PROSPER

STARS & STRIPES

January 11, 2019

Dear Partners,

During the fourth quarter of 2018, Prosper Stars & Stripes Fund had a net return of -8.4% compared to a loss of -8.6% for the HFRX Equity Hedge Index (the "HFRX")[i] and a loss of 20.2% for the Russell 2000 Total Return Index (the "Russell")[ii]. For the full year, Prosper Stars & Stripes lost -2.1% net of fees compared to a loss of 9.4% for the HFRX and a loss of 11.0% 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 8.7% compared to 3.8% for the HFRI[iv] and 10.4% for the Russell. The end of period net exposure was 36.1% compared to a 43.4% average since inception.

Our goal as a U.S. long/short equity manager is to provide competitive returns over a market cycle with significantly lower volatility. We believe our strategy has been successful versus our peers and the market both on an absolute basis[1] and relative to our net exposure and volatility.[2] Over the past nine years, Roubaix has managed through the second longest economic expansion in U.S. history, as well as four 20%+ declines in the Russell 2000 Index. Our persistent success through both bull and bear markets reinforces the value of our investment philosophy and process.

ECONOMY & MARKETS

As the third quarter was concluding, US equities hit new highs. At the time, double digit year-to-date gains were supported by firm economic data and strong earnings growth. Earnings forecasts for 2018 anticipated very strong 20% growth. Unemployment was low, wage growth was improving, and the U.S. Federal Reserve (the "Fed") was hiking rates out of respect for the strong economy. While trends were not as clear from an international perspective, there was no particular crisis or reason to question the continuation of synchronized global growth.

Markets headed lower during the quarter as red flags developed. In early October PPG Industries, considered a bellwether of the global industrial economy, fell by the most in two years when they reduced guidance. The company cited weakness in demand from China and pressures from rising costs, including raw materials and freight.[3] Negative pre-announcements soon followed across the technology supply chain.[4] The culprit was identified in early January when the consumer technology juggernaut Apple cut sales guidance. The weakness was attributed to a disappointing launch of lower priced models directed at global markets which raised broader questions about the health of the global consumer. In November, GM announced large layoffs and plant closures in another ominous sign.[5]

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[1] Net of fees, the Composite has competitive performance with the Russell and more than double the HFRI return over all time periods.

[2] Relative to 60+ peer funds that have been open since 2010, Roubaix has consistently been among the top performing funds based upon the Sharpe Ratio. Please contact us for further information on our peer universe and Roubaix's ranking therein.

[3] PPG Drops the Most in Two Years After Warning on Rising Costs, China, Bloomberg, October 9, 2018

[4] Apple Suffers As It Struggles to Forecast iPhone Demand, WSJ, November 19, 2018, writing, 'Last week, big suppliers of iPhone components including Qorvo Inc., Lumentum Holdings Inc., and Japan Display cut their quarterly profit estimates, citing a reduction in previously placed orders from a large customer.'

[5] GM to Idle Plants, Cut Thousands of Jobs as Sales Slow, NY Times, November 2018, which added, 'Closing plants outright – rather than idling them, as G.M. says it plans – has been rare since the industry emerged from the recession. The last permanent shutdown of a plant in the United States came in 2016 … and before that 2011.

Broader bear markets then developed in the Nasdaq Composite and Russell 2000 Index in the U.S., as well as equity markets in Germany, Japan and China.[6] The downdraft was not limited to equities, as caution was expressed across asset classes. Oil prices fell more than 40% from October highs and industrial metals such as copper weakened further. Fixed income markets also confirmed concerns about future growth as the yield curve flattened and corporate credit spreads widened. The market was pricing in higher odds of a recession while simultaneously digesting a tectonic shift in monetary policy as quantitative easing shifted to quantitative tightening in October. The resulting broad weakness left few places for investors to hide in 2018. According to Deutsche Bank research, 90% of 70 tracked asset classes posted negative returns, which was the worst result on record dating back to 1901.[7]

LONG POSITION HIGHLIGHTS

The best performing long position during the fourth quarter was Materialise (MTLS). One of the ways that we identify a differentiated business model is to find companies that sell a product or provide a service that enables a healthy business ecosystem. MTLS sells software that is enabling multiple applications of 3-D printing in a way that can be commercialized and brought to scale. The product acts as a platform that takes the 3-D designs and drives the production across multiple lines and plants. 3-D printing is a fast growing application that is cutting across multiple industries, from auto manufacturing, to custom eyewear and shoes, to orthopedic implants that are specific to each patient. The promise of the technology lies in the combination of customized and highly flexible manufacturing that can be adjusted in real time. This opens new business opportunities, reduces the need for retooling when production changes, and lowers the capital requirements to manufacture. MTLS appreciated sharply during the quarter and we remain positive on the investment story. However, we exited the position subsequent to year end as the stock appreciated to our target.

