Upslope Capital Management
ALTERNATIVE \ VALUE \ CONCENTRATED

2021-Q2 Update

July 19, 2021

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. After a challenging Q1, Upslope's absolute performance in Q2 was solid. While I'm excited about our longs, the outlook today for a thoughtfully-executed short-selling strategy with effective risk management appears as good as it's been in over two decades.

	Upslope Exposure & Returns[1]		Benchmark Returns	
	Average Net Long	Net Return	S&P Midcap 400 ETF (MDY)	HFRX Equity Hedge Index
Q2 2021	64%	+2.8%	+3.4%	+5.1%
YTD 2021	58%	+0.9%	+17.5%	+7.9%
Last 12 Months	56%	+17.0%	+53.0%	+20.4%
Since Inception*	44%	+10.9%	+13.3%	+5.1%

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 – THE TYSON ZONE[2]

It's difficult to catalogue all the market absurdities in Q2 – I won't try. It started on a reasonable note, as many of the most speculative stocks began their return to earth through mid-May. Shortly thereafter, however, things went off the rails – again. A quote from sports-blogger-turned-day-trader Dave Portnoy[3] neatly and accidentally summed it up best: "It's early. If it is a Ponzi, get in on the ground floor!" The attitude of being "in on it" is not isolated to Portnoy or the crypto markets to which he was un-jokingly referring. Examples of this attitude are plentiful – especially when it comes to SPACs, heavily-shorted stocks, and small-caps touted on social media. I have a lot to say about our portfolio, so I won't beat the market outlook horse dead. Markets are frothy and will continue to be so until they're not.

One mistake I made during a fast-moving 2020 (post-March) was being overly-patient and not demanding enough of Upslope's long portfolio. While keeping turnover in-check remains an important and worthwhile goal, I am trying to be more conscientious of when elevated activity may be warranted. Year-to-date, more has been warranted. In Q2 we exited two longs (MarketAxess and Subsea 7) and added long positions in Envestnet (ENV) and a European healthcare business (to be discussed at a later date, as the position is material but not yet "full"). I also made changes to our SPAC "portfolio", which (including both shorts and longs) could effectively be considered another investment category (in the spirit of Upslope's Core vs. Tactical long categories) on its own – for now.

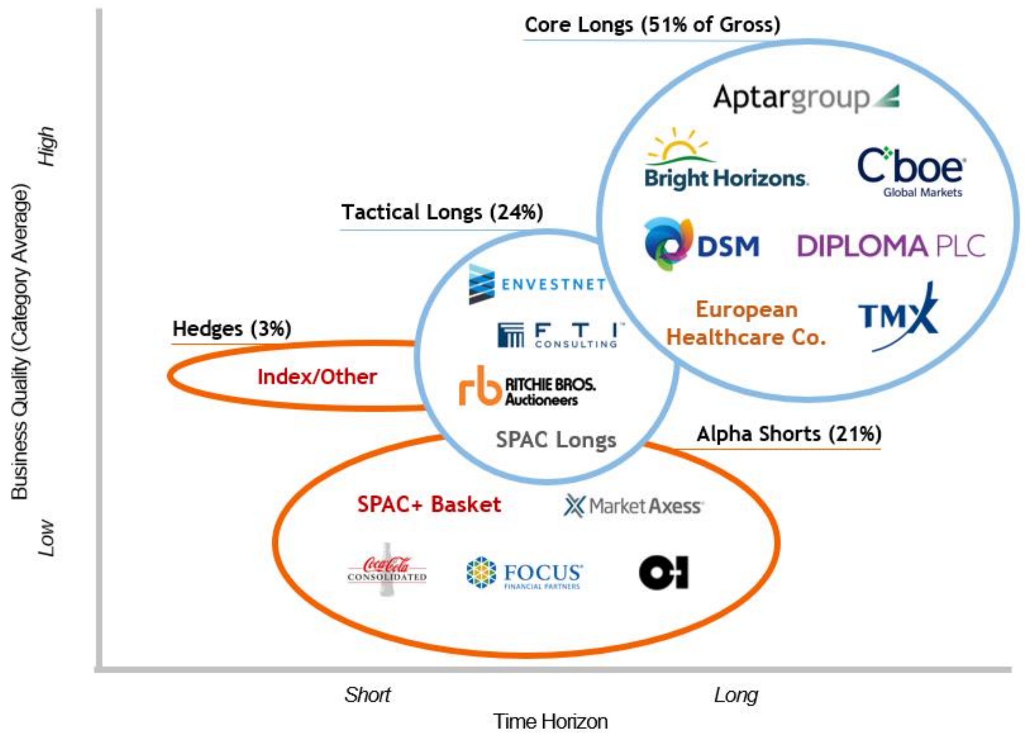
Once again, I believe prospects for Upslope's strategy have improved on both a relative and absolute basis versus 90 days ago. Similar to last quarter, I added materially to my own Upslope account for the now-second time since inception of the strategy almost 5 years ago.

