Upslope Capital Management
ALTERNATIVE \ VALUE \ CONCENTRATED

2021-Q3 Update

October 18, 2021

Dear Fellow Investors,

I am excited to share this update for Upslope Capital Management: during Q3, we passed the five-year mark on the strategy. Since inception, the goal has been to deliver attractive, equity-like returns with significantly reduced market risk and low correlation versus traditional equity strategies. Equity markets have been exceptionally strong through these five years, with returns well above historic, long-term averages. I'm generally pleased with Upslope's results. However, my evergreen goal is to do better during periods of market strength, while never straying from Upslope's differentiated focus on protecting capital during hard times. Adjustments include ensuring the portfolio always has at least modest exposure to attractively-priced, *higher-beta* longs and striving for a "macro optimist by default"[1] mindset.

	Upslope Exposure & Returns[2]		Benchmark Returns	
	Average Net Long	Net Return	S&P Midcap 400 ETF (MDY)	HFRX Equity Hedge Index
Q3 2021	68%	-0.2%	-1.8%	+1.3%
YTD 2021	62%	+0.8%	+15.3%	+9.2%
Last 12 Months	60%	+8.7%	+43.5%	+17.7%
Since Inception*	**45%**	**+10.3%**	**+12.2%**	**+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 – ONE TICK FORWARD

Markets have been on edge since early September, owing to increasingly stubborn inflation and supply chain issues. Rising costs may prove transitory. But, if a "Doomsday Clock" existed for tracking the odds of a serious inflation problem, it surely would have ticked forward 60 seconds this quarter. A secondary concern is rising tensions with China. More worrying than the trade spat of years past, tensions are increasingly military-based. It seems notable (and under-discussed) that during Q3 legendary investor George Soros wrote *three* separate op-eds flagging China-related political and investment risks.

I don't know how either of these concerns du jour will shake out. It's important to remember that a Doomsday Clock can tick backwards too. Both appear to be "low probability, high impact" issues. Stocks have been overextended and *very* generously valued for much of 2021. After a recent, modest correction pockets of value have begun to emerge. But, it's hardly a bonanza (famous last words before a spike higher for stocks).

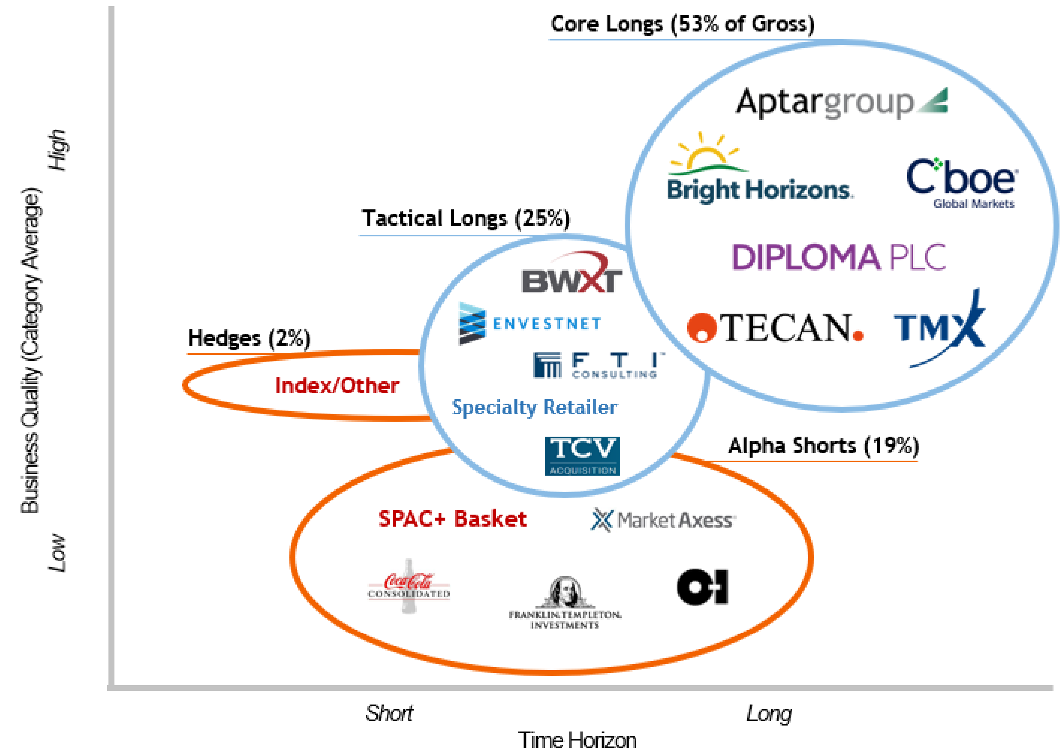
Upslope's portfolio is a shade different today than in the past: we have an unusual amount of exposure to what I'd describe as catalyst-driven stocks. This isn't merger arb (i.e., a bet on or against an *already-announced* transaction closing). But, four of our eleven longs (accounting for 60% of long exposure), appear primed for potentially positive catalysts in the coming quarters. I am happy to be overweight this type of exposure in a wobbly, extended market. While a sharp pullback in indexes could harm the chances of some of the potential catalysts from happening, in general most are less market-sensitive than the average stock.

