January 25, 2024

Dear Investors,

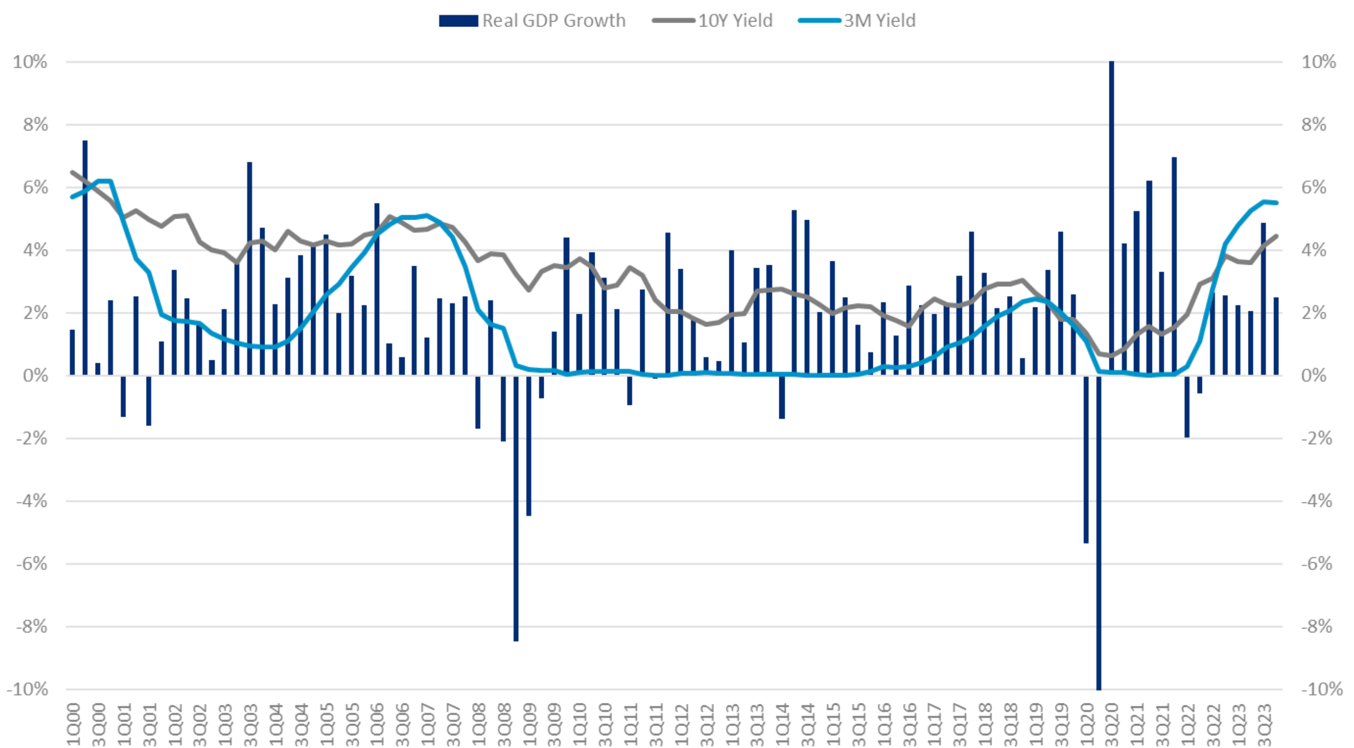
During the fourth quarter of 2023, Prosper Stars & Stripes gained +3.4% compared to a total return of +3.6% for the long/short equity hedge fund peer group, represented by the HFRX Equity Hedge Index (the "HFRX")[i] and +14.0% for the long-only small cap Russell 2000 Index (the "Russell")[ii].
Prosper Stars & Stripes is the UCITS Fund launched in May 2015 designed to run pari passu to the Roubaix Fund Composite (the Composite)[iii], launched in January 2010, where its long/short equity peer group is represented by the HFRI Equity Hedge (Total) Index (the "HFRI")[iv].

For the full year, the Composite generated a net return of +15.2% compared to a total return of +10.4% for the HFRI and +16.9% for the Russell. Average daily net exposure was 46.3% during the fourth quarter and 42.2% for the full year compared to a 43.2% average since inception in January 2010.

As of December 31, 2023	Roubaix Composite	HFRI Equity Hedge Index	Russell 2000 Index
Quarter to Date	3.11%	5.51%	14.03%
Year to Date	15.21%	10.44%	16.93%
Annualized 3 Years	5.91%	3.49%	2.22%
Annualized 5 Years	12.35%	8.24%	9.96%
Annualized 10 Years	9.46%	5.21%	7.15%
Annualized Since Inception	10.01%	5.31%	10.24%
Standard Deviation	9.13%	8.49%	19.78%
Sharpe Ratio	0.99	0.54	0.54
Downside Deviation	4.75%	5.72%	12.96%
Sortino Ratio	1.93	0.80	0.84
Bull Beta to Benchmark		1.05	0.46
Bear Beta to Benchmark		0.11	0.09
Annualized Alpha to Benchmark		6.06%	5.89%

ECONOMY

Economic growth measured by GDP continued to rise at a higher-than-expected rate in the second half of 2023. The modestly negative GDP growth during the first half of 2022 grows more distant with each passing quarter. The resilience of the economy has been surprising to many given the dramatic rise in interest rates to a peak of more than 5%. For years weak growth and low inflation kept interest rates tethered at or near zero with skepticism they could ever normalize.[1] Consumers and investors grew so accustomed to low rates that it is remarkable the economy has held up against such a rapid and material shift higher. This speaks to the dynamism and scale of the U.S. economy where a simple premise runs the risk of not capturing the full reality. At the start of 2023, it was feared that much higher interest rates required to fight inflation would cause a recession marked by job losses.[2] The fact that rates have risen so much with so little impact on the aggregate economy indicates a fresh narrative about the role of interest rates within monetary policy is needed and suggests that government intervention during the pandemic created a unique set of circumstances.



Source: Federal Reserve Bank of St. Louis, Roubaix Capital, LLC

Job growth has been the cornerstone of the current economic cycle and remained intact during the fourth quarter. Monthly nonfarm payrolls grew by ~165,000 on average, in line with the 163,000 average per month since January

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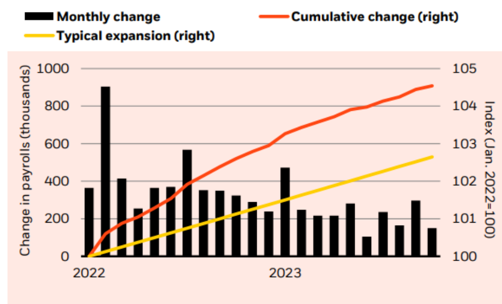
[1] The End of Zero Interest Rates, Project Syndicate, August 13, 2023, wrote, 'As recently as 2022, most monetary economists expected interest rates to remain low indefinitely

[2] Larry Summers Was Wrong About Inflation, NY Magazine, Jun 14, 2023, quoted Summers as saying, 'we need five years of unemployment above 5 percent to contain inflation – in other words, we need two years of 7.5% unemployment, or one year of 10 percent unemployment.'

