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Q2 2019 INVESTOR LETTER

July 22, 2019

Dear Investor,

The Q2 2019 net return for the fund was 3.34%. This compares to a return of 1.60% for Equity Long Short Funds[1], 1.62% for Fundamental Growth Hedge Funds[2] and 3.78% for the S&P 500. We touch on our performance goals and how we evaluate performance later in the letter.

We have a few updates we would like to share. First, we are pleased to share the news that we extended an offer to last year's summer intern and Mayo Fellow Michael (Mike) Kellett and he has since accepted. Mike will be joining us from the UVA Darden School of Business (Darden) MBA Program. His first day will be August 27th. We are looking forward to having him on board.

Next, we are excited to be hosting a Summer Intern and Mayo Alternative Investment Fellow for the second consecutive year. As a reminder, the Fellowship, administered by Darden, is a highly selective program that seeks to pair some of the most talented MBA students with a passion for investing with leading alternative investing institutions. Our intern/fellow, Church Waesche, began on May 29th and is hard at work on the Payments industry. We are happy to host Church for the summer and have confidence he will rise to the challenge in this rapidly changing industry.

Furthermore, with our 3-year track record in sight, typically a big milestone for funds, we thought to it to be a good time to provide an update on our traction thus far. After receiving subscriptions of $1 million and $250,000 from existing investors – timing that is not lost on us – almost all of our initial investors have increased their investments, for which we are quite proud. In addition, despite our small size, we have developed quite a strong following - close to 50 institutional investors representing between $150 billion to $175 billion in assets based on our estimates. While we are very humbled by the interest, our focus remains on continuing to provide top notch returns for our investors.

Finally, in late September/early October, we plan to hit the road as we did last year to visit many of you in person with a focus on North Carolina up through Connecticut and potentially Boston. I will be in touch once I finalize dates. I'm open to additional stops if there is demand so please reach out if interested (and outside the East Coast).

This quarter's letter is heavier than usual on Blue Hawk related updates. We have a lot we would like to share and limited room. We are happy to discuss specific holdings with investors offline if there's interest or in person when we visit.

			2019							
NET PERFORMANCE - FOUNDERS CLASS	**2017**	**2018**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Q2'19**	**Since Inception**
Blue Hawk Fundamental Growth Fund	22.02%	6.68%	3.33%	(1.53%)	1.11%	3.32%	(3.46%)	3.60%	3.34%	38.39%
S&P 500	19.42%	(6.24%)	7.87%	2.97%	1.79%	3.93%	(6.58%)	6.89%	3.78%	31.38%
Barclay Hedge Fund Index	10.49%	(5.11%)	3.64%	1.25%	0.61%	1.15%	(1.70%)	2.18%	1.60%	12.46%
Barclay Equity Long Short Index	8.35%	(2.96%)	2.72%	0.24%	0.11%	0.52%	(0.44%)	0.94%	1.02%	9.49%
HFRI EH: Fundamental Growth Index	18.87%	(9.70%)	5.00%	2.21%	1.14%	1.37%	(3.14%)	3.85%	1.62%	18.43%
Fund v S&P 500	2.60%	12.92%	(4.54%)	(4.50%)	(0.68%)	(0.61%)	3.12%	(3.29%)	(0.45%)	7.00%
Fund v Barclay Hedge Fund Index	11.53%	11.79%	(0.31%)	(2.78%)	0.50%	2.17%	(1.76%)	1.42%	1.74%	25.93%
Fund v Barclay Equity Long Short Index	13.67%	9.64%	0.61%	(1.77%)	1.00%	2.80%	(3.02%)	2.66%	2.32%	28.90%
Fund v HFRI EH: Fundamental Growth Index	3.15%	16.38%	(1.67%)	(3.74%)	(0.03%)	1.95%	(0.32%)	0.10%	1.71%	19.96%

**Fund incepted 1/3/17*

[1] As measured by the BarclayHedge Equity Long Short Index
[2] As measured by HFRI EH: Fundamental Growth Index

