All Cap Concentrated

The VELA All Cap Concentrated Composite was 0.17% net of fees during the quarter compared to a 3.2% increase in the Russell 3000 Index. Since inception, the composite's annualized return is 17.69% vs 16.13% for the benchmark. *Detailed performance information can be found on page 2, table 1.*

Top Contributors to Returns: During the first quarter, Kirby Corporation (KEX) and Alphabet Inc. Class A (GOOGL) were two of the largest contributors to return across most portfolios in the composite.

Kirby Corporation maintains a dominant position in the inland tank barge industry in the United States. The company reported another strong quarter as inland barge utilization rates are full and spot pricing continues to accelerate, which has driven margins toward our normalized target in the core inland marine segment. Importantly, the supply side of the industry remains very constructive with the industry fleet continuing to shrink. Kirby has one of the best balance sheets in the industry and we remain convicted in both the firm's competitive positioning and the opportunistic capital allocation approach of management.

Alphabet Inc. Class A maintains a very strong competitive position across the company's advertising franchises including Search and YouTube, as well as improving prospects in the company's Google Cloud business. While there has been concern over the past few years regarding artificial intelligence (AI) and its potential impact on Google's Search business, we believe the company is well positioned to navigate an evolving landscape in Search given the platform's entrenched userbase, associated network effects, and the company's longstanding investment in artificial intelligence. We believe this will allow the company to provide a superior Search experience regardless of the ultimate level of impact of generative AI. The company's first quarter results were very strong with revenue growth of 15% year-over-year (YoY), driven by strong results from Search (+14% YoY), YouTube (+21% YoY), and Google Cloud (+28% YoY). Additionally, the company is experiencing margin expansion from its recent focused efforts to durably reengineer its cost base.

Top Detractors from Returns: Two of the largest detractors during the quarter across most portfolios in the composite were Walt Disney Company (DIS) and Wabash National Corporation (WNC).

Walt Disney Company reported a solid fiscal second quarter as the company's direct-to-consumer streaming division reached profitability two quarters ahead of schedule and Experiences (Disney Parks, Cruise Lines, etc.) operating earnings were up 12% YoY driven by strength at International Parks. Weakness in shares during the quarter were likely driven in part by management commentary regarding signs of travel demand normalizing to pre-COVID levels, coupled with news that an activist shareholder had sold his stake following an unsuccessful proxy contest. We have contemplated a more normal travel environment in our estimate of intrinsic value[1] for Disney and remain convicted about the company's competitive positioning and business prospects over the next five years.

Wabash National Corporation is the largest manufacturer of truck trailers in the United States with market share in the mid-teens. There are modest secular tailwinds to trailer manufacturing, including increased adoption of drop and hook by trucking firms due to the increasing expenses associated with drivers waiting for a trailer to be loaded/unloaded. This is increasing the trailer/truck ratio in the industry. Further, Wabash is succeeding in growing the parts and services segment of their business leading to structurally higher full-cycle margins. Wabash's business is currently in a cyclical downturn with manufacturing sales declining 19% and trailer deliveries down 28% for the quarter. Wabash has a solid balance sheet and should emerge from the current downturn in a strong competitive position. We believe that shares are attractive based on our view of the normalized earnings power of the business over the next five years.

We evaluate both our investments and our overall performance over a time frame of rolling periods of five years and longer. This permits us to focus on the long-term prospects of a business and allows us to take advantage of stock price dislocations and volatility without concern for how it will impact short-term performance. We are now four years into the strategy's performance and one year away from the first performance data point we consider of any real statistical significance. Since the strategy's inception we have already been faced with pandemic shutdowns and re-openings, supply chain constraints and shortages, the war in Ukraine, inflation, a rapid rise in interest rates, a regional banking crisis, exuberance surrounding the prospects of artificial intelligence technology, and war in the Middle East. While we do not know what additional challenges the next five years will bring, we 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.

