

2022-Q2 Update

July 19, 2022

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. Volatility from Q1 continued and intensified in Q2, making for another relatively favorable environment for Upslope's approach.

	Upslope Exposure & Returns ¹		Benchmark Returns	
	Average Net Long	Net Return	S&P Midcap 400 ETF (MDY)	HFRX Equity Hedge Index
Q2 2022	69%	+0.8%	-15.4%	-4.4%
YTD 2022	67%	+0.5%	-19.7%	-4.7%
Last 12 Months	65%	+3.8%	-14.8%	-0.9%
Since Inception*	48%	+9.7%	+7.9%	+4.0%

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 - ALL SOBERED UP?

Bargains have begun to emerge, but investors need to be pickier than usual – despite a market -20% YTD. Not everything is on sale and the macro environment is packed with landmines. Flawed businesses whose stocks saw bubbly valuations last year will remain challenged, in my view. Just as it was wise to remain humble making predictions about inflation, it's best to be open-minded about the macro road ahead. A recession is likely. Will it be shallow and somewhat painless – “technical” in the spirit of mis-predicted “transitory” inflation? Or at least V-shaped, like the crises of recent years (2018, 2020) that investors have learned to love? I'm not so sure.

Upslope's portfolio continues to lean defensive and cheap. Quality is surprisingly high for some of our longs with newfound cheapness. One example (purchased in Q2) is Ball Corp. In late 2020, Ball traded for over 30x earnings – ridiculous for a humble beverage can producer (albeit an exceptionally well-managed one). It recently traded for half that. Drawdowns are not the same as “value”; but, this seems like an “obviously reasonable” price for the clear leader in a consolidated industry that's historically shown limited macro sensitivity, a good ability to pass through costs, consistent growth, and disciplined capital allocation.

On the short side, our shift away from “SPAC+” shorts continues.² In their place: increased exposure to select pockets of cyclicals – namely packagers and housing. Some have been indirect beneficiaries of the inflationary environment (fundamentally and as “value stocks”), which seems likely to wane. These stocks have held up surprisingly well, even though historically they have been harmed more than most in a sluggish economy.

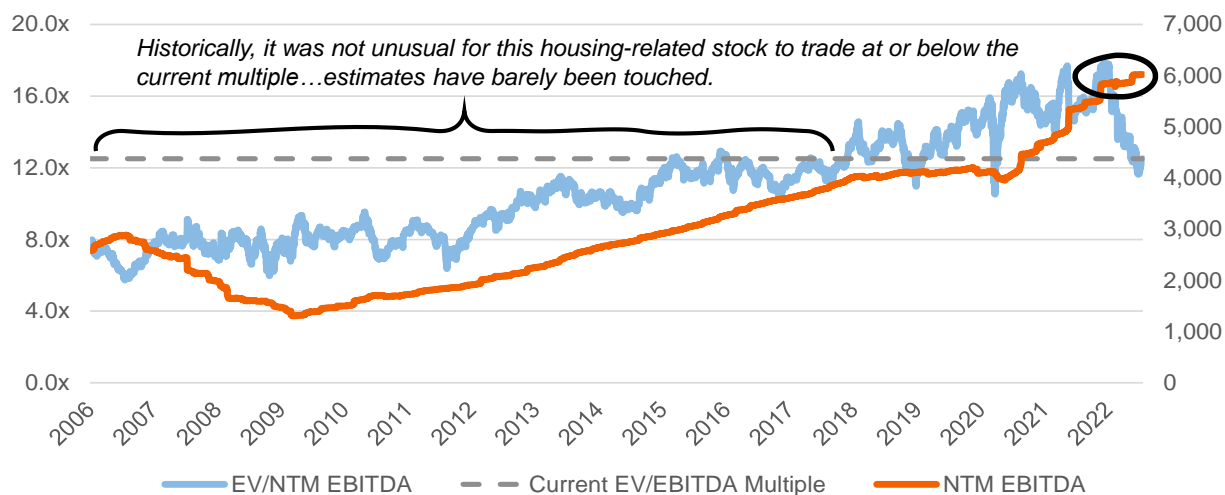
I came about our housing-linked shorts in a roundabout way. After initiating a starter *long* in a housing stock during the quarter, I concluded (after some restless nights) that in the face of a historic spike in mortgage

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 Of course, I retain the right to about-face on this.

rates, it was all just a little too cute. While the stock had de-rated, shares have seen lower trough valuations in the past *and* estimates hadn't even budged yet. So not only did I hit eject on the starter long, but I sought worse offenders as shorts. "Quality" and "compounders" are words investors use to describe most of them. These shorts are reasonably cyclical and only cheap relative to the past five boom years. The outlook has changed, and the longer-term floor has historically been lower. While I have no illusions about housing shorts being in the early innings, estimate cuts should still compound potential downside. A clear example of the above phenomenon is shown below.