REVIEW AND OUTLOOK

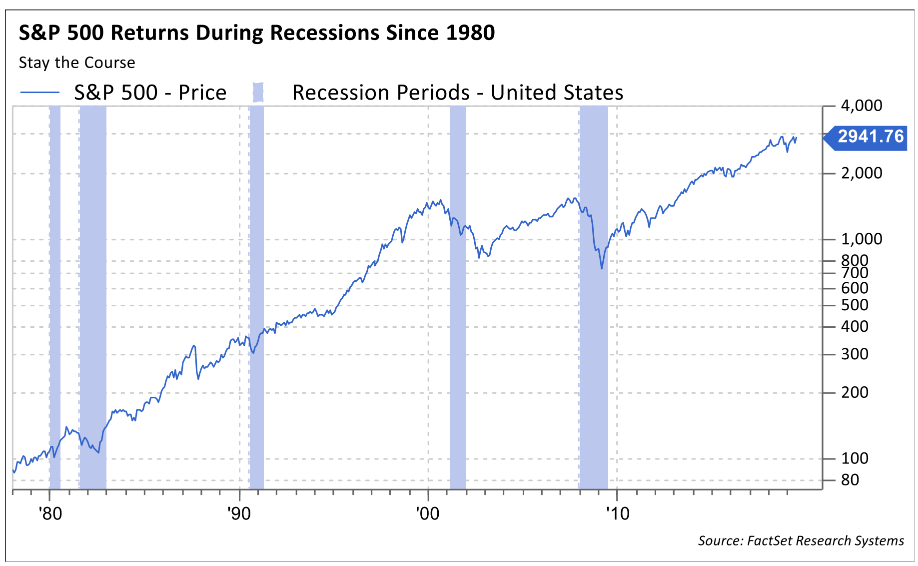
We would describe the investing environment in Q2 as a continuation of the undercurrents we noted in Q1 but at an increased pace. Around us, speculation across risky assets remains elevated, as evident by the IPO market. The average consumer/tech IPO that priced in the quarter generated a mean return of 89% and a median of 54% *during the quarter* - eye popping numbers. Since our [Q1 Commentary](), Fed Chairman Powell's Interest Rate Put became more real as the Bond Markets priced a high probability of at least one rate cut in Q3, adding fuel to speculative environment.

Tech/Consumer IPO Returns During Q2'19 – Evidence of Excessive Risk Taking

Company	Ticker	Industry	Return Since IPO
Change Healthcare, Inc.	CHNG-US	Packaged Software	9.8%
SciPlay Corp.	SCPL-US	Packaged Software	(20.4%)
Zoom Video Communications, Ir	ZM-US	Packaged Software	169.7%
PagerDuty, Inc.	PD-US	Packaged Software	102.3%
UBER TECHNOLOGIES, INC.	UBER-US	Packaged Software	(1.9%)
CrowdStrike Holdings, Inc.	CRWD-US	Miscellaneous	104.5%
Adaptive Biotechnologies Corp.	ADPT-US	Commercial Services	93.3%
Atreca, Inc.	BCEL-US	Commercial Services	(8.9%)
Parsons Corp.	PSN-US	IT Services	38.3%
TheRealReal, Inc.	REAL-US	Internet Retail	22.6%
Revolve Group, Inc.	RVLV-US	Internet Retail	106.4%
Chewy, Inc.	CHWY-US	Internet Retail	49.1%
Tradeweb Markets, Inc.	TW-US	Internet Software/Services	77.1%
Pinterest, Inc.	PINS-US	Internet Software/Services	39.5%
Grocery Outlet Holding Corp.	GO-US	Food Retail	58.2%
Beyond Meat, Inc.	BYND-US	Food: Meat/Fish/Dairy	590.4%
		Mean	**89.4%**
		Median	**53.7%**

Source: FactSet, Blue Hawk

Our high-level outlook is nuanced. As presented in last quarter's letter, we view a material section of the growth investing landscape as prohibitively expensive, driven by excessive risk taking among investors with short memories. On the other side of the spectrum, the increasingly loud calls for the widespread cratering of growth we find to be alarmist and displays of recency bias. Our bottom-up approach gives us confidence that the productivity gains driven by technologization of the modern economy still has years of growth ahead of it even if the macro picture has become more cloudy.



We continue to find compelling opportunities to deploy incremental capital. We do think investing in today's environment requires a heightened attention to valuation and risk management, although that argument could be made in many environments. Our focus is squarely on company-specific earnings, the best indicator of the health of stocks and the economy, with everything else we consider noise. We are happy to leave the "hero" calls to the superheroes.