The second best long position in the fourth quarter was Attunity (ATTU), which was also our best performing stock in Q3. To revisit, ATTU is a software provider with a product that enables real-time data integration and big data management across an enterprise. 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. Even in a less supportive backdrop for technology stocks, we believe businesses like ATTU should be able to build and sustain recent gains. In particular, ATTU is already solidly profitable and has a roadmap to accelerate the monetization of its sales. With the secular trends in place and strong visibility on margin expansion, ATTU remains one of our largest positions.

The largest detractor in the long portfolio during the fourth quarter was Cardlytics (CDLX). The company has a promising advertising ecosystem that uses consumer transaction data from its banking partners to enable targeted consumer advertisements for products consumers are known to have purchased. For advertisers, this is a compelling tool to utilize in a competitive marketplace where market share is always valuable. Further, advertisers only pay for ad impressions served when they result in a transaction. Consumers are similarly receptive to the ads as they provide discounts on products they are already likely

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[6] The Worst is Yet to Come Experts Say a Global Bear Market is Just Getting Started, CNBC, December 25, 2018
[7] No Refuge for Investors as 2018 Rout Sends Stocks, Bonds, Oil Lower, Wall Street Journal, November 25, 2018

to purchase. Lastly, the company's banking partners that provide the transaction data generate an incremental profit stream through a revenue sharing arrangement with CDLX. As previously noted, we seek this type of beneficial business ecosystem that creates value for all stakeholders for our long investments. In this particular case, CDLX overestimated the pace with which they could develop and commercialize this exciting new advertising program. The amount of time needed to create this new marketplace and the costs to ramp are hurdles the company will need to clear in 2019. As the timeline was extended and our stop-loss discipline came into play, we exited our position, and continue to monitor CDLX for a more favorable stock setup.

SHORT POSITION HIGHLIGHTS

The best performing short position in the fourth quarter was Multi-Color Corporation (LABL). One of the primary areas of short idea generation is in identifying secularly challenged businesses. LABL sells labels into the packaged food & beverage markets. In recent periods, sluggish demand, intense price competition and increasing costs have pressured LABL's customers. Not surprisingly, they have turned to their supply chain seeking concessions. Further, as we frequently see in mature industries with little growth, LABL has consistently used leverage to acquire competitors in the hope that increased scale can offset the pressures that come to play in a little to no growth industry. We view this as a risky strategy at best, and see 5x leverage as far too high. We are also always skeptical of free cash flow stories that are predicated on investors ignoring the downside risk of high leverage if the business does not meet typically rosy management forecasts. This is precisely what transpired at LABL as weaker than expected earnings drove the stock sharply lower during the quarter. After reaching our target, we exited in favor of positions with better risk/reward structures.

The second best short in the quarter was Compass Minerals (CMP), whose historic focus was predominantly selling road deicing salt in the Midwest. While weather variations impacted demand, it was a stable business. That began to change several years ago, perhaps due to global warming which would pose a secular threat to the business. As a result, the company felt pressure to diversify away from its core and it brought in a new CEO to accomplish the task. He made a large acquisition of agricultural chemical assets in Brazil, which came with high leverage, the risk inherent in operating in a foreign country and forex risk. We became incrementally negative on the stock as we saw weakness develop in agricultural and emerging markets, along with a strong U.S. Dollar. We also felt the dividend was at risk as fundamentals weakened under a significant debt load. We continue to hold this view, only with more confidence after the CEO abruptly left. This is a fiduciary signal we track very closely as part of our process. We remain short in anticipation of new management resetting the company's outlook lower.