[1] To elaborate: this is squishy but doesn't mean ignoring macro risks. It means in the absence of hard evidence, assume the macro outlook is healthy enough. This doesn't preclude individual theses based on sector-specific challenges/cyclical skew.
[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.

PORTFOLIO POSITIONING

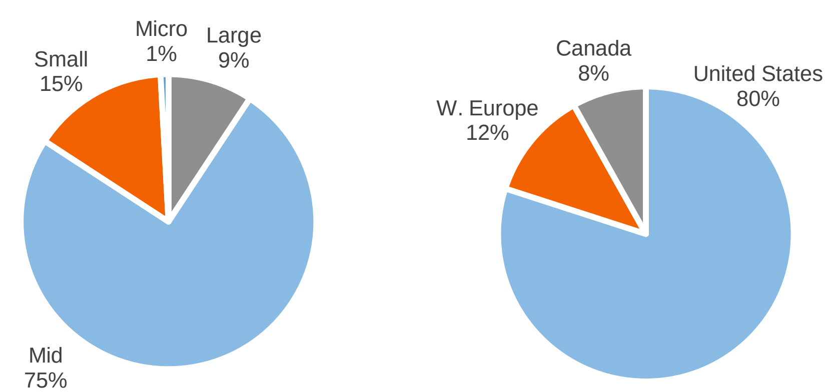
At quarter-end, gross and net exposures were 129% and 54%, respectively. Positioning continues to reflect a heightened number of perceived opportunities on both the long and short sides of the portfolio. Similar to last quarter, gross exposure was elevated above our typical 100-125% range owing mostly to a large position in a pre-transaction SPAC (TCV Acquisition Corp.) trading near NAV.

Exhibit 1: Upslope Portfolio Snapshot



Source: Upslope. Note: as of 9/30/21 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 9/30/21. Market cap ranges: Micro (<$400mm), Small ($400mm - $3bn), Mid ($3bn - $13.5bn), Large (>$13.5bn).

PORTFOLIO UPDATES[3]

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: Royal DSM (+150 bps)	Long: AptarGroup (-185 bps)
Long: Tecan (+80 bps)	Long: BowX Acq'n (-75 bps)
Long: Envestnet (+55 bps)	Long: BWX Tech. (-60 bps)
Longs – Total Contribution	**Shorts – Total Contribution**
-15 bps	+25 bps

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

Exited Longs

Royal DSM (DSM. NA) is a Netherlands-based specialty nutrition and materials business. Valuation has sharply re-rated since Q4 2019 when Upslope initiated the position (EV/EBITDA from 12x to 17x), reflecting strong execution in Nutrition and a transformation towards higher quality end-markets. Given full valuation, catalysts that have played out, and a market cap now well above Upslope's focus, I exited the position.

Ritchie Bros. (RBA) is the world's leading auctioneer/operator of marketplaces for used heavy equipment. RBA thrived in the early COVID days, but has faced a tough 12 months due to cyclical headwinds (tight equipment market = lower volumes). While the headwinds will abate, management messaging, turnover, and capital allocation decisions have become increasingly concerning, in my view, leading me to sell the position.

