October 12, 2018

Dear Partners,

During the third quarter of 2018, Prosper Stars & Stripes Fund gained 4.7% after fees compared to a loss of 1.1% for the HFRX Equity Hedge Index (the "HFRX")(i) and 3.6% for the Russell 2000 Total Return Index (the "Russell")(ii). Over the past twelve months, Prosper Stars & Stripes Fund gained 12.2% net of fees compared to 1.8% for the HFRX and 15.2% for the Russell 2000.
Since the inception of the strategy on January 1, 2010, the Roubaix Fund Composite(iii) (the "Composite") has generated an annualized net return of 9.9% compared to 4.9% for the HFRI(iV) and 13.6% for the Russell. The end of period net exposure was 42.8% compared to a 43.6% average since inception.

INVESTMENT PHILOSOPHY

Structural inefficiencies in small cap stocks - greater dispersion of returns, lower sell side coverage, limited buy side crowding - enable higher alpha generation on both the long and short sides of the portfolio. Less diversified small businesses are inherently more affected by the drivers that create or destroy equity value over the investment cycle. We believe the most important of these drivers are the strength or weakness of the business model itself, the quality of the fiduciaries, and the advantages or challenges created by the company's financial structure. We identify compelling long and short investment stories where these drivers are all moving towards either end of the quality spectrum.

We then analyze fundamental and market metrics to determine whether each long or short story is a viable stock investment. These include valuation versus history and peers, risk/reward profile relative to our price targets, investor sentiment, recent performance, and our assessment of short-term catalysts. We concentrate our positions in 30-50 longs and 30-50 shorts to maximize the value of our research and convictions, and likewise do not utilize ETFs or options to hedge. To manage risk, we generally maintain less than 50% net exposure, avoid leverage, invest across a broad set of industries, and remain disciplined with our price targets and stop-loss levels.

ECONOMY & MARKETS

The US economy remained very strong during the third quarter, with each data release further reinforcing this point. The ADP job number for the month of September re-accelerated despite forecasts suggesting private sector job growth was slowing.[1] We can see from record small business confidence[2] and manufacturing confidence[3] that the corporate sector remains historically optimistic. This has translated to increasing capital expenditures as businesses are reinvesting their higher profits. There are also signs that

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[1] "Rip-Roaring Hot Jobs Market Sees Private Payrolls Surge By 230,000, Highest Since February," CNBC, October 3, 2018, with an economist making the remarkable assertion, "If the current pace continues, the unemployment rate [will] fall near 3% in the next year."
[2] "U.S. Small Business Optimism Just Hit Its Highest Level in History," Bloomberg, September 11, 2018 writing, "The small business engine continues to roar with the dramatic change in economic policies since November 2016."
[3] "Manufacturers on Pace for Most Bullish Year Ever Amid Lower Taxes and Deregulation," CNBC October 5, 2018, adding "Tax reform and regulatory relief have spurred strong manufacturing growth, and manufacturers are now investing in our communities, hiring more Americans and raising wages and benefits … Amid all this good news, it is no surprise that manufacturers in 2018 are more optimistic than they have ever been in the history of our survey."

productivity is poised to finally increase on the back of higher capital spending. GDP figures roll up all these data points and have come to the same general conclusion - the recovery is strengthening. Similarly, the leading to coincident indicator shows no sign that the recovery is ending anytime soon. Credit spreads also remain tight, and this has provided a positive backdrop for the economy and equity markets.

Third quarter U.S. equity strength added to the unusually large gap between U.S. and international markets. According to J.P. Morgan, "the recent divergence in the performance of U.S. equities vs. the rest of the world is unprecedented in history."[4] There are several positive reasons for this. The U.S. job market is very strong, and perhaps it may be the best answer that business optimism is driving the job market. U.S. fiscal reform is also playing a part, as the lower corporate tax burden encourages both hiring and capital spending. In fact, "U.S. nominal capex was up 8% in 2Q, while S&P capex is on track to increase more than 20% y/y."[5] The most encouraging aspect of capital expenditure growth is that, "cyclically and secularly, accelerating capex is a boost for manufacturing activity. Secularly, stronger capex growth will help boost productivity, and potential GDP growth."[6] Higher productivity is the best argument for an elongated late cycle, which would justify this expansion continuing as the longest in U.S. history.

