July 18, 2019

Dear Partners,

During the second quarter of 2019, Prosper Stars & Stripes gained 3.4% after fees compared to a return of 0.0% for the HFRX Equity Hedge Index (the "HFRX")[i] and 2.1% for the Russell 2000 Total Return Index (the "Russell")[ii]. Over the past twelve months, Prosper Stars & Stripes gained 4.0% net of fees compared to losses of 4.2% for the HFRX and 3.4% for the Russell.
Since the inception of the strategy on January 1, 2010, the Roubaix Fund Composite (the "Composite") [iii] has generated an annualized net return of 9.1% compared to 4.5% for the HFRI Equity Hedge (Total) Index (the "HFRI")[iv] and 11.7% for the Russell. The end of period net exposure was 41.2% compared to a 43.2% average since inception.

The Composite's strong absolute and relative return during the second quarter continues the historical pattern of consistent alpha generation of more than 5% annually relative to the Russell. Further, such performance was achieved with substantially lower volatility than the market. As a result, the Composite's Sharpe ratio of 1.24 stands out amongst the best risk-adjusted returns in our peer universe. The fund has typically performed well during periods of market stress. The high-quality bias of our long positions tends to benefit the portfolio during market drawdowns. On the short side, weak businesses with poor financial structures generally decline more than the market when investors eschew risk. As a result, when the Russell fell nearly 8% in May, Prosper Stars & Stripes gained 0.9% net of fees, echoing a similar net performance during 2018 when the Russell dropped 11% for the full year. We believe the fund's track record demonstrates the value of a disciplined philosophy and process that guides our investing over the market cycle.

ECONOMY & MARKETS

The broad narrative of the market is a familiar structure. Interest rates remain low, corporate profitability is strong, and key asset classes including equities remain in an upward trend. The long recovery that was born out of the financial crisis and perpetuated by aggressive monetary policy continues. When the cycle first looked like it was maturing, it was reenergized by corporate tax cuts that added approximately 20% to corporate profit growth in 2018. As that year ended, the duration of the cycle yet again came into focus. This time the US Fed came to the rescue, flipping their policy trajectory from tight to loose. The central bank seems fearful of being blamed for causing a slowdown whether or not monetary policy has anything to do with it. This is quite a development.

The job market, by any measure, could not be much stronger. This is historically associated with tighter monetary policy. Why then the change in stance? The Fed prefers to point to increased risks in the macro data, and this is certainly true across many cyclical end markets such as industrial production, auto sales and housing. However, the real underlying reason seems to be stubbornly low inflation despite the long and robust economic recovery. It was not all that long ago that central banks were fearful of deflation, which strikes terror in their minds. In a way, who can blame them. If you cannot generate higher inflation now on the back of record low unemployment and extraordinary monetary policy, when can you? This reality is making many central bankers uncomfortable and they are even questioning the traditional mandates of their institutions.[1]

From a global perspective, the wealthy economies are maturing demographically. This puts downward pressure on potential GDP growth and interest rates.[2] Further, these same developed economies carry large debt burdens that further exert pressure on potential growth. This challenge has haunted Japan for decades and now weighs on the outlook for Europe.[3] The United States still manages to generate population growth and is broadly favorable towards capital investment, which differentiates the outlook for growth and interest rates. However, in a more connected world, global rates - particularly in Europe - are a new factor driving the US bond market. To date, this has contributed to lower US rates than one would historically expect.

Following a strong Q1 rebound, U.S. equity markets continued to rise in the second quarter. Importantly, the yield curve did not invert, and has in fact steepened dramatically, taking one of the most credible harbingers of recession risk off the table. In the weeks ahead, the market will shift its focus to profit growth as companies update the market on Q2 earnings and their outlook for the second half of the year. Depending on the results, investors will conclude that growth has merely slowed temporarily, or that we are on the verge of another profit recession. With key equity indices such as the S&P 500 at or near highs, the implication is that investors are likely placing more weight behind a healthy pause in growth while looking ahead to the benefits of another central bank easing cycle.

While this argument is a bit uncomfortable, it served as the primary driver of what is now the longest expansion in US history. Our long/short equity strategy provides us the benefit of not having to make a bet on the ever-changing macroeconomic issues of the day. Instead, we consistently build a portfolio of strong companies in our long book that are positioned to outperform the overall market over time, especially if economic growth is strong. Similarly, we seek to short companies with secular, cyclical, or company specific challenges that will only worsen if economic growth slows. In our fund, the majority of outperformance has been generated by stock specific factors. While the economic and market backdrop is an important variable for us to consider, we remain focused on our process of identifying the unique long and short narratives in our small company niche and investing when we see an unusually favorable risk/return profile.

