

2023-Q1 Update

April 17, 2023

Dear Fellow Investor,

**Upslope's objective is to deliver attractive, equity-like returns with significantly reduced market risk and low correlation versus traditional equity strategies.** During Q1, markets saw notable up-and-down volatility. These months were not particularly dramatic for Upslope: we lost a little in January as markets went vertical (up) and made a little in February and March, as markets dropped.

	Upslope Exposure & Returns <sup>1</sup>		Benchmark Returns	
	Average Net Long	Net Return	S&P Midcap 400 ETF (MDY)	HFRX Equity Hedge Index
Q1 2023	66%	-1.2%	+3.8%	+0.8%
Last 12 Months	67%	+5.5%	-5.2%	-2.1%
<b>Since Inception*</b>	<b>50%</b>	<b>+9.3%</b>	<b>+8.9%</b>	<b>+3.9%</b>

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

\*Since Inception returns are annualized (from August 2016).

In addition to the usual updates, **I am thrilled to announce the launch of Upslope Partners Fund, LP**, a commingled hedge fund that will deploy the same differentiated strategy Upslope has used via SMAs (which will be converted into the fund) since inception. The fund will be open to Accredited Investors, and I expect an initial close on July 1. This change was a long-time coming, and I believe it will greatly enhance Upslope's operating and tax efficiency as well as long-term growth trajectory. If you are an Accredited Investor and interested in learning more or joining the partnership, please contact me.

## MARKET CONDITIONS - KNOWN (UN)KNOWNs

"Cautiously pessimistic"<sup>2</sup> is an apt way to describe my current views towards markets. I see a couple of big bad 'Known Knowns' – deeply inverted yield curve and bank crisis/tightening credit. We know these are issues, and we know what they generally lead to: recession. On the positive side, we have an economy and jobs market that have proven amazingly resilient. No doubt a big deal, but are they likely to get better or worse from here? Pull up a long-term chart of the unemployment rate and you *know* the answer.

The Known *Unknowns* (issues we're aware of, but whose effects are unclear) list is daunting: still-unresolved inflation, wildly uncertain geopolitical tensions, and possible central bank reactions (helpful, adversarial?) to all of the above. On inflation, many continue to mistakenly put our troubles in the Known *Knowns* category – "we know it's almost over and this will be good for stocks." We do not know this. We know it will end, but importantly we don't know when or *how*. Inflation antidotes have some notorious and lagging side effects. The geopolitical issues are serious and frankly I feel like a conspiracy theorist for mentioning them. The path and outcomes are impossible to predict. But we don't have to keep our heads in the sand. While Upslope is generally positioned to benefit from volatility, I hope such crises are not the spark. Our positioning reflects my views on market conditions and opportunities – not the other way around.

I'll close this section with a thought-provoking analysis from J.P. Morgan's quarterly [Guide to the Markets](#), as well as a related and curiously timed contrarian "cover indicator" from *The Economist*. Last year's growth-

<sup>1</sup> 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.