<u>Exhibit - Recessions Since 1980 and S&P 500 Peak to Trough Returns During Recession</u>

Beg	End	Peak to Trough
2/1/1980	8/1/1980	-17%
8/3/1981	12/1/1982	-23%
8/1/1990	4/1/1991	-19%
4/2/2001	12/3/2001	-17%
1/2/2008	7/1/2009	-50%

NOTABLE CHANGES TO THE PORTFOLIO – Q2'19

On the long side, we continued to add to some of our favorites – adding to **Intuit**, taking advantage of the volatility to swap some of our **Sherwin Williams** position into **Floor & Décor,** and moving a portion of our position in **United Healthcare** into **Intuitive Surgical** to bring it to a full size position. We exited our positions in **Xylem**, **TripAdvisor**, and **Citrix**.

On the short side, we added 4 names – 2 new holdings and 2 previously held positions. The positions include a secularly challenged Software stock, a secularly challenged Specialty Retailer, a Beverages company, and a Communications Equipment company.

Net exposure decreased by roughly 700 basis points steadily over the course of the quarter[3]. The change was driven an equal 700 basis point increase in the short book.

CONTRIBUTORS AND DETRACTORS – Q2'19

Q2'19 Contributors Detractors				
Contributors			**Detractors**	
Match Group	1.7%		Software and Services - Short	(0.6%)
Microsoft	1.6%		IT Services - Short	(0.5%)
Constellation Brands	1.0%		Total above	(1.1%)
Visa	0.8%			
Teleperformance	0.6%			
Total above	5.7%			
*Represents contributors >100 basis points and detractors > 50 basis points				

Contributors

Match Group (MTCH) – Match Group was the leading contributor in the quarter after posting another impressive print with equally bullish guidance. Tinder paid subscribers (subs) beat street estimates by ~25% and management expressed confidence in Tinder's ability to maintain its impressive growth trajectory for the full year. Tinder Direct Revenue increased 38% year over year, almost all of which was driven by paid subscriber (subs) additions.

As we know from other social network businesses, engagement and user growth are leading indicators and the metrics investors should focus on earlier in a company/product's lifecycle knowing that price and monetization typically come later as long as the network ecosystem remains healthy. This is not to say Tinder is not monetizing currently. The point is that the exceptional (30%+) user growth allows Tinder to hold off on pulling their pricing levers until down the road – a bullish indicator for the long-term earnings power of the product and company.

Grubhub (GRUB) – Grubhub landed just outside the top 5 contributors with a contribution of 45 basis points. GRUB has been a volatile stock to say the least but one we have stuck with since our initial purchase in March of 2017 at $33.50. From the end of 2017 through November of last year, we have been net sellers due to near-term valuation concerns and maintaining target position sizing due to stock appreciation. We think the risk/reward on Grubhub has become compelling again and we are net buyers.

Teleperformance (TEP.FR) – Teleperformance was a top contributor in the quarter after posting its 22nd consecutive quarter of at least 5% like for like revenue growth. Teleperformance's leading scale and relative operating superiority give the firm cost advantages versus its competition, allowing them to land new clients, build additional scale and

[3] After adjusting for the higher net exposure to end Q1 due to anticipation of an incoming subscription

create a positive feedback loop. In addition, the industry has structural tailwinds due to the shift towards the lean/specialized business models of new tech (think Netflix and Uber). With a reasonable valuation, TEP.FR is a boring underfollowed compounder resilient to the economic cycles and a stock we hope to own for many years.

Detractors

TripAdvisor (TRIP) – Although only a modest detractor, we wanted to highlight TRIP as we decided to exit the position during the quarter. A part of us still holds that TRIP is a high-quality asset and may end up being a solid investment, and we always maintain the right to change our mind. We exited because we grew tired of the negative surprises that seemingly popped up every quarter. It's frustrating as an investor when the path to success for a company seems clear, but when confidence in the ability to execute is lost, it's time to move on.

Please see the corresponding Exposure/Attribution report for further detail on performance attribution.

OUR PERFORMANCE GOALS AND HOW WE EVALUATE OUR PERFORMANCE

We have received a fair amount of investor questions about this topic, enough that we think additional investors may have similar questions. We have 3 distinct goals we aim to achieve regarding performance.

