a limb. Since 1980, an "average" year for the S&P 500 has seen a 14% drawdown (or 11% median); the biggest drawdown in 2021 was 5%. While by no means a market timing mechanism, equity index returns in recent years also appear entirely unsustainable (see Exhibit 2 below). Add in significant uncertainty from the highest inflation in decades and clearly rising geopolitical risks involving China and Russia, and it's not hard to see that 2022 has the potential for serious volatility.

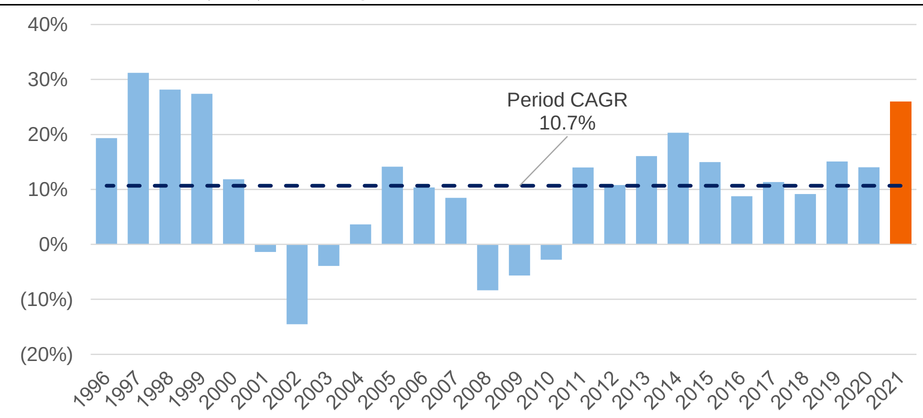
[1] Combined, these positions cost ~325 bps outright (i.e. without considering opportunity cost in a year with indexes up sharply).
[2] Unless otherwise noted, returns shown for a composite of all accounts invested according to Upslope's core long/short strategy. Please see important performance-related details and disclosures in Appendix A.
[3] "Speculative" in the business model (e.g. little revenue, unprofitable) and/or extreme valuation sense.

Exhibit 1: Typical Drawdown for S&P 500



Source: Upslope based on data from J.P. Morgan Asset Management, FactSet and Standard & Poor's

Exhibit 2: S&P 500 (SPY) Trailing Three-Year Total Return CAGR



Source: Upslope, Sentieo

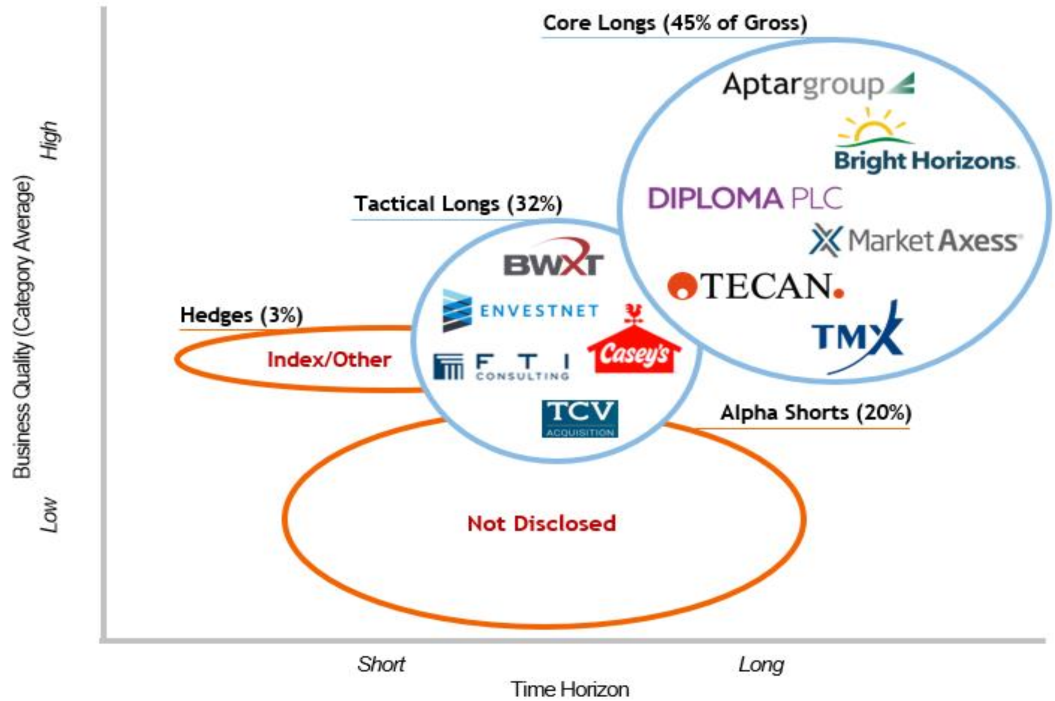
With an increasingly treacherous investing environment, defensive strategies, which have been out of favor since the March 2020 bottom, should see a resurgence. We'll see. On the short side, this has started to play out. For longs, the picture is more mixed. The low-volatility index (SPLV) that I track has barely bounced off the decade-plus bottom relative to its high-beta counterpart (SPHB). Regardless, I remain very enthusiastic about the prospects for Upslope's unique and defensive portfolio, which should continue to grow earnings and cash flows over the long-run.

