Upslope Capital Management
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2018-Q4 Update

January 11, 2019

Dear Fellow Investors,

I am excited to share this update for Upslope Capital Management. It was an eventful quarter and year. We were very active across the portfolio; so, the 'new investments' section is unusually lengthy.

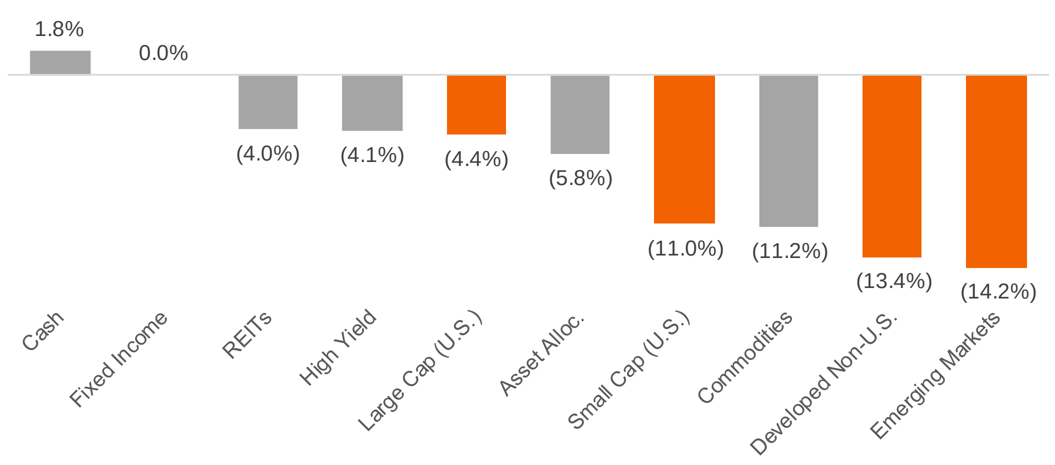
	Upslope Exposure & Returns[1]			Benchmark Returns	
	Average Net Long	Return, Net of Fees	Return, Gross of Fees	S&P Midcap 400 ETF (MDY)	HFRX Equity Hedge Index
Q4 2018	24%	-3.0%	-2.9%	-17.3%	-8.6%
FY 2018	34%	+4.6%	+6.2%	-11.3%	-9.4%
Since Inception	42%	+19.5%	+22.7%	+9.2%	+1.7%

Note: clients should check individual statements for account returns, which may vary due to timing and other considerations

MARKET CONDITIONS

Q4 was a brutal period for equities that easily wiped out strong YTD gains. In the U.S., small and midcaps were hit hardest in the quarter, falling 20% and 17%, respectively (large caps fared slightly better at -14%).[2] Notably, it wasn't just equities that lost money in 2018. For the first time in at least 18 years, "cash" was the top-performing and only major asset class with a positive return.[3] Fixed income was flat and virtually every other major asset class closed 2018 in the red.

Exhibit 1: Returns of Major Asset Classes in 2018



Source: Upslope, J.P. Morgan "Guide to the Markets" (1Q 2019)
Note: Diversified equity categories shown in orange

[1] Unless otherwise noted, returns shown for composite of all accounts invested according to Upslope's core long/short strategy (vast majority of AUM). "Since inception" data from 8/29/16, on which the portfolio manager began managing the strategy at prior firm. Composite returns verified by LICCAR. Please see important performance-related disclosures in Appendix A.
[2] Small, mid, and large cap total returns represented by IWM, MDY, and SPY exchange-traded funds.
[3] Per various historical J.P. Morgan "Guide to the Markets."

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Most equity indexes entered the technical definition of a "bear market" in Q4. There was no shortage of issues to worry about: China, tariffs, soft housing data, Brexit, alarming weakness in bank stocks, flattening yield curve, etc. Combine these with previously-full valuations and a general, if unscientific, sense that we're "kind of due" for a recession, and it's no wonder most investors hit sell first and asked questions later.