The largest detractor in the short portfolio during the fourth quarter was Denny's (DENN). During the quarter we sought to identify various companies that faced high levels of competition, increasing cost pressure, and little growth. With major companies including Amazon, Wal-Mart and Target all committing to higher minimum wages we believed restaurants were in a poor position to compete for employees and would see costs rise from wages and form higher employee turnover.[8] In DENN, we saw a middle market franchise company with little differentiation and expected modest to weaker growth to be an issue as input costs moved higher. While Q3 revenues missed expectations, cost pressures did not manifest to the degree

[8] Restaurants are Scrambling for Cheap Labor in 2019, Bloomberg, January 4, 2019 explained, "Fewer teens are in the workforce nowadays, reducing the number of job seekers for low-wage work and helping raise the pay rate needed to woo those who are. Also, minimum wage increases for lower-skilled workers at companies such as Amazon.com, Walmart and Target are making it more difficult for restaurants to compete for talent."

that we anticipated. The company also announced a refranchising strategy and levered buyback, and we exited the position.

OUTLOOK

Monetary policy is tightening, which is always a significant event. The current situation, however, is unprecedented since interest rates have never before gone to zero in the U.S., nor has the Fed ever implemented quantitative easing (QE). The specific aim of QE policy on top of zero-bound short-term rates was to drive longer term interest rates lower to ensure real estate, asset prices and the financial systems would have every opportunity to recover. While there has always been a silent nod to monetary policy's impact on asset prices, it was far more explicit with QE. Fear that the economy and markets would fall back into a negative feedback loop drove policymakers to increase QE all the way through 2013.[9] The first interest rate hike off the zero-bound did not then occur until December 2015[10], and QE only reverted to quantitative tightening (QT) in the fourth quarter.

The role of the U.S. Dollar as a reserve currency and preeminence of the U.S. capital market meant U.S. policy had global implications. The European Central Bank followed the Fed's leadership on both zero interest rates and quantitative easing. While China was stimulating its own economy in a different manner, its currency peg acts as a direct bridge back to the West. Together, the U.S., E.U. and China equates to around half of the global economy.[11] With this architecture of unified monetary stimulus it is not surprising that we enjoyed synchronized global growth. The implications going forward are negative, as universally positive economic data appears to have peaked just at the same time monetary policy is reversing.

Key economic metrics including measures of manufacturing activity, business optimism[12] and consumer confidence[13] have pulled back during the fourth quarter. The problem with such measures is that they have been strong for such a long time that declines from here largely inevitable. The clearest examples are in the U.S. manufacturing surveys, which weakened more dramatically.[14] Yet again we observe a global phenomenon, as the very same measures in China and Germany are now signaling a contraction.[15] While

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[9] The Origins of Unconventional Monetary Policy in the U.S., Federal Reserve Bank of St. Louis, 2015 Annual Report

[10] Fed Raises Rates By 25 Basis Points, First Since 2006, CNBC, December 16th, 2015

[11] China is the World's Largest Economy for the Third Year in a Row, The Balance, December 19, 2018

[12] November 2018 Report: Small Business Optimism Index, NFIB. "Small business optimism posted a modest decline in November, while continuing its exceptionally strong two-year trend." The commentary in the release drove at the broader point, "So, we are at 'full employment' now, but at a lower level of GDP than was possible in 2007 or subsequent years because capacity shrunk due to low investment and labor force growth. Based on current estimates for labor force growth and productivity improvement (technology and investment), our future growth will be constrained to be lower than the pre-2008 period."

[13] US Consumer Confidence Fades in December, WSJ, December 27, 2018. The article noted the decline in December which followed a similar decline in November and compared to the October reading which was the highest since 2000.

[14] U.S. Economy Ends 2018 with a Thud, Yahoo Finance, December 31, 2018. Here the article summarized a series of weak data points as follows, "The Richmond Fed's manufacturing reading for December dropped into negative figures for the first time since 2016. The index fell to -8 in December from 14 in November, the largest month-on-month decline in the history of the survey… The Dallas Fed reading on business activity in December plunged to -5.1, a sharp drop from November's reading of 17.6 and the biggest monthly drop since the crisis."

[15] China December Factory Activity Shrinks for First Time in 19 Months: Caixin PMI, Reuters, January 1, 2019. The article notes this is first contraction since May of 2017 and the new order measure fell for the first time in two and a half years. And, Germany Economy Shows New Signs of Softening, Raising Broader Fears – Industrial Production Drops Unexpectedly as Several Factors Continue to Weigh on the Global Economy, WSJ, January 8, 2019. The article adds, 'German factories aren't alone in feeling those effects. A monthly survey released by the European Commission on Tuesday found business confidence fell sharply in the final month of 2018, with the French, Italian and Spanish manufacturers joining their German counterparts in downgrading their expectations.'

survey data tends to be volatile and has only just weakened, it will take months, if not quarters, for that debate to be resolved. This is precisely what has been unfolding as 2019 gets underway.