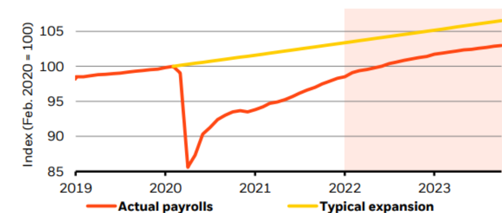
2010.[3] We believe this is the path needed for a soft landing where inflation falls into a slowing economy without significant job losses.[4] Historically, a U.S. Fed tightening cycle drives interest rates meaningfully higher, reducing consumer demand and raising unemployment. However, this has not always been the case, as two of the last six tightening cycles occurred without meaningful damage to the labor market.[5] There are certainly signs of cooling - job openings have been declining and wage growth has decelerated. These are the types of adjustments necessary for the economy to slow without a recession. Historically, a soft landing has occurred 3 out of the last 9 times the Fed has ended a rate hike cycle.[6] However, this cycle has established that it can evolve constructively even when the odds are against it.

Strong employment gains...

U.S. payroll changes vs. typical expansion, 2022-2023 and 2019-2023

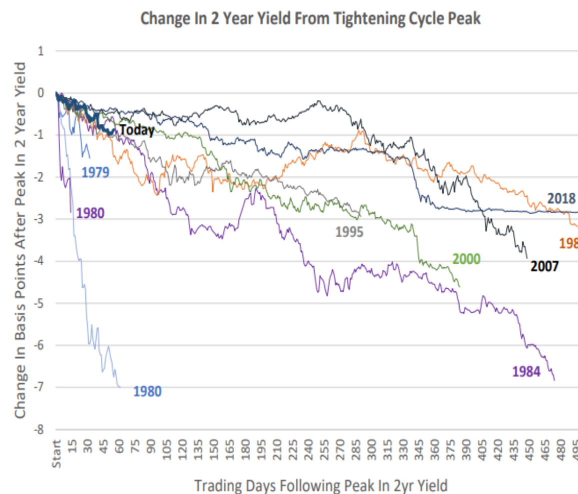


...but still climbing out of a deep pandemic hole



Stocks Exhibit Consistent Behavior When The Fed Pivots

Rates Have Always Fallen After The Fed Pivots



Fed Pivot	Outcome
Oct-79	Hard Landing
Mar-80	Hard Landing
Dec-80	Hard Landing
Jun-84	Soft Landing
Mar-89	Hard Landing
Jan-95	Soft Landing
May-00	Hard Landing
Jun-06	Hard Landing
Nov-18	Soft Landing
Oct-23	?

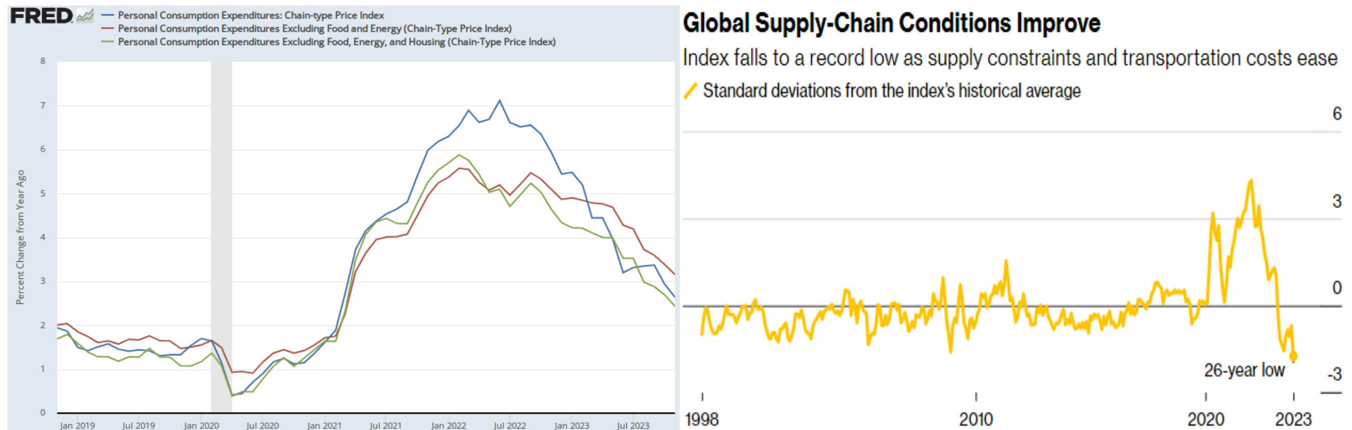
*Fed Pivot Is The Date The 2 Yr Yield Peaked

Source: Blackrock 2024 Global Outlook, December 2023; Ending a Prolonged Period of Uncertainty, Piper Sandler, January 4, 2023

Inflation continues to wane and is on track to meet the central bank's targeted range in 2024. Core personal consumption expenditures (PCE), the Fed's preferred measure, came in at 3.5% in October.[7] With wages already moderating, the lagged effect of shelter costs, the largest portion of recent inflation, should drive core PCE down even further over the coming months.[8] It was in late 2021 that Fed Chairman Jay Powell gave up on the argument that inflation was transitory.[9] The ability of monetary policy to impact supply chain issues is limited, as the need for more resources, fixed assets, and labor is not influenced by interest rates. Instead, supply-side adjustments simply take time to work themselves out, and that is what has occurred.[10] Powell's initial assessment of transitory inflation now ironically looks more accurate, [11] albeit a couple of years premature. We believe this should allow the Fed to

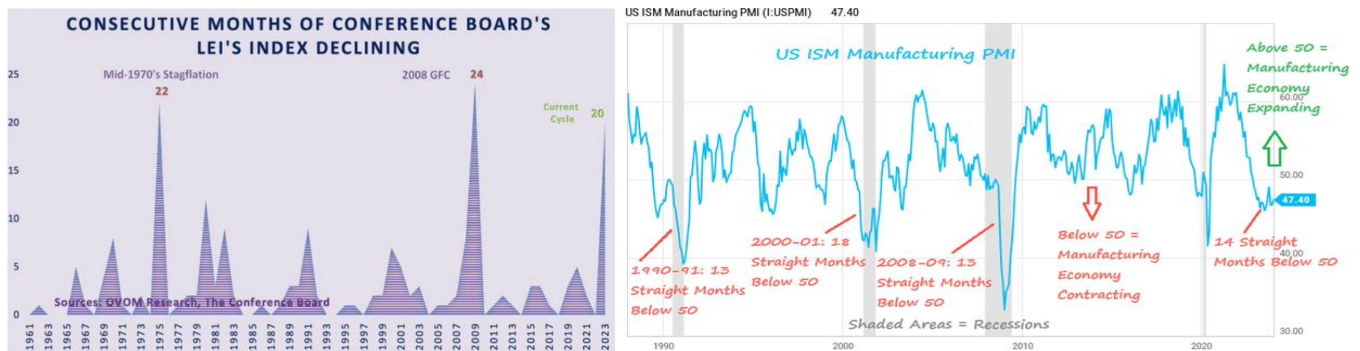
[3] Federal Reserve Bank of St. Louis
[4] A Soft Landing for the Economy: What it Means and What Data to Look at, Federal Reserve Bank of St. Louis, October 11, 2023
[5] Monetary Tightening Cycles, Professor Arturo Estrella, Rensselaer Polytechnic Institute
[6] Ending a Prolonged Period of Uncertainty, Piper Sandler, January 4, 2023
[7] Federal Reserve's Preferred Inflation Guage Shows Prices Continuing to Cool, AP, November 30, 2023
[8] Shelter Drives Over Half of Headline CPI Increases, Eye on Housing, October 12, 2023, and a view that market-based inflation shows much lower numbers cited here in 'Don't Watch the CPI, Inflation is Lower, Barron's, January 19, 2024
[9] Jerome Powell Ditches 'Transitory' Tag, Paves Way for Rate Hike, Bloomberg, November 30, 2021
[10] Global Supply-Chain Pressure Hits Record Low, NY Fed Guage Shows, Bloomberg, November 6, 2023
[11] Time for a Victory Lap, The American Prospect, January 4, 2024