Looking ahead, I don't know if a recession is imminent. It doesn't seem like it based on *most* macro data. But, overseas markets and economies are in rough shape and market-based alarms have sounded. Valuations have improved; but, many of the stocks one might actually *want* to own seem to have gone from over-valued to average (yes, they're as cheap as they've been in 3-5 years…but on a longer time-frame?).

Bringing it all together – and taking into account distant, hazy memories of the last bear market (no, this isn't *that*) – it seems prudent to proceed cautiously. There will be a time to get aggressive. I don't believe this is that time. Upslope's net exposure remains low, as I still see plenty of interesting shorts.

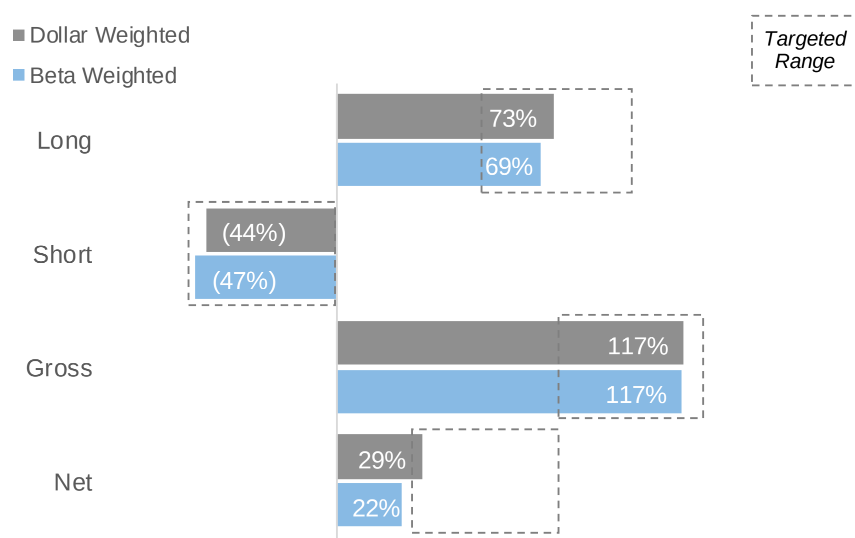
Given the volatility, this was our most active quarter since inception. We came in defensively positioned on a portfolio (low net) and individual security (concentrated in defensive longs and high-beta shorts) level. We exited with similar portfolio positioning, but more aggressive security selection. In essence, we added some macro-sensitive, but attractively-valued longs.

None of these changes were driven by a top-down market call, but by a view on where the best value lies today. New longs seem to have priced in plenty of (potential) bad news. On the short side, we have assembled a basket of more cyclical stocks that have levered up to do large and often questionable acquisitions (among other themes/shorts). I believe these changes leave the portfolio well-positioned, regardless of what lies ahead in 2019.

PORTFOLIO POSITIONING

At quarter-end, gross exposure was 117%, while net was 29%. Exposures reflect a significant number of perceived short opportunities, combined with an average level of high-conviction long ideas.

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



Source: Upslope, Interactive Brokers, Sentieo
Note: as of 12/31/18. Beta-weighted amounts include delta-adjusted impact of options, if any

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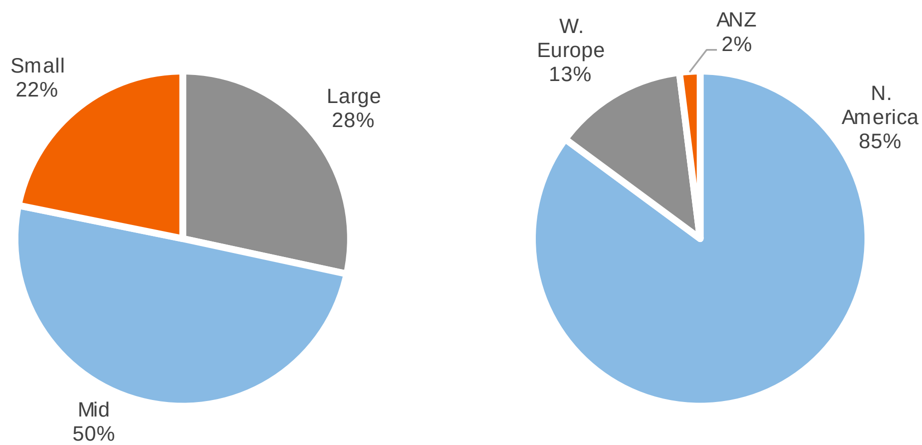
Exhibit 3: Gross Exposure by Market Cap & Geography