U.S. housing and auto markets have peaked. The combination of weaker affordability and lower confidence in home price stability has deterred buyers.[16] Housing is a sector that has a ripple effect through the economy. It is a swing factor for labor demand, consumer confidence, and the wealth effect. Real estate weakness is also not contained to the U.S., as Bloomberg writes, 'Property Markets from Hong Kong to Sydney Join Global Slump.'[17] The auto market is another lynchpin in the global economy where sales have similarly begun to decline. In retail, we are awaiting a better picture of the holiday season, but pre-announcements have thus far been negative with benchmarks such as Macy's missing expectations and the stock suffering its worst decline ever. U.S. airlines have similarly announced disappointing results as December demand was lower than expected. This dynamic of declining from highs is not limited to consumer facing industries. For example, the commercial truck market has shown signs of a peak after a record run,[18] highlighting another area of potential cyclical pressure in 2019.

As companies wrap up 2018 and plan for the year ahead, they will take these developments into account in their planning process. The tax cuts were a significant driver of profits in 2018 due to the one-time step up in after-tax margins. In order for the tax cuts to have an ongoing effect, those higher profits need to be reinvested in capital and technology to drive incremental growth. The most recent data points do not show such a sustainable capital cycle. This is why a recent survey of CFOs sounded down right pessimistic, with nearly half saying they are planning for a recession.[19] With that attitude present during a budgeting period, it is harder to see it helping business spending in 2019. Just as this narrative permeates the corporate world that we focus on, it is mirrored in the sentiment from policy makers. For example, the World Bank just published its outlook titled, "Storm Clouds are Brewing for the Global Economy", pointing out the global economy was 'firing on all cylinders' at the start of 2018 but has lost speed at a time when debt levels have continue to rise.

This presents the opportunity to revisit the intertwining of monetary tightening and the corporate outlook. Until recently, Fed rate hikes off of the zero bound did not impact the corporate bond market as narrowing spreads kept borrowing rates low. However, as growth anxieties increased, high yield spreads have widened[20] and the leveraged loan market is showing signs of distress.[21] The investment grade bond market

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[16] CoreLogic Reports November Home Prices Increased by 5.1% Y/Y, CoreLogic, January 2, 2019. "The rise in mortgage rates has dampened buyer demand and slowed home-price growth. Interest rates for new 30-year fixed-rate loans averaged 4.9% during November, the highest monthly average since February 2011. These rates and home prices have reduced buyer affordability… A Strong economy helps homeowners feel confident about the value of their property. If recent decline in the stock market shakes consumer confidence in the national economy, we may see homeowners' perception of home value change and a subsequent buyers' market emerge in 2019."

[17] Property Markets From Hong Kong to Sydney Join Global Slump, Bloomberg, January 3, 2019

[18] November Heavy-Duty Truck Orders Slide After Record-Breaking Run, Trucks.com, December 2018

[19] Many US Financial Officers Think a Recession Will Hit Next Year, WSJ, December 12, 2018

[20] US Junk Bonds Lower Again After Worst Day Since 2016, Reuters, December 21, 2018. "High yield spreads now stand at their widest in more than two years, reflecting the broad-based cold shoulder investors are giving to risky asset like junk bonds and stocks as the outlook for economic growth has become more uncertain and the Fed continues raising interest rates as it did this week for the fourth time this year… The troubles are not limited to low-rated companies. Investment-grade corporate debt fell by the most in six weeks on Thursday and is on pace for its worst yearly performance since 2008."

[21] Corporate Debt Bind Carries Eerie Resemblance to Subprime Lending Boom, Marketwatch, August 27, 2018 discusses the concern that has been fairly widespread on the growth in leverage loans and then Bloomberg wrote up 'Loan Deals Scrapped or Sold at Deep Discount as Market Slips', on December 6, 2018 showing how these fears were playing out in prices and in market activity

has even taking note of slower growth prospects. When the corporate bond market reprices, it has a more direct impact on the cost of capital for businesses, and in turn their investment decisions. This is as pertinent as ever as corporate leverage is the highest it has ever been,[22] and as the volume of debt maturities begins to accelerate through 2019. While the holiday season plays a role, it is not encouraging to see that no high yield bonds have been issued in over 40 days, the longest drought in two decades.[23]