lower interest rates in 2024 as inflation falls back into its targeted range. With the job market slowing already, the Fed will want to pay heed to maintaining full employment as the inflation battle ends. After all, lower inflation without rate cuts would make policy mechanically more restrictive than it already is, which is not a current goal of the Fed.[12]



Source: Federal Reserve Bank of St. Louis; Global Supply-Chain Pressure Hits Record Low, Bloomberg, November 6, 2023

Certain economic data has been downright awful, implying the Fed may have already done too much. The index of leading indicators has been warning of a potential recession for some time. The inverted yield curve has been signaling a slowdown is nigh, with many economists extrapolating that an eventual dis-inversion could be the next signal of pending economic malaise.[13] Similarly, the Institute for Supply Management (ISM) measure of manufacturing activity remains depressed and suggests recessionary conditions are imminent. While bears have an endless series of data points to cite looming risks, such extraordinarily weak economic figures may end up offering further support to the bulls when they start to recover.[14]

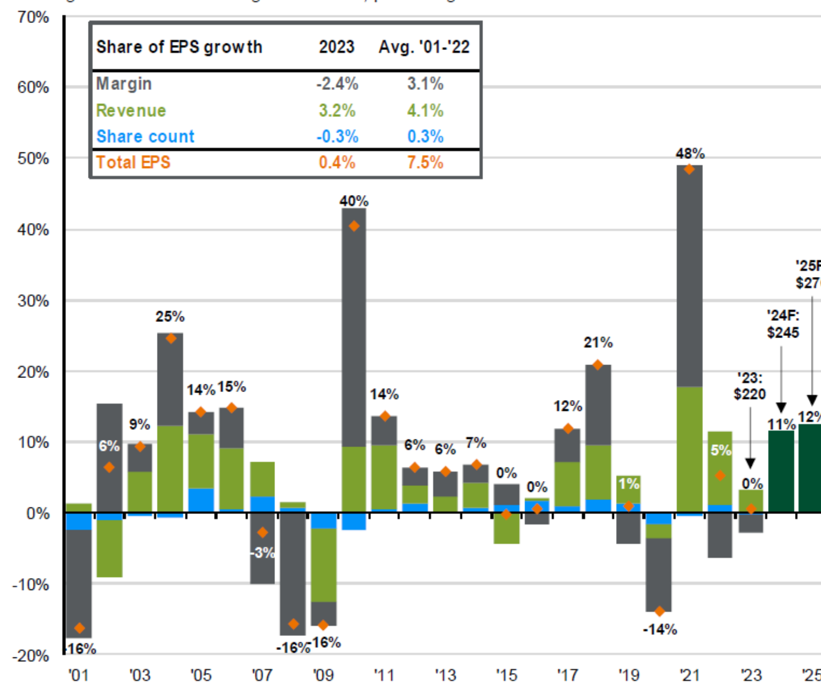


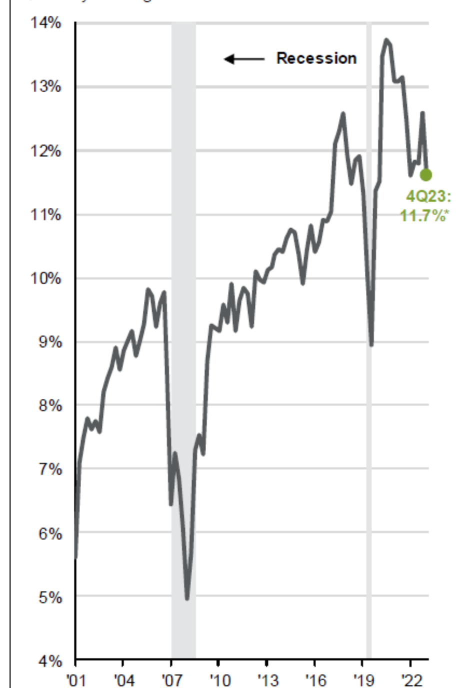
Source: Marlin Capital, January 3, 2024; Creative Planning, January 3, 2024

From a corporate perspective, S&P 500 profits fell at the end of 2022 and through the first half of 2023. Companies were generally very successful at using price to outpace the pressure from rising input costs during the pandemic. However, waning demand in certain sectors eventually tipped the balance into a profit recession. Public companies

[12] Full Recap: Here are Fed Chair Powell's Market-Moving Comments, CNBC, December 13, 2023
[13] Why an Un-Inverted Yield Curve Could be More Chilling for the Stock Market, Barron's, October 9, 2023
[14] US Likely Didn't Slip Into Recession in Early 2022 Despite Negative GDP Growth, Federal Reserve Bank of Dallas, August 2, 2022

were able to quickly adjust to a new normal through cost-cutting initiatives, posting a return to profit growth in the third quarter of 2023 that is forecast to accelerate through the fourth quarter of 2024. This may end up being the first time that corporate after-tax profits grow through the headwind of a Fed tightening cycle as net interest expense has decreased materially as a percentage of operating profits.[15] Public companies are also growing more optimistic as the worries about a recession fall.[16] The depth and diversity of the economy have been on full display while classic economic indicators have thus far been misleading. All the while, businesses have found ways to adjust to inflation and shifting demand to actively manage profits higher. Earnings are set to grow in the face of some difficult economic trends and despite a central bank tightening cycle. We believe earnings trends are what matter most to stocks and the broad market in 2024 and beyond.