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[1] Jay Powell noted the natural rates of unemployment and inflation have been moving consistently lower for decades and how global factors play a larger role on inflation. Presuming these trends continue, Mr. Powell observed this causes, “new complications for central banks and calls for new ideas.” See, “Monetary Policy in the Post-Crisis Era,” Jerome Powell, July 16, 2019, which was delivered symbolically on the anniversary of the Bretton Woods Agreements that set the course of global monetary policy in the post WWII era. The ECB is also questioning the validity of its ~ 2% inflation target as the target has proven elusive. The article correctly writes, “A shakeup in the framework would be another step in the ECB’s transformation over the past two decades from a traditional central bank, modeled on the Bundesbank, to one adopting innovative strategies for a world in which standard economic models no longer seem to work.” See, “ECB Studies Revamping Inflation Goal in Twilight of Draghi Era,” Bloomberg, July 18, 2019.

[2] Several recent references include, “Global Population Could Peak Sooner Than We Think,” Bloomberg Opinion, June 22, 2019 that stated, “In most of the world’s large countries, fertility rates have fallen below replacement levels in recent decades,” ‘The Impact of Workforce Aging on European Productivity,’ IMF working paper December 2016, with the conclusion, “workforce aging is likely to be a significant drag on European productivity growth over the next few decades,” and ‘Italy is in a ‘Demographic Recession’ Not Seen Since World War One,’ The Local, June 20, 2019 and “Japan’s Population is in Rapid Decline,” NPR, December 21, 2018 cites a Japanese official stating, “to help ensure Japan stays on a path of sustained economic growth, we know we must address the birthrate and aging population issues.”

[3] For context, the Bank of Japan owns half of the outstanding Japanese government bonds, 80% of Japanese ETF assets and 5% of the total market cap of the equity market per Japan Macro Advisors, July 10, 2019. Despite this massive buying of nearly everything, inflation remains below the stated target of 2%. This certainly questions the effectiveness central bank policy playbook of using quantitative easing / asset buying to boost inflation and implies demographics and debt burdens play a larger role.

LONG POSITION HIGHLIGHTS

The best performing long position during the second quarter was Parsons (PSN). When identifying longs, one of the drivers we align our investments with is a growth tailwind in the market a company serves. This is certainly the case for PSN. They sell software and services into the fastest growing pieces of the US Department of Defense budget, including cybersecurity, intelligence and geospatial analysis. We also invest in companies that have the resources to exploit the market trends that benefit them. In the case of PSN we were pleased to see the primary purpose of their initial public offering was to generate the capital to invest in these exciting end markets. While the company only has one quarter of results so far as a public company, the figures support our thesis and we continue to see upside in the stock as is trades at an unwarranted discount to its peers.

The second best long position in the quarter was Brooks Automation (BRKS). Brooks has two businesses - the larger is the sale of specialty equipment to the semiconductor manufacturing industry, while the second division is focused on healthcare end markets in cold chain sample management and genomic services. The semiconductor business has managed to take share and generate high returns in the face of cyclical end market pressure, validating the quality of the company's products. The faster growth has come from the healthcare division, which is on its way to be becoming the larger of the two segments. This business benefits from the rapid growth of targeted medicines and therapies that are energizing the healthcare markets with solutions to some of the most pressing health challenges today. More generally, rapid business changes, like what has been taking place at BRKS, give us the opportunity to capitalize on transformations before and as they happen. We remain enthusiastic about BRKS but felt that the stock's appreciation amidst a lengthening down cycle technology sector capital spending warranted us exiting the position to redeploy capital into stocks with a better risk/reward profile.

The largest detractor in the long portfolio during the second quarter was Stericycle (SRCL). SRCL is primarily a medical waste company, but the company did decide to grow by entering other markets. In the core medical waste business, the company was too aggressive in raising prices to its smaller customers. As healthcare service providers continued to build scale through M&A, this increasing cost no longer went unnoticed, which forced SRCL to reset pricing meaningfully lower to get in line with market levels. While none of this is positive, it created an opportunity for the new management team to execute off low expectations. Specifically, we expected the new CEO to begin her track record by making the outlook for the core business attainable and being more aggressive on corporate actions to simplify and refocus the company. While we believe this is still likely the case, our further diligence made us less confident that the new outlook was appropriately conservative. Together with a leveraged balance sheet, we felt the investment did not have as much margin for error as we would prefer and we exited the position.