Source: Upslope, Interactive Brokers, Sentieo
Note: as of 12/31/18. Definitions: Small ($250mm - $3bn), Mid ($3bn - $11bn), Large (>$11bn)

PORTFOLIO UPDATES[4]

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

Exhibit 4: Top Contributors to Quarterly Performance (Gross)

Top Contributors	Top Detractors
Long: MarketAxess (+115 bps)	Short: Tesla (-220 bps)
Short: CIBC (+85 bps)	Long: Camping World (-200 bps)
Short: Deutsche Bank (+70 bps)	Long: AptarGroup (-155 bps)
Longs – Total Contribution	**Shorts – Total Contribution**
-730 bps	+440 bps

Source: Upslope, Interactive Brokers
Note: Amounts may not tie with aggregate performance figures due to rounding (nearest 5 bps)

As previously noted, this was an unusual quarter – the most active since inception. We exited two and added four new longs. We also rotated a number of shorts. Given the heightened level of activity, I will spare you from many pages of text. Instead, I've put my former investment banking formatting skills to work and put together a couple summary tables of our newest investments on the following pages.

[4] 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). In discussing developments for previously-disclosed holdings, Upslope's policy is to *discuss* those that had a material impact (in Upslope's judgement) on overall performance during the quarter.

Exhibit 5: New Long Positions

Description	Key Investment Points & Risks
Long: Evercore (EVR)	
Evercore is a leading independent, boutique investment bank and one of the few near pure-plays on M&A and other corporate financial advisory. EVR also provides equity capital mkts, research, and wealth mgmt. services. EVR shares recently fell 40% from Aug to Dec '18, ultimately trading near its financial crisis-era P/E multiple.	✓ Independent advisory model getting more attractive with GS/DB scandals. ✓ Top reputation: doubled mkt. share since '11, continues attracting talent. ✓ History of strong growth (DD% rev growth every year except '08). ✓ Traditionally generates FCF per share far in excess of adj. EPS. ✓ Attractive valuation even on sharply haircut estimates (15x mid-cycle FCF). × Potential slowdown in global M&A activity (indirect tie to equity mkts). × Reputational risk and loss of mkt share and/or key employees. × Regulatory risk; challenged equity research budgets. × Cont'd challenges in (relatively) fledgling equities business.
Long: TopBuild (BLD)	
TopBuild is the largest installer and distributor of insulation for residential and commercial real estate in the U.S. BLD holds an est. 45% market share – roughly double the next biggest player. Upslope was previously long at the outset of strategy (exited early '17). BLD shares recently fell 50% from Jun to Dec '18; valuation is near historic trough.	✓ Outlook mostly tied to new housing construction – why it's cheap today. ✓ Growth model: housing mkt + share gains + mix-shift to single fam + M&A. ✓ Strong leadership in place since BLD was spun from MAS in '15. ✓ Integration of largest deal ever complete; expect to re-activate M&A soon. ✓ Attractive valuation for business positioned to outperform housing over LT. × Continued softness in housing and/or another leg up in rates. × Financial and operating leverage magnifies performance. × Potential execution challenges with acquisition strategy. × Inflation/potential challenges passing through cost increase.
Long: Just Eat (JE.LN)	
Just Eat is a UK-based global operator of online portals and services for restaurant delivery. 55% of revenues come from the UK, with the remainder from ANZ, Canada, Denmark, other Western Eur countries, Brazil, Mexico. JE shares declined 40% from Jul to Dec '18. Valuation remains near historic lows; trades at a 25% discount to peers.	✓ Beneficiary of clear trend towards ordering food online. ✓ Long growth runway in core markets (e.g. 42% of UK orders still by phone). ✓ Network effect model/competitive dynamic + dominant share in key mkts. ✓ One of few profitable players in its markets – comp advantage in downturn. ✓ Potential upside from eventual Brexit resolution. × Higher than expected "growth" investments as JE contends with UberEats. × Newer leadership still earning trust of the Street. × Cont'd macro weakness in core markets (risk of further Brexit delays). × FX: non-USD translation risk.
Long: Dollar Tree (DLTR)	
Dollar Tree is the largest discount retailer in the U.S. and the leading "dollar" (only) store. In 2015, DLTR acquired Family Dollar (FDO), which has been a mess ever since. Recent activist involvement (post-Upslope's investment) seeks legacy Dollar Tree banner pricing strategy shift and a sale of Family Dollar.	✓ Defensive business model – skews non-discretionary + deep value. ✓ Sustainable comp adv: unique model protects against getting "Amazon-ed". ✓ *Historically* steady growth history (3% same store + 6-8% unit growth). ✓ Reasonable valuation, given prospect for op improvements, defensiveness. ✓ Clear beneficiary of prospective tariff relief. × Uncertainty re: management willingness to engage with activist/ideas. × Continued or accelerated freight/labor/tariff cost pressures. × Headline/political risk re: impact on low income communities. × Weakness in DLTR banner would have outsized adverse effect on stock.

