October 23, 2019

Dear Partners,

During the third quarter of 2019, Prosper Stars & Stripes fell 6.7% compared to a return of 1.8% for the HFRX Equity Hedge Index (the "HFRX") (i) and a loss of 2.4% for the Russell 2000 Total Return Index (the "Russell") (ii) . Since the inception of the strategy on January 1, 2010, the Roubaix Fund Composite (the "Composite") (iii) has generated an annualized net return of 8.3% compared to 4.3% for the HFRI Equity Hedge (Total) Index (the "HFRI") (iv) and 11.1% for the Russell. The end of period net exposure was 40.4% compared to a 43.2% average since inception.

The Composite has generated 4.5% annual net alpha since inception relative to the Russell 2000 Index. Further, the Composite has generated positive alpha on a gross basis from both longs and shorts over this time period. Through June 30, 2019, this history looked poised to repeat itself for yet another year, with 2.3% gross alpha through the first half. However, during the third quarter the Composite relinquished most of its long alpha from the first half and produced incremental negative alpha from the short book.

On the long side, several positions moved against the Composite during the quarter, with the top four detractors accounting for all the negative long alpha. We have exited AstroNova (ALOT) and Forrester Research (FORR), the former of which is explained in detail later in this letter. However, we have maintained our positions in Anterix (ATEX) and TransMedics (TMDX), both of which were highlighted as amongst the top long ideas in our Q2 letter. While fundamentals deteriorated at ALOT and FORR, prospects for ATEX and TMDX only improved despite the share price declines. Thus, we maintained positions in these as we continue to believe that their respective underlying investment theses will continue to play out.

On the short side, the Composite was able to add gross alpha during July and August, led by investments in Covetrus (CVET) and TrueCar (TRUE) that will be discussed in detail later. Unfortunately, that trend reversed in early September due to a sharp spike in value stocks that typically populate our short book. Roubaix's investment philosophy is built on an evaluation of 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. This philosophy drives a high-quality bias to the long book and requisite low-quality bias to the short book. In times of short-term outperformance of low-quality value stocks, which occurred in both early January and again in early September, short returns tend to suffer. However, these non-fundamental moves in low quality stocks present incremental short investment opportunities that we hope to capitalize on into Q3 earnings season.

ECONOMY & MARKETS

The economic backdrop continued to deteriorate during the quarter. Fears about the expansion being late in the cycle were increasingly supported by disappointing data, particularly in the global industrial economy. This has been the case in Europe with the German economy and its industrial export base suffering from a slowdown.[1] Global automotive end markets have clearly weakened, but broader industrial end markets, including agriculture and general manufacturing, have also slowed. The trade war between the U.S. and China that had been simmering escalated during the quarter. Further, the trade disputes now threaten to broaden out to other countries as the U.S. targets additional tariffs on E.U. goods. This has negatively impacted CEO and CFO confidence that has in turn affected spending and hiring plans by businesses.[2]

These factors were the incremental drivers adding to the longstanding downward pressure on interest rates. While there is a compelling long-term argument that rates are in decline as the developed world matures, it is extraordinary that the amount of negative yielding debt exceeded $17 trillion during the quarter. While the amount has since decreased from that record level, the reality is that negative yielding debt appears to be here to stay for some time.[3] During the quarter, the U.S. yield curve continued to flatten, and it got plenty of attention given this indicator's track record of predicting recessions.

The equity market strength belies underlying investor anxiety, as shown by the outperformance of defensive sectors and assets during the quarter.[4] However, there was a large change that occurred in September where investors rotated into value stocks, typically an indication of higher economic optimism.[5] While this trend has not persisted, the market has been back and forth with this issue in tandem with fickle sentiment on the economic outlook. A recent article on the global markets made the point that even with the S&P just 1% off its high, "almost every other measure suggests a bear market started last year."[6]