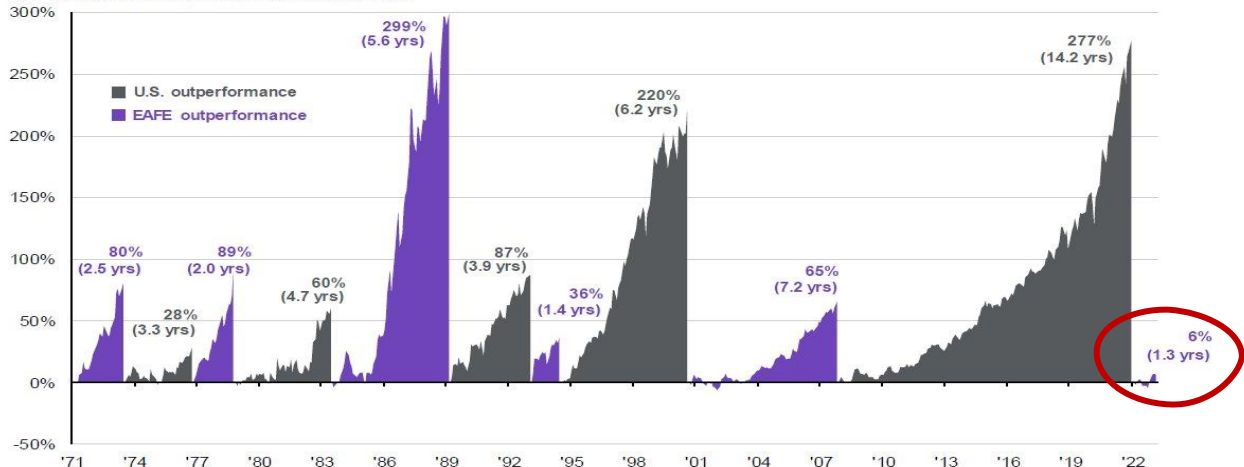
<sup>2</sup> With a nod to a Twitter friend who goes by a handle of this name.

to-value “regime change” was much talked about. However, another big regime change is also afoot. For the first time since the Financial Crisis, US stocks have consistently underperformed (squin at the bottom-right of the chart below) global peers. This could be a mere blip, as some have been in the past. For now, it seems early and that the change has the potential to last for some time. Investors with the ability to invest overseas, such as Upslope, should have an advantage in navigating evolving investment regimes.

### Exhibit 1: Another Big Regime Change...

#### MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance



Source: FactSet, MSCI, J.P. Morgan Asset Management (*Guide to the Markets*). Note: Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period.