Source: Upslope, Sentieo, company filings

Exhibit 6: Selected New Shorts

Description	Key Investment Points & Risks
Short: Quaker Chemical (KWR)	
Quaker is a global provider of lubricants, oils, greases and other specialty chemicals to auto, steel and other industries. In April 2017 KWR announced the then-$1.4bn acquisition of Houghton, KWR's biggest competitor. The still-pending deal nearly doubles the size of the company. The transaction close has been delayed repeatedly (at least a full year delay from the original timeline) as KWR works through regulatory approval. Most recent delay was announced Jan 8 ("next few months" is the current timeline).	✓ Poor disclosure: most recently disclosed Houghton results are for 2016; 2017/18 *estimates* are 18-months old. No updates (despite requests) since. ✓ Combine above with surprisingly solid performance by KWR in face of challenged macro → possible KWR has been taking share from…Houghton. ✓ Full valuation – especially for business exposed to steel/autos with just 3% topline growth thru boom years – at 14.5x PF '19 EBITDA or 17x standalone. ✓ Databases (e.g. B'berg) show incorrect valuation of 9x EBITDA (use PF '19 est's, but with current cap structure) – possible issue for underfollowed stock. ✓ Taking on significant leverage (3x) for first time; leadership relatively inexperienced managing levered business (+ largest ever integration). ✗ Lack of disclosures could cut both ways (possibly stronger than expected). ✗ Potential input cost relief with declines in oil. ✗ Improvement in global macro picture. ✗ Unforeseen competitive/financial benefits from Houghton transaction.
Short: Yeti Holdings (YETI)	
Yeti is a designer and seller of high-end drink coolers, drinkware (e.g. travel coffee mugs), and general outdoor products. Despite market turmoil at the time, the company completed a long-awaited IPO on October 24, 2018 for $18/share (cut valuation and deal size during the process). Yeti previously tried to go public in 2016, but postponed the deal due to major channel issues (over-ordering in wholesale), among other reasons.	✓ Popular, but ultimately narrow/faddish product offering with limited addressable market and plenty of capable knock-off competition. ✓ Core/legacy cooler business growth has slowed (declined y/y in Q3); overall growth rescued by less attractive drinkware category. ✓ Questionable FCF generation ability: despite many years of solid growth, still isn't consistently FCF positive. ✓ Full balance sheet (>2x 2018e) – especially considering highly discretionary nature of products. ✓ Original backers have been trying to sell for years (2016 IPO effort). ✗ Solid revenue growth + margin expansion can make for challenging short in near-term. 'What next?' should/will be the constant question investors ask. ✗ Still-limited float, high/rising short-interest. ✗ Potential sale of the company.