BowX Acquisition (BOWX) is a SPAC and soon to be owner of WeWork. I sold the position to stay disciplined with the core investment thesis, which wasn't so much about a passionate love for WeWork, as much as recognizing an asymmetric "trade."

Cboe Global Markets (CBOE) – Update (Long)

CBOE is a diversified financial exchange operator with dominant positions in index and volatility (VIX) derivatives. It was a dramatic quarter for shareholders. On Aug. 15, the *Financial Times* reported that CME Group planned to acquire CBOE. Shares spiked immediately and were briefly halted. About an hour later, CME released a forceful denial of the article, claiming no negotiations to acquire CBOE had taken place. Despite the frustrating sequence of events, I continue to believe a transaction for CBOE in the coming months is more likely than not (and that the *FT* episode was generally linked to ongoing negotiations and a potential trial-balloon of sorts). In the meantime, fundamentals for the business remain solid and valuation entirely reasonable on a standalone basis.

[3] 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).

Tecan (TECN.SW) – New Long

Based in Switzerland, Tecan provides systems, instruments, and consumables to facilitate automation in clinical and research labs. It is the market leader (~30% share) in automated liquid handling. The company was a clear winner throughout the COVID-19 crisis, directly contributing to vaccine development efforts (e.g. BioNTech had been using a Tecan platform to develop cancer-focused mRNA treatments and was able to pivot the platform to developing the COVID vaccine) and playing a pivotal role in bolstering global testing capabilities (e.g. partnership with Thermo Fisher to develop a PCR test processing system and mass production of disposable pipettes for the U.S. government). On the flipside, TECN also faced significant, albeit smaller, headwinds from lab closures.

Generally, Upslope's thesis is that Tecan is a classic "high-quality" business made stronger by the COVID-19 crisis. While not a household name, prior to COVID, Tecan had a strong history of solid non-cyclical growth (HSD% organic, complemented by tuck-in acquisitions), secular tailwinds (rising lab automation demands due to aging global population, rising global wealth, increasing healthcare spend), clear competitive advantages (solid reputation/technology, high switching costs), a strong balance sheet (typically net cash), and plain-spoken management. The company also earns ~1/3 of its revenue (pro forma for recent acquisition) from more recurring consumables/service sales.

With a solid foundation pre-COVID, Tecan's positioning has been significantly strengthened on both a qualitative (higher-profile, more trusted brand due to exceptional execution during the crisis) and quantitative basis (larger installed base and a cash flow windfall put to productive use expanding Tecan's market opportunity and competitive advantages).

On this last point, part of Upslope's original thesis for Tecan (initiated position in early May) was that management – who appear thoughtful and very patient – seemed likely to announce an attractive, value-enhancing transaction in the near-term. This played out, with Tecan announcing a $1bn acquisition of Paramit in June. Based in the U.S., Paramit develops and manufactures medical devices and instruments, with a particular focus on medical mechatronics/robotics and lower volume, complex manufacturing. As an example, Paramit supplies key components for Intuitive Surgical's da Vinci surgical robot. Paramit is known for its patented vPoke assembly process, which boasts a defect rate of 0.5/million (vs. 200/million industry standard)[4] and enables broad manufacturing flexibility. It's early, but the industrial logic (expansion into adjacent markets, complementary geographies and services, enhanced manufacturing capabilities) makes sense and the financial terms are reasonable (easily accretive and outlined synergies appear conservative). Given the financing of the transaction and Tecan's strong cash generation, it would not be a surprise to see the company announce additional acquisitions in the medium-term.

In terms of risks, the largest factor for Tecan shares continues to be COVID-related uncertainty – i.e. how quickly global testing demand will fade relative to the pace of (smaller) reopening benefits. Combined with somewhat elevated valuation (albeit in-line with or cheaper than peers), this should continue to generate volatility for shares. I gain some comfort here due to the highly complementary fit with Upslope's portfolio in terms of style ("quality" healthcare) and "reopening" factor exposure. Other risks include M&A execution (Paramit is the largest acquisition in the company's history), regulation, manufacturing defects, and mild customer concentration (more so at Paramit).