### Exhibit 2: ...and a Classic Economist “Cover Curse”

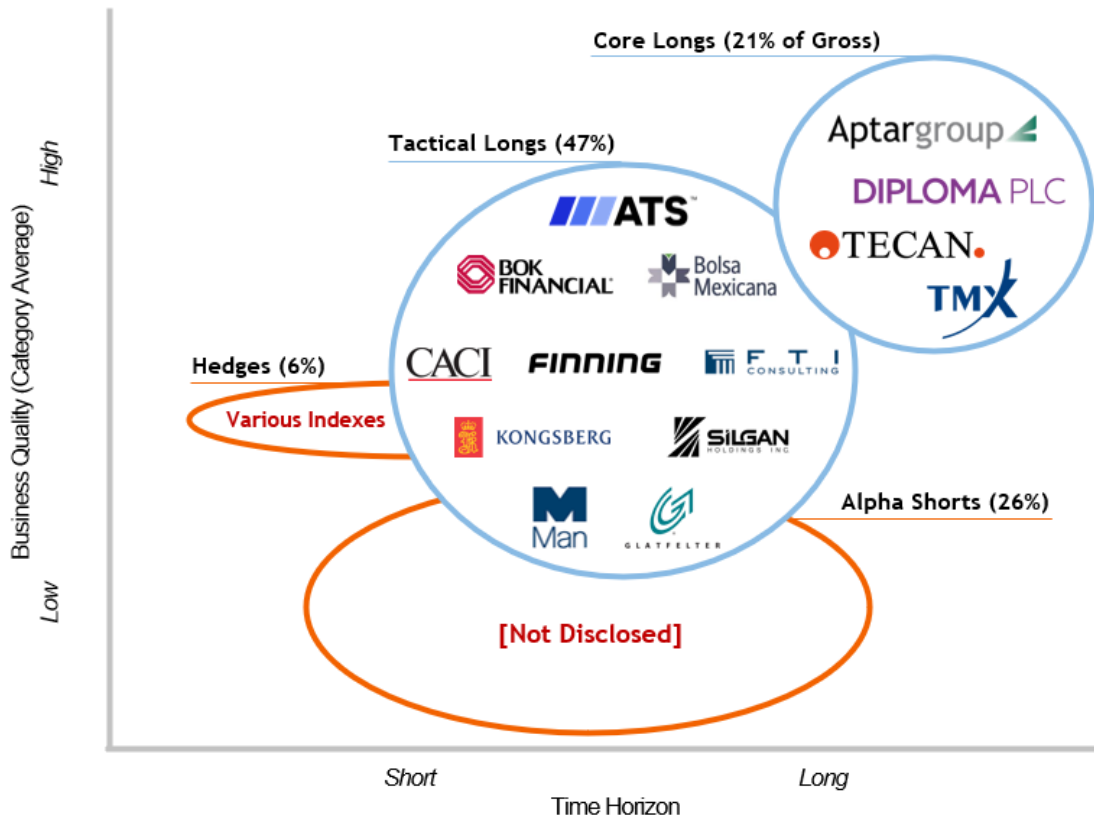


Source: The Economist (April 15, 2023)

## PORTFOLIO POSITIONING

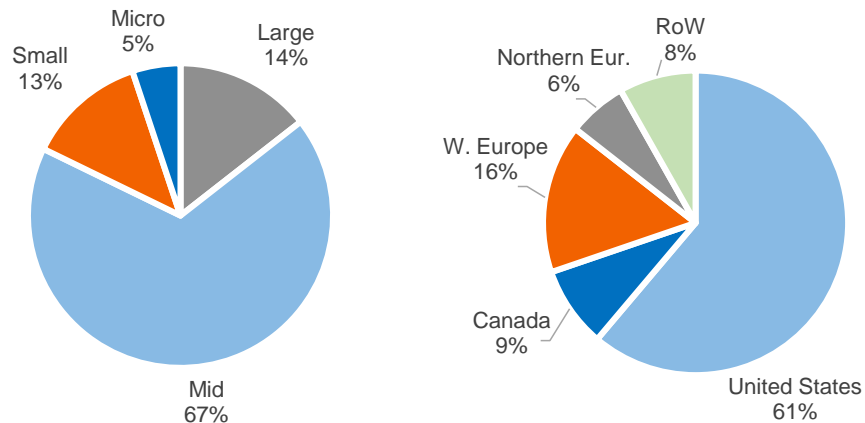
At quarter-end, gross and beta-adjusted net exposures were 146% and 39%, respectively. Positioning reflects a heightened number of perceived opportunities, both long and short.

**Exhibit 3: Upslope Portfolio Snapshot**



Source: Upslope. Note: as of 4/13/23 and may change without notice.

**Exhibit 4: Gross Exposure by Market Cap & Geography**



Source: Upslope, Interactive Brokers, Sentieo. Note: as of 4/13/23. Market cap ranges: Micro (<\$400mm), Small (\$400mm - \$3bn), Mid (\$3bn - \$13.5bn), Large (>\$13.5bn).

## PORTFOLIO UPDATES

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: ATS Corp (+220 bps)	Short: Hedges, net (-305 bps)
Long: FTI Consulting (+200 bps)	Long: BOK Financial (-155 bps)
Long: Man Group (+100 bps)	Short: Undisclosed (-75 bps)
<b>Longs – Total Contribution</b>	<b>Shorts – Total Contribution</b>
+240 bps	-345 bps

Source: Upslope, LICCAR, Interactive Brokers

Note: Amounts may not tie with aggregate performance figures due to rounding.

### Chemring (CHG:LN) – Exited Long

Chemring is a niche defense contractor focused on flares, energetics, and cyber warfare, among other areas. The company has navigated the uncertain environment fine but has not benefited as materially as I expected. Additionally, the CFO, who played a key role in driving the company's recent turnaround, announced plans to retire. I'm not overly concerned by the change, but the loss of a key executive is another negative. We may be CHG shareholders again in the future. But, for now there appear to be better opportunities for our capital.

