

General & Personal

1. Know yourself – strengths, weaknesses, emotions
2. Align strengths, weakness, and personality w/investing style – and investing style w/trading strategy (ST vs. LT)
3. Admit when you're wrong and don't know why
4. Be flexible. If you never change your mind (in embarrassing ways) you're doing it wrong
5. Be cautious when investment narratives & political views sync up
6. Study past wins/losses. Know and admit where you were lucky. If honest, it should be a decent % of wins
7. Simpler is almost always better – financial model, business model, portfolio construction, trading
8. Don't be a defensive jerk
9. Unpopular view (and I don't care): studying *how* stocks move (to breaking news, market moves, macro data, etc.) – in conjunction with deep understanding of fundamentals – will teach you far more about investing than any book will
10. Don't do stupid sh*t (think: sizing, crowded positions, etc.) – it's usually obvious and applies 2x for shorts
11. Occasionally, break some of your "rules"

Idea Generation

12. The "walking around method" (with a little direction) is generally a good process for finding new ideas (vs. screens)
 - a. Randomness is what makes it useful (leads to unique positions/portfolio) – and a terrible pitch to allocators
13. Midcap (\$1B - 15B) seems like a sweet spot for longs
14. Seek companies that have the *potential* to be owned "forever." Whether they fit the bill should become clear over time
15. Learn to love saying "no – for now"
16. Kill new ideas fast – but not for reasons that can be ID'ed with 'headline research' alone
17. Good/bad M&A, IPOs, spinoffs, etc. can be a great source for value dislocation
18. Some of the best short candidates are large cap and/or low multiple value traps / dying biz
19. Pay attention to older, but thoughtful pitches that haven't worked (yet) or been broken
20. Be overweight (gross) in sectors you know well. Deliberately expand that list (of sectors) over time
21. Be suspicious of "story" stocks – e.g. the "next CMG." Be suspicious of stocks that *are* the story (e.g. CMG)
22. When you become an angry long with a broken thesis, consider flipping short
23. Think twice (at least) when buying the 2nd-tier company/management team within a sector because it's cheaper
 - a. Owning best-in-class generally leads to lower turnover, better results, and sounder sleep
 - b. Expected catalysts/concrete changes are acceptable reasons to make an exception and own 2nd tier
24. "No points for originality" is fine advice for the short-term – and terrible advice for the long-term

Fundamental Analysis & Valuation

25. "Don't borrow conviction. Ever." (source: Harry Weller)
26. Research process/cadence:
 - a. Hustling through the process under pressure & quickly opening a position has rarely worked well
 - b. One week of research is enough to enter *starter* position – don't let perfection get in the way of a great idea
 - c. Laziness can be an asset: doing *some* research, putting pencil down and thinking about an idea in the back of your mind for a few weeks tends to have the best results
27. Be able to organize your thoughts on each position in a concise, written manner: 1-page written + comps – with ~20 pages of info upstairs for answering Q's
 - a. A longer, consistently structured, and detailed "pitch" *can be* useful for keeping your process organized
 - b. Lay out your estimates in graphical form
 - c. Don't obsess over finding and articulating a 'variant perception'
28. Consider "return on brain damage" – it's often not worth it
 - a. "Sosnoff's Law": returns vary inversely with thickness of research file. If you find yourself working hard to justify entering a position, it's probably not worth it
29. Don't cut corners/make excuses for questionable corporate governance – I don't care what the risk/reward is
30. Write a 'pre-mortem' for all investments
31. Valuation pushback *alone* is the best pushback
 - a. Changes in fundamentals (trajectory) are usually far more important than "valuation"
 - b. "Cheap" or "expensive" (i.e. "low/high" multiple) alone is never a reason to go long or short
32. Just because those with an opposing view (bull/bear) are defensive morons, doesn't mean they're wrong
33. Some of your risks should not have mitigants
34. Know what you're actually betting on (e.g. does YNDX move on fundamentals or on oil/RUB)?
35. FX is very important. Sell-side often flat-lines FX assumptions (FX is not their job!)
36. Don't overestimate how much insight you've gleaned from meeting management
37. Avoid melting ice cubes – except for shorts

38. “Turnaround stories”: when consensus gets on board with the “story” logical valuation rules go out the window
39. Family-run & controlled businesses can be a great – or terrible – thing. How do they get paid?
40. Probability of a take-out should be a secondary consideration for longs – but a priority for shorts
 - a. Seek attractive take-out targets (i.e. unique assets), that can be underwritten on stand-alone basis
41. Be wary when consensus trots out abnormal valuation methods (e.g. disc'd future value based on 2025 P/E)
42. Things I'll pay a premium for (not exhaustive):
 - a. Top quartile management
 - b. Sustainable, organic growth (big runway)
 - c. Sustainable, high, expanding ROIC and/or Econ Profit
 - d. Under-utilized balance sheet
 - e. Simplicity
 - f. Scarcity value / elevated take-out odds
 - g. Under-managed business w/new management
43. Things I want a discount on (not exhaustive):
 - a. Acquisition-driven growth
 - b. Fully-utilized balance sheet
 - c. High capital intensity w/out pricing power
 - d. Unchanging complexity
44. Beware of beloved investment banking clients
45. Avoid companies that tout how undervalued their stock is
46. For shorts, qualitative > quantitative (though both are important); get the “story” and investor positioning right