[1] 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.
[2] If you're not familiar with this handy term, see here.
[3] Portnoy uttered this line while aggressively promoting a tiny cryptocurrency to his 2.5 million Twitter followers.

PORTFOLIO POSITIONING

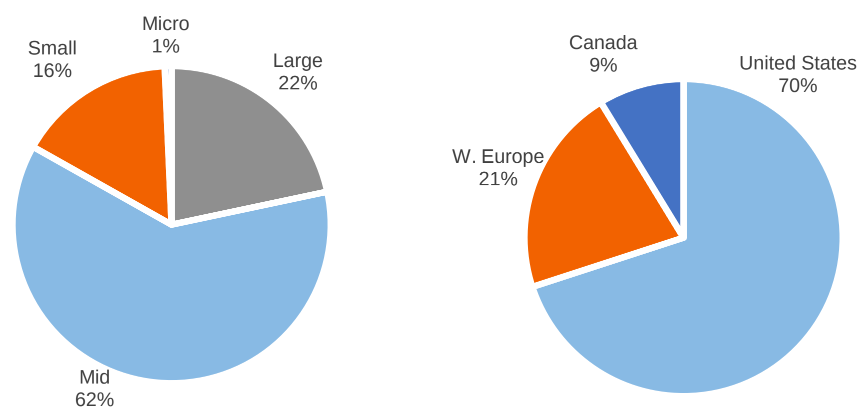
At quarter-end, gross and net exposures were 129% and 67%, respectively. Beta-adjusted net was lower (57%) due to the defensive nature of the portfolio (relatively lower beta longs). Overall, positioning reflects a significant number of perceived opportunities on both the long and short sides of the portfolio. Gross exposure was elevated above our typical 100-125% range owing mostly to a large position in a pre-transaction SPAC trading near NAV (effectively limiting downside).

Exhibit 1: Upslope Portfolio Snapshot



Source: Upslope. Note: as of 6/30/21 and may change without notice. Only a small sample of current short positions (which may not be representative of full short portfolio) are shown. Logos not positioned deliberately *within* categories. See Appendix C for a brief overview of all longs.

Exhibit 2: Gross Exposure by Market Cap & Geography



Source: Upslope, Interactive Brokers, Sentieo. Note: as of 6/30/21. Definitions: Micro (<$350mm), Small ($350mm - $3bn), Mid ($3bn - $12bn), Large (>$12bn).

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 3: Top Contributors to Quarterly Performance (Gross)

Top Contributors	Top Detractors
Long: Cboe (+400 bps)	Long: Bright Horizons (-120 bps)
Long: Diploma (+155 bps)	Long/Short: MarketAxess (-50 bps)
Long: Royal DSM (+110 bps)	Short: Undisclosed (-60 bps)
Longs – Total Contribution	**Shorts – Total Contribution**
+445 bps	-125 bps

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

MarketAxess (MKTX) – Exited Long and Initiated Short

MarketAxess is the leading platform for the electronic trading of fixed income securities (mostly corporate high-grade, high-yield, Eurobonds, emerging markets bonds). The stock has been a Core long of Upslope's strategy since day one, nearly five years ago. Over time, the position became increasingly challenging to manage – fundamentals remained attractive, but valuation got out of hand (at one point shares traded for almost 75x earnings). MKTX is a fantastic business, but not a hyper growth company (mid-teens % revenue growth is how I'd characterize it). I am not well-suited to sit tight when valuation becomes *that* extreme. Nonetheless, so long as long-term fundamentals remained solid, I did my best over the years to sit tight.