Part of the reason the market has exhibited some optimism, of course, is global monetary policy as central banks have eased yet again. The U.S. Fed cut rates in the quarter and the ECB committed to more quantitative easing (QE). No central bank wants to take blame for causing a recession or not doing enough ahead of time to prevent one. Further, turbulence in the U.S. short term funding market has forced the U.S. Fed to intervene to support markets. While they insist it is not QE, they are again deploying their balance sheet into the credit markets. Lower rates have clearly helped the U.S. housing market, which is a key

[1] See "German Economic Forecasts Plunge as Global Industrial Recession Fears Mount," CNBC October 2, 2019 writing 'manufacturing purchasing managers' index in Germany are at their lowest since the aftermath of the global financial crisis … The global picture is also reflecting a grim reality with the Institute for Supply Management revealing that U.S. manufacturing contracted in September to its lowest in over a decade.'
[2] See, "CEO Confidence Declined to Lowest Level in a Decade," The Conference Board, October 2, 2019
[3] See, "The Unstoppable Surge in Negative Yields Reaches $17 Trillion," Bloomberg August 30, 2019, writing, 'With recession signals flashing around the globe – such as the inverted Treasury yield curve – and with a trade war between the U.S and China heating up, there are arguments for the stock of negative-yielding debt to keep expanding. Monetary policy may also play a role, with the ECB set to decide in September whether to cut interest rates further below zero. It could also end up expanding its 2.6 trillion-euro package of quantitative easing.'
[4] See, "Stocks' Path Towards Records Led by Defensive Plays," Wall Street Journal October 13, 2019
[5] See, "Value Stocks Had Been Left for Dead. Their Revival Could be the Real Deal," Barron's September 17, 2019, writing, "Value has outperformed momentum by 9 percentage points in September. That is the widest divergence between the two factors since 2010 … Value tends to outperform when macroeconomic data start to recover from depressed levels."
[6] See, "The Stealthy Bear Market Stalking the Dow," Wall Street Journal, October 22, 2019 where they refer to the German market and emerging markets declining 20% in dollar terms since January 26th, pointing out various other markets that have declined in the teens on a similar measure as well as a 10% spread with large cap stocks outperforming small cap stocks.

cyclical driver domestically. It is hard to see a material slowdown developing while housing is strong and rates are back near lows.[7]

One final point on the market~~s~~ during the quarter was a landmark event. The Wall Street Journal reported mid-September that passive index funds overtook actively managed funds for the first time.[8] Historically, with passive management in the minority, active management could be relied upon to establish a price with other market participants based on a fair weighting of a stock's fundamentals. This poses an interesting long-term question when passive becomes the price setter. Overall, we believe this shift results in less competition for active managers such as ourselves and creates more – not less – opportunities for our stock selection to add value over time.

LONG POSITION HIGHLIGHTS

The best performing long position during the third quarter was InMode (INMD). INMD is a manufacturer of non-invasive and minimally invasive aesthetic surgical devices. The core thesis here is straightforward. The company sells products that improve appearances and consumers have shown a strong desire to spend on these types of procedures. The IPO was unusual in that the stock did not increase much initially and afforded us the opportunity to invest at an attractive price. Financially, the company is distinguished by the fact that its small size and high growth rate are accompanied by very strong profitability. For example, in the most recent quarter the company reported top line growth of 55% and an operating profit margin of 41%. While the top line is certainly impressive, we have found that fewer than 5% of the companies in our investible universe earn an operating margin over 25%, putting INMD in rare company. With consensus earnings expectations poised to rise from ~$1.45 per share in 2019 to $1.60 in 2020 and $2.00 in 2021, we see further upside assuming at least a 20x earnings multiple, which could prove conservative.

The second best long position in the quarter was Cubic (CUB). The Fund has invested in CUB for some time now and the company has continued to deliver. The quality of the management team has improved over the past several years, including the appointment of a very experienced CFO in late 2017. The increased level of discipline has been evident in recent results and this influence should lead to improved returns in future periods. CUB is the leading provider of mass transit systems for major cities. They have built upon their contract with London by adding the prized NYC contract and following that with Boston. We expect ongoing execution in this segment, underpinned by these large contracts. CUB's other businesses also have room for growth and improvement in the years ahead bolstered by a favorable U.S. Department of Defense budget and an improved product offering. We anticipate earnings per share expectations for CUB's September 2021 year end to reach $4.50 and for the stock to trade towards our mid $80s price target.