Source: Upslope, Sentieo, company filings

Existing Position Updates

- **Update: Long MarketAxess (MKTX)**: MarketAxess, the leading electronic "exchange" for corporate bonds, reported strong Q3 results and is similarly tracking to a strong Q4. The company continues taking share across all product categories and has benefitted from volatility. An interesting development: MKTX hired away CBOE's President/COO, Chris Concannon. If you recall, we are big fans of Concannon and he was a small part of our thesis for investing in *CBOE* (which we still own). At first, I was disappointed to see him leave CBOE – but was soon delighted to see where he landed!

- **Update: Short Tesla (TSLA)**: This was a painful quarter. We gave back our Q3 gains (recall: Musk was charged with securities fraud at the end of Q3, but settled just before the first trading day of Q4) and more. It was made worse by mistakes (e.g. adding to the position at the wrong time) I aim to avoid in the future. Nonetheless, we remain short and believe the case remains compelling. Tesla has now wrapped up what should be its highest growth quarter ever for the Model 3 (having filled much of a backlog built up over years). Short interest now sits near 3-year lows – a welcome development.

- **Exited Long – Salvatore Ferragamo (SFER.IM)**: I held on here longer than I should have. Over time, it became apparent the primary reason for owning SFER was hope for a sale of the company. The rationale for a deal remains solid; but, this was not part of our original thesis. It's also hard to envision a deal occurring at a price materially above today's. So, it was time to go. As we were tip-toeing out the door, the CFO resigned – an obvious nail in the coffin for the position.

- **Exited Long – Camping World Holdings (CWH)**: When we added the CWH position last quarter, it was structured using long-term call options, as I assumed the outcome was binary and wanted to limit losses if it didn't work. Sure enough, CWH fell more than 45% in Q4 on the back of soft Q3 results and a questionable outlook. After exiting our position, CWH's President unexpectedly resigned, with no explanation and via a questionably-timed filing.

- **Exited Short – Sonos (SONO):** We exited the Sonos short as the stock approached our price target. Depending on future performance/developments, we may re-add the position at another time.

CLOSING THOUGHTS

As always, I sincerely appreciate your continued interest, trust and the opportunity to manage a portion of your hard-earned money. If you have any questions regarding the portfolio, your account, or any other matters, please contact me.

Finally, **I will be in San Francisco and New York in March**. If you or anyone you know might be interested in meeting, please email or pass along my contact information.