Unfortunately, fundamentals began to shift late last year. Historically, the primary data point that investors *truly* cared about was market share gains. For years, MKTX took share of overall bond trading volumes – often in a manner that *felt* unopposed. So long as MKTX was quickly adding share, investors could feel confident that the electronic market wasn't saturated and competition wasn't encroaching on MKTX's profit pool. The shift YTD has two components – one more worrisome than the other. First, MKTX faces "tough comps" due to market share having accelerated sharply in 2020 – no big deal as far as I'm concerned, beyond shorter-term implications for the stock. The second, more troubling issue is that while MKTX has shown clear signs of deceleration in share gains year-to-date, its primary, but smaller competitor, Tradeweb (TW), has shown a sharp *acceleration* in share gains.

As shown in the charts below, TW has captured a rising amount of *incremental* share from MKTX for about one year now. This is not the first time MKTX has ceded incremental share gains to TW over a multi-month period: the second half of 2019 saw a similar shift. What makes it "different this time" is that TW now has a serious base of market share in MKTX's core products (e.g. high-grade bonds) and is a genuinely formidable competitor. As of June, TradeWeb's share of high-grade volumes sat at an all-time high – nearly double where it was a year ago. Today, TW share also represents ~60% of MKTX's vs. ~37% during the late 2019 shift. MKTX's share lead in high-grade vs. TW is at an all-time low. Advances in high yield trading for TW follow a similar trajectory.

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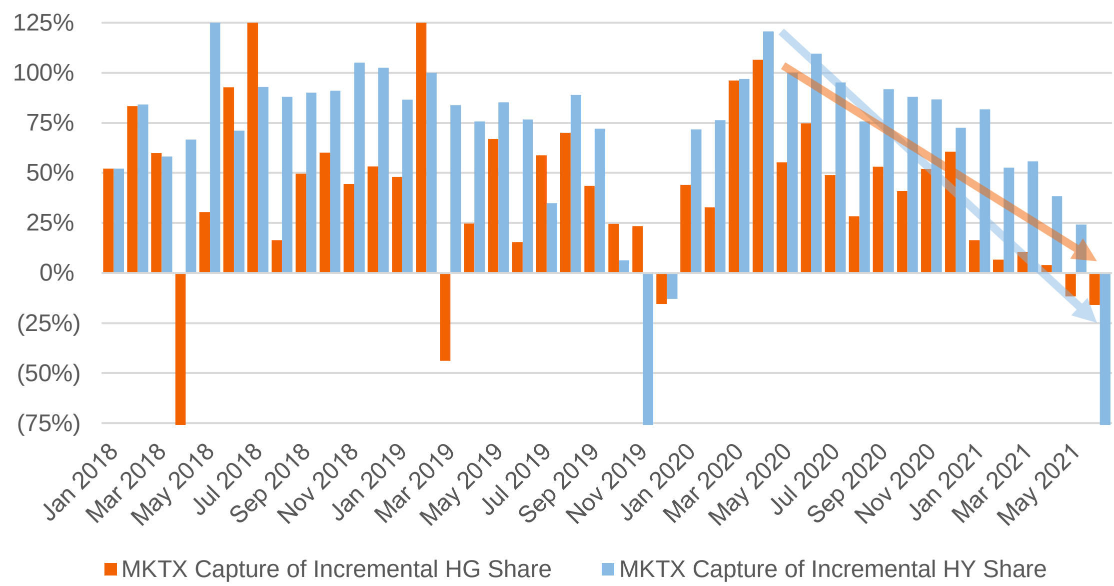
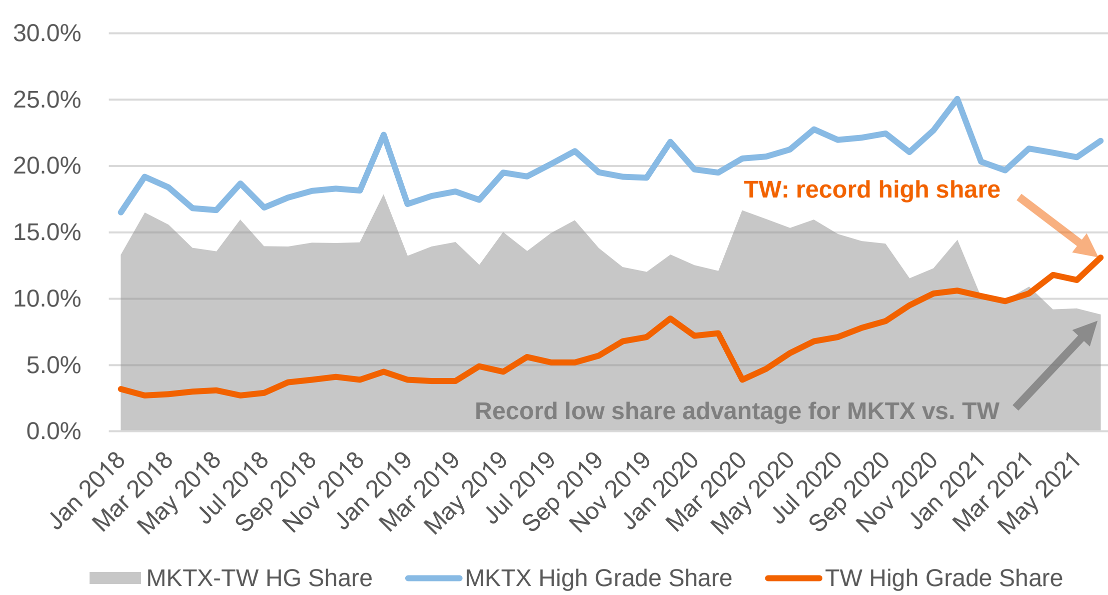
[4] Upslope's general policy regarding disclosure of *new* positions is to discuss significant longs considered to have been fully established. For shorts, Upslope aims to discuss an illustrative sample of positions (generally desiring added confidentiality).