Source: Guide to the Markets, J.P. Morgan Asset Management, January 2024

MARKETS

Markets surged in November and December to close out the year on a broad-based bullish note. Weakness in certain parts of the market reversed, including small caps and stocks with higher risk factors that responded aggressively to a change in the tone from the Fed. In the face of falling inflation, the central bank messaged that they were likely done raising short-term interest rates and investors responded with a broad "risk-on" rally. While the largest seven technology stocks in the world drove >90% of the market's return through Q3, their relative

[15] JPMorgan as cited by Carl Quintanilla, X, January 9, 2024

[16] Fewer S&P 500 Companies Discussing 'Recession' on Earnings Calls for 5th Straight Quarter, Factset, November 20, 2023

weakness in the 4th quarter saw their contribution to the full-year market's gain fall to 64% as market breadth surged.[17]

Asset Class	Index	2022	1Q23	2Q23	3Q23	Oct23	Nov23	Dec23	4Q23	YTD
Small Cap	Russell 2000	-20.5%	2.7%	5.3%	-5.2%	-6.9%	9.2%	12.1%	14.0%	16.8%
	Russell 2000 Growth	-26.3%	6.0%	7.1%	-7.4%	-7.7%	9.1%	11.9%	12.8%	18.5%
	Russell 2000 Value	-14.8%	-0.7%	3.2%	-3.1%	-6.0%	9.1%	12.4%	15.3%	14.6%
Large Cap	S&P 500	-18.2%	7.5%	8.7%	-3.2%	-2.2%	9.1%	4.6%	11.6%	26.2%
	S&P 500 Equal Wgt	-11.6%	2.9%	3.9%	-4.9%	-4.1%	9.2%	6.8%	11.8%	13.7%
	S&P 500 Growth	-29.4%	9.6%	10.5%	-2.6%	-2.4%	8.7%	3.8%	10.1%	30.0%
	S&P 500 Value	-5.3%	5.2%	6.6%	-4.0%	-1.7%	9.5%	5.5%	13.6%	22.2%
	Nasdaq 100	-32.6%	20.7%	15.3%	-2.9%	-2.1%	10.8%	5.6%	14.6%	54.9%
Bonds	U.S. High Yield	-11.0%	3.7%	0.7%	-0.3%	-1.0%	4.9%	3.2%	7.1%	11.5%
	U.S. Aggregate	-13.0%	3.2%	-0.9%	-3.2%	-1.6%	4.6%	3.7%	6.8%	5.7%
	U.S. Treasury	-13.4%	3.3%	-1.5%	-3.1%	-1.2%	3.5%	3.2%	5.6%	4.2%
Blend	60% SPY/40% AGG	-16.1%	5.8%	4.8%	-3.2%	-1.9%	7.3%	4.2%	9.7%	18.0%

Russell 2000 Index Sectors	Weight	2022	1Q23	2Q23	3Q23	Oct23	Nov23	Dec23	4Q23	YTD
Consumer Discretionary	11.1%	-30.1%	11.8%	6.1%	-6.5%	-7.5%	11.2%	14.2%	17.4%	30.3%
Industrials	17.0%	-15.4%	7.4%	10.8%	-5.2%	-6.7%	9.8%	11.0%	13.7%	28.2%
Consumer Staples	3.4%	-8.9%	6.0%	5.3%	-2.9%	-3.0%	5.7%	10.2%	12.9%	22.4%
Information Technology	13.4%	-31.7%	13.7%	3.4%	-9.2%	-9.6%	12.6%	11.7%	13.8%	21.5%
Financials	17.2%	-15.3%	-8.7%	1.8%	1.1%	-4.0%	10.4%	14.9%	21.8%	14.4%
Materials	4.4%	-13.0%	8.5%	-1.7%	-6.0%	-7.6%	10.6%	11.2%	13.6%	14.0%
Real Estate	6.2%	-28.1%	0.6%	0.9%	-5.9%	-5.3%	9.6%	12.8%	17.1%	11.8%
Health Care	15.1%	-28.5%	-1.9%	13.3%	-15.2%	-9.8%	10.4%	16.9%	16.3%	9.6%
Communication Services	2.3%	-39.1%	6.8%	0.6%	-7.3%	-4.7%	5.5%	9.3%	9.8%	9.3%
Energy	6.8%	53.1%	-3.8%	1.4%	18.7%	-4.9%	-2.6%	1.9%	-5.6%	9.2%
Utilities	2.7%	-1.1%	1.5%	-7.3%	-11.7%	-3.6%	5.2%	6.6%	8.1%	-10.2%
Russell 2000 Index (IWM)	100.0%	-20.5%	2.7%	5.3%	-5.2%	-6.9%	9.2%	12.1%	14.0%	16.8%

Source: Novus, Sentieo, Roubaix Capital, LLC

Fourth-quarter gains in the Russell 2000 Index were strongest in financials, real estate, consumer discretionary, and healthcare. These were amongst the sectors that suffered the most during the year as interest rates rose. Similarly, the signal that the Fed was going to stop its campaign to fight inflation[18] resulted in a strong rally for the bond market and lower high-yield spreads. With stocks and bonds both appreciating, the dramatic underperformance of 60/40 portfolios improved. As the bond market began to price in a higher probability of significant rate cuts in 2024, the ensuing easing of financial conditions was one of the most dramatic in the 40-year history of the index. This development lends further support to the broader premise that markets are normalizing, and the backdrop is more constructive for risk as 2024 gets underway.[19]

[17] Sentieo, Roubaix Capital, LLC

[18] With Rate Hikes Likely Done, Fed to Timing of Cuts, Reuters, December 13, 2023

[19] A Hot Debt Market Is Slashing Borrowing Costs for Riskier Companies, WSJ, January 19, 2024

LONG POSITION HIGHLIGHTS[20]

	Roubaix Fund Composite – Gross Long Book					
As of Dec. 31, 2023	Average Daily Exposure	Rate of Return	Total Contribution	Active(v)	Passive(v)	Russell 2000 Index Total Return
Quarter to Date	87.93%	10.02%	7.97%	(3.39%)	11.96%	14.03%
Annualized 1 Year	84.83%	33.43%	24.75%	9.62%	14.12%	16.93%
Annualized 3 Years	86.65%	12.12%	9.01%	7.86%	1.41%	2.22%
Annualized 5 Years	87.99%	21.96%	18.79%	9.13%	9.07%	9.97%
Annualized 10 Years	84.93%	16.27%	13.87%	6.91%	6.50%	7.16%
Annualized ITD	79.23%	18.87%	14.53%	6.28%	7.85%	10.25%

The long book contributed almost 8% to Composite gross performance in the quarter, which reflected a 10% rate of return for the portfolio of long investments. While this provided a meaningful benefit to gross performance, the long book rate of return lagged the 14% gain of the Russell 2000 Index. When the market rallies sharply, the Composite's bias to high-quality long positions can underperform a sudden surge in low-quality stocks over short periods. During the fourth quarter micro-caps, high leverage, negative operating margin, and year-to-date laggards were the factors that outperformed the most,[21] and the Composite did not intentionally increase long exposure to these negative characteristics.

For the full year, the long book's rate of return was ~33% relative to the Russell 2000 total return of ~17%, driving a 2023 active contribution of almost 10% on a gross basis. U.S. market leadership was narrow for the year with 7 stocks driving 64% of the total return of the S&P 500 and 76% of the total return of the Nasdaq 100.[22] In contrast, the Composite's long book had 20 individual investments return more than 50% during 2023, 45 individual investments return more than 20%, and 76 individual investments add positive alpha. This is consistent with the Composite's history of consistent and broad contributions from a breadth of positions.