[4] Source: Berenberg research note dated September 8, 2021.

BWX Technologies (BWXT) – New Long

BWX Technologies designs and produces nuclear reactors, components and fuel, primarily for the U.S. Government and Navy (and, more recently, NASA). The company is the sole supplier for its Naval products (~75% of sales), which are used for the power and propulsion of *all of* the Navy's aircraft carriers and submarines. With nuclear subs (aka "boomers") forming the backbone of the "Sea" leg of the Nuclear Triad, BWX plays a vital and sensitive[5] role supporting the national security of the United States. Of course, BWX is exceptionally well-positioned should the saber-rattling vis-à-vis China continue. The recent Aukus security pact, which may eventually benefit BWX, illustrates the urgent and strategic importance of maintaining a modern nuclear-powered sub fleet.

Even if relations with China stabilize (and hopefully they do), BWX shares seem poised to outperform. After four years of essentially going nowhere, the stock currently trades near the low-end of its historical valuation range – just over 13x EBITDA vs. typical range of 13-16x. With a literal monopoly position (albeit against a sole purchaser), BWX has historically generated modest top-line growth with attractive returns on capital (mid-20s). Given the stability of the business and its competitive position, as well as the current geopolitical backdrop, current valuation seems very reasonable.

Importantly, beginning in 2017 BWX embarked on an aggressive capex expansion program, eventually tripling capex as a percentage of sales. In addition to ramping capacity to support Navy growth, BWX spent heavily developing its medical/radioisotope business. While not yet concluded, there is light at the end of the tunnel that should bode well for shares. 2020 appears to have been the capex peak and BWX seems on track for more normalized capex by the end of 2022. This should lead to de-levering the balance sheet (from an already-reasonable 3x gross debt/EBITDA), a potential acceleration in capital returned to shareholders, and/or the prospect of increased M&A.

Lastly, while BWX's core today is its Naval operations, there is long-term optionality from the other units (~25% of revenue), which are currently focused on Canadian nuclear power (fuel and components), medical, space (NASA) power, and microreactors. BWX faces little competition, if any, across many of these areas. A sizable portion (>50%) of the recent capex program was also invested in a new Mo-99/Tc-99 radioisotope (essentially a cleaner, more cost efficient alternative to current products on market – used in cardiology, oncology, neurology, and diagnostics) production line that should lead to an acceleration in growth outside of Naval operations.

Major risk factors for BWX include the possibility of physical accidents, production defects and resulting liabilities, as well as cost pressures due to strained government budgets and/or rising input costs, some leverage (~2x net), and ESG flow headwinds (not fundamental, of course, but a reality).

CLOSING THOUGHTS

"25 steps forward, 24 steps back" is how I've often described 2021 to date for Upslope's portfolio. It doesn't quite roll off the tongue, but the math checks out. While performance has been muted year-to-date, I am as enthusiastic as ever about Upslope's unique portfolio today, which I believe is well-diversified across catalyst-driven situations and attractive long-term prospects.

[5] According to a recent Morgan Stanley report, the United States has only shared its naval nuclear propulsion technology one time – with the U.K. in 1958.

More than ever, I sincerely 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 approach, please call or email anytime.

Sincerely,

George K. Livadas
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george@upslopecapital.com