SHORT POSITION HIGHLIGHTS

The best performing short position in the second quarter was Kontoor Brands (KTB). We often find unique opportunities to invest when new companies are formed. New stocks regularly enter our universe through IPOs and spin outs. As it relates to the latter, the presumption based on historical evidence is that spinoffs are often good long ideas. However, we have increasingly seen a pattern develop where companies want to divest their worst divisions to improve the outlook and valuation of the core business. When this occurs, the spinoffs often have limited growth prospects or room for improvement. Further, the parent company typically levers the new company's balance sheet to their own benefit before spinning it out This is exactly the structure that the parent company, VF Corporation (VFC), used to spin out KTB. KTB sells second tier denim brands into the structurally challenged traditional retail channel. As a result, the company is reliant on a few large customers for most of its sales. Despite these obvious challenges, VFC spun off KTB with very little opportunity to improve margins and a high level of leverage on its balance sheet that limits KTB's financial flexibility. We continue to expect the company to be challenged, but we covered our short when the stock quickly reached our price target.

The second best short in the quarter was Milacron Holdings (MCRN). The company's largest end market is autos. Within that sector their products are largely purchased as part of a capex program. We expected pressures to mount on MCRN's sales and margins due to continued struggles of the global auto OEMs. In particular, MCRN has historically seen pricing pressure from increased competition for lower overall OEM volumes during production slowdowns. We covered our short during the quarter at our price target. Staying disciplined is a key aspect of our process and in this case the value was made clear. MRCN agreed to sell itself to a larger industrial company in July, subsequent to our exit.

The largest detractor in the short portfolio during the second quarter was Electronics For Imaging (EFII), a provider of digital printing services. We have seen aggressive accounting and anemic growth from EFII for several years, and we have been short multiple times with success. We decided to short the stock again following its rebound earlier this year from January lows. We covered the short in early April due to our stop-loss limit discipline. The following week, EFII was acquired. Each year we see several short positions exit the public markets through M&A. We believe this is because the management and Board of Directors inherently agree with the short thesis and seek out an exit plan.

OUTLOOK

From a top down perspective, the backdrop has improved. At the start of the year markets faced the prospect of slowing profit growth, higher interest rates, and the risk of an inverted yield curve. Today, interest rates are pressing lower, corporate spreads remain narrow, and the yield curve has steepened.[4] While the risk of an earnings recession is still real, the Fed has indicated that an easing cycle is underway that could once again support prices of risk assets. A further extension of the economic expansion is a positive in the short term but creates a more challenging long-term outlook as to how the next material slowdown plays out. With this in mind, we continue to focus on the ability of individual companies to create value by growing their profits and use our short positions to express our negative view on certain businesses in mature areas of the economy.

We are particularly bullish on the outlook for Transmedics (TMDX). When we look for long investments, one of the criteria is identifying a company that creates a healthy ecosystem, and TMDX fits the bill. The company created the "Organ Care System" that allows more human organs to be collected, diagnosed, rejuvenated and transplanted in patients in need. There is a well-documented shortage of organ donors

[4] While fixed income markets are generally viewed as supportive for equities and we agree, the issue of negative yielding debt is not one to be taken lightly. This can be interpreted as a condemnation of future growth prospects and it can also create greater risk of disruptions if the trends were to reverse. The numbers are growing ever larger with $13 trillion dollars of global bonds (out of $100 trillion global bond market) now yielding negative and some of these include 'high yield' bonds. This is another sign that the investing landscape has deviated from historical norms in no small fashion. See "The Black Hole Engulfing The World's Bond Markets," Bloomberg, July 12, 2019, "Oxymoron Alert: Some 'High Yield' Bonds Go Negative," WSJ, July 14th, 2019 and "Want to Know Why The Stock Market is at an All-Time High? Look at Bonds," Forbes, July 16th, 2019 where they point out that if you look at negative yields from a real interest rate perspective, the amount of negative yielding bonds jumps to $25 trillion. This is an extraordinary development in modern times.

that has created a severe supply and demand imbalance. The TMDX system is going to catalyze change in this market that will allow many more patients to receive lifesaving transplants. In this market, the patients in need benefit the most from increased donor supply. The physicians practicing in this area of medicine will also benefit from a new ability to extend care to more of their patients. Further, the healthcare system has long had in place incentives to increase the supply of organ donation, as it is seen as the best and most cost-effective way to care for its constituents. The company has made astute business choices and is using capital raised from a recent IPO to place organ care systems in hospitals. They will then charge for the consumable products used in each surgery in a razor/razor blade model. They anticipate generating market leading margins (25%+) as they scale the business over the next three years. Taken together, we see a favorable set up for TMDX and it is one of our largest positions.

Another company we see creating an entirely new market that will benefit multiple parties is pdvWireless (ATEX). Not many days go by without the drivers behind the value proposition making headlines. First, domestic infrastructure assets remain at risk from hacking. This issue is of practical and political concern. Second, whether it is the power outage in Manhattan or the devastation to life, property and business wrought by wildfires in California, the US power grid desperately needs to be modernized. The ATEX solution is a dedicated enterprise wireless network. A dedicated network is much more difficult to intrude than a public one, and a wireless network with little to no latency is ideal for monitoring and detection of failures and risks of fires. The company is led by very experienced executives, has raised the necessary capital to advance the business plan, and is on the cusp of FCC approval. Thereafter, ATEX will sign leases and the business model will possess an unusually higher margin structure. As a result, we believe there is material upside as the company continues to deliver on milestones and ramp commercialization.