The largest detractor in the long portfolio during the third quarter was AstroNova (ALOT). The company has two end markets, aerospace and commercial printing. The larger contributor to profits is the aerospace end market. Here the company sells cockpit printers that are used in nearly every aircraft in service. Once these printers are placed in service, they generate recurring revenue and profit from the sale of proprietary paper and ink specifically designed for the demanding standards of this market. The stock declined after reporting disappointing earnings results during the quarter. The company was impacted by a few factors,

[7] See, "Homebuilder Confidence Surges to Highest Level in Nearly Two Years, Thanks to Lower Mortgage Rates," CNBC October 16, 2019

[8] See, "Index Funds Are the New Kings of Wall Street," Wall Street Journal, September 18, 2019

the largest of which was the grounding of the Boeing 737 MAX. Since older aircrafts were kept in service to offset the capacity lost from grounding the MAX, ALOT experienced a large decline in its high margin aftermarket business. The company still has a material opportunity in front of it. The company's management team was upgraded in recent years and implemented programs to increase margins from mid-single digits to mid-teens. While we exited the position, we endeavor to revisit the stock when the headwinds they experienced abate.

SHORT POSITION HIGHLIGHTS

The best performing short position in the third quarter was Covetrus (CVET). CVET is a recent spin out from Henry Schein. The company came public with over $1BN in net debt and a story full of promises but low on substance. Specifically, the company presented itself as a fast growing software company. While they do have a software business within the company, they are investing heavily to grow it and it currently loses money. The balance of CVET's model is a slow to no growth veterinary distribution business. Clearly, these two have very different valuations. We thought the market was giving too much credit to the early stage software business and not enough concern for the no growth distribution business. This thesis largely played out during the quarter as revenues and profits missed expectations and the multiple compressed dramatically. We are still skeptical of the shares but exited our position as it now trades more like a distribution company than a software company.

The second best short in the quarter was TrueCar (TRUE). TRUE is a lead generation business for auto sales. Consumers doing research on purchasing a vehicle can have dealers offer their best price to them through the site. In theory, customers get the best price and dealers are able to increase their sales velocity. In practice, there is a flaw in the business model. Consumers visit many sites when researching and considering a vehicle purchase. As a result, this creates a disagreement between the dealers and TRUE as to where the customer lead was generated. We see this basic flaw as a structural impediment to the company. Given the declines in the share price to a level at which it is now considered a 'special situation', we exited our fundamental short position.

The largest detractor in the short portfolio during the third quarter was Griffon (GFF). GFF is a company that added significant leverage to its balance sheet to acquire low value housing products, specifically closet organization. This was added to a portfolio that already included garage doors, gardening tools and outdoor décor and landscape goods. These products are largely sold through the large U.S. home center retailers, putting GFF in a difficult position where their customer has meaningful control over the sales channel. With net debt to EBITDA over 5x and an uncertain backdrop for consumer spending we saw an opportunity to bet against the stock. During the quarter, expectations that interest rates would decline drove homebuilders and related suppliers higher, including GFF. While we remain skeptical of the company and its medium-term prospects, we acknowledge that interest rates have moved lower and may improve demand in the short term.

OUTLOOK

Sentiment is cautious as earnings season gets underway. Earnings growth is forecasted to be negative here in Q3 and again in Q4, which constitutes an earnings recession. Negative preannouncements and estimate reductions, however, have lowered the bar for expectations.[9] We anticipate the industrial economy showing signs of strain. The slowdowns here have not fully played out. Tariffs add costs and uncertainty, and the stronger dollar is another headwind that needs to work through corporate results.[10]

Moving past the current quarter and into next year, a few drivers are taking shape. While the outcome of the trade war remains uncertain, the President wants to secure reelection, and this increases the odds of the U.S. making a deal. Easing moves from the Fed and ECB also have a lagged effect, suggesting benefits for next year. Further, the rate structure in the US now results in negative real interest rates. This is unusual and has historically led to equity advances.[11] While GDP in China has been slowing, early easing measures there have already shown a positive impact on the data. Contrary to recession fears this summer, the U.S. yield curve has steepened in recent weeks and credit spreads generally remain supportive of a positive stance.[12] For 2020, earnings growth is expected to recover and resume in the mid to high single digits.