Sincerely,

George K. Livadas
george@upslopecapital.com

Appendix A: Historical Long/Short Composite Performance

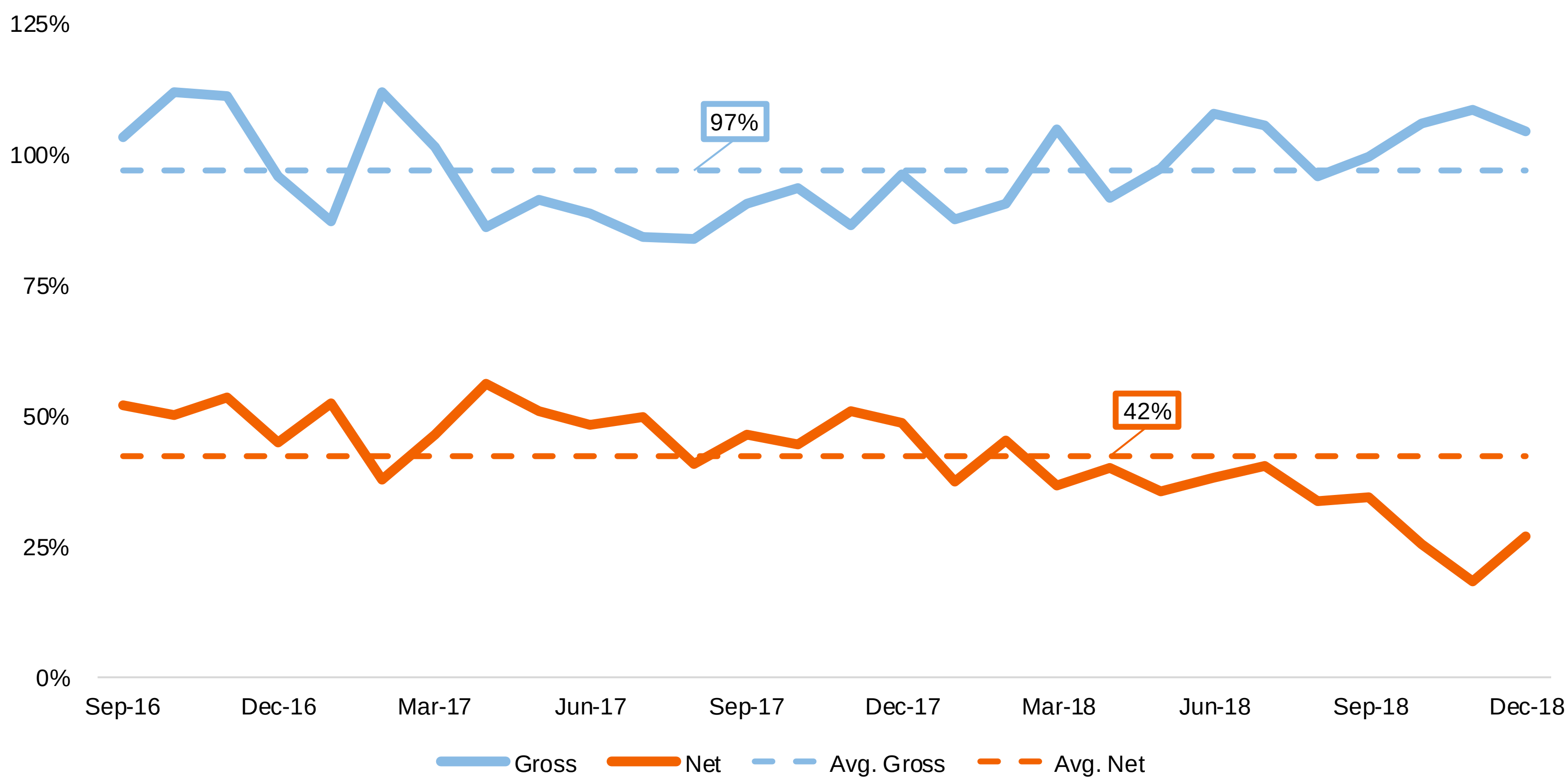
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	Upslope – Net	(1.3%)	1.6%	5.5%	0.4%	2.0%	(1.1%)	(0.0%)	1.2%	(0.4%)	1.0%	(1.1%)	(2.9%)	4.6%
	Upslope – Gross	(1.3%)	1.7%	5.9%	0.5%	2.4%	(1.1%)	0.0%	1.4%	(0.4%)	1.2%	(1.2%)	(2.9%)	6.2%
	S&P Midcap 400	2.8%	(4.4%)	1.0%	(0.4%)	4.1%	0.4%	1.7%	3.2%	(1.1%)	(9.6%)	3.2%	(11.3%)	(11.3%)
2017	Upslope – Net	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%
	Upslope – Gross	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%
	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 – Net	--	--	--	--	--	--	--	0.0%	(0.8%)	(1.6%)	2.7%	(1.8%)	(1.6%)
	Upslope – Gross	--	--	--	--	--	--	--	0.0%	(0.7%)	(1.6%)	2.8%	(1.7%)	(1.3%)
	S&P Midcap 400	--	--	--	--	--	--	--	(0.4%)	(0.6%)	(2.7%)	7.9%	2.2%	6.2%

		Total Return	Annualized Return	Downside Dev.	Sortino Ratio	Corr. vs Upslope
Since Inception	Upslope – Net	19.5%	7.9%	3.5%	1.7	--
	S&P Midcap 400	9.1%	3.8%	10.4%	0.2	0.26
	HFRX Equity Hedge Index	1.7%	0.7%	4.4%	(0.3)	0.22

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 the 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 2018 were 18.6% and 3.9%, respectively) and clients should review statements for actual results**.** 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

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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 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. 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, © 2019 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