With leverage at peak levels and borrowing costs increasing, the benefit of low rates to companies for M&A and buybacks is disappearing. Current forecasts still show expectations for solid profit growth in 2019 at around 8%. While this is good, it is a clear step down from the 22% that is expected in 2018. As Q4 earnings season gets underway, the slower cyclical backdrop and headline risks from trade and the government shutdown are likely to weigh on 2019 corporate guidance and analyst expectations alike. Of note, analyst estimates are historically optimistic by approximately 5% entering a new year.[24] If that were to be the case, it leaves little room to offset potential profit headwinds. In addition to higher borrowing costs, other headwinds include the 40% decline in oil for the energy sector, a flatter yield curve and rising credit costs for financials, slower U.S. and China PMIs for industrials, a stronger USD for all multi-national companies, and higher labor costs broadly weighing on margins.

That leaves the market relying on the benefits of lower stock prices, lower valuation, and negative sentiment creating room for improvement. 2018 was the fourth worst year in Russell 2000 history, and in the past this has been followed by strong market returns.[25] The market multiple has compressed to 15x 2020 earnings for the S&P 500 and 19x for the Russell 2000. Both of these measures are below the 5 year averages and are similar to the 10 year averages. This does not make stocks clearly inexpensive, but does remove some of the high bar created by above average valuations. As for sentiment, Goldman Sachs noted the recent declines drove bearish sentiment to the highest level since 2016 after the largest weekly change in the data's history since 1990. This year-end change in attitude was accompanied by the largest outflow from risky assets since the financial crisis.[26] We would also observe that the one-directional nature of the declines in December may have been exaggerated, at least in the short run, by algorithmic funds which dominate trading activity. The WSJ wrote about this saying, "many of the trading models use momentum as an input. When markets turn south, they're programmed to sell. And if prices drop, many are programmed to sell even more."[27]

In the short term, politics and policy are likely to act as a boost to risk appetite. The slowdown to date has nothing to do with the trade war - it is due to a maturing economic cycle and the lagged effects of monetary policy. Political leadership in the U.S. and China do not want to be blamed for causing an economic slowdown. Simultaneously weaker market and economic data increases the political pressure on both sides to consummate a trade deal. More importantly, we also saw in the first week of January that the Fed still

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[22] Corporate Debt Is Reaching Record Levels – Highly leveraged companies could pose a threat to the global economy if rates rise or profits slump, WSJ December 29, 2018. In addition to the ration of corporate debt to GDP reaching a record high, the share of BBB rated companies of the investment grade market has risen significantly implying investment grade is lower quality now that it has been in previous cycles.

[23] A Junk-Bond Drought Is Making Investors Nervous – Companies with lower credit ratings haven't sold bonds for weeks amid broader market gyrations, WSJ, January 10, 2019. 'December was the first month since 2008 without a junk-bond sale … on pace to mark 41 days without a deal, the longest stretch in data going back to 1995.'

[24] Corporate Profit Crunch Looms as Stocks Slide, WSJ, January 1, 2019

[25] US Equity Strategy, JEF's SMID-Cap Strategy Year in Review, Jefferies, January 6, 2019

[26] Getting Sentimental – Bearish Investors to Start 2019, Goldman Sachs, January 7, 2019

[27] Behind the Market Swoon: The Herdlike Behavior of Computerized Trading – The majority of trades come from machines, models, or passive investing formulas that move in unison and blazingly fast, WSJ December 25, 2018

does not want to bear the burden of blame for causing the next recession. As the macro and market data deteriorated, the Fed pivoted from the implication that its interest rate increases and quantitative tightening were on a set course. Jay Powell instead emphasized the Fed is data dependent and takes into account market feedback.

The message has become even more dovish in subsequent days. As an example, a speech from the Atlanta Fed said policy now has to wait on upcoming data as "the recent market turmoil (was) not a cause, but a symptom of the various concerns and uncertainties around the outlook. These include slowing global growth, uncertain trade policy, worries over the trajectory of growth domestically, and concern regarding the expected stance of monetary policy."[28] So, just as quickly as markets priced in a slowdown at the end of 2018, policy makers want to change course to avoid that very outcome. This implies we have seen the peak of rates this cycle and we are back to a familiar adage that rates will be 'lower for longer.' The desire by policy makers to avoid a slowdown may in fact help keep the current one extend longer than is otherwise expected.