Finally, I mentioned last quarter that Upslope's portfolio had higher than normal exposure to "catalyst-driven" stocks. While I'm still optimistic about the potential for a positive catalyst in two of the four positions, I have mostly thrown in the towel on CBOE and one other (prefer not to name it just yet). I had hoped for better outcomes across the board, but the reality is these situations are *never* certain and are always a judgment call about the overall risk/reward. Generally, Upslope's style is focused on potential catalyst situations where perceived downside is negligible even if significant upside may be a long-shot. CBOE was a good example. It didn't have the optimal outcome, but the risk/reward for shares coming into 2021 was *so* compelling that the end result was still quite positive: CBOE was the largest contributor to performance for the year and now a top five contributor since the inception of Upslope's strategy.

PORTFOLIO POSITIONING

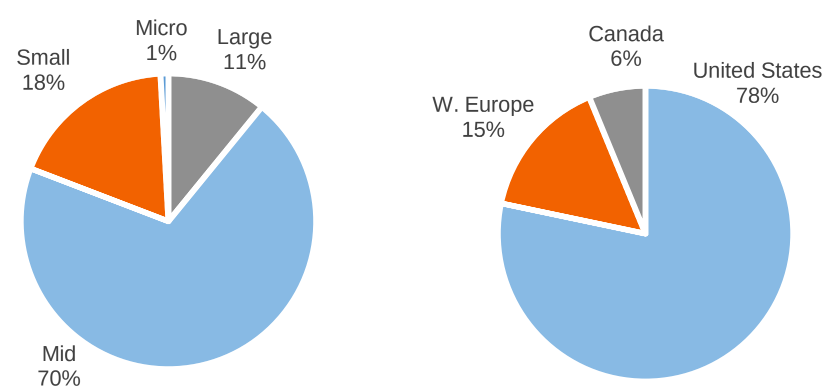
At quarter-end, gross and beta-adjusted net exposures were 135% and 44%, respectively. Positioning reflects a heightened number of perceived opportunities on both the long and short sides of the portfolio. As in recent quarters, gross exposure is elevated (vs. typical 100-125% range) owing to a large position in a pre-transaction SPAC (TCV Acquisition Corp.) trading below NAV.

Exhibit 3: Upslope Portfolio Snapshot[4]



Source: Upslope. Note: as of 1/4/22 and may change without notice. Logo positioning *within* categories not reflective of relative time horizon/business quality. See Appendix C for a brief overview of all longs.

Exhibit 4: Gross Exposure by Market Cap & Geography



Source: Upslope, Interactive Brokers, Sentieo. Note: as of 1/4/22. Market cap ranges: Micro (<$400mm), Small ($400mm - $3bn), Mid ($3bn - $13.5bn), Large (>$13.5bn).

[4] Not disclosing shorts publicly due to current market conditions. As always, clients should feel free to contact me regarding any/all positions, including shorts.

PORTFOLIO UPDATES[5]

The largest contributors to and detractors from quarterly performance are noted below. Gross contribution to overall portfolio return is noted in parentheses.