U.S. stocks have also benefited from unusually high share repurchases. Goldman Sachs wrote last month that, "the low cost of debt has stimulated a sharp rise in share repurchases, particularly in the U.S. Since 2008, the U.S. corporate sector has bought back around $4.5 trillion of its own stock; that accounts for over 20% of the current market capitalization of the S&P 500. We expect a further $1 trillion this year."[7] This overall bid for stocks has been a clear positive for U.S. equities, particularly in comparison to international markets where this is not a factor. Further, the repurchases have been driven by large cap technology stocks. This reemphasizes the point that today's "high growth" technology sector is quite different than what it was historically.

Relative to the last technology cycle, large cap technology stocks today generate more stable growth, significantly higher margins, and immense free cash flow. These are all characteristics that have historically been attributable to 'value' stocks, not 'growth' stocks. We believe that this shift in leadership has helped drive the broad divergence between growth and value in recent years. Through our process, we generally observe that many 'value' companies are now more mature, face new competitive challenges and generally have weaker balance sheets. This dynamic has been most pronounced in sectors such as retail, where the pricing pressure from Amazon and other ecommerce entrants has been trenchant. We also see increasing pricing pressure in areas of the market traditionally immune from pricing woes, such as food and beverage companies. In many cases, the more mature areas of the market have increased their reliance on debt to fuel growth, putting equity holders in a precarious position when competitive forces wreak havoc on their end markets. Lastly, the majority of innovation is occurring in growth areas, such technology and healthcare. In this day and age of rapid change, it pays to be the disruptor rather than the disrupted. These factors justify the multi-year outperformance of growth stocks, but rising rates could change the dynamic.

LONG POSITION HIGHLIGHTS

[4] "Market and Volatility Commentary, Global Asset Divergence, Fed, USD and Trade Wars," J.P. Morgan, August 21, 2018

[5] "Corporate Tax Cuts Are A Big Deal. Just Look at Capex And Employment," Cornerstone Macro, August 5, 2018

[6] "The Capex Pick-Up Is Boosting 'Middle' America," Cornerstone Macro, March 14, 2018, where they continue, "The U.S. had been so uncompetitive, companies rightly chose to invest elsewhere. That began to change a couple of years ago, and now with lower taxes and full expensing, capex enjoys even stronger cyclical and secular tailwinds."

[7] "Making Cents: The Cycle & the Return of Low Returns," Goldman Sachs, September 4, 2018

The best performing long position in the third quarter was Attunity (ATTU), a leading software company that enables real-time data integration and big data management across heterogeneous enterprise platforms. Digital transformation is a key investment theme in the portfolio, and ATTU is one of the main beneficiaries. Emerging technologies such as cloud computing, Internet of Things (IoT) and artificial intelligence (AI) have enabled businesses to generate and utilize an unprecedented quantity of data, and data-driven insights have increasingly become a source of competitive advantage for businesses. As a result, ATTU has become a mission-critical partner, benefiting from both low customer churn and accelerating demand. They summarized the landscape well on their May 2018 conference call, "the market demand for our solutions is robust and growing, impacted by the growing need for modern analytics such AI, transition to cloud platforms such as Amazon and Azure, and critical initiatives like GDPR." In addition to identifying key thematic investments such as this, we look for evidence that the company is running a good business. One way to identify that is to find a product that is effectively selling itself. In this case, ATTU has actually been pushed by Amazon as a solution to meet customer crunch points. As ATTU's CEO stated, "we have a relationship with Amazon where they're referring us to their customers." We initiated a position in ATTU in May when we observed signs that growth will accelerate with strong operating leverage, and that ATTU was trading at a significant discount to software peers despite these tailwinds. Q2 results validated our thesis and the stock appreciated considerably. We have also gained confidence in ATTU as they have accelerated growth while also showing improving profitability, which is somewhat unique in the high growth software / tech investment universe. Given our view that the company is uniquely positioned to benefit from these tailwinds, we have maintained a long position in ATTU.