Exhibit 1: Still Compounding in Housing?



Source: Sentio, Upslope. Note: as of 7/15/22; EBITDA figures adjusted by multiplier to keep example blind.

Looking ahead, what would it take for me to get more broadly bullish – and what would that look like in terms of Upslope's portfolio? It's easiest to answer the second question first: you'd see a reduction in outright short exposure and an increase in the average beta (cyclicality) of our longs.

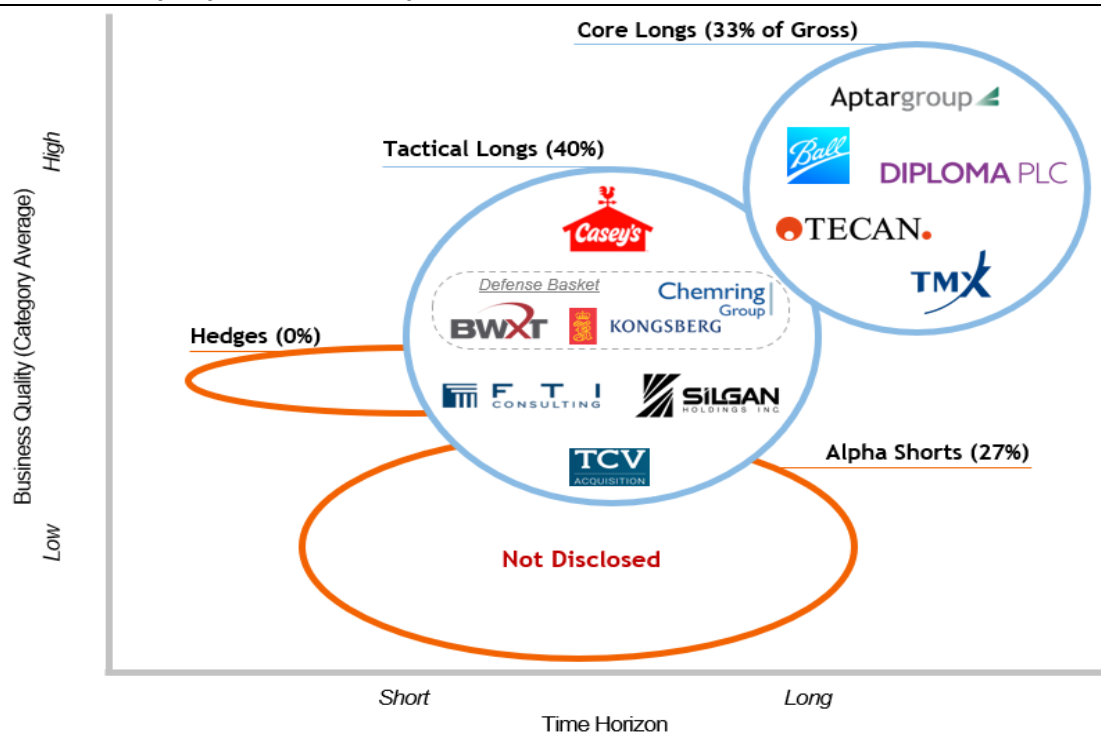
What would cause this to happen? On the short side, I would need to have a harder time finding interesting ideas. Today, I don't believe it is *that* difficult. There are still plenty of SPACs with more downside (approx. 100% in many cases – just on fewer dollars, which means more risk). There are also plenty of cyclicals that seemingly only "work" in a best-case perfect-landing macro scenario, while offering sharp downside if current events continue down the same path.

Finding attractive, higher beta longs is more challenging. Despite the market pullback, there isn't much that I'm excited about in this category (although we're getting warmer). I had some fits and starts here in Q1, with a few starter positions that I ultimately ended up cutting entirely. Most of the cyclical areas I've studied have priced in a softening economy. But, downside is not yet limited enough. I have a well-worn and growing shopping list that I hope to get another shot at soon. While I'm excited about what may lie ahead, I believe patience is still warranted.