Portfolio Management

47. My ideal portfolio has 20 positions (~10 longs, 10 shorts)
 - a. Longs should be much more concentrated than shorts
 - b. Shorts should have higher velocity (idea generation, trading) than longs
48. Availability/quantity of good ideas should guide net & gross
49. Assume you'll frequently be wrong and size accordingly
 - a. ~10% max @ init for single name longs generally seems right; half that (at most) for shorts
 - b. Start smaller in names further out from your core competencies – no matter how much you like the idea
 - c. In general, size individual investments at “psychologically-neutral” levels (from A. Gurevich's *The Next Perfect Trade*; at such a size, you don't care much whether the position goes for or against you). Have specific reasons for positions to be above or below this level
 - d. Size using cost basis for longs – be patient and don't break your rules here
 - e. Size “battleground” shorts *very* conservatively (1-2%) – so you *don't* have to actively manage them
 - i. If (especially if) downside opp. is *really* that exciting, ~1% will be big enough to move the needle
 - f. Individual shorts should very rarely be “fully-sized”
50. “Long/Cash” (as opposed to “L/S”) is probably a better strategy for the vast majority of investors tempted to do L/S
51. Don't ignore momentum. Know which, if any, names you're in that are momentum-driven, what the key drivers are, and what your plan is for when momentum cracks
52. Pay close attention to counter-intuitive reactions to good/bad news; but, don't ditch common sense
53. Know the investor base for your investments (esp. when less liquid) – keep an eye out for potential style shifts
54. Cutting gross is almost always better than adding hedges
55. For L/S managers, upside hedges are (generally) a more effective tool than downside hedges
56. When you start getting cocky, cut back. Look at “Wall Street's Wheel of Fortune” (in the intro to *Capital Returns*) *daily*
57. Have *some* kind of catalyst for all shorts (sure, the multiple is high, but what will make it and the stock go lower?)
58. Have a catalyst for exiting longs (better use of capital counts) to force yourself to let them run
59. Avoid execution complexity where possible. I'm usually worse off putting on an options trade vs. underlying
60. Move slowly or in small size when it comes to “trading”
61. If you missed a long and it's higher (or a short, lower), don't automatically write-off the idea because you feel dumb. I don't care too much whether a stock has doubled or been cut in half in the recent past
62. You are not alone in preferring “quality” over garbage. Understand the performance implications
 - a. “High-grading” (moving up in quality) is a de-risking activity (and vice versa) – make sure this is intended
63. Don't worry too much about booking gains (taxable) in shorts – I promise there will be offsets

IMPORTANT DISCLOSURES

Upslope Capital Management, LLC is a Colorado registered investment adviser. Information presented is for discussion and educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. **Past performance is not indicative of future performance.**

While Upslope believes all information herein is from reliable sources, no representation or warranty can be made with respect to its completeness. Any projections, market outlooks, or estimates in this presentation are forward-looking statements and are based upon internal analysis and certain assumptions, which reflect the views of Upslope and should not be construed to be indicative of actual events that will occur. As such, the information may change in the future should any of the economic or market conditions Upslope used to base its assumptions change.

Any description of investment strategies in this presentation is intended to be a summary and should not be considered an exhaustive and complete description of the potential investment strategies used by Upslope discussed herein. Varied investment strategies may be added or subtracted from Upslope in accordance with related Investment Advisory Contracts by Upslope in its sole and absolute discretion.

Any specific security or investment examples in this presentation are meant to serve as examples of Upslope's investment process only and may or may not be trades that Upslope has executed or will execute. There is no assurance that Upslope Capital will make any investments with the same or similar characteristics as any investments presented. The investments are presented for discussion purposes only and are not a reliable indicator of the performance or investment profile of any composite or client account. The reader should not assume that any investments identified were or will be profitable or that any investment recommendations or investment decisions we make in the future will be profitable. Any index or benchmark comparisons herein are provided for informational purposes only and should not be used as the basis for making an investment decision. There are significant differences between Upslope's strategy and the benchmarks referenced, including, but not limited to, risk profile, liquidity, volatility and asset composition. You should not rely on this presentation as the basis upon which to make an investment decision.

There can be no assurance that investment objectives will be achieved. Clients must be prepared to bear the risk of a loss of their investment.

Upslope clients may hold positions (long or short) in securities mentioned.

These materials may not be disseminated without the prior written consent of Upslope Capital Management, LLC.