FTAI Aviation (FTAI) was the top contributor to fourth quarter and full year long performance. The Composite has consistently invested in the aerospace industry due to several positive characteristics. It is highly regulated to ensure the highest possible safety standards, which creates barriers to entry. If anything, recent industry challenges around safety suggest an even greater need for increased quality control and stricter maintenance standards.[23] The industry also operates on long-term production schedules, which creates visibility. These attributes tend to enable consistently higher-than-average profit margins. We then seek to identify the unique businesses that we believe are mispriced within the purview of our investment process and that have catalysts to unlock value. Shortly after spinning off its infrastructure business in August 2022, FTAI converted to a corporation from a partnership, broadening its appeal to investors and making it eligible for passive index inclusion. The Composite invested in the new streamlined company focused on leasing and maintenance, repair, and overhaul (MRO) of commercial aircraft engines. There is a large unmet need caused by a shortage of third-party MRO service providers. FTAI is partnering with Chromalloy to offer engine MRO services using aftermarket instead of original equipment manufacturer (OEM)

[20] Data reflects gross performance; net performance for the Composite can be found in the table on page 1 of this letter
[21] Factor Report, Lazard Asset Management, January 2024
[22] Sentieo, Roubaix Capital, LLC
[23] This Has Been Going On For Years. Inside Boeing's Manufacturing Mess, WSJ, January 13, 2024

parts. The company believes this will enable customer savings of almost 50% versus an equivalent OEM service. FTAI believes it can generate an additional $500 million EBITDA within four years from the MRO business while its core leasing business should continue to generate a similar level of EBITDA. We believe a blended 10x multiple on $1 billion EBITDA in 2027 discounted by 15% annually could yield a potential share price of at least $50.

The second largest long contributor to fourth-quarter performance was VSE Corp (VSEC), an aftermarket aerospace parts supplier that also has a large MRO business. We are enthusiastic that the company is divesting its slower-growth government service division, and that they recently raised capital to increase investment into aerospace end markets. Due to its small size and evolving business mix, VSEC has seemingly not yet attracted much investor attention. As the business becomes more focused and scaled into aerospace, we expect that to change. Additionally, we believe the company will increase its margin goals sometime this year and has more than $5.00 in earnings potential. Assuming a conservative mid to high teens multiple we think the stock should continue to appreciate.

The largest detractor in the long portfolio during the fourth quarter was Aehr Test Systems (AEHR). Our investment in AEHR stems from a positive view of the long-term growth of electric vehicles and the broad desire to increase electric efficiency. AEHR sells test systems into the silicon carbide (SiC) market. This material is the key component to increase battery efficiency in EVs and it has several applications in other end markets that desire similar productivity gains. The company has grown largely through a few key customers as they have dramatically expanded production. We anticipated that AEHR would be able to add new customers, accelerate revenue growth, and lower the risk presented by customer concentration. During the quarter, the stock declined as new bookings did not materialize and its largest customer, ON Semiconductor (ON), noted weaker demand.[24] The company believed these delays were temporary. However, we apprised that while the long-term adoption of SiC and EVs remains a valid premise, the bullish estimates for EV production just a year ago were too optimistic.[25] We exited our position as a result.

SHORT POSITION HIGHLIGHTS[26]

As of Dec. 31, 2023	Roubaix Fund Composite – Gross Short Book					Russell 2000 Index Total Return
	Average Daily Exposure	Rate of Return	Total Contribution	Active(v)	Passive(v)	
Quarter to Date	(41.61%)	12.89%	(4.88%)	0.26%	(5.72%)	14.03%
Annualized 1 Year	(42.61%)	21.62%	(8.69%)	(2.74%)	(8.30%)	16.93%
Annualized 3 Years	(44.21%)	1.57%	(3.00%)	(1.21%)	(2.64%)	2.22%
Annualized 5 Years	(45.08%)	7.86%	(5.62%)	(0.23%)	(5.66%)	9.97%
Annualized 10 Years	(41.82%)	3.16%	(3.27%)	0.60%	(3.88%)	7.16%
Annualized ITD	(36.02%)	5.65%	(2.94%)	0.76%	(3.68%)	10.25%

The Composite's short book outperformed during the fourth quarter and second half of 2023. Like the long book, the breadth of the short book supported returns with 20 investments in the fourth quarter declining by more than

[24] On Semiconductor Stock Falls After Offering Bleak Fourth Quarter Outlook, WSJ, October 30, 2024
[25] Researchers Slash Electric Vehicle Forecasts, CBT News, December 18, 2023
[26] Data reflects gross performance; net performance for the Composite can be found in the table on page 1 of this letter

10%, and 70 short investments declining by more than 10% during all of 2023. In terms of active contribution, the short book had 54 individual investments contribute positively during the fourth quarter despite the surge in markets, and 98 individual investments produced a positive active contribution for the full year.

The largest contributor to short performance during the fourth quarter was Fox Factory (FOXF). FOXF's sales in aftermarket auto and bicycle components benefited from excess spending during the pandemic. Organic revenue declined by 25% in the third quarter, and the company reduced its forecast for the subsequent quarter by a similar amount. Looking to fill the void, FOXF management continued their historical pattern of using M&A to grow. This time they acquired a baseball bat company, which is quite far astray from the current sales mix. With the overall cost of capital higher and the multiple of FOXF lower, the value created by loosely connected M&A is now also lower. We exited the position after the weak results, the reduced outlook, and the acquisition announcement in November. However, the positive narrative has broken and we will continue to monitor the stock's risk-reward profile and reconsider as appropriate.

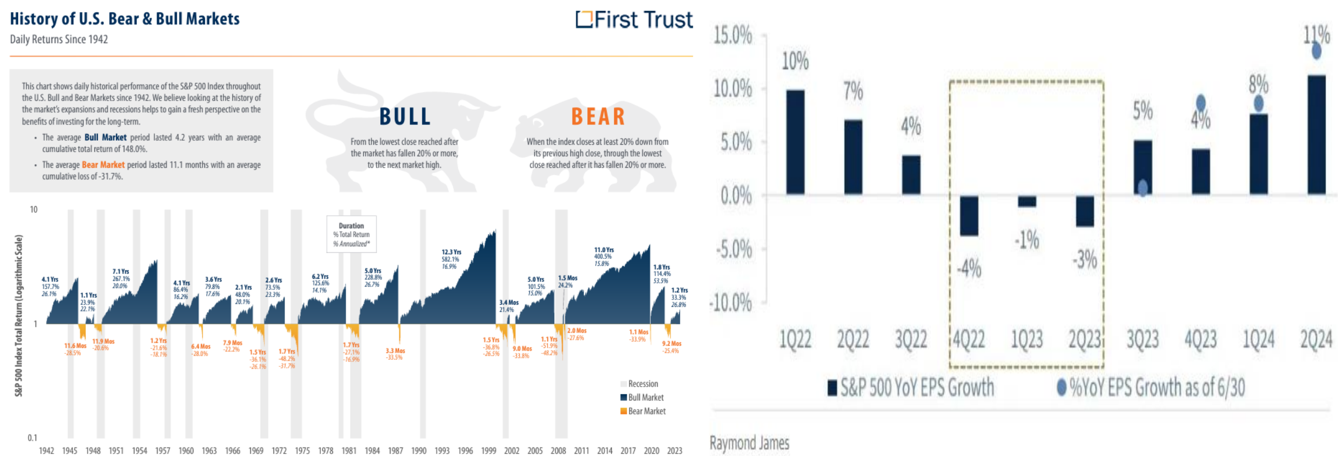
The second largest contributor to short performance in the quarter was XPEL, Inc. (XPEL). The company has enjoyed substantial success selling its premium paint coating for vehicles. When customers buy a new car, they can add film to protect the car's paint from scratches. The business has scaled nicely and generates impressive margins. Our short perspective on the stock came from slowing sales of Tesla vehicles and high expectations reflected in the stock's valuation. Our belief was slower EV sales would reduce growth estimates and the stock's high valuation would recede. Our thesis played out as negative news flow on electric vehicle sales led to stock price declines that we assessed were reasonable and we exited the position.