PORTFOLIO POSITIONING

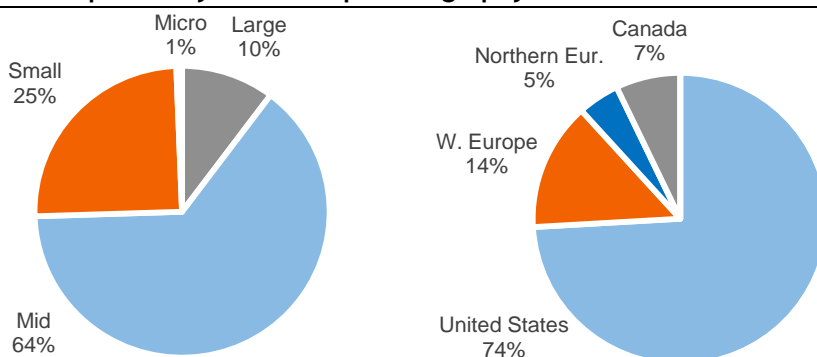
At quarter-end, gross and beta-adjusted net exposures were 135% and 37%, respectively. Positioning continues to reflect a heightened number of perceived opportunities on both the long and short sides of the portfolio – and sharply lower average beta among longs than shorts. Gross exposure is elevated (vs. typical 125% range) owing to a large position in a pre-transaction SPAC (TCVA) trading below NAV.

Exhibit 2: Upslope Portfolio Snapshot³



Source: Upslope. Note: as of 6/30/22 and may change without notice. Logo positioning *within* categories not reflective of relative time horizon/business quality. See Appendix C for a brief overview of all longs.

Exhibit 3: Gross Exposure by Market Cap & Geography



Source: Upslope, Interactive Brokers, Sentio. Note: as of 6/30/22. Market cap ranges: Micro (<\$400mm), Small (\$400mm - \$3bn), Mid (\$3bn - \$13.5bn), Large (>\$13.5bn).

³ Not disclosing shorts publicly due to current market conditions. As always, clients should feel free to contact me regarding any/all positions, including shorts. "Starter" longs (based on Upslope's judgement) are not shown.

PORTFOLIO UPDATES⁴

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: FTI Consulting (+160 bps)	Long: Diploma (-185 bps)
Short: Tattooed Chef (+125 bps)	Long: Bright Horizons (-155 bps)
Short: Ranpak (+95 bps)	Long: Tecan (-145 bps)
Longs – Total Contribution	Shorts – Total Contribution
-885 bps	+995 bps

Source: Upslope, LICCAR, Interactive Brokers

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

Bright Horizons (BFAM) – Exited Long

Bright Horizons is a leading childcare provider with a unique corporate partnership model. Upslope's thesis was that BFAM was hit hard by COVID-19 but should ultimately emerge competitively stronger. This thesis broke in Q2 (arguably, I confess, much earlier), as the company continued to struggle on most fronts (enrollment + margins) and announced its largest-ever acquisition – in Australia. In addition to poor timing (aggressive deal from a position of weakness), the acquisition also signaled to me a lack of near-term opportunities in BFAM's core U.S. market.

Investnet (ENV) – Exited Long

Investnet is a leading wealth management technology platform. Based on various management initiatives and actions and the fact ENV is a collection of unique assets, Upslope's thesis was that the odds of a "turnaround or takeout" were quite high. This thesis broke on both fronts during Q2. Fundamentals (tied to broader market performance) deteriorated sharply; and, the odds of a takeout (dependent on financing conditions and general risk appetite) also declined. To put an exclamation point on it, ENV also saw an exodus of various upper-/mid-level executives.

Ball Corp. (BALL) – New Long

Ball is a simple business, focused primarily on producing beverage cans (90% of segment earnings, with the remainder largely focused on niche aerospace instruments, sensors, and spacecraft). An aggressively un-sexy business, "bevcans" is an attractive niche with historically low sensitivity to macro volatility and solid pricing power (due to tight contractual pass-through of raw material costs and a highly consolidated industry). Barriers to entry aren't particularly high, but it is challenging for sub-scale entrants to compete and operate efficiently vs. large global players such as Ball. At its foundation, the business is driven by canned beverage (beer, soft/energy drinks, etc.) volumes, with a modest, but persistent uplift owing to a

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).