Exhibit 4: Falling Incremental Market Share Captured by MKTX



Source: Upslope, company filings. **Calculated as MKTX y/y monthly share gain divided by sum of MKTX + TW y/y share gains.** HG = High-Grade; HY = High Yield. TW share based on "Fully Electronic" ADV. Data through June 2021. Y-axis intentionally limited to cap data points that aren't particularly meaningful.

Exhibit 5: TW is a Much More Serious Contender Today vs. the Late 2019 "Catch-up" Period



Source: Upslope, company filings. TW market-share based on "Fully Electronic" ADV. Data through June 2021.

Compounding the incremental share concerns is the backdrop against which this has occurred. Two key points here. First, MKTX has long appeared to charge (on an apples-to-apples product basis) a significant premium to what TW charges for credit trades. This suggests potential disappointment on not just volumes, but also pricing ahead, as it's a defensive lever MKTX can pull. Indeed, Q2 "pricing," which MKTX reported in early July, disappointed and declined both sequentially and year-over-year. Second, for a number of years market observers worried MKTX could lose ground to TW due to its lack of treasury/hedging capabilities. In late 2019 MKTX moved to address the issue by making its largest-ever acquisition and buying LiquidityEdge. That TradeWeb has gained so much ground against MarketAxess 20 months after the deal closed suggests potentially deeper innovation issues. While recent trends could revert, **alarm bells should be ringing loudly for MKTX shareholders – especially with the stock trading for almost 60x earnings.**

Given the above observations, Upslope not only exited the last of our long position in MKTX, but initiated a short. I admire the company and management; but, the combination of falling short-term estimates, material risk of a sustained increase in competitive pressures (and related deceleration in long-term growth), and extreme valuation makes for a compelling, straight-forward short thesis, in my view.

Subsea 7 (SUBC.NO) – Exited Long

Subsea 7 is a Norway-based offshore energy services provider, whose shares Upslope first purchased in early 2020. The company executed well in the face of a challenging environment. However, shares have relatively underperformed on virtually all time horizons (especially frustrating considering the rally in the energy sector "post-COVID"). As a result, my patience has worn out and we exited the position.

SPAC+ Basket – Update

The core of Upslope's "SPAC+" *short* basket remains roughly the same as a quarter ago. On the long side, however, I did swap out one of our positions – exiting GRSV and adding TCVA. GRSV is the soon-to-be-owner of Ardagh's beverage can business. Given the state of the beverage can market (rapidly increasing supply) and the nature of the business and position (partially intended as a long hedge for our SPAC shorts), I concluded better risk-reward and portfolio fit could be found elsewhere. Enter TCVA, which is a pre-transaction SPAC sponsored by the well-regarded Technology Crossover Ventures (TCV). This is TCV's first SPAC, which I believe provides some incremental incentive to "get it right" and execute a transaction with an attractive target at a reasonable price. Trading right around NAV, TCVA has limited functional downside and strong optionality in the event TCV can source and execute a value-added transaction.

