

Thursday, July 13, 2023

Dear Clients and Friends,

June 30, 2023, the last day of the most recently completed quarter, marked the three-year anniversary of our All Cap Concentrated strategy, the first equity strategy offered to VELA investors in 2020. Each milestone brings an opportunity for reflection, and three years, in particular, is important as our strategy now has a long enough track record for investment consideration by many asset management organizations.

Financial markets are unfailing in their ability to offer surprises; in the three years since the strategy's inception, we saw pandemic shutdowns and re-openings, supply chain constraints and shortages, war in Ukraine, inflation with a rapid rise in interest rates, a regional banking crisis, and euphoria surrounding the rise of artificial intelligence. Over this time, we've maintained our focus on the long-term prospects of each business we evaluate, which we believe allows us to take advantage of stock price dislocations and volatility without concern for how it will impact short-term returns.

While we are pleased with our returns to date, we evaluate both our investments and our overall performance over rolling five-year periods, which in our view represents the minimum time needed for statistical significance. The next five years will bring about new challenges, and we will strive to invest in companies that are resilient and can emerge stronger coming out of adverse environments through advantages such as balance sheet strength, competitive positioning, and opportunistic capital allocation. We continue to believe the combination of the business quality and attractive valuation of companies in the strategy are conducive to our goal of outperforming the broader U.S. market over the next five years.

Total Returns (%), All Cap Concentrated Composite (as of June 30, 2023)

	Composite Inception Date	1 Year	2 Year (Annualized)	Since Inception ¹ (Annualized)
Composite Net Return	07/01/2020	8.20%	1.25%	18.93%
Russell 3000 Index		18.95%	1.22%	13.89%

VELA continues to grow, and we have begun our sixth strategy: VELA Focus, which launched on the first of this month (7/1/2023). This strategy is a focused subset of the 20-30 securities owned in the All Cap Concentrated strategy, offering exposure to 10-15 of our highest conviction ideas across the market capitalization spectrum and available to investors with a \$5 million minimum investment.

As always, we appreciate your support and partnership, and we look forward to sharing many more milestones to come.

Sincerely,



Ric Dillon
CEO & CIO

adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

Composite Description: The “All Cap Concentrated Composite” includes all pooled funds and all fee paying and non-fee paying, taxable and tax-exempt, segregated accounts that seek to provide long-term capital appreciation by investing in a concentrated portfolio of 20 to 30 equity investments of companies of any size market capitalization that the portfolio manager(s) believe are undervalued. The Russell 3000 Index (total return) serves as the composite’s benchmark due to the composite’s broad market capitalization and domestic company focus. Securities in the strategy are identified using a valuation-oriented, fundamental analysis approach. Key material risks include equity market risk, small cap and mid cap company risk, concentration risk, and the general risk that the composite will underperform its benchmark. The composite inception date is July 1, 2020 and the composite creation date is January 8, 2021.

Performance Calculation: Returns presented are time-weighted returns (TWR). Valuations are computed and performance is reported in U.S. dollars. The composite results reflect the reinvestment of dividends, capital gains, and other earnings. Composite returns and benchmark returns are presented gross of withholding taxes on dividends, interest income and capital gains.

Fees: Gross returns are presented before management fees and custodial fees (if applicable) and reflect the deduction of actual transaction costs. Net of fees returns are calculated by deducting a model management fee of 0.0625%, 1/12th of the firm’s standard management fee for segregated accounts of 0.75%, from the monthly gross composite return. This timing methodology differs from the billing/fee policies for the composite’s constituent portfolio(s), additional details are available upon request. The standard management fee schedule for segregated accounts is as follows: 0.75% on all assets, billed quarterly in arrears. Composite and benchmark returns are presented gross of non-reclaimable withholding taxes.

The Russell 3000 TR Index is a market-capitalization-weighted equity index maintained by FTSE Russell that tracks the performance of the 3000 largest U.S. traded stocks across all market sectors, inclusive of dividends, capital gains, distributions, and interest.

You cannot invest directly into an index.

Performance includes reinvestment of dividends and other earnings.

Footnotes:

¹ The performance period ended 6/30/23 marks three years since the start of the composite. The ‘Since Inception’ column reflects 3-Year Returns (annualized).