We also seek to identify differentiated businesses on the short side, but in this case it is due to unusually strong pricing pressure, a weak financial structure, and poor fiduciaries. As discussed earlier, we see pockets of weakness in mature areas of the economy despite the prolonged expansion. One such area is the industrial economy. What was once a synchronous global recovery has shifted back to neutral, if not an outright slowdown. We have identified several companies that we feel are at increased risk as a result, including Actuant (ATU). The company has historically grown through acquisitions and carries a degree of leverage on the balance sheet. This year ATU expects just 2-3% top line growth, which is not very strong particularly as the measures of demand are now showing signs of contraction. Recently, the company completed a corporate move to sell a business for ~6x EBITDA, which will be dilutive to shareholders who own stock at a 10x EBITDA valuation. ATU was also forced to retain certain businesses they intended to sell, a very poor data point on the quality and prospects for those segments. This demonstrates poor execution from the management team and Board, something we seek in our short positions. With little means of improvement, we continue to see downside in ATU shares.

We also remain skeptical of Ambarella (AMBA), a company with a difficult track record. AMBA makes chips that were historically used in drones, but they exited that business due to a prevalence of low cost competition. Currently, their largest end market is security cameras. While this market has grown, it is also seeing massive competitive pressures from lower cost Chinese manufacturers. The market is further complicated by the trade war, as well as cybersecurity concerns that are front and center to investors, politicians and consumers alike. Their current plan is to yet again pivot to a new market - cameras to enable autonomous driving in automobiles. No doubt this is an exciting market; however, it will take years to develop and they must compete with entrenched auto suppliers and tech giants including Intel. Further, auto markets are in decline across China, Europe and the United States which will put further pressure on the entire supply chain. With limited resources and a business case that is entirely based on promises in the future, we anticipate a string a delays and disappointments for AMBA and remain short.

INVESTMENT PHILOSOPHY

Our investment philosophy is straight forward. We believe the most important drivers of equity value over time are the strength or weakness of a company's business model, the advantages or challenges created by their financial structure, and the quality of the fiduciaries involved. We identify what we believe are the best long and short narratives in the small and mid cap universe of U.S. stocks and track them on a focus list. Our list is dynamic as we evaluate new companies entering our market cap range due to price changes, IPOs, spin-offs and other corporate developments. Likewise, we eliminate stocks from our focus list when the long thesis plays out and they become too large for our approach, or if the short thesis drives the stock price to a level at which it transforms into a special situation with vastly decreased liquidity and/or increased price volatility. Base, bull and bear case price targets are derived from two year forward valuation, while also considering longer term trends discounted back appropriately. We deploy capital when these differentiated narratives present themselves with a compelling risk/reward profile relative to other stocks in our portfolio.

We concentrate our efforts on smaller companies due to their inherent structural inefficiencies that drive greater price dispersion, in turn enabling higher alpha generation on both longs and shorts. The investment landscape continues its trend of consolidating investment management and advice at ever larger financial institutions. The cost benefit of increased scale has an inverse effect on the ability of investment managers to buy and sell smaller stocks when considering reasonable liquidity parameters. Further, the rapid growth in passive and quantitative investing is reducing the amount of competition from fundamentally driven active stock pickers overall. As an increasing share of daily trading volume shifts to passive from active mandates, there is even less economic benefit to sell side equity research. This in turn reduces the amount of published information, particularly in smaller stocks with lower trading volume. Importantly, we think these inefficiencies are not just persistent, but should move even more in our favor over time.

Smaller companies are likely to remain a reliable source of mispriced investment opportunities that are either overlooked or are not practical investments for larger firms. We believe our structured fundamental investment process allows us to uncover such unique ideas and generate value through stock selection on both long and short investments. We tend to concentrate individual stock positions in 30-50 longs and 30-50 shorts to maximize the value of our research, and likewise do not utilize ETFs or options to hedge. Position level weights are optimized for exposure to changing fundamental factors, catalysts and risks. To manage overall portfolio risk, we avoid leverage on the long side, maintain consistent net exposure, and remain disciplined with our price targets and stop-loss levels. We believe our $130 million strategy is amongst the leaders in small cap l/s equity as we approach 10 consecutive years of compelling net returns, low volatility, and consistent capital preservation in weak markets.

Thank you for your ongoing support,

Christopher E. Hillary

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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 Total Return 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 Total Return 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 1.15% annual management fee, 15% annual 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 June 30, 2019 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.

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.

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