### Banks – Long & Short Update

Given recent events and Upslope's long BOK Financial position noted last quarter, I wanted to briefly discuss our involvement with bank stocks. While the outlook for regional banks appears cloudy at best, BOKF appears well-positioned to weather the crisis due to a conservative culture, niche geo/sector focus and strong balance sheet. Understandably, shares were not immune; however, BOKF outperformed the sector and losses were blunted a bit by several bank shorts. On the short side, exposure has been diverse, and themes include hard-to-reverse funding/confidence spirals, questionable credit, and extraordinarily crowded "safe-havens" (the latter has not worked to date). I am not sure how the regional bank "crisis" will resolve; however, our long BOKF position is modest, and overall Upslope is net short bank stocks today.

### Finning (FTT:CN) – New Long

Finning is the world's largest dealer and distributor of Caterpillar equipment. The company operates in three regions: Canada, South America (Chile, Argentina, Bolivia), and UK & Ireland. I view FTT as a reasonably high-quality business (classic dealer model that benefits from steady service income) serving highly cyclical end markets driven by commodities, mining, energy and infrastructure. Shares appear very cheap today. As with all cyclicals though, cheapness is often a reflection of peak cycle worries. I share these concerns, which is why FTT is a modestly sized "starter" position for Upslope. Why not wait until the coast is clear before initiating the position at all? Because FTT is highly complementary to Upslope's defensive portfolio and cycle timing is notoriously difficult. I plan to discuss FTT in more detail if/when it graduates to a full size.

## CLOSING THOUGHTS

As investors grapple with the prospect of a recession ahead, Upslope's unique and defensive portfolio appears exceptionally well-positioned to navigate the uncertain environment. Exposure to more traditional "value" stocks and non-U.S. businesses should provide an added tailwind for some time.

With the transition of Upslope's core business model from SMAs to a fund vehicle, I am more thankful than ever for Upslope's clients. I sincerely appreciate your trust, support, and, recently, your patience with the fund transition process. I can't wait for Upslope's next chapter ahead.

If you have any questions at all, would like to add to your account, or know a qualified investor who may be a good fit for Upslope's atypical approach, please call or email anytime.

Sincerely,



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## Appendix A: Long/Short Composite Performance (Net)