Finally, as previously noted, our gross exposure is elevated above historic norms due largely to the addition of our SPAC longs (TCVA in particular). I do not wish to change our conservative gross exposure target range of 100-125% – that is the level of risk at which I am most comfortable, and it forces a certain amount of focus for the portfolio. However, given the conservative starting point (100-125% gross) and the nature of our SPAC longs – effectively limited downside and straight-forward analysis – I believe it makes sense to layer on the additional exposure. Upside may prove negligible and the exercise may turn out to be a waste of time. But, the cost of the added exposure – measured in both downside risk and research time – is relatively de minimis.

Envestnet (ENV) – New Long

Envestnet is a leading wealth management technology platform used by investment advisors, banks, and other (mostly financial) institutions. The company offers a comprehensive product suite, largely aimed at helping independent advisors manage their businesses more efficiently. Examples include technology that supports advisor marketing and communication, client onboarding, investing, trading and rebalancing, and financial planning, among many other offerings. ENV holds a top three market share[5] in virtually all of their core products and is one of only a few that offers a comprehensive platform of scale.

5 Per T3/Inside Information Advisor Software Survey (2021 and others).

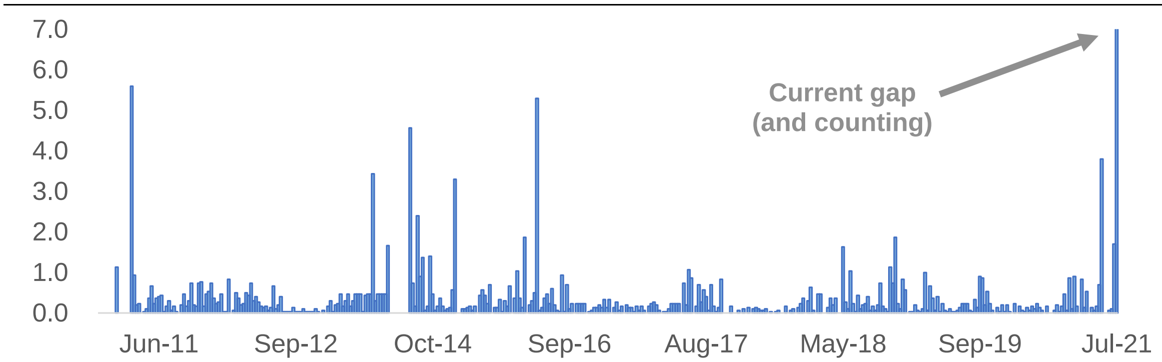
Despite an attractive underlying business model (long-term growth tailwinds, incredibly sticky products) ENV has faced challenges in recent years. Most notably, its 2015 acquisition of Yodlee (a leading financial data aggregation and analytics platform) has disappointed, weighed on, and distracted the company ever since. Tragically, the Envestnet's long-standing CEO (a co-founder) was also killed in a car crash in 2019.

Today, ENV generally maintains its strong competitive position, but has seen shares underperform on 1-, 2-, and 3-year timeframes. Leadership, vision, and recent execution are arguably lacking. It's easy to sympathize: current CEO Bill Crager was thrust into the role in late 2019 after the prior CEO's death (a 30-year colleague and friend of Crager's) and just prior to the COVID-19 pandemic.

In early 2020 it appeared ENV might finally be moving to offload the Yodlee distraction. But, with the onset of COVID shortly after the rumors, a transaction was never consummated. Over a year later, however, management has shown increasing openness to a sale. While noting the importance of Yodlee's offering to ENV's vision, management has clearly stated all options are on the table. The CEO even recently pondered aloud about how ENV would "engage and offer the ability for [Yodlee] to continue to grow in other verticals" with a potential "partner" (presumably a Yodlee buyer).[6] In my view, a Yodlee sale – even without a blockbuster price tag – would remove the biggest distraction ENV has faced over the past 5+ years and open a path to more consistent execution for ENV's fundamentally attractive core business.