The second best performing long position during the third quarter was Albany International (AIN). To reiterate, we seek to identify longs with differentiated business models, strong fiduciaries and a robust or improving financial profile. Albany has captured all three of these drivers, which is why we believe it has been a good investment for the Fund. Historically, Albany's growth was driven by its legacy business of producing woven consumables used in paper production. While that business remains solidly profitable, printing market trends have deteriorated amidst the secular shift to digital. Given its expertise in weaving, AIN's engineers recognized a nascent company using a unique three dimensional weaving technology to form unusually high strength composites, and acquired it. These composites are so strong and lightweight that they are now used to fabricate fan blades for commercial jet engines. AIN is the sole source of this material to the Safran/General Electric JV for its LEAP engine that is dominating the narrow body commercial aircraft market. The quality of AIN's fiduciaries is underpinned by the successful diversification from paper to aerospace end markets. Additionally, they recently upgraded the CEO position by bringing an executive with extensive aerospace experience from a much larger company (Alcoa's aerospace division) to engineer the next chapter of growth. As Albany has scaled its high margin aerospace business its financial strength has improved generating increased profits and free cash flow. We see many good years ahead for AIN as they execute their current LEAP engine business and layer on additional aerospace adjacencies. However, our process demands that we evaluate our 'stories' each and every day as 'stocks' and judge if they are still good investments at the current price. After being reasonably optimistic on Albany and its prospects, we believed the price appreciation no longer offered an acceptable risk / reward and we exited during the third quarter, though we continue to monitor AIN for a better re-entry point.

The largest detractor in the long portfolio during the third quarter was Roots (ROOT.TO), a Canadian apparel manufacturer and retailer. The company has shown superior growth trends for several years that continued in the first half of 2018. Roots has been expanding their online channel, which is an open ended opportunity for any brand that is resonating with consumers. They have also found initial success in growing out of their

home market of Canada, and particularly in the United States, which is has a significantly larger end-market. Lastly, the company has a clear pathway to higher profitability as the business scales. Taken together with a modest earnings multiple, we believed the equity was an attractive investment. However, the sales trends in the most recent quarter disappointed as the company failed to anticipate the impact a large marketing campaign in the previous year would have on its comparisons. While we still think the stock could reassert itself as a good investment, we exited Roots during the quarter on our stop-loss discipline.

SHORT POSITION HIGHLIGHTS

The best performing short position in the third quarter was Visteon (VC), an electronic equipment supplier to the auto industry. On a cyclical basis we have been expecting slower U.S. auto sales. We observed that record high incentives, loan values, and loan term lengths, along with a return to risky subprime lending, were not enough to drive higher sales.[8] As a result, we have been cycling through automotive shorts over the past year, one of which was Visteon. VC has been afforded a higher than peer multiple due to its better long-term growth rate. While we actually agree with this premise, we anticipated negative earnings revisions for 2018 and 2019 to drive the stock lower, as most of the company's growth was back end loaded to 2020 and beyond. We thought this was too long for the market to wait. After a fairly aggressive decline in the price, we exited our position and will monitor Visteon as we think the 2020 growth story has promise as we move into next year.

The second best short in the quarter was IPG Photonics (IPGP), a manufacturer of fiber lasers for the materials processing industry. When we describe our process, one way we identify shorts is when a company faces increased competition and pricing pressure. IPGP generates unusually high profit margins for any company, so strong in fact that management has admitted they were at a peak. IPGP caught our attention when a smaller competitor with unique technology went public in late April, nLight (LASR), by touting plans to enter the higher margin segment dominated by IPGP with a less expensive and easier to use solution. Both IPGP and LASR also have approximately 40% of their revenue in China, a market that is notorious for price competition, and especially so in technology. We became incrementally concerned that the trade war talk could also disrupt the end market. On IPGP's second quarter conference call, the CEO was unusually direct in the question and answer session when describing the changes in the market environment, which confirmed our thesis.

> A company like Raycus, a Chinese company, they destroy the market. They drop and drop prices, work in very small margin range and so on. They practically destroy market prices and so on. Each year, this year again, they dropped off price practically up to 50% and more. It's crazy at all. We don't understand how they're working because they bill materials that were in 70-80%, unbelievable … So this is real, they destroyed, before it was a good market, now the units have grown, but in price they destroyed practically… Price is going down. This is a major problem."