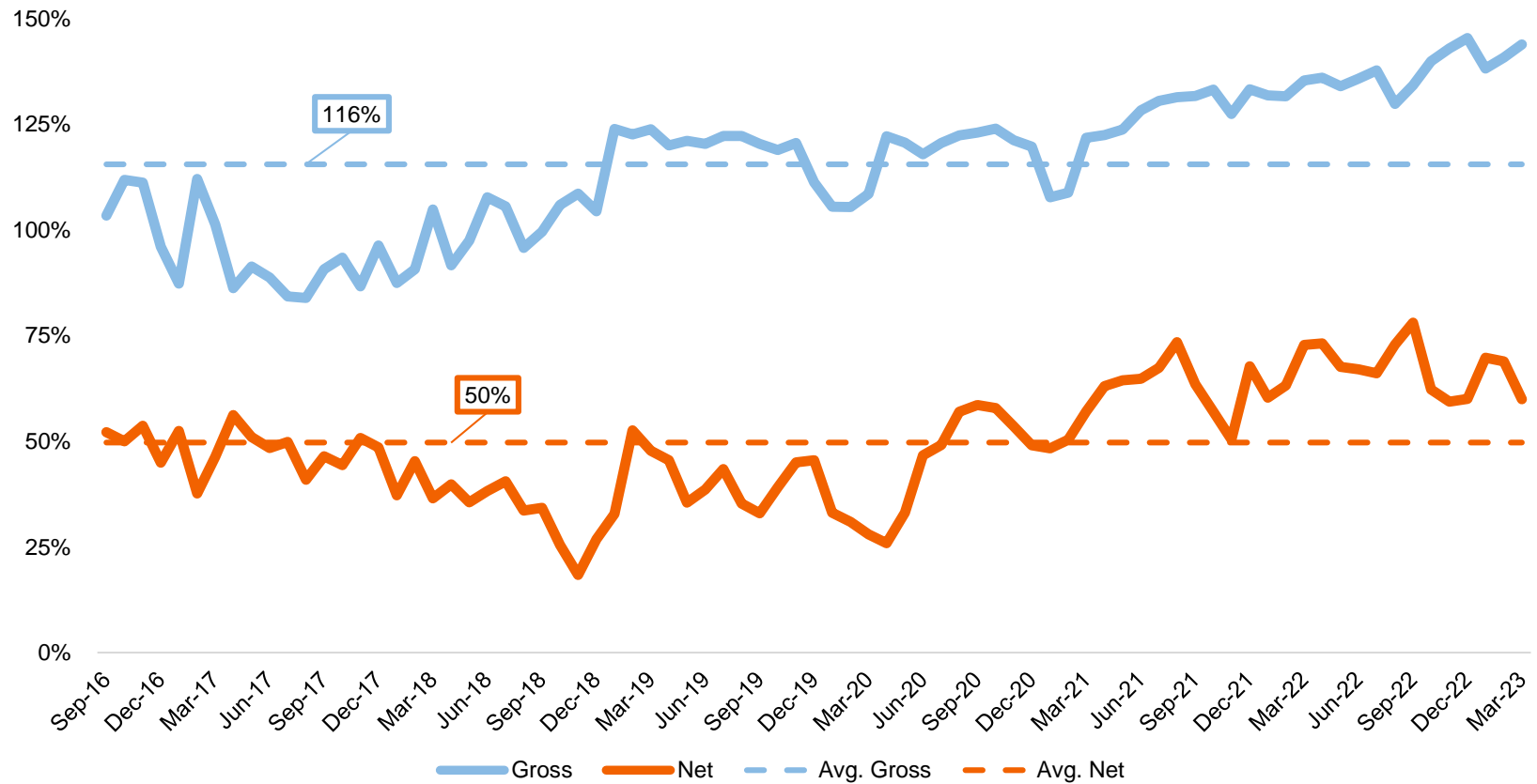
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2023</b>	Upslope	(2.6%)	1.6%	(0.3%)										(1.2%)
	S&P Midcap 400	9.3%	(1.9%)	(3.2%)										3.8%
<b>2022</b>	Upslope	(2.3%)	0.8%	1.3%	3.1%	(1.5%)	(0.8%)	1.5%	(4.0%)	(2.3%)	3.0%	5.7%	2.1%	6.5%
	S&P Midcap 400	(7.3%)	1.1%	1.3%	(7.1%)	0.8%	(9.6%)	10.9%	(3.2%)	(9.2%)	10.5%	6.0%	(5.5%)	(13.3%)
<b>2021</b>	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%
<b>2020</b>	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%
<b>2019</b>	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%
<b>2018</b>	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%)
<b>2017</b>	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%
<b>2016</b>	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
<b>Since Inception</b>	Upslope	9.3%	79.3%	4.9%	1.5	--
	S&P Midcap 400	8.9%	74.9%	13.7%	0.5	0.29
	HFRX Equity Hedge Index	3.9%	28.9%	5.3%	0.4	0.26

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

Note: Returns shown for composite of all accounts invested according to Upslope's core long/short strategy. Upslope also manages a long-only version of the strategy for a subset of assets under management. Performance for a composite of these (or all) accounts is available upon request. Performance for S&P Midcap 400 represented by total return for related exchange-traded fund (ticker: MDY). **Individual account performance may vary** (minimum returns, net of fees, for an account invested since inception and YTD 2023 were +72.4% and -1.8%, 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 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

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

**ATS Corp. (ATS.TO)**: Canada-based factory automation solutions provider primarily serving defensive end markets (healthcare, food, etc.) in N. America and Europe. Active acquisition strategy + potentially accelerating reshoring tailwinds should sustain growth ahead.