Aside from management commentary what else might point to a potential transaction soon? Perhaps the fact that after years of consistent, relentless insider selling (not unlike many tech-oriented businesses with heavy share-based comp, to be fair), selling has completely vanished for ~7 months and counting – the longest drought in company history. The most recent insider sales at the end of 2020 included some executed via 10b5-1 plans (automatic sales for executives based on pre-determined formulas); were some of these programs cancelled? Why? Also note that in late 2018 BlackRock made a strategic investment in Envestnet, validating the notion that ENV is comprised of a unique collection of valuable assets.

Exhibit 6: Months Between Consecutive ENV Insider Sales



Source: Upslope, OpenInsider, company filings.

CLOSING THOUGHTS

Just as everyday life has quickly normalized year-to-date, markets have simultaneously gone the opposite direction, becoming an increasingly bizarre spectacle. Fortunately, the unusual environment – unprecedented in my 17-year career at least – has already turned out to be a great environment for tweaking

[6] Source: Sentieo, Virtual Investor Day Q&A (June 30, 2021) transcript.

and experimenting with new investment approaches (largely on the short side).[7] This has been a fruitful exercise and I am excited to put these new tools to work. Ultimately, I believe this period will also prove to have been an excellent one for both short-selling and disciplined stock-picking.

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

Sincerely,

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george@upslopecapital.com

[7] Some examples: (a) basket approach to SPAC shorts that focuses more exclusively on following "bad actors," (b) more closely examining, considering, and weighing shareholder promotion, concentration, and crowding risk for potential shorts.

Appendix A: Historical Long/Short Composite Performance

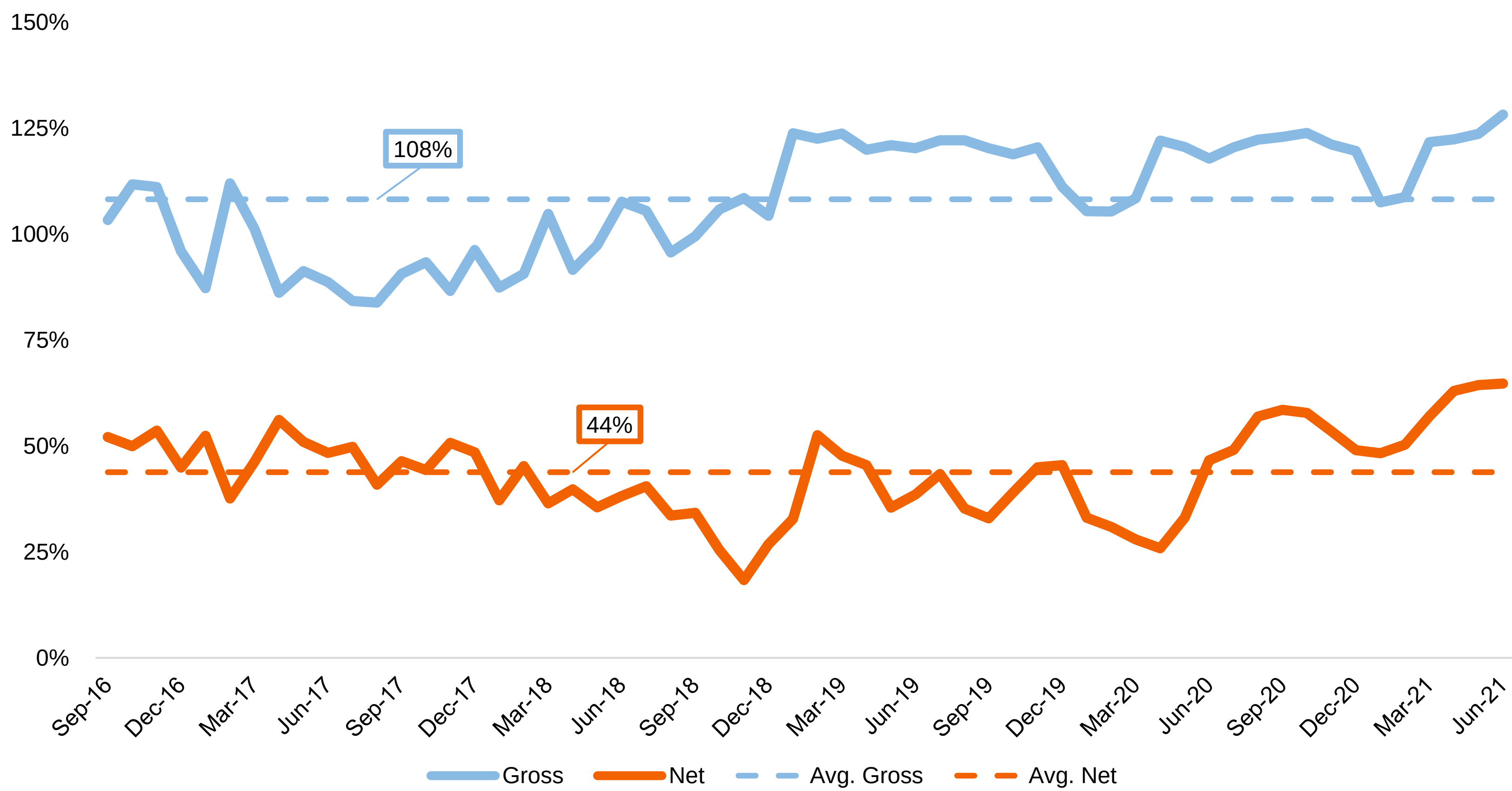
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	Upslope	(5.1%)	0.3%	3.2%	2.4%	0.4%	(0.0%)							0.9%
	S&P Midcap 400	1.4%	6.8%	4.9%	4.3%	0.2%	(1.1%)							17.5%
2020	Upslope	0.0%	(2.3%)	0.4%	4.9%	(0.7%)	(2.9%)	1.9%	4.6%	0.8%	3.2%	3.6%	0.9%	15.1%
	S&P Midcap 400	(2.6%)	(9.4%)	(20.2%)	14.1%	7.2%	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%