IPGP fell ~30% on this revelation, and we covered our short position, but continued to closely monitor the space. Private equity still owned a significant stake in LASR post-IPO, and this often leads to a conflict for the public market shareholders. Sure enough, LASR announced a secondary offering for their private equity

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[8]See, "Auto Consumers Feel Pinch as Interest Rates Rise," for a recent summary, Detroit News, October 11, 2018, quoted as saying, "It's death by papercuts, options on the car, interest rates go up, incentives go down and you just chip away at the annual selling rate."

owners and CEO within the traditional 180 day IPO lockup window. This was very unusual and led us to question the quality of the fiduciaries, and made us believe that the pricing issues were in fact deteriorating at a rapid pace. We also noted the filings accompanying the prospectus for the offering added a sentence specifically calling out increasing price competition in the third quarter, whereas the previous public comments made no such reference: "during the third quarter of 2018, certain of our competitors have aggressively reduced the price of their high-power fiber lasers sold in the China market… we have had to respond with price reductions of our own." We shorted more IPGP on this news, and also shorted LASR due the incremental pricing pressure and fiduciary concerns. At the start of October, IPGP pre-announced negatively and both IPGP and LASR stock declined sharply. While we are seeing our thesis play out, we believe earnings estimates will be cut even further and remain short both stocks.

The largest detractor in the short portfolio during the third quarter was Chart Industries (GTLS). GTLS operates in a cyclical end market. The growth drivers are products that serve capital expenditures in oil and gas, particularly LNG. Our issue with Chart was not this, but premised on a concerning development that played out in the boardroom. The CEO was brought in by the Board specifically for "succession planning objectives." He came from a much larger company, Dover (DOV), and began as the company's COO in July 2016. He was quickly promoted to CEO in February 2017. Showing little hesitation and high confidence, the Board then appointed him Chairman of the Board on May 25, 2018. During this period he also hired a former colleague from Dover to be the new CFO in February 2017 and spearheaded moving the company's headquarters. He then hosted the company's first analyst day on June 7, in which they outlined their long term goals. Then, six days later on June 13 he was terminated "without cause," which is highly unusual. The CFO was promoted to permanent CEO and temporary CFO while the Board conducted a search for a new CFO. Based on what we have seen, an immediate CEO departure is a red flag that often presages bad news for a company. Seeing a 'firing' of this sort after a rapid series of promotions as part of a Board's multiyear succession plan is something we cannot recall seeing before. We anticipated that the company's core business must have slowed considerably. In this case, however, the company posted strong second quarter results, forcing us to exit the position on our stop-loss discipline.

OUTLOOK

As October starts, the 10 year Treasury yield has moved solidly above 3%, which is the highest level in many years. A constant of this bull market has been low rates in some shape or form, so this is a big change if yields remain at this level or continues higher. Further, it is not just the absolute level in rates but the pace at which rates have changed. The change has been unusually quick, and historically this implies that risks are rising.[9] As this "risk-free" recently moved higher, it sapped investor's risk appetite and pressured some of the favorite parts of the market. Growth stocks overall, and technology stocks in particular, have led declines in early October.[10] A combination of higher rates and declining U.S. equities quickly forced

[9] "US Macroscope: Equities and bond yields – speed matters," Goldman Sachs, October 4, 2018, The wrote, "A combination of strong economic data, higher oil prices, and Fed Chair Powell's comments on the economic outlook have driven bond yields higher…The speed of changes in bond yields often matters more for equities than the level… When bond yields have risen by more than 2 standard deviations in a month (+~40bps) S&P 500 returns have typically been negative…The S&P 500 is still up 0.5% during the past month despite the nearly 2 standard deviation move in bond yields."