The largest detractor in the short portfolio during the fourth quarter was Bowlero (BOWL). We have consistently identified shorts that came public during the SPAC boom that was enabled by an era of easy money during the pandemic. Many of these companies were not differentiated and were opportunistically going public at high valuations. Further, SPAC structures are designed to enrich the SPAC sponsors rather than company employees or investors. This fiduciary structure makes it more likely that the interests of public shareholders are largely ignored. BOWL's business model is to roll up bowling alleys, a proposition that we believe is neither unique nor differentiated. We expected the risks of an extended consumer balance sheet to slow revenue growth, and that the company's SPAC legacy would catch up to it from a valuation perspective. During the quarter as the broad market rallied and lower-quality companies led the way, stocks such as BOWL outperformed. We think the short case here remains strong; however, we exited our short position due to our stop-loss discipline and continue to monitor the stock for a better entry point.

OUTLOOK

The market has cooled after the torrid rally into year-end 2023. Some of this is to be expected as trading ebbs and flows with varying degrees of optimism and pessimism as the calendar turns. During the fourth quarter, the market was energized by falling inflation and the anticipation of easier monetary policy. With 2024 economic data looking strong to start the year, expectations for rate cuts have moderated. The market has reduced the number of rate cuts expected in 2024 and delayed the potential timing of the first cut. The impact of interest rates on equity valuation has been an ongoing tension point for the stock market that began when rates initially moved off zero. This added to the ongoing debate on growth vs. value and continues today relative to expectations around a soft or hard landing.

For the bulls, the S&P 500 rallied to a new all-time high in January from its October 2022 lows,[27] and typically bull markets last for more than six years. As noted earlier, corporate profits went through a mild recession and are expected to recover in 2024. Earnings fell in late 2022 and through the first half of 2023 and excluding the powerful profit growth of the largest tech companies, earnings fell again in the third quarter of 2023.[28] Parts of the economy have already faced recessionary conditions – transportation,[29] housing,[30] industrials,[31] healthcare,[32] financials,[33] and semiconductors[34] have all experienced depressed activity over the past 12-24 months. Many of these industries saw excess demand during the pandemic, benefited from low rates, or had idiosyncratic challenges. Nonetheless, it demonstrates the breadth of a potential recovery and the opportunity to identify stocks that could benefit.

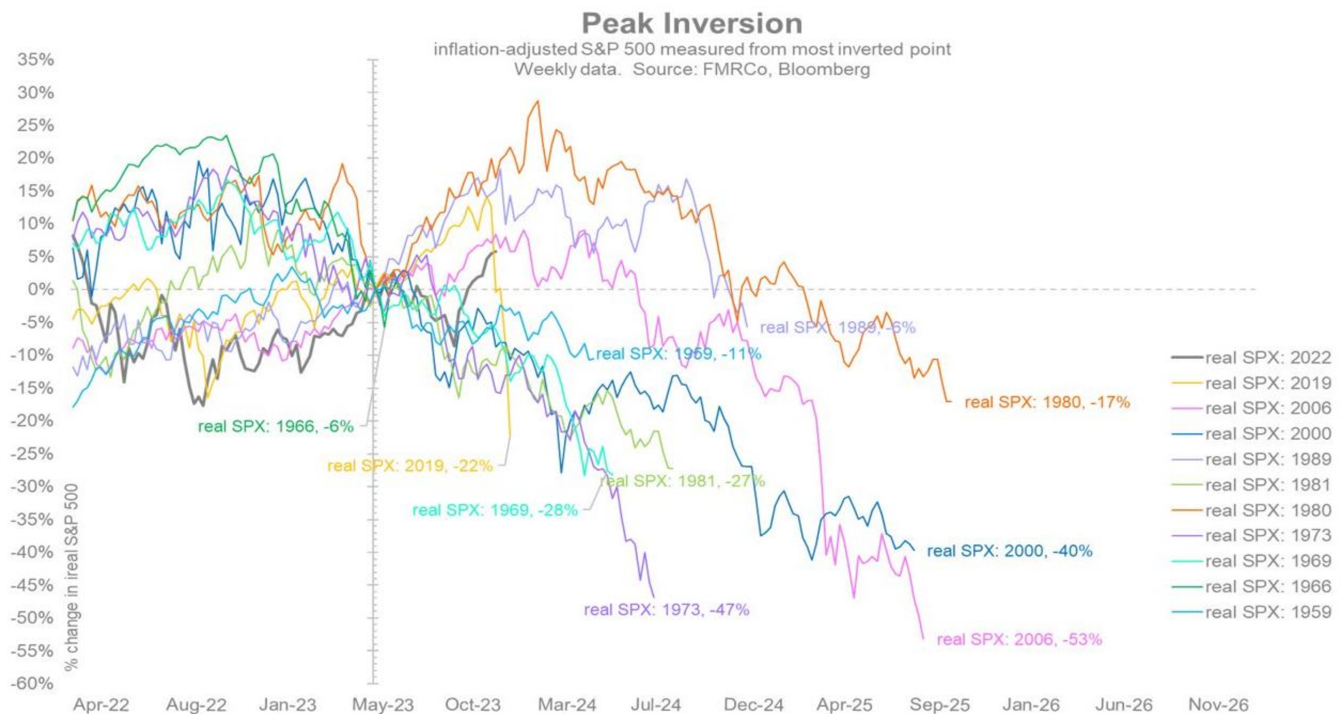


Source: History of U.S. Bear & Bull Markets, First Trust, December 29, 2023; Chart of the Day, Business Insider, November 13, 2023