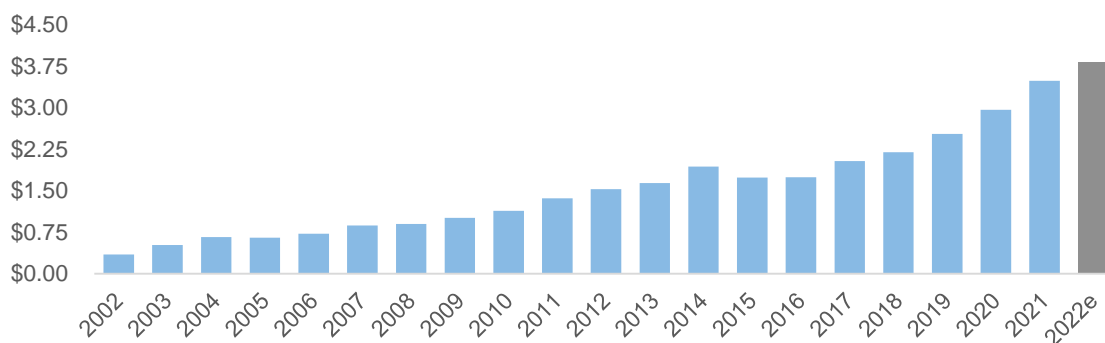
long-term shift from glass and plastic beverage packaging to aluminum (lighter, easier to recycle, and less energy-intensive).

No surprise, the core of Upslope's thesis isn't about heart-racing upside so much as it is about owning a well-managed, attractive business with limited downside and a history of double-digit free cash flow growth. Ball shares have struggled significantly over the past 18 months. 2021 was the stock's worst year of relative (vs. S&P 500) underperformance since at least 2000 (a fun fact for those of us that believe we just concluded Tech Bubble 2.0). 2022 kicked off similarly. While the S&P 500 itself saw one of its worst starts to a year ever, Ball shares underperformed even that by an additional 11% (-30% in 1H). Much of this was, in my view, due to a badly needed correction of over-valuation. In recent years Ball became an "ESG" darling, owing to its (logical) messaging around sustainability, as well as its steady performance through COVID-era macro volatility. This exuberance has finally been corrected, in my view.

A big part of my enthusiasm for Ball today is the expected removal of a series of temporary but noisy headwinds. Among them: concern over Russian operations (<5% of sales and expected to exit), weakness in Brazil (historically volatile and nothing new; also consistent with competitor's experience), and inflationary pressures (headwind to margins that should ultimately be recouped). On top of these concerns, investors (including myself) have eyed significant bevcan industry capacity expansions in recent years with some concern and skepticism. To date, industry expansion has not been speculative and has been tied directly to contracted new volumes. While it remains an issue to watch, I believe: (a) it's very widely known and largely priced in today, and (b) we could see some capacity expansion pauses or reversals in the periods ahead (which would be cheered by investors).

Aside from fading headwinds, there are plenty of reasons to like Ball as a business and stock. First, as noted, Ball's business is largely driven by canned beverage volumes, which tend not to be particularly cyclical, and are bolstered by the steady shift towards aluminum beverage packaging. Second, Ball has historically been viewed as the best-managed packager with a disciplined, ROIC-focused management team. I have long agreed with this assessment, but believe the stock is no longer priced as such today. Third, despite tough sledding for shares of late, I believe Ball is exactly the type of stock that should thrive on at least a relative basis in today's uncertain macro environment. The core is defensive and the business is better insulated against inflationary and recessionary headwinds than most. The company can also thrive should macro concerns subside. Finally, Ball's niche Aerospace segment remains an obvious source of optionality, given the geopolitical climate and investors' lack of focus on it.

Exhibit 5: Steady Earnings per Share (Adj.) through Economic Cycles



Source: Canalyst, Sentio, and Upslope.

Key risks for Ball shares include: (1) “Peak cycle” concerns, including: Ball’s purchase of arena naming rights (in Denver), CEO retirement, industry capacity expansion, and previously intense ESG interest. While these are still risks, I believe downside is far more limited today at half of the peak multiple. (2) Further valuation compression is also possible. I see this happening largely in a scenario where the broader market completely falls apart – during which Ball would almost certainly outperform. (3) Relatively new CEO (was head of bevcans for years and the logical successor to prior CEO). (4) Correlation to existing Upslope “packaging” longs. Ball is indeed more correlated to these positions than other Upslope longs; however, each has a different end market focus (Aptar = pharma, Silgan = food, Ball = beverage). (5) FX translation headwinds due to the global nature of the business.

Despite near-term uncertainty, I am particularly excited to be a shareholder in Ball, a business I’ve long followed and admired but never owned due to the price tag. While the best opportunities in bear markets tend to be found in beaten up shares of high-risk cyclicals, the unique circumstances Ball has faced in recent years have afforded us an unusual opportunity to own shares of a steady, predictable business at a discount – precisely when such predictability should be uniquely valuable.