Exhibit 5: Top Contributors to Quarterly Performance (Gross)

Top Contributors	Top Detractors
Long: Diploma (+190 bps)	Long: BWX Tech. (-85 bps)
Short/Long: MarketAxess (+160 bps)	Short: Index Hedges (-75 bps)
Long: FTI Consulting (+125 bps)	Short: Asset Manager (-55 bps)
Longs – Total Contribution	**Shorts – Total Contribution**
+340 bps	+70 bps

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

Cboe Global Markets (CBOE) – Exited Long

CBOE is a diversified, global exchange (equity, derivative, FX) operator with dominant positions in index and volatility (VIX) derivatives. After 3.5 years, we effectively exited the position in early 2022. Ultimately, the two key pillars of the investment thesis – improving fundamentals and a potential take-out – broke by year-end. While I believe we came very close to seeing CBOE get acquired, it appears to be off the table for the foreseeable future (an uptick in insider selling and a very sharp acceleration in acquisition and strategic activity are notable). Additionally, while 2021 saw a nice improvement in fundamentals, the rebound in CBOE's key VIX product appears to have stalled. On the options front, CBOE also appears to face notable risk should retail interest fade (this seems likely, given what's happened to many retail-favorite stocks in recent months).

MarketAxess (MKTX) – Reinitiated Long

MarketAxess is the leading platform for electronic trading of corporate fixed income securities (mostly High-Grade, High Yield, Eurobonds, Emerging Markets). The stock was a Core long of Upslope's – until early 2021, when it became apparent the company was coming under significant competitive pressure from Tradeweb, a smaller but formative competitor. After being short for most of 2021, we covered in December and reinitiated a modest long position. Why now?

(1) **Fundamental outlook has stabilized and may have troughed; evolving revenue mix bodes well for future growth**. MKTX faced two key issues in 2021: increasing competitive intensity from Tradeweb and a generally tough environment (low volatility and incredibly tough comps vs. 2020). On this latter point, we know 2021 will be a far easier comp for MKTX. And, as previously noted, higher volatility ahead seems a reasonable bet.

On the competitive front, it's true that MKTX continues to face challenges – especially within its core High-Grade product. However, the issues are well known and appear to be getting less bad. More

[5] Upslope's general policy regarding disclosure of *new* positions is to discuss significant longs considered to have been fully established. For shorts, Upslope aims to discuss an illustrative sample of positions (generally desiring added confidentiality).

importantly, MKTX finished the year with record high market share in its three "Other Credit" products (High Yield, Emerging Markets, and Eurobonds). I believe these products, which also carry higher fee rates than High-Grade, are underappreciated by investors. Interestingly, **2021 was the first time that Other Credit comprised a majority of trading volumes for MKTX**, having risen from 32% in 2014 to 53% in 2021. This should bode well for future growth – especially since most of the Other Credit categories are less "electronified" than High-Grade and thus have even longer runways.

