July 2020

	MRCM Long Short Small Cap	IWM (Russell 2000)	Barclay Hedge Fund Index
Annualized Since Inception	**19.0%**	**7.0%**	**4.2%**
Q2 2020	**11.7%**	**25.5%**	**10.2%**
2020 YTD	**3.9%**	**(13.0%)**	**(2.9%)**
2019	19.5%	25.4%	10.7%
2018	17.1%	(11.1%)	(5.2%)
2017	37.7%	14.6%	10.3%
2016 (Jul-Dec)	1.6%	18.7%	5.4%

	MRCM Long Only Large Cap	SPY (S&P 500)
Annualized Since Inception	**11.2%**	**7.5%**
Q2 2020	**28.5%**	**20.2%**
2020 YTD	**11.4%**	**(3.2%)**
2019	25.0%	31.2%
2018	(5.6%)	(4.6%)
Dec 18 - Dec 31	0.1%	(0.5%)

Note: All returns are net of management and performance fees. Past performance is not indicative of future results.

A central tenant to investing is that the market is forward looking. Simply put prices today reflect future expectations. The whipsaw from Q1 to Q2 exemplifies this notion. In the most recent quarter prices rebounded in the face of a host of negative data as investors priced in longer-term forecasts. Now we cannot simply conclude that the S&P fell 20% in Q1 and therefore should recover 20% when the dust settles. Economic realities have changed. Some companies will benefit from these new forces while others will suffer. Though the market is roughly flat for the year, digitally focused entities have reached all-time highs while industries like travel and restaurants continue to languish below prior levels.

There is a difference between being forward looking and investing in stocks today. In a perfect world a company's stock price should reflect the discount of its future cashflows. This means that we have to be price conscious, lest we accept a low discount rate (low returns) on what ultimately is a risky endeavor (our best guess of what the future beholds). Furthermore, secular trends do not always coincide with individual success as the latter is based on more than a rising tide; market positioning, competitive forces, and sustainability all play a factor. It is important to note that certain darling, yet unproven, companies have reached levels that seem particularly frothy. Low interest rates and increased money supply, investing as a gambling alternative, and lock-down boredom may be the culprits to these pockets of extreme valuation. Now more than ever is the time to be vigilant.

The Long Only portfolio performed notably well as it increased 28.5% during the quarter, exceeding the broader market. This quarter was almost the polar opposite from Q1 from an activity perspective, as I did very little repositioning. Some of our core holdings which I have held since Day 1, such as ServiceNow, appreciated given the stability of their business, pull-forward in customer demand, and a perhaps most importantly, a lower risk-free rate. We continue to hold several names that can be considered a "recovery basket" of high quality companies that will benefit from an opening of the economy. I exited two of them, Spirit Airlines and Heico, after their price appreciated enough to make the risk / return profile unattractive.

The Long Short portfolio gained 11.7% in Q2. Our hedging and short positions dampened returns, which is to be expected in a rising market. A central tenant to our strategy is a focus on catalysts or events that force the market to recognize the value that I see. These catalysts can be "hard" (definitive timing,

such as spinning off a division) or "soft" (uncertain timing, such as improved operations from a change in management). I am flexible in the allocation amongst these buckets based on the opportunity set. In today's environment there is not much that excites me from a "hard catalyst" perspective. This means that I have to be patient for results to develop, which is sometimes the hardest part of investing. That being said we did benefit from increasing our position in Mastech Digital at the end of May as I figured they would be added to the Russell 2000 index thus requiring passive funds to acquire their stock. This proved to be a nice trade.

Last letter I discussed the importance of buying stocks that were beaten up on covid, but able to survive the crisis. Thinking about this more over the past few months I realized that this hurdle, while important, is somewhat rudimentary. A more nuanced perspective is to invest in companies that cannot just survive, but have the resources to take advantage of dislocations in their respective fields. For instance, I have been adding to our position in Transcat (discussed in my Q3 2019 letter) as this perfectly fits the bill. At quarter end the stock was down 19% YTD vs the Russell at 13%. They are relatively unlevered, have $22mm undrawn on their revolver, and anticipate being cashflow positive next quarter. They are a leader in their industry, benefit from increased route density, and have a demonstrable track record of attractive acquisitions. While this is the type of boring company that is out of favor today, I am confident management will continue to create value by executing on their internal margin initiatives and acquiring distressed competitors should the situation arise.

Sincerely,

Aaron Sallen

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