CLOSING THOUGHTS

The environment continues to be favorable for Upslope’s strategy. I am pleased to have protected capital YTD but not satisfied with muted absolute returns. While capital preservation remains a priority, I am more actively on the hunt for investments that are less defensive in nature but still have limited downside. For now, I will echo what I said in Q1: valuation discipline, pragmatic risk management, and an ability to be nimble are the key success factors in 2022, and I am more focused on them than ever.

As always, 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 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)

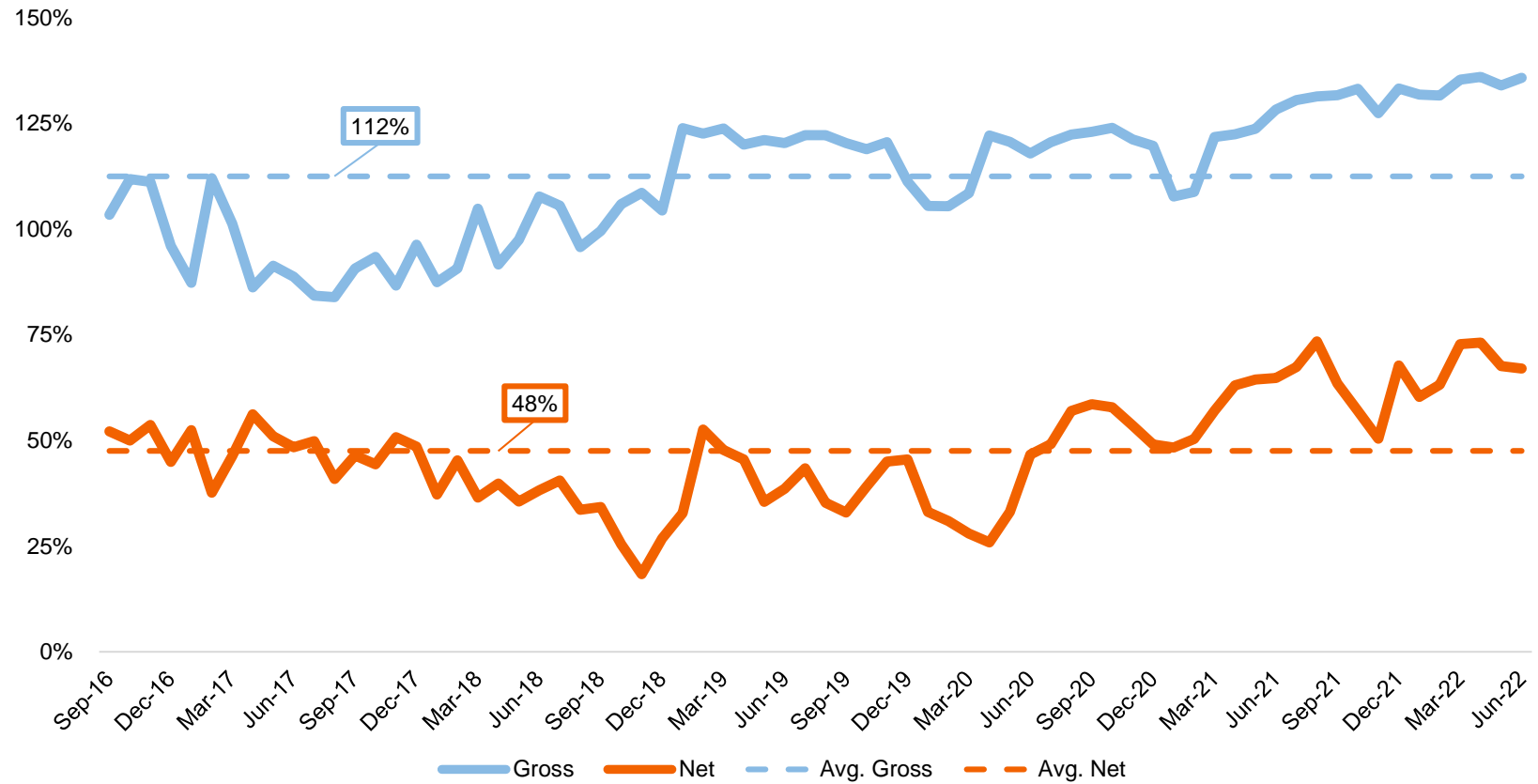
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	Upslope	(2.3%)	0.8%	1.3%	3.1%	(1.5%)	(0.8%)							0.5%
	S&P Midcap 400	(7.3%)	1.1%	1.3%	(7.1%)	0.8%	(9.6%)							(19.7%)
2021	Upslope	(5.1%)	0.3%	3.2%	2.4%	0.4%	(0.0%)	2.4%	1.6%	(4.0%)	3.9%	(3.2%)	2.9%	4.2%
	S&P Midcap 400	1.4%	6.8%	4.9%	4.3%	0.2%	(1.1%)	0.3%	2.0%	(4.0%)	5.9%	(3.0%)	5.2%	24.6%
2020	Upslope	0.0%	(2.3%)	0.4%	4.9%	(0.7%)	(2.9%)	1.9%	4.6%	0.8%	3.2%	3.6%	0.9%	15.1%
	S&P Midcap 400	(2.6%)	(9.4%)	(20.2%)	14.1%	7.2%	1.3%	4.7%	3.5%	(3.3%)	2.2%	14.3%	6.5%	13.5%
2019	Upslope	3.8%	1.0%	2.4%	2.6%	3.0%	2.1%	0.7%	7.2%	(2.1%)	0.7%	(0.2%)	(3.4%)	18.9%
	S&P Midcap 400	10.3%	4.3%	(0.6%)	4.0%	(8.1%)	7.8%	0.9%	(4.1%)	3.1%	1.1%	2.9%	2.8%	25.8%
2018	Upslope	(1.3%)	1.6%	5.5%	0.4%	2.0%	(1.1%)	(0.0%)	1.2%	(0.4%)	1.0%	(1.1%)	(2.9%)	4.6%
	S&P Midcap 400	2.8%	(4.4%)	1.0%	(0.4%)	4.1%	0.4%	1.7%	3.2%	(1.1%)	(9.6%)	3.2%	(11.3%)	(11.3%)
2017	Upslope	7.5%	(1.9%)	0.7%	4.0%	2.6%	(0.4%)	2.3%	0.1%	1.7%	(0.8%)	(0.7%)	0.5%	16.2%
	S&P Midcap 400	1.6%	2.6%	(0.5%)	0.8%	(0.5%)	1.5%	0.9%	(1.5%)	3.9%	2.2%	3.7%	0.2%	15.9%
2016	Upslope	--	--	--	--	--	--	--	0.0%	(0.8%)	(1.6%)	2.7%	(1.8%)	(1.6%)
	S&P Midcap 400	--	--	--	--	--	--	--	(0.4%)	(0.6%)	(2.7%)	7.9%	2.2%	6.2%