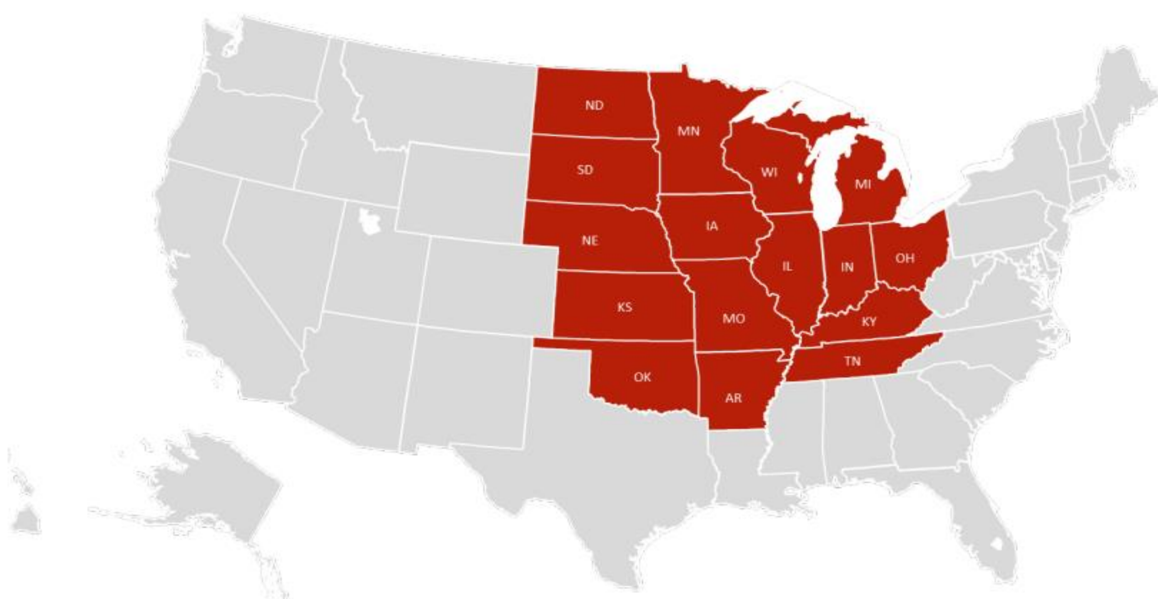
(2) **Shares have massively de-rated from about 50x EBITDA to 30x**. This is still not "cheap" – especially considering the environment for high-multiple stocks – and we are sized somewhat cautiously to reflect this. But, one can't ignore that MKTX continues to be a highly attractive business (nearly 60% EBITDA margins, double-digit top line growth, a fortress balance sheet, and genuine strategic value). Additionally, if fundamentals do, in fact, turn up, valuation will quickly appear reasonable.

(3) **Takeout optionality becoming a consideration as enterprise value approaches $13 billion.** The math surrounding a potential MKTX take-out is still somewhat challenging, given the relatively high multiple on the stock. However, given the strategic value of the business, it's awfully hard to see shares go much lower without serious interest from large, diversified exchanges. And again, should fundamentals turn up, the takeout math will also quickly improve.

<u>**Casey's General Store (CASY) – New Long**</u>

Casey's is the 3rd largest operator of convenience stores in the United States and effectively the 5th largest pizza chain in the country. Geographically, Casey's is focused exclusively on the Midwest and South, with locations primarily in small towns (almost half with populations <5,000; three-quarters with <20,000). Gross profit is split across Grocery & General Merchandise (37%), Fuel (32%) and Prepared Food & Dispensed Beverage (28%).

Exhibit 6: Casey's Unique & Concentrated Footprint



Source: Casey's investor presentation

Generally, Upslope's thesis is that Casey's is an attractive, defensive, and growing value-oriented stock – perfect for the environment today (and years ahead), which for some time has been enamored with sexy, speculative growth stories. The company has a unique and concentrated geographic footprint (see above), which could eventually make it an M&A target. At <11x EBITDA the stock is not expensive on either a relative or absolute basis and the balance sheet is reasonable (<2x net leverage).

CASY's competitive advantages are obvious and reflected in its financials. The primary competitive advantage Casey has versus competitors is its massively larger scale, as many competitors are effectively "mom & pop" convenience stores. Casey's also benefits from the diversity of its model. This has come in to focus of late as retailers everywhere have faced rising inflationary headwinds. Casey's has been able to offset a significant portion of cost increases with expanded fuel margins (on the flipside, CASY has the ability to flex margins down to drive traffic in-store). This flexibility, combined with its scale advantages enable Casey's to offer better value to customers, while still operating profitably.

CASY's historical performance and financials tell a consistent story with the advantages noted above. The company has delivered 19+ years of positive inside (ex-Fuel) same-store sales and 3.5% average unit growth over the last decade. Meanwhile, Gross and EBITDA margins have steadily risen, while ROIC has remained consistently in the 10-14% range.

While Casey's long-term track record is impressive, the outlook appears increasingly bright, as management has begun to accelerate both unit growth and internal initiatives. For unit growth, management has targeted a 5% CAGR through FYE 2023 (note April 30 fiscal year-end). Significant progress has already been made on this front with three sizable recent acquisitions. Despite these larger deals, the M&A runway continues to be very long due to the highly fragmented nature of the convenience store industry.