For the bears, the key argument begins with the lagged impact of interest rate increases. Higher rates have not affected businesses or consumers as much as feared. The negative take is that it is simply a matter of time as more companies announce weaker demand. Thus, a potential recovery could be delayed more than companies or analysts predict. Past periods of yield curve inversions have not been kind to the economy or stocks. According to data provided by Fidelity, stocks have consistently found their way lower after the peak of the yield curve inversion, albeit on varying paths. Earnings growth expectations are relatively high, and while bulls see this as a positive, there is an interpretation that this creates the risk of disappointment. Global growth has been weak, with Europe languishing and China failing to recover as much as expected following extended pandemic lockdowns. Elsewhere, disruptions to global trade caused by geopolitical factors have been a running theme that began with the war in Ukraine, extended to the war between Israel and Hamas in Gaza, and recently manifested in escalating armed conflicts in the Red Sea. The U.S. is in an election year and so far, the contest appears to be a reprise of 2020. As a

[27] S&P 500 Hits Record as Technology Rally Pushes Stocks Higher, FT, January 19, 2024
[28] Chart of the Day: S&P 500s Earnings Recession has Officially Ended, Yahoo, November 13, 2023
[29] ATA, The Freight Market 'Remains in a Recession,' DC Velocity, December 19, 2023
[30] Return of the Housing Recession, First American, September 18, 2023; See also, Home Sales Were the Lowest In Almost 30 years, WSJ, January 19, 2024
[31] US Manufacturing Slowdown Long But Shallow, Reuters, December 6, 2023
[32] Danaher, Thermo-Fisher Revenue Declines Rattle Analyst, Gene Edge, October 27, 2023
[33] Dramatic Collapses Made 2023 the Biggest Year Ever for Bank Failures, American Banker, December 13, 2023
[34] Gartner Says Worldwide Semiconductor Revenue Declined 11% in 2023, Gartner, January 15, 2024

result, it may be focused on settling old scores more than setting a new agenda. Together, these issues will keep market skeptics confident and provide the optimists with a wall of worry to climb.



Source: Jurrien Timmer, Director of Global Markets, Fidelity, January 3, 2024

With a nuanced outlook, we continue to see opportunities to drive investment returns with company-specific drivers. We see the depressed activity in healthcare during 2023 helping Sotera Health (SHC) as procedure volumes improve.[35] SHC benefits from the long-term trend of an aging population and increasing intensity of healthcare, as well as the still ongoing recovery from subdued elective surgeries during the pandemic that will more than likley recover.[36] The company offers a variety of services to medical device manufacturers that simplify their operations, including outsourced sterilization. This business affords SHC pricing power as a small cost relative to the value of the products sold. The business has amongst the best EBITDA margins in the market exceeding 50%. With promising secular and cyclical growth trends and exceptional margins, SHC is the type of stock that typically commands a premium valuation multiple. However, the company has had a legal overhang that depressed its multiple due to uncertainty on the ultimate liability of the company. Towards the end of 2023, SHC settled many of its lawsuits. We see this as the beginning of the next chapter for the stock, and the company's impressive two-year profit outlook and low valuation are compelling. We expect earnings to grow 25% to ~$1.00 per share in 2025. Companies with secular growth drivers, share gains, and high margins frequently trade with earnings multiples over 20x. This implies a stock price of more than $20, which we anticipate will develop during the year as trends improve and the legal overhang is fully removed.

[35] Institutional Surgical Response and Associated Volume Trends Through the COVID-19 Pandemic and Postvaccination Recovery Period, JAMA Network, August 18, 2022 commenting, 'we have revealed a severe decline in surgical procedure volumes across a multitude of subspecialties during the COVID-19 peak, followed by an inconsistent and insufficient recover for many specialty services during the 7-month post COVID-19 peak period and 12-month post vaccine release period.

[36] Interest in Elective Surgeries up 115% over pre-COVD levels, Google Searches Show: Needham, MedTech Dive, June 15, 2023

Another position that is among the largest in the Composite is Barnes Group (B). The company's legacy is that of a diversified industrial that was run as a holding company. The different divisions each had separate operating expenses, and that was layered further by geography and subdivisions. The result was an undisciplined and disparate company that lacked a guiding vision and had exposure to several end markets with slowing growth and low profits. In 2022, the company appointed a new CEO who then accelerated a plan to turn Barnes into a streamlined operating company with the intent to improve the business mix. During 2023 they worked through 20 facility consolidations, removed management layers, and acquired an aerospace business. However, the year was not smooth for B. They cut their outlook after Q3 results due to slowing industrial and automotive markets putting pressure on sales growth, and margins were difficult to maintain in the face of higher costs. It was after this event and the requisite stock price decline that we initiated a position catalyzed in part by the CEO's $2.6 million stock purchase, in addition to well over a million dollars from other directors and insiders. We believe that this is a notable sign of conviction and alignment with public market shareholders. At the start of 2024, the company's efforts to improve its business mix continued with the announced sale of a legacy automotive supply business. As a result, we feel the business will progress through the year with lower operating costs, an improved sales mix, and a growing focus on commercial jet engines. Historically, we have found that value creation potential increases when companies transform their sales mix and drive higher margins. For B, we think the medium-term outlook for earnings is $3.00+ per share, and as an aerospace supplier, an earnings multiple of at least 15x is appropriately conservative, suggesting more than 50% upside for the stock.

SHC and B are representative of our general interest in healthcare and commercial aerospace trends. We consistently deploy capital to the healthcare sector to benefit from powerful demographic trends that are driving secular growth in health spending. We generally focus our energy on identifying the 'picks-and-shovels' business models that enable research and production efficiency gains. These companies benefit from a multitude of drivers and generally have, or can develop, compelling financial characteristics. 2023 was an exciting year for cell and gene therapy companies, marked by the approval of Casgevy which uses a 'novel genome editing technology, signaling an innovative advancement in the field of gene therapy.'[37] The market for new cell and gene therapies is growing at a torrid pace. There are 111 therapies approved worldwide with 3,700 under development.[38] Additional long investments in the space include Bio-Rad Laboratories (BIO), BioLife Solutions (BLFS), Avid Bioservices (CDMO) and MaxCyte (MXCT).

Similarly, aerospace end markets afford a degree of business visibility from secular growth that distinguishes it from the market in general. Ideally, we can layer these supportive trends over company-specific narratives that accentuate return potential and allow individual stock selection to drive Composite performance. In addition to FTAI, VSEC, and B, we remain invested in Park Aerospace (PKE) for its unique growth profile. PKE is the sole supplier of certain specialty composite materials and parts to the LEAP engine, the market-leading choice for the Airbus A320 family of aircraft, which accounts for ~40% of PKE's trailing sales. Airbus has steadily grown market share due to issues at Boeing, including a recent accident that has caused its largest customer to cancel orders in favor of Airbus[39]. This adds credence to the longer-term growth at Airbus, which currently targets an increase of narrowbody

[37] FDA Approves First Gene Therapies to Treat Patients with Sickle Cell Disease, FDA, December 8, 2023
[38] State of Cell and Gene Therapy in 2023, Molecular Therapy, December 6, 2023
[39] United Air Drops Largest 737 Max From Plan After Boeing Missteps, Bloomberg, January 23, 2024

aircraft production to 75 planes per month by 2026 from 47 per month in 2023. If successful, we believe PKE could see run rate earnings of $0.50 grow to more than $1.25 within three years as margins expand to 30% from 20% today. We expect such an industry-leading growth and margin profile to attract more investor attention, as the company is currently not covered by any sell-side analysts. We believe that even at a conservative multiple of 20x the stock could appreciate to the mid-$20s from $15 today.