		Total Return	Annualized Return	Downside Dev.	Sortino Ratio	Corr. vs Upslope
Since Inception	Upslope	65.1%	10.9%	4.3%	2.1	--
	S&P Midcap 400	83.2%	13.3%	13.4%	0.8	0.23
	HFRX Equity Hedge Index	27.0%	5.1%	5.8%	0.5	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 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 60.3% and -0.0%, respectively). Clients should always review statements for actual results**.** 12% 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 and growing pharma packaging unit. Steady secular grower misclassified and undervalued due to its legacy/traditional packaging businesses (Food + Beverage, Beauty + Home), which contribute 60% of sales but 25% of EBIT.

Bright Horizons Family Solutions (BFAM)

Leading childcare provider with unique and dominant corporate partnership model. Hit hard by COVID-19 shutdowns, the BFAM platform should emerge competitively stronger and continue to benefit from long-term growth in demand for dependable, high-quality childcare.

Cboe Global Markets (CBOE)

Diversified, global exchange (equity, derivative, FX) operator with dominant positions in index and volatility (VIX) derivatives. Unique products with counter-cyclical buffers and strong competitive advantages; backstopped by compelling potential take-out (sale to strategic) rationale.

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)

Leading wealth management technology platform with incredibly sticky offering. Recent challenges and executive changes combined with unique, valuable assets significantly elevate the odds of a positive divestment/transaction, in Upslope's view.

European Healthcare Co. (Undisclosed)

High-quality midcap healthcare business with improved long-term positioning as a result of strong execution throughout COVID-19 crisis.

FTI Consulting (FCN)

Boutique consulting and advisory firm, with leading expertise in restructuring, dispute/conflict advisory, and other practices. Ultimately, anticipate FCN will 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.

Ritchie Bros. (RBA)

World's leading auctioneer/operator of marketplaces for the sale of used heavy equipment (construction, ag, energy, etc.). Dominant leader in fragmented markets that should benefit from straight-forward network effects and acceleration towards more auctions held online; also provides some counter-cyclical exposure.

Royal DSM (DSM.NA)

Netherlands-based nutrition (specialty ingredients for human/animal feed, vitamins, supplements, personal care) and materials (auto, other specialized materials) business. Defensive foundation (Nutrition segment), bolstered by strong product pipeline; overall, underappreciated due to cyclicality of Materials segment.

TMX Group (X.TO)

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

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, © 2021 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