On the internal initiatives front, Casey's has been very busy over the past two years and has a number of shots on goal that could accelerate growth including: breakfast menu refresh (better quality food + coffee), continued expansion of digital rewards program, opening of 3rd distribution center, private label expansion, and delivery partnerships (DoorDash launched, UberEats in 2022).

Key risks for shares include: sustainability of fuel margins, M&A/new unit execution, inflation, miscellaneous concentrated exposures (Midwest, tobacco sales), and long-term uncertainty regarding electric vehicle adoption (arguably, this was tested during peak-COVID, when fuel volumes fell precipitously and inside sales did just fine. Further mitigated by geographic focus and slower regional adoption of EVs).

CLOSING THOUGHTS

2021 was a challenging but productive year. On the investing front, Upslope's circle of competence for short-selling was greatly expanded. Historically, I had focused most of my efforts on fads and value trap style shorts with only a negligible focus on bad actors/frauds. 2021 was the inverse and required a very different approach to short-selling in terms of research process, time allocation, and position sizing/management. While there were certainly bumps in the road, the addition of this new skillset contributed materially to performance in 2021 and should benefit Upslope clients in the years ahead.

On the business development front, Upslope welcomed a number of new, high-quality clients during the year, including a small family office, several professional equity investors, an entrepreneur, and an executive in one of Upslope's core competency industries. I am extremely proud of the quality of Upslope's client base – about 1/3 of whom are current or retired professional equity investors themselves.

As always, I appreciate the trust you've placed in me to manage a portion of your hard-earned money. If you have any questions at all, would like to add to your account, or know someone that may be a good fit for Upslope's atypical and defensive approach, please call or email anytime.