		Annualized Return	Total Return	Downside Dev.	Sortino Ratio	Corr. vs Upslope
Since Inception	Upslope	9.7%	71.3%	4.7%	1.6	--
	S&P Midcap 400	7.9%	56.1%	13.7%	0.4	0.28
	HFRX Equity Hedge Index	4.0%	25.8%	5.5%	0.4	0.27

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

Note: Returns shown for composite of all accounts invested according to Upslope's core long/short strategy (the vast majority of AUM). 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 2022 were +65.2% and -0.5%, respectively). Clients should always review statements for actual results. 10% 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

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.

Ball Corp. (BALL): Leading global producer of beverage cans run by best-in-class management team. Resilient business model with a history of attractive, double-digit earnings growth over the long-term and through economic cycles. Also operates a niche aerospace business.

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 nearing end of a major capex cycle and optionality in non-Naval units should provide tailwinds ahead.

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

Chemring (CHG.LN): Niche defense contractor focused on Countermeasures & Energetics (defensive flares, specialty explosives) and Sensors & Info (cyber warfare, explosive/chem/bio detection). End markets should outgrow defense market for years; also has elevated "conflict-driven" demand exposure.

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.

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, reopening, rising rates and long-term effects of SPAC boom/bust.

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.

Silgan (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 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.

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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.

Benchmarks: Upslope's performance results shown are compared to the performance of the HFRX Equity Hedge Index, as well as the exchange-traded fund that tracks the S&P Midcap 400 (ticker: MDY). The HFRX Equity Hedge Index is typically not available for direct investment. Benchmark results do not reflect trading fees and expenses.

The HFRX Equity Hedge Index (source: Hedge Fund Research, Inc. www.hedgefundresearch.com, © 2022 Hedge Fund Research, Inc. All rights reserved) was chosen for comparison as it is generally well recognized as an indicator or representation of the performance of equity-focused hedge fund products. Any other benchmarks noted and used by Upslope have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized, investable indexes.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

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