1) Over the short-run, measured in annual intervals, we aim to deliver excellent risk-adjusted returns. To evaluate, we place emphasis on the Sortino Ratio.
2) Over the long-run as measured by a full market cycle, we aim to keep pace with the S&P 500 with less risk especially on the downside. In absolute terms, we aim to deliver annualized gross returns of 8-10%.
3) While there will be quarter to quarter drawdowns at times, our goal for capital preservation is over the intermediate term (1-3 years) and our confidence to achieve this goal grows as we approach the latter half of the time horizon.

Regarding benchmarks, we evaluate ourselves against (1) Peer Groups and (2) Market Indices. We use the Barclay Long Short Index as our primary peer group index and the HFRI EH: Fundamental Growth Fund Index as our secondary peer group index. An adjusted version of the S&P 500 is our primary market index. Over the short run, we look at the performance of the S&P500 * 70% due to our target exposure of 70%. Over a full market cycle, we compare ourselves to the S&P 500 without adjustments for exposure as "Beta" becomes less of a factor when comparing across market cycles. We acknowledge these methods have flaws and we conduct more sophisticated analysis as well, but for the scope of this forum we think these methods best balance accuracy with understandability and simplicity.

COMMENTARY – CULTURE AT BLUE HAWK

The Blue Hawk Flywheel

In some of the conversations I have had with investors recently, a recurring topic that has come up has been my vision for the firm down the road. The topic is one that is most likely of interest more broadly, so I made a note to spend some time discussing it in this letter.

In 10 years' time, what would Blue Hawk look like that I would consider a successful result? The ultimate pursuit for me, my "why?", is to earn and maintain the respect of my investing peers. I use the term peers broadly and am referring to individuals and institutions on various sides of the investing ecosystem.

Accomplishing this requires success in two areas - achieving thought leadership within the investing community and generating exceptional returns for our investors. By doing this, which I believe we have begun to do, a flywheel begins to turn. The first couple turns on the flywheel require almost super-human effort, with thought leadership and exceptional returns being the engine. As the wheel starts to turn, a funny thing happens. The wheel starts to emit a positive energy to the investing universe. It starts off very quiet and is hard to hear but a small subset of investors with ears close to the ground pick up on it. The universe responds by offering resources, in the form of knowledge, assets and time, which can be used to reinvest back into the flywheel. One of these ways is to recruit great people, who are drawn to the energy emitted as well. If done right, they join in and help with the effort required to turn the wheel – increasing the energy emitted. The flywheel takes constant effort to maintain, ensuring the wheel does not spin too quickly or too slowly, and remains balanced on its axel.

The 5 Stages of Culture

To continue with the analogy, the engine requires two vital ingredients in its fuel to operate at peak performance. Both of these ingredients are highly combustible, so the fuel can be destructive if the appropriate care is not taken. They are exceptional people and a strong culture. Culture is a topic frequently cited but rarely explained as its difficult to put into words what a strong culture looks like. Below I present how I look at culture through a model I borrow from Logan, Key, and Fischer-Wright in their book “The Five Stages of Tribal Leadership”, which they formulate after researching small- and mid-size organizations[4]. I came across the concept many years ago in Phil Jackson’s book “Eleven Rings: The Soul of Success”. A difficult concept to convey, I’ve included the except in its entirety (from Jackson’s book).

> Although basketball teams {investment organizations} are not officially tribes, they share many of the same characteristics and develop along much the same lines:
>
> **STAGE 1**—shared by most street gangs and characterized by despair, hostility, and the collective belief that “life sucks.”
>
> **STAGE 2**—filled primarily with apathetic people who perceive themselves as victims and who are passively antagonistic, with the mind-set that “my life sucks.” Think The Office on TV or the Dilbert comic strip.
>
> **STAGE 3**—focused primarily on individual achievement and driven by the motto “I’m great (and you’re not).” According to the authors, people in organizations at this stage “have to win, and for them winning is personal. They’ll outwork and outthink their competitors on an individual basis. The mood that results is a collection of ‘lone warriors.’”
>
> **STAGE 4**—dedicated to tribal pride and the overriding conviction that “we’re great (and they’re not).” This kind of team requires a strong adversary, and the bigger the foe, the more powerful the tribe.
>
> **STAGE 5—**a rare stage characterized by a sense of innocent wonder and the strong belief that “life is great.” (See Bulls, Chicago, 1995–98.)
>
> All things being equal, contend Logan and his colleagues, a stage 5 culture will outperform a stage 4 culture, which will outperform a 3, and so on. In addition, the rules change when you move from one culture to another. That’s why the so-called universal principles that appear in most leadership textbooks rarely hold up.