[10] "Quickening Retreat From Tech Sinks Market, Dow Industrials plunge more than 800 points, Nasdaq loses 4% in biggest decline in months," Wall Street Journal, October 10, 2018, to a point we highlight again late, "recent data has showed a slowdown in both housing and auto sales, both of which are closely watched indicators of U.S.

deleveraging amongst certain investment strategies. J.P. Morgan pointed out this risk a few weeks ago as U.S. equity exposure in trend-following strategies were at maximum levels.[11] Further, early October has revisited an unsettling dynamic where both stocks and bonds sell off simultaneously, in contrast to their normal inverse relationship.[12] This U.S. backdrop has coincided with lower global growth expectations. The narrative of the synchronized global recovery has matured, and is being replaced with a narrative around higher risks, with an IMF official going as far as introducing the idea of a "synchronized global slowdown."[13]

The most concerning data point recently was published by Bloomberg, which wrote that "the number of S&P 500 companies saying profits will trail estimates outnumbered those saying they'll beat them by a ratio of 8-to-1 in the third quarter. That's the most in Bloomberg data going back to 2010."[14] The cornerstone of the bull market in equities has been corporate profit growth. As we look to 2019, earnings growth will slow materially due simply to lapping the corporate tax cuts. During the first two quarters of 2018, after-tax profits have grown approximately ten percentage points faster than pre-tax profits.[15] This makes 2019 profit growth dependent on a slow late cycle extended by a boost in productivity. Through the third quarter, that has been a reasonable argument supported by increasing capital expenditures and very high manufacturing optimism. More recently, however, we have seen several negative pre-announcements in the industrials sector – by no means enough to offer a conclusion – that warrant caution as we look forward to Q3 results and towards 2019.

Quantitative tightening is also well underway. Year to date the Fed's balance sheet has declined by $285 billion. The pace of tightening on this measure will increase through year end and continue in the years ahead. Fitch summarized the scale of it well, writing:

> With the four quantitative easing central banks having purchased over US $1 trillion of assets per annum on average since 2009, the prospect of an outright decline in central bank liquidity is likely to have significant ramifications. These could include upward pressures on global bond yields … and a ratchet up in financial market volatility.[16]

Further, Fed officials have recently sounded hawkish, putting an upward bias to short term interest rates as they sound inclined to increase the Fed Funds rate more than expected, rather than less. Fed Chairman Jay Powell said the US economy is experiencing "a remarkably positive set of economic circumstances (and)

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economic health." The S&P decline. They also highlighted the lack of one of the biggest buyers of tech stocks, the companies themselves – as we highlighted earlier in the letter.

[11] "Flows & Liquidity, How Do Investor Positions Compare To Last January?" J.P. Morgan, September 14, 2018, in more detail they observed, "Momentum signals have likely induced CTAs and other trend-following investors to raise their US exposure and reduce their non-US exposure over the past quarter, amplifying the performance gap between US and non-US equities. Therefore, not only are US equities currently vulnerable to potential momentum reversal, but they are also more vulnerable than their non-US counterparts."

[12] "Today's Stock Market Drive Cemented a Weird New Dynamic," Barron's, October 10, 2018. "Wednesday was only the fourth day since 2016 when the S&P 500 was down more than 1.5% while bond yields were higher."

[13] "IMF Lowers Global Growth Forecasts for 2018 and 2019," Wall Street Journal, October 8, 2018, some comments included, "We've gotten some bad news and the probability we'd attach to further bad news has gone up." Also see, "Not Just 'Loco' Fed: Whey Equities Are Suddenly Selling Off Now" Bloomberg, October 11, 2018

[14] "Companies Are Furiously Guiding Down Analyst Earnings Estimates," Bloomberg, October 3, 2018

[15] "U.S. Corporate Profits Soared in Second Quarter, Boosted by Tax Cuts and Economic Growth," Wall Street Journal, August 29, 2018

[16] "Fitch Trims World Growth Forecast on U.S.-China Trade Battle," Investment Executive, September 24, 2018

there's no reason to think this cycle can't continue for quite some time, effectively indefinitely."[17] We cited several of the strong data points earlier that the Fed Chair is referring to – and to it we would add one more. Amazon.com announced it would raise its minimum wage to $15 per hour, about double the federally mandated wage.[18] Not surprisingly, this is occurring at the same time the US unemployment rate is at the lowest level since 1969.[19] All of this implies that the move higher in rates is reflecting rising inflation expectations, and reinforces the idea of higher discount rates for risk assets.