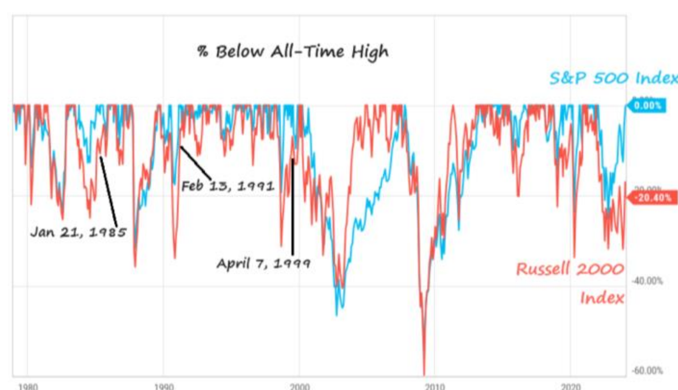
We also believe the benign trends in the semiconductor market will continue. Spending has been depressed in some areas due to cyclicality, and now has room to recover on top of the long-term trend of higher semiconductor usage. Long positions in MKS Instruments (MKSI) and Silicon Motion Technology (SIMO) reflect our positive outlook. Further, the ongoing use of software to improve efficiency is a long-standing trend that we continuously seek to benefit from, and currently hold long positions in PROS Holdings (PRO), Appian (APPN), and PDF Solutions (PDFS). Lastly, the Composite also maintains a position in Genius Sports (GENI) for leverage to the rapid growth in sports gambling. We believe incremental demand is layering domestically as large states such as California and Texas are likely to approve it to broaden their tax base, and internationally in large potential markets such as Brazil.

The short side of the portfolio continues to target a combination of thematic and company-specific investment opportunities. Like the long portfolio, certain short investments rely more on one of these archetypes than the other, while many include a balance of the two. We anticipate growth will be more difficult to attain for companies operating in the travel and leisure industry as consumer spending here has more than fully recovered from the pandemic. The Composite currently holds a short position in Clear Secure (YOU) which benefited from the boom in travel after the pandemic. Consumers desired a more convenient travel experience and purchased the YOU subscription to reduce the time spent waiting in line at airports. However, as the popularity of the product has grown, so have the lines. Since airports are capacity-constrained, particularly at the security lines, there is no simple remedy for this reality that the very success of the product reduces its benefit over time. Additionally, the process itself for getting passengers through security is surprisingly labor intensive, particularly for a company presenting itself as a software business. We expect bookings will begin to disappoint as the company is raising prices without improving the quality of the service, which will give customers a reason to decline to renew. As a well-liked stock by analysts, this will create a difficult setup. We expect negative earnings revisions, and a still generous mid-teens EV/EBITDA valuation could result in a share price decline into the low to mid-teens, ~30% lower than today.

A more recent short theme in the portfolio is the success of GLP-1 weight loss drugs. The initial results have been impressive, and studies are finding they dramatically reduce weight and decrease risks of related chronic conditions such as heart and kidney disease.[40] Further, the mechanism of the drug reduces the propensity to consume, which has broader implications. One company we see as having heightened risk is Krispy Kreme (DNUT). The food category itself is mature and slow growing. Incremental sales now may be harder to come by if the marginal propensity to consume is lower, and we think this will begin to manifest itself in the company's sales results during 2024. We expect growth headwinds will be difficult for the stock given its high multiple on earnings (35x) and EBITDA (14x). We believe the stock will come under pressure when forecasts move lower as investors handicap the company's $1 billion in debt relative to a $2.5 billion market cap. As a result, we anticipate a stock price decline towards $10 assuming 20x 2025E EPS.

[40] Breakthrough of the Year, Science, December 14, 2023 and Could GLP-1 Agonists Be More Than Just A Treatment for Diabetes, MedicalNewsToday ,

As ever the opportunity set for longs and shorts appears rich in our small-cap universe. An important takeaway from 2023 was the dramatic underperformance of small-cap stocks for most of the year but ended with signs the trend may reverse. The large-cap rally was also narrow, with the largest 7 stocks driving the majority of gains. The equal-weighted S&P 500 began to close the gap with the headline cap-weighted index into year-end, as did small-caps overall. During January, the S&P 500 set a new record high while small-caps remained in a bear market, as defined by a -20% drawdown from the previous high. While the outlook is of course complex, the broadening of the rally and the rolling cycles of the economy appear more supportive than not in our view. Encouragingly, the previous three examples of the S&P 500 Index hitting a high when the Russell 2000 Index was in a bear market saw the S&P 500 continue to rally and the Russell 2000 both rallied and outperformed.[41]



Source: The S&P 500 and Russell 2000 performance since S&P 500's previous all-time high, Business Insider, January 22, 2024; Creative Planning, X, January 22, 2024

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 through our research management system. Our focus 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 as appropriate. We deploy capital when these differentiated narratives present themselves with a compelling risk/reward profile relative to other stocks in our portfolio, and the market overall.

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

[41] 'The S&P 500 close at an all-time high last Friday while the Russell 2000 Small Cap Index was still in a 20.4% drawdown,' Charlie Bilello on Twitter (X), January 22, 2024

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 strategy is among the leaders in small-cap l/s equity with more than a decade 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 on 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 Hedge managers 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.

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. The Composite was composed of the Roubaix Fund, L.P. ("Roubaix Fund") and another pooled investment vehicle from 2010 to February 29, 2020 and is presently composed of the Roubaix Fund and Roubaix Offshore Fund, Ltd. ("Offshore Fund") since February 1, 2022. Accounts contained in the Composite are actively managed and characteristics may vary. 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. Net performance figures reflect the performance of a typical investor in the portfolio who invested at the beginning of the period and remained invested throughout the period. The performance of an individual investor may vary based upon various investor-specific factors including, without limitation, the investor's eligibility to participate in new issues. Advisory fees are deducted monthly while incentive fees are deducted annually and over time each will reduce the net return on a compounded basis. A fee schedule can be found on Form ADV, Part 2A for Roubaix Capital, LLC.

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.

v. Roubaix utilizes Novus for portfolio attribution. The Novus Framework decomposes contribution into four factors: market (contribution attributable to market benchmark), category (contribution attributable to the specific sector benchmark), security (contribution attributable to stock selection), and trading (contribution attributable to position liquidation). Within the Novus Framework, we define "Passive Contribution" as equivalent to Market contribution, which is synonymous with 'Beta' to the relevant portfolio benchmark. We define "Active Contribution" as equivalent to Security + Trading + Category contribution, which is synonymous with portfolio manager 'Alpha'. Definitions of additional attribution terms discussed in this letter can be found in the pitch book for the Roubaix Strategy, which has preceded or accompanied this letter.

More frequent performance information is available upon request.

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