We continue to identify compelling investment themes and unique stock specific opportunities. One such theme is the dramatic shift in the global automotive ecosystem. The shift towards electric vehicles is well underway. Daimler, credited with inventing the prototype of the modern gasoline engine, said they have no plans to develop a next generation combustion engine. Following the diesel emissions scandal and more than $30 billion in fines and other costs, VW has committed to spending over $50 billion in the move to electric vehicles. One supplier of a key high value component that is part of enabling the growth goals of VW and the broader auto industry is Cree (CREE). CREE's silicon carbide products improve the efficiency of battery electric vehicles by 5%, which is the most important driver of cost and performance for electric vehicles. Another supplier that has demonstrated success in reducing the insatiable power consumption of datacenters and is now poised to do the same for the auto industry is Vicor (VICR). The company has been the leader in 48 volt power architecture that allows electricity to be delivered more efficiently than the current 12 volt standard, creating less waste and more utility. Both companies are expanding manufacturing capacity to meet increased demand, which in turn should flow through the P&L with higher revenues and impressive margins at scale.

With the daily ebb and flow of investor sentiment and economic expectations we continue to identify investments where we see the opportunity for self-help at underperforming companies. We look for a change in the management and incentives to catalyze improvement. Better leadership typically results in a focus on costs and on emphasizing the strengths of the company. In the Fund, positions in LKQ Corp (LKQ), Hain Celestial Group (HAIN), and Stericycle (SRCL) all possess these characteristics. While each of these companies is unique, they all share common investment drivers. All three were built through acquisitions that ultimately created operational inefficiencies due to a lack of systems integration. When this happens, dis-economies of scale emerge and grow until they are eventually reset to one unified platform. Previous management teams were either unfocused or unwilling to make the difficult decisions to put these

[9] See the Bespoke Report from October 11, 2019 where they write, "Since the start of 2009, there have been eight prior periods where the revisions spread was more negative that it is now, and in those periods the S&P 500 averaged a gain of 3% during earnings season with gains five of seven times."
[10] See, "U.S. Companies Can't Buck a Strong Dollar," Wall Street Journal October 18, 2019
[11] See, "Buy Home Builder and Tech Stocks, a Top Strategist Says," Barron's October 18, 2019
[12] We would highlight a divergence in the credit markets where the weakest companies are showing signs of strain something that suits our short approach, "Waves of Financial Stress Hits Low-Rated Companies," Wall Street Journal October 22, 2019, writing, recent developments have "caused yields to climb for months on the lowest-rated group of corporate bonds. Unusually, that has happened even as yields have fallen on higher rated junk bonds."

companies on the path to sustainably higher profitability. In all three companies, we believe the changes in the management teams and their aligned incentives have put the necessary pieces in place for improvement in the years ahead.

We also continue to anticipate material upside in our largest positions. Park Aerospace (PKE), Anterix (ATEX) and TransMedics (TMDX) are all unique and growing businesses with the potential to appreciate materially. In the case of PKE, excluding the net cash, the shares trade at less than 12x 2021 expected earnings, which gives the company little credit for years of double digit growth and margins already approaching 20%. ATEX is a company that has assembled valuable wireless spectrum that is poised to gain approval to be leased as broadband access for enterprises, initially utility customers. These customers see a dedicated broadband network as a key component to upgrading their distribution assets to make them safer from natural disasters and cyberattacks. TMDX has a commercial product that preserves and rehabilitates lungs for transplant, and the company is in the process of getting its system approved for hearts and thereafter liver. This will dramatically increase the supply of organs available for transplant, in turn saving lives and lowering costs for the healthcare system. We think the market is underappreciating the medium term return potential for each of these equities.

INVESTMENT PHILOSOPHY

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 $125 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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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 September 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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