These large macro issues are joined by a series of regional and stock sector concerns. First, we have seen numerous tremors in emerging markets[20], from a collapse in Turkish markets, to severe devaluation of several emerging market currencies. While the administration's trade tension with NAFTA partners recently ended, the trade tension with China has escalated.[21] Given China's importance to the global economy, and the integral part the country plays in technology and other manufacturing supply chains, this will be headwind. In the United States, there is no doubt that the key cyclical drivers to growth - housing and autos - are slowing. This removes a growth driver, and in the case of housing, can have broader implications when the slowdown pressures home prices. Lastly, the credit cycle has been incredibly benign thus far, as credit spreads (investment grade and high yield) have remained firm at historically tight levels. While we can point to easy credit and low unemployment as positives for growth, the reality is that there is likely no room for further improvement.

With all of this in mind, we have decreased the risk in the portfolio while continuing to identify compelling long and short investments. Our process tends to identify longs with high quality business models, solid fiduciaries and strong or improving financial profiles. On the short side, we effectively target the opposite. Given the rising top-down risks, we expect this bias to high quality longs and low quality shorts to be supportive to our stock selection on both sides of the portfolio. We also believe the growth in passive investing has disproportionately benefited low quality stocks. While active investors are able to put more capital behind quality companies and avoid the weakest businesses altogether, passive investors do not discern and instead allocate capital across all constituents of a particular index, sector or factor. This puts an artificial bid beneath the weakest businesses with disadvantaged capital structures. As passive money leaves the market, we expect it to serve as a tailwind to our short stock picking.

As an example, we would highlight Sykes Enterprises (SYKE), a provider of outsourced call center services. The stock faces several challenges both secularly and cyclically. Cyclically, SYKE's margins are being compressed by significant wage inflation, which we believe has worsened since their last earnings result.

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[17] "Fed Chair Powell Sees 'Remarkably Positive Set of Economic Circumstances'" Wall Street Journal, October 3, 2018, the article continued citing the Chair's comments 'that the U.S. economy is "a long way from neutral" – referring to the point at which interest rates are neither spurring nor slowing economic growth.'
[18] "Amazon to Raise Its Minimum U.S. Wage to $15 an Hour," Wall Street Journal, October 2, 2018. The move was quickly praised by long time left critic Bernie Sanders who said it "could well be a shot heard around the world." Indeed, this seems very likely to pressure major corporations to follow.
[19] "U.S. Unemployment Rate Falls to Lowest Level Since 1969," Wall Street Journal, October 5, 2018, further – the only other two times the unemployment rate was less than 4% was during the Korean and Vietnam Wars. It is certainly hard to draw a comparison from those periods to today.
[20] "Emerging Markets-Emerging Stocks Dip Near 17-Month Lows," Reuters, October 9, 2018
[21] There has been no shortage of press here and the recent Bloomberg story reignited the debate around China's unfair trade policies and the common accusation that China steals corporate trade secrets, see "The Big Hack: How China Used a Tiny Chip to Infiltrate U.S. Companies," Bloomberg, October 4, 2018. This was quickly followed by strong denials from all the companies involved and has turned into a running a story.

The company was clearly concerned about the implications of the Amazon wage announcement, which they described in more colorful terms as a watershed moment. The company has had difficulty passing labor inflation to customers, causing the company to abandon unprofitable contracts. We believe the company's lack of pricing power is due to secular technology trends that fit within our "digital transformation" theme, as discussed earlier. Innovations in business process automation has made call centers less relevant. Advances in artificial intelligence (AI) are accelerating and making SYKE's core value proposition less and less relevant.

We are also long one of the companies behind the technological displacement that SYKE is experiencing, Pegasystems (PEGA). PEGA is a leading provider of intelligent business process management (iBPMS) and CRM software. PEGA offers enterprises an integrated suite of automation, analytics, and AI tools, which are increasingly mission critical to efficient and automated business processes. Like ATTU, we identified PEGA as one of the main beneficiaries of the digital transformation theme. PEGA enjoys a dominant position in the call center vertical. As businesses look to cut costs in an environment of rising wages, PEGA benefits from increasing demand for its software solutions. Driven by robust R&D investments and close customer relationships, we believe PEGA's solutions will continue to improve over time, driving more automation. This should be an excellent outcome for their customers who save time and cost, and a headwind for legacy services that are heavily reliant on manpower. PEGA has also been transitioning to a "software as a service" (SaaS) model, which has obfuscated their financial statements. As the company moves towards the latter stages of this transition and continues to capitalize on its leading positions in a secular growth area – automation and AI – we continue to maintain a meaningful investment.