Sincerely,

George K. Livadas
1-720-465-7033
george@upslopecapital.com

Appendix A: Long/Short Composite Performance

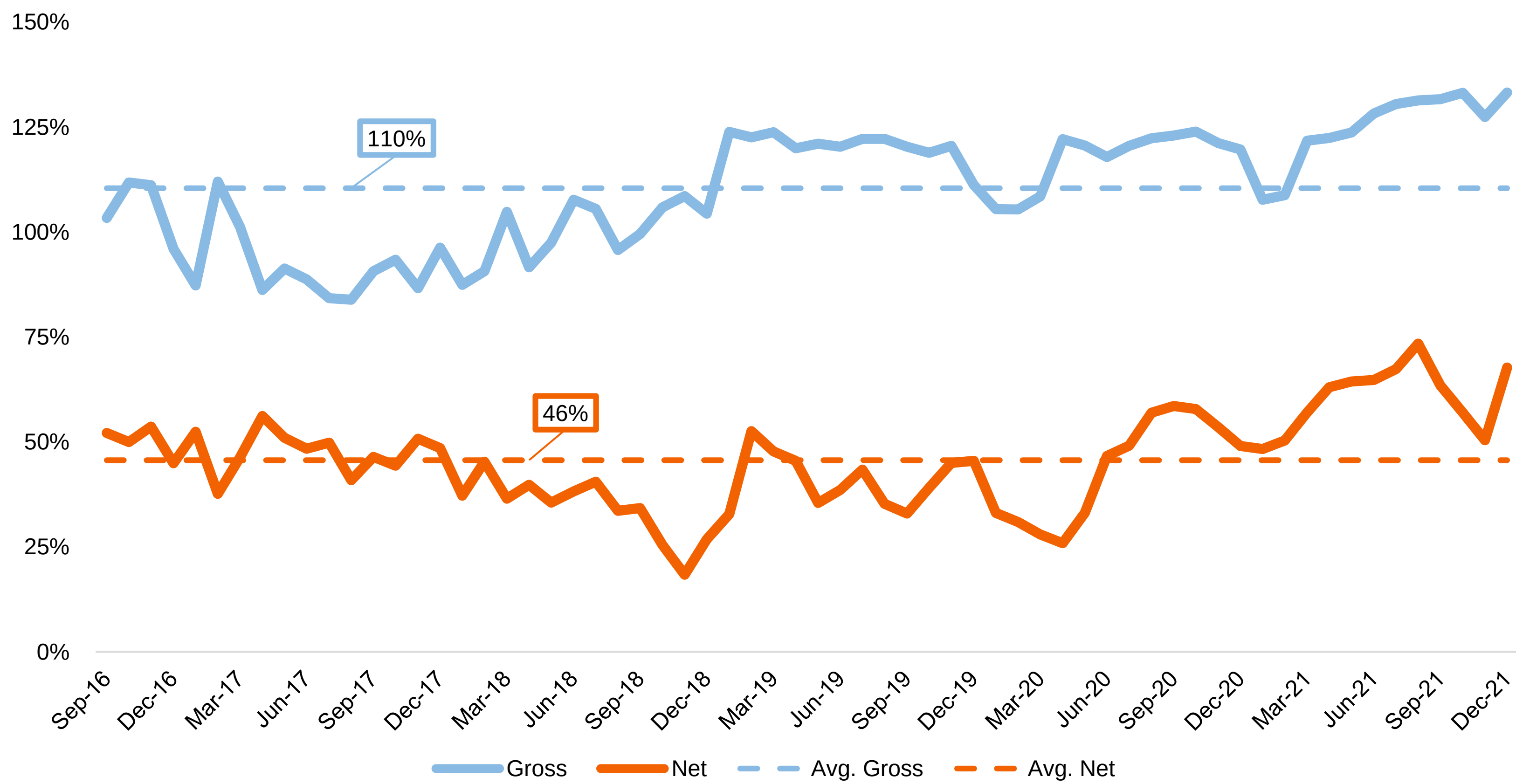
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	Upslope	(5.1%)	0.3%	3.2%	2.4%	0.4%	(0.0%)	2.4%	1.6%	(4.0%)	3.9%	(3.2%)	2.9%	4.2%
	S&P Midcap 400	1.4%	6.8%	4.9%	4.3%	0.2%	(1.1%)	0.3%	2.0%	(4.0%)	5.9%	(3.0%)	5.2%	24.6%
2020	Upslope	0.0%	(2.3%)	0.4%	4.9%	(0.7%)	(2.9%)	1.9%	4.6%	0.8%	3.2%	3.6%	0.9%	15.1%
	S&P Midcap 400	(2.6%)	(9.4%)	(20.2%)	14.1%	7.2%	1.3%	4.7%	3.5%	(3.3%)	2.2%	14.3%	6.5%	13.5%
2019	Upslope	3.8%	1.0%	2.4%	2.6%	3.0%	2.1%	0.7%	7.2%	(2.1%)	0.7%	(0.2%)	(3.4%)	18.9%
	S&P Midcap 400	10.3%	4.3%	(0.6%)	4.0%	(8.1%)	7.8%	0.9%	(4.1%)	3.1%	1.1%	2.9%	2.8%	25.8%
2018	Upslope	(1.3%)	1.6%	5.5%	0.4%	2.0%	(1.1%)	(0.0%)	1.2%	(0.4%)	1.0%	(1.1%)	(2.9%)	4.6%
	S&P Midcap 400	2.8%	(4.4%)	1.0%	(0.4%)	4.1%	0.4%	1.7%	3.2%	(1.1%)	(9.6%)	3.2%	(11.3%)	(11.3%)
2017	Upslope	7.5%	(1.9%)	0.7%	4.0%	2.6%	(0.4%)	2.3%	0.1%	1.7%	(0.8%)	(0.7%)	0.5%	16.2%
	S&P Midcap 400	1.6%	2.6%	(0.5%)	0.8%	(0.5%)	1.5%	0.9%	(1.5%)	3.9%	2.2%	3.7%	0.2%	15.9%
2016	Upslope	--	--	--	--	--	--	--	0.0%	(0.8%)	(1.6%)	2.7%	(1.8%)	(1.6%)
	S&P Midcap 400	--	--	--	--	--	--	--	(0.4%)	(0.6%)	(2.7%)	7.9%	2.2%	6.2%

		Annualized Return	Total Return	Downside Dev.	Sortino Ratio	Corr. vs Upslope
Since Inception	Upslope	10.5%	70.4%	4.7%	1.8	--
	S&P Midcap 400	13.2%	94.3%	12.9%	0.9	0.28
	HFRX Equity Hedge Index	5.3%	32.1%	5.6%	0.6	0.26