For long/short equity investors including ourselves, the best approach is to focus on what matters for returns over the cycle. On the long side, we remain focused on high quality and improving businesses demonstrated by strong or improving margins. For shorts, the recent change in the backdrop will pressure equities of companies with weak competitive positions, poor fiduciaries, and challenged capital structures. Taken together, the backdrop bolsters the importance of individual stock selection and the benefits of long/short investing overall.

ROUBAIX INVESTMENT PHILOSOPHY

We believe a long/short equity strategy focused on smaller capitalization stocks offers the greatest opportunity for investment success through a market cycle. The inefficiencies in this niche afford ample potential to invest alongside superior businesses, and short those facing competitive, secular and cyclical challenges. Fundamentally, less diversified smaller companies are more affected by the drivers that create or destroy equity value over time. This produces greater dispersion of returns relative to large cap stocks, enabling an optimal environment for long/short equity investing.[29]

In addition, passive investing has continued its inexorable share gain to the point where active stock selection only accounts for 10% of trading.[30] This results in less competition from active investors and more alpha opportunities when applying a rigorous and disciplined approach. Likewise, managers who prioritize asset growth diminish their ability to efficiently invest in smaller companies, further decreasing competition in the space. Smaller companies are also likely to remain a reliable source of undiscovered investments due to diminishing coverage of small- and mid-cap stocks by sell-side equity analysts. The economics of sell-side research has been poor for a long time, but pressure is likely to build as active management shrinks and regulations such as MiFID II in Europe again reduce spending on sell side research.[31]

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[28] Defining Data Dependence, Raphael Bostic, Federal Reserve Bank of Atlanta, January 9, 2018

[29] Our analysis shows the dispersion in the top and bottom decline of small & mid-caps is double that of large caps. This makes small & mid-caps a better way to capitalize on using fundamental research to identify superior and inferior businesses.

[30] Just 10% of Trading is Regular Stock Picking, JPMorgan Estimates, CNBC, June 13, 2017

[31] For a good summary of the general trend of less analyst coverage and the accelerated pressure in the European markets, "Research Analysts' Existential Crisis Enters MiFID II Era," Bloomberg, January 2, 2019 which writes, "By forcing investors to unbundle trading fees and research costs, the rules put a price on analysts' ramblings, models, ratings, private briefings and the like. Work that used to be effectively subsidized by trading commissions and relationships with corporate clients now has to be

We believe the most important drivers of equity value are the strength or weakness of the business model itself, the state of the company's financial structure, and the quality of the fiduciaries involved. In particular, we seek to be long companies that exhibit pricing power, initiate their own demand, or establish a healthier ecosystem, while shorting those that face increasing pressure from new competition or secular/cyclical headwinds. Financially, advantages or challenges are created by the health of a company's balance sheet and margin outlook. From a fiduciary standpoint, we find that exceptional executives can have a profound impact on the growth of a business, while poor leadership is typically characterized by high turnover or inefficient capital allocation. Likewise, we have frequently found that bad fiduciaries have a multiplier effect on challenged businesses with excessive leverage.

The universe of potential investments is vast, but narrows quickly when applying liquidity constraints and focusing on sectors where stock selection is rewarded. It is from this limited universe that we evaluate the quality of a company's business model, financial structure and fiduciaries to identify the most attractive long and short investments. We maintain a dynamic focus list of what we consider to be the best long and short stories in the marketplace, and periodically analyze fundamental and market metrics to determine whether each story is also a compelling investment at the current price. This includes an assessment of the stock's valuation versus history and peers, its recent performance, the potential for catalysts, and investor sentiment and awareness.

Through this process we concentrate our positions to 30-50 longs and 30-50 shorts with the most attractive combination of investment story, valuation and downside risk. While the majority of our investments encompass company-specific drivers, we also take advantage of thematic trends in the market as well as the cyclical forces that impact the outlook of particular stocks. To manage risk we remain disciplined with our price targets and stop-loss levels, maintain a consistent range of net exposure, avoid leverage, and invest across a broad set of industries.

Thank you for your ongoing support,

Christopher E. Hillary

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judged – and priced – on its own merits… For investors, the concern is that shrinking analyst coverage, especially in small- and mid-caps, will make the market less efficient, with lower liquidity, though some say that could help active stock pickers."

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All figures are unaudited. These figures are based upon estimates. Estimates are subject to change. Historical results are not indicative of future performance.

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.