We continue to identify compelling long ideas that fit our philosophy and process. Bouts of market volatility, such as the one we are experiencing now, give us the opportunity to be proactive. We expect declines in certain share prices will give us a chance to reinvest in high quality stories as the stocks present a more favorable risk-reward profile. We also expect that as the cycle matures and credit spreads widen, the secular shorts that we follow will come under sustained pressure.[22] Usually these companies have overextended balance sheets as they have either tried to lower their cost of capital through debt issuance or tried to diversify away from their problems with desperate M&A. We are very mindful of the challenges that higher rates and a slower growth outlook may present in future periods and are taking that into account. We trust that our philosophy and process will continue to identify unique longs and shorts that can work through the cycle.

Thank you for your ongoing support,

Christopher E. Hillary

[22] Another salient point here is debt issuance has continued at a high rate with the fastest growing category being near junk. It won't take much in terms of a slowdown or credit cycle to cause downgrades and an increasing supply of junk bonds. See, "There Have Never Been So Many Bonds That Are Almost Junk," WSJ September 20, 2018. They reference that more than 40% of US corporate bonds are BBB compared to 26% in 2007.

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i. HFRX Equity Hedge Index : Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedgemanagers would typically maintain at least 50%, and may in some cases be substantially entirely invested in equities, both long and short. Hedge Fund Research, Inc. (HFR) utilizes a UCITSIII compliant methodology to construct the HFRX Hedge Fund Indices. HFRX Equity Hedge Index is rebalanced on a quarterly basis and is composed of funds that have at least USD 50 million under management and have been actively trading for at least twenty four months.

ii. The Russell 2000 Index is Russell Investments' Composite Index of 2000 small cap stocks, a widely recognized, unmanaged index of common stock prices. The benchmark index may or may not hold substantially similar securities to those held by the Composite, and thus little correlation may exist between the Composite returns and that of the Index. The Index is not available for direct investments; therefore its performance does not reflect the expenses associated with active management of an actual portfolio. The return for the Index includes gross dividends reinvested into the index. You cannot directly invest in the Russell 2000 Index.

iii. The performance referenced in this letter shows the historical performance of the Roubaix Fund Composite (the "Composite"), unless otherwise noted. The accounts in the Composite have investment objectives, policies and strategies that are substantially similar. Net Performance for the typical investor reflects the deduction of management fees, incentive allocation and other expenses, and includes gross dividends and other income reinvested in the portfolio. The performance for an individual investor may vary based upon the investor's eligibility to participate in new issues. As of December 31, 2016 the Composite consisted of two advisory accounts, one of which is a separate account. Fees for separate accounts may vary based on negotiated terms. Fee schedule can be found in Form ADV, Part 2A. You cannot invest directly in the Composite. Individual account performance may differ from the performance of the Composite. Please note that Roubaix Fund, L.P. began offering the fund to external investors on February 1, 2014. Prior to that date, no fees or expenses were deducted from this account.

iv. The HFRI Equity Hedge (Total) Index tracks funds that maintain positions both long and short in primarily equity and equity derivative securities. Equity hedge managers would typically maintain at least 50% exposure, and may in some cases be entirely invested in, equities-both long and short. HFRI Equity Hedge (Total) is a fund weighted index and reflects monthly returns, net of all fees, of funds that have at least $50 million under management or have been actively trading for at least twelve months. The Index is not available for direct investment.

More frequent performance information is available upon request.

THIS SHALL NOT CONSTITUE AN OFFER TO SELL OR THE SOLICTIATION OF AN OFFER TO BUY ANY INTERSTS IN ANY FUND MANAGED BY ROUBAIX. SUCH AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY INTERSTS MAY ONLY BE MADE PURSUANT TO DEFINITIVE SUBSCRIPTION DOCUMENTS BETWEEN A FUND AND AN INVESTOR.