Source: Upslope, Interactive Brokers, LICCAR, Sentieo, Morningstar

Note: Returns are shown for a composite of all accounts invested according to Upslope's core long/short strategy (the vast majority of AUM). Performance for S&P Midcap 400 index represented by total return for a related exchange-traded fund (ticker: MDY). **Individual account performance may vary** (minimum returns, net of fees, for an account invested since inception and YTD 2021 were +64.7% and +3.3%, respectively). Clients should always review statements for actual results. 11% of composite assets were non-fee paying at period-end. Data from inception (August 29, 2016) to June 24, 2017 is based on portfolio manager's ("PM") performance managing the strategy under a prior firm (as sole PM). Thereafter, PM managed the strategy/accounts on a no-fee basis through August 11, 2017, after which Upslope became operational. **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.**

Appendix B: Monthly Average Net Long & Gross Positioning



Source: Upslope, Interactive Brokers

Note: Based on composite of all accounts invested according to Upslope's core long/short strategy

Appendix C: Portfolio Company (Long) Descriptions

AptarGroup (ATR)

Specialty packaging business focused on pumps and sprayers, with a highly profitable, defensive, and growing Pharma unit. Overall misclassified and undervalued due to legacy/traditional packaging businesses (Food + Beverage, Beauty + Home), which contribute 60% of sales but just 15% of EBIT.

Bright Horizons Family Solutions (BFAM)

Leading childcare provider with unique and dominant corporate partnership model. Initially hit hard by COVID-19, BFAM passed the "stress test" and should ultimately emerge competitively stronger, while continuing to benefit from long-term growth in demand for dependable, high-quality childcare.

BWX Technologies (BWXT)

Leading producer of nuclear reactors, components, and fuel, primarily for the power and propulsion of U.S. Navy subs and carriers. In addition to rising geopolitical tensions, the approaching end of a major capex cycle and optionality in non-Naval units should provide tailwinds for shareholders in the years ahead.

Casey's General Stores (CASY)

3rd largest independent convenience store operator in the U.S. and 5th largest pizza chain; unique footprint exclusively focused on the Midwest/South. Growing business with highly defensible model offers good value and significant optionality from organic initiatives and M&A.

Diploma (DPLM.LN)

U.K.-based specialty distributor focused on essential consumable products across life sciences, seals (machinery), and controls (aerospace wiring/harnesses). Unique model and conservative M&A strategy have historically enabled attractive free cash flow growth through the cycle.

Envestnet (ENV)

Dominant wealth management technology platform with incredibly sticky offering. Recent initiatives and management actions combined with unique assets significantly elevate the odds of a "turnaround or takeout (divestiture)" outcome.

FTI Consulting (FCN)

Boutique consulting and advisory firm, with leading expertise in restructuring, dispute/conflict advisory, and other practices. Anticipate FCN will ultimately benefit from elevated deal-flow in the wake of longer-term pandemic effects, reopening/normalization, potentially rising rates and long-term effects from SPAC boom.

MarketAxess (MKTX)

Platform for electronic trading of fixed income (mostly corporate high-grade, high-yield, Eurobonds, emerging markets). Beneficiary of long-term trend towards electronic trading. After a challenged 2021 (macro + competitive), outlook appears to have stabilized and M&A backstop becoming a consideration.

Tecan Group (TECN.SW)

Switzerland-based lab automation and consumables business, with leading market position in automated liquid handling. Attractive and defensible base business greatly enhanced by exceptional execution throughout the COVID-19 pandemic.

TMX Group (X.TO)

Largest exchange operator in Canada, with exposure to equities, fixed income, and derivatives, as well as European power/energy trading/data. Anticipate steady, defensive growth, with potential outperformance in the event of rising inflation and/or elevated volatility.

Upslope Capital Management
ALTERNATIVE \ VALUE \ CONCENTRATED

IMPORTANT DISCLOSURES

Upslope Capital Management, LLC ("Upslope") 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.

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 these materials 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 these materials 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 these materials are meant to serve as examples of Upslope's investment process only. 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 these materials 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 management and incentive fees (where applicable), and all trading costs charged by the custodian. Composite performance calculations have been independently verified by LICCAR, LLC. 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.

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, © 2022 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.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

These materials may not be disseminated without the prior written consent of Upslope Capital Management, LLC.