Later on, the authors go on to say that organizations can only move one stage at a time, requiring immense effort, and that spoken language is very powerful determinant in dictating the company culture/tribal stage.

This model on culture is so inciteful, I find, because of its counterintuitive nature. As Americans we are conditioned to believe that the idea of competitiveness is the Stage 4 type person. Aggressive, I/we are better than you – the typical cutthroat to get ahead. **Uber** is a good example in my view of a Stage 4 company.

But a culture at this level is limited – an idea I think we all understand deep down. The reason being that Level 4 draws its energy from an external force – meaning performance will be volatile and reactive. Peak motivation and effort will

[4] The exhibit presented on the page from Phil Jackson’s “Eleven Rings: The Soul of Success”. I wanted to properly attribute the original idea and research to the original authors, but Phil Jackson, the long-time coach of the Kobe Bryant Lakers and Michael Jordan Bulls, does a much better job of presenting the topic. I strongly recommend Jackson’s book to sports fans and non-sports fans alike.

only be displayed in the case of a foe that is a mirror image of oneself, obviously extremely uncommon. A bigger and bigger foe is needed to increase the output of the tribe. In addition, this cutthroat nature creates a target on the organization’s back due to abrasive tactics and can turn destructive if focus turns inward.

Level 5, which we aim to develop at Blue Hawk, draws its energy from an internal force – a drive, a passion, an “innocent wonder”. This allows motivation and effort to be maximized and done so consistently when managed effectively. Competition shifts to with oneself, to what is possible.

This idea is especially important in investing, I’ve realized, for reasons specific to the field. There is no other team in front of us with which to compete – no potential foe. The market is an amorphous entity. An organization in the short run may be able to perform at a high level by creating an imaginary foe. But to build an organization that lasts, internal motivation creates the most steady and reliable way to achieve this goal.

This is the environment we hope to build and maintain at the firm.

Current Traction – Where the Flywheel is Today

With immense effort, we have started to turn the flywheel and the community has started to notice, which we do not take for granted and are very humbled by. Thus far, with little to no marketing, we have developed a following of close to 50 institutional investors - representing between $150 billion to $175 billion in assets based on our estimates – including 8 of the top 20 endowments, 10+ Family Offices, 10+ Fund of Funds, as well as several Pensions, Foundations, and other institutions – almost all of which have come from inbound requests.

To take the next step in this long and winding journey, we are very interested and eager in building out a select number of partnerships with similarly minded, long-term oriented institutional investors to complement our existing foundation. We are keenly aware that what we have built thus far is both special and fragile, and so we are and will continue to be very careful about not disrupting it.

Our focus is on investing as it will always be. That being said, we are eager to grow. We have invested in our research capabilities, developed a talent pipeline, and made operational decisions so that processes will be the same at $50 million or $100 million (until we have to register) as they are in our current form. The same can be said for our research and trading processes due to the infrequent trading requirements of the strategy and long-term investing horizon, although we will make sure to remain nimble.

We hope to visit many of you toward the end of Q3 into early Q4. Until then, we will continue to keep our heads down, work hard, and invest, never taking the chip off our shoulder while we aim to earn and maintain your respect.

To conclude, we thank our investors for their continued support. Please reach out with any questions.

Sincerely,

Jake DuBois, Managing Member

TERMS

FOUNDERS CLASS*	*EXPIRES 12/31/19*
Minimum	$5 million
Management Fee	1% AUM monthly*
Performance Fee	15% yearly*
High Water Mark	Yes
Lockup	3 year hard lock up
Redemptions	30-day notice
Gate	None
Eligibility	Until AUM reaches $25 million

CLASS A	
Minimum	$250,000
Management Fee	1.5% AUM monthly
Performance Fee	15% yearly
High Water Mark	Yes
Lockup	1-year soft lockup
Redemptions	30-day notice
Gate	None

*All future subscriptions will be granted founders share as well, locking in 1% and 15% terms

DEFINITIONS

Alpha is a measure of the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta

Beta is a measure of a fund's sensitivity to market movements.

Downside deviation is a value representing the potential loss that may arise from risk as measured against a minimum acceptable return, by isolating the negative portion of the volatility. It is thus similar to standard deviation but considers only returns that fall below the minimum acceptable return.