**BOK Financial (BOKF)**: Regional bank based in and primarily focused on OK, as well as TX, NM, and CO. Conservative culture + unique energy expertise + modest valuation support BOKF shares on a standalone basis. Also view position as a portfolio hedge in the event of sustained, elevated rates and/or energy prices.

**Bolsa Mexicana de Valores (BOLSAA:MM)**: Dominant financial exchange operator in Mexico. Despite known headwinds in its equities business, the company is diversified, highly cash generative, conservatively managed, and shares appear a cheap call option on global macro reacceleration and/or Mexico resurgence.

**CACI International (CACI)**: Specialized technology and consulting services provider, primarily to U.S. defense and intelligence agencies. Anticipate company will benefit from geopolitical tailwinds, strong position in cyber defense, and continued consolidation opportunities.

**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.

**Finning (FTT.TO)**: World's largest dealer and distributor of Caterpillar (CAT) equipment, operating in Canada, South America, and UK/Ireland. Well-managed cyclical business, with "pick and shovel" type exposure to commodities and infrastructure. Highly complementary to Upslope's otherwise-defensive portfolio.

**FTI Consulting (FCN)**: Boutique consulting and advisory firm, with leading expertise in restructuring, dispute advisory, and other practices. Should ultimately benefit from elevated deal flow in wake of longer-term pandemic effects (e.g. rising rates and SPAC boom/bust) and restructuring cycle.

**Glatfelter (GLT)**: Specialty materials company with most of its footprint in W. Europe. Commodity products largely serve defensive end markets (e.g. tea, hygiene). Significant exposure to E. Europe + ill-timed M&A put company in distress. Anticipate easing inflation to "bail out" the company, regardless of other macro considerations.

**Kongsberg Gruppen (KOG.NO)**: 200+ year old defense (missile/defense, remote weapons systems) and maritime (offshore, commercial) business, majority owned by Norwegian government. Dominant positions in niche products with cyclically attractive end markets, strong management team and solid balance sheet.

**Man Group (EMG.LN)**: UK-based alt. manager with \$140bn+ of AUM (70% alts, 30% long-only). Differentiated, strategies focused on public, liquid markets have withstood sector headwinds well over years and could see resurgence, given dramatically changed macro environment. Position also provides portfolio with "cheap beta."

**Silgan Holdings (SLGN)**: Food can, dispensing system, and plastic packaging producer managed with a private equity mindset. Defensive end markets, attractive valuation and disciplined model make for attractive baseline investment with balance sheet optionality (M&A or capital return).

**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 during the 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 outperformance during periods of elevated inflation and/or volatility.



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Indices are unmanaged, include the reinvestment of dividends and do not reflect transaction costs or any performance fees. Unlike indices, Upslope's investments will be actively managed and may include substantially fewer and different securities than those comprising each index. Upslope's performance results as compared to the performance of HFRX Equity Hedge Index and S&P Midcap 400 (ticker: MDY) are for informational purposes only. HFRX Equity Hedge Index is an index that main positions both long and short in primarily equity and equity derivative securities. S&P Midcap 400 (ticker: MDY) is a stock market index that serves as a gauge for the U.S. mid-cap equities sector.

The investment program of Upslope does not mirror the indices and the volatility may be materially different than the volatility of the indices. Direct comparisons between Upslope's performance and the aforementioned indices are not without complications. The indices may be unmanaged, may be market weighted, and indices do not incur fees and expenses. Due to the differences among the portfolios of Upslope and the aforementioned indices, no such index is directly comparable to Upslope.

## **Fund Terms**

The summary provided herein of the terms and conditions of the fund managed by Upslope does not purport to be complete. The fund's Offering Documents should be read in its entirety prior to an investment in the fund.