Appendix A: Historical Long/Short Composite Performance

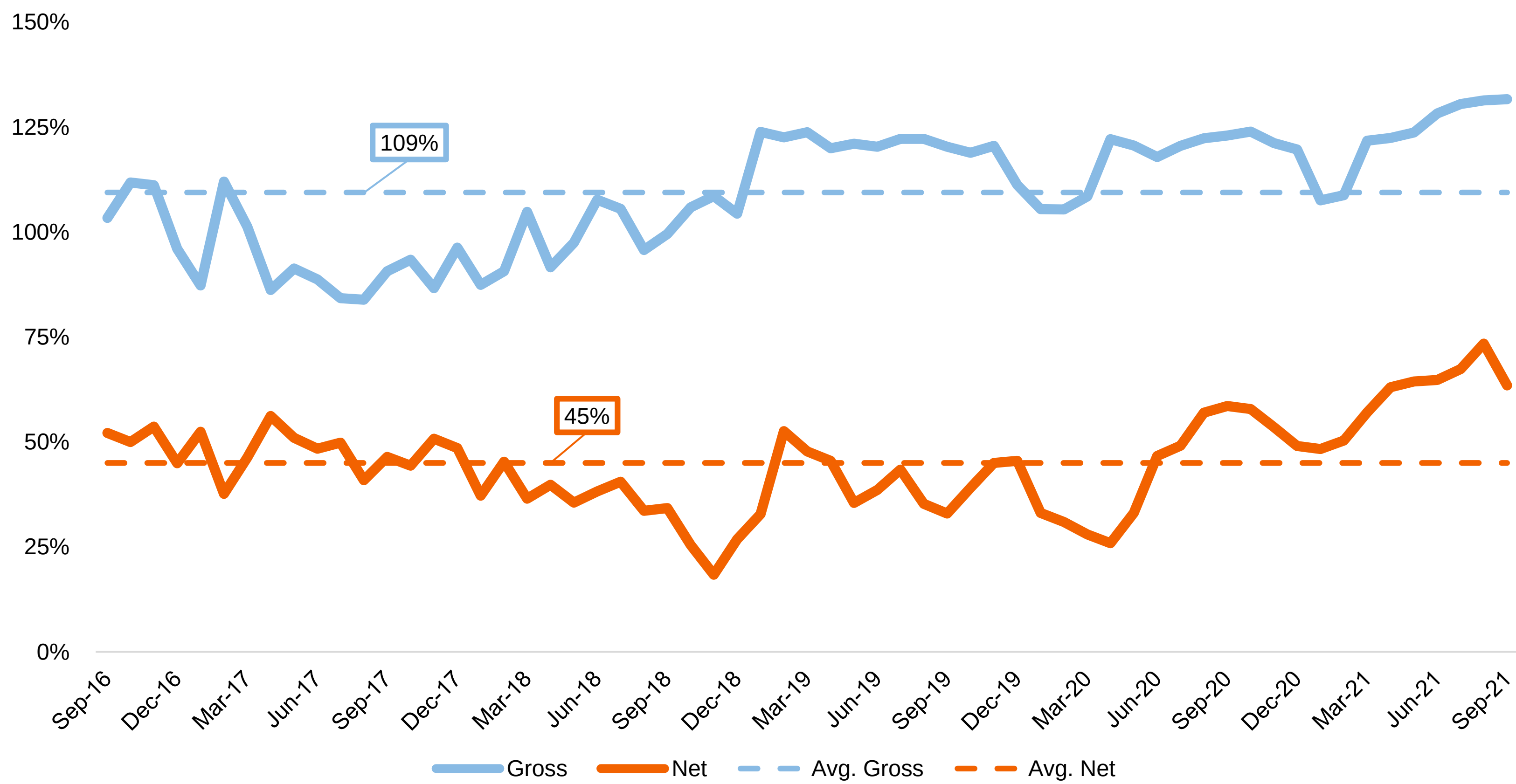
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	Upslope	(5.1%)	0.3%	3.2%	2.4%	0.4%	(0.0%)	2.4%	1.6%	(4.0%)				0.8%
	S&P Midcap 400	1.4%	6.8%	4.9%	4.3%	0.2%	(1.1%)	0.3%	2.0%	(4.0%)				15.3%
2020	Upslope	0.0%	(2.3%)	0.4%	4.9%	(0.7%)	(2.9%)	1.9%	4.6%	0.8%	3.2%	3.6%	0.9%	15.1%
	S&P Midcap 400	(2.6%)	(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	10.3%	64.8%	4.6%	1.8	--
	S&P Midcap 400	12.2%	79.9%	13.2%	0.8	0.25
	HFRX Equity Hedge Index	5.1%	28.7%	5.7%	0.5	0.23

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 60.1% and -0.2%, 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 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 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.

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; shares are backstopped by a compelling potential take-out 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)

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.

Specialty Retailer (Undisclosed)

Canada-based retailer with unique business model and long-term secular tailwinds. Not yet a full position and thus not publicly disclosed.

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.

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