Over the past four years, Mr. Market (using the Benjamin Graham analogy) has been increasingly enamored by quality large cap growth businesses, with no price seemingly too high for many of these companies[2]. The VELA team and the All Cap Concentrated strategy have stayed true to the "V" in VELA, which stands for valuation-centric investing. We believe that the price we pay for an investment is a significant contributor to the investment return over a five-year time horizon.

While we seek to find quality businesses with strong business prospects and solid competitive advantages, we will not pay a price above what we believe the business is worth. In this environment of stretched valuations amongst large subsets of the market, we are encouraged that we continue to find businesses possessing these characteristics trading at a discount to our estimate of intrinsic value. Looking ahead, we continue to believe that the combination of the business quality and attractive valuation of companies in the strategy provides us a good chance to outperform the broader U.S. market over the next five years.

As always thank you for your continued support.

Portfolio Managers

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Disclosures:

The views expressed are those of VELA Investment Management as of 7/23/24 and are subject to change without notice. The opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice.

Past Performance is not indicative of future results.

Table 1. All Cap Concentrated Composite (July 1, 2020 through June 30, 2024)

				3-Year Std Deviation					
Year	**Composite Net TWR (%)**	**Composite Gross TWR (%)**	**Benchmark Return (%)**	**Composite Gross (%)**	**Benchmark (%)**	**Number of Portfolios**	**Internal Dispersion (%)**	**Composite Assets ($M)**	**Firm Assets ($M)**
2020*	30.69	31.16	25.24	N/A	N/A	15	N/A	25.2	130
2021	32.48	33.46	25.66	N/A	N/A	31	1.06	56.7	253
2022	(8.30)	(7.61)	(19.21)	N/A	N/A	44	3.67	79.1	346
2023	8.18	8.99	25.96	17.55	17.46	41	1.91	67.6	394
2024 YTD**	11.76	12.17	13.56	16.52	18.08	43	N/A	76.9	451
1-Year***	17.72	18.59	23.13	-	-	-	-	-	-
3-Year**** – Annualized	6.47	7..27	8.05	16.52	18.08	-	-	-	-
Since Inception – Annualized	17.69	18.57	16.13	-	-	-	-	-	-

*Partial period return for the period July 1, 2020 through December 31, 2020.
**Partial period return for the period January 1, 2024 through June 30, 2024, other statistics as of June 30, 2024.
***1-year return for the period July 1, 2023 through June 30, 2024.
****3-year return for the period July l 1, 2021 through June30, 2024.

Disclosures

Definition of the Firm: VELA Investment Management, LLC ("VELA" or "Firm") is an SEC-registered investment advisor that provides investment management services to institutional and individual investors.

Compliance Statements: VELA claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. VELA has been independently verified for the periods January 27, 2020 (date of Firm's inception) through December 31, 2022. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The All-Cap Concentrated Composite has had a performance examination for the periods July 1, 2020 (composite's inception) to December 31, 2022. The verification and performance examination reports are available upon request.

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 excluding bundled-fee portfolios, 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.

Composite Changes: On July 1, 2023, the composite description/definition was updated to include the number of equity investments that could be held in a portfolio. Beginning October 1, 2023, the composite description was updated to exclude bundled-fee portfolios.

Minimum Asset Level: The portfolio minimum for inclusion in the composite is $250,000. After a portfolio has entered the composite, it is not removed unless its asset level falls below $150,000.

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 management fee of 0.0625%, 1/12th of the firm's highest stated 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.

Benchmark: You cannot invest directly in an index. The Russell 3000 Index (total return) 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.

Availability of Information: A list of the Firm's composite descriptions and a list of the Firm's broad distribution pooled funds are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS reports are also available upon request.

Internal Dispersion: Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. For those periods with five or fewer accounts included for the entire year, "N/A" is noted because the dispersion is not considered meaningful.

Ex-Post Standard Deviation: The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period, calculated using monthly gross returns. This measure is not shown for the composite and benchmark when less than 36 months of returns are available.

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Footnotes:

[1] *Intrinsic Value: the estimated underlying value of a company or stock, arrived at by a financial model, rather than the current trading price.*
[2] *Source: WSJ*