Net asset value (NAV) - a fund's net asset value (NAV) represents its per-share price. A fund's NAV is derived by dividing the total net assets of the fund, less fees and expenses, by the number of shares outstanding

Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. The ratio helps to make the performance of one portfolio comparable to that of another portfolio by making an adjustment for risk.

Sortino Ratio, a variation of the Sharpe ratio, differentiates harmful volatility from volatility in general by using a value for downside deviation. The Sortino ratio is the excess return over the risk-free rate divided by the downside semi-variance, and so it measures the return to "bad" volatility.

Source: Morningstar

DISCLOSURES

Performance Calculations:

Valuations and returns are stated in US Dollars. The calculation of gross-of-fees returns reflects the aggregate performance of all investors minus trading commissions. The calculation of net-of-fees returns reflects the aggregate performance of all un-affiliated investors. This specific share class is subject to the deduction of a 1% management fee and 15% incentive fee with a high-water mark. Net returns are also net of operating expenses, which includes an administration fee, audit fee, and other miscellaneous operating expenses. We believe this return best reflects the performance a typical investor would have achieved. Please refer to the Private Placement Memorandum for a full list of operating expenses.

Past performance does not guarantee future results. Please see the Private Placement Memorandum for a full list of disclosures.

Blue Hawk Investment Group, LLC (“the General Partner”) is not registered as an investment adviser with the Securities and Exchange Commission or any state’s securities commission. The limited partnership interests (the “Interests”) in Blue Hawk Fundamental Growth Fund, LP (the “Fund”) are offered under a separate private placement memorandum (the “PPM”), have not been registered under the Securities Act of 1933, as amended (the “Securities Act"), or any State's securities laws, and are sold for investment only pursuant to an exemption from registration with the SEC and in compliance with any applicable state or other securities laws. Interests are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws. Investors should be aware that they could be required to bear the financial risks of this investment for an indefinite period of time. A prospective investor should only commit to an investment in the Fund if such prospective investor understands the nature of the investment and can bear the economic risk of such investment. The Fund is speculative and involves a high degree of risk. The Fund may lack diversification, thereby increasing the risk of loss. The Fund's performance may be volatile. There can be no guarantee that the Fund's investment objectives will be achieved, and the investment results may vary substantially from year to year or even from month to month. As a result, an investor could lose all or a substantial amount of its investment. In addition, the Fund's fees and expenses may offset its profits. There are restrictions on withdrawing and transferring interests from the Fund. In making an investment decision, you must rely on your own examination of the Fund and the terms of the PPM. The information herein is not intended to provide, and should not be relied upon for, accounting, legal, or tax advice or investment recommendations. You should consult your tax, legal, accounting, or other advisors about the matters discussed herein. The Fund's ability to achieve its investment objectives may be affected by a variety of risks not discussed herein. Please refer to the PPM and related documents for additional information regarding risks and conflicts of interest. Past performance is not indicative or a guarantee of future results. No representations or warranties of any kind are made or intended, and none should be inferred, with respect to the economic return or the tax consequences from an investment in the Fund. No assurance can be given that existing laws will not be changed or interpreted adversely. Prospective investors are not to construe this presentation as legal or tax advice. Each investor should consult his or its own counsel and accountant for advice concerning the various legal, tax, ERISA and economic matters concerning his or its investment. No person other than the General Partner has been authorized to make representations, or give any information, with respect to these membership interests, except the information contained herein, and any information or representation not expressly contained herein or otherwise supplied by the manager in writing must not be relied upon as having been authorized by the company or any of its members. Any further distribution or reproduction of this document, in whole or in part, or the divulgence of any of its contents, is prohibited. Any reproduction or distribution of this document or accompanying materials, if any, in whole or in part, or the divulgence of any of its contents is prohibited. The information set forth herein does not purport to be complete and no obligation to update or otherwise revise such information is being assumed. It is meant to be read in conjunction with the Fund’s PPM prepared in connection herewith, and does not constitute an offer to sell, or a solicitation of an offer to buy, by anyone in any jurisdiction in which such an offer or solicitation is not authorized or in which the making of such an offer or solicitation would be unlawful. The information contained herein does not purport to contain all of the information that may be required to evaluate an investment in the Fund. The information herein is qualified in its entirety by reference to the PPM, including, without limitation, the risk factors therein.