

A photograph of the Golden Gate Bridge in San Francisco, California, viewed from a low angle. The bridge's towers and suspension cables are prominent, extending from the bottom left towards the top right. The background shows a hazy, blue-toned landscape with hills and buildings under a soft sky. The text is overlaid on this image.

# Karl Global Financials Funds

**February 2026**  
**Strictly Confidential**

**Marketing Contact**  
**Rachael Clarke 415.503.5712**

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# Executive Summary

- **Global Financials Long/Short strategy with uncorrelated double-digit returns:** Long/short equity manager focused on the global financial services sector and related fintech/business services via single stock selection and subsector themes. We have achieved a 13% CAGR with limited market correlation, resulting in positive returns in 68% of the benchmark drawdown months.
- **Dispersion creates opportunity:** Financial services subsectors are affected by shifting consumer preferences, technological disruption, and changing economic and political policy. These factors create consistent dispersion in performance among financial service companies globally.
- **Proprietary research process:** The team implements a disciplined research process driven by the utilization of our proprietary 'data packs' across our coverage subsectors and system-level analysis. Our senior research team averages over twenty years of investment experience in their respective subsectors.
- **Leadership:** The Nexxt Funds were seeded in 2019 at Philadelphia Financial, where Justin Hughes and Rachael Clarke were founding partners in 2004 and Andrew Del Medico joined in 2020, and spun out in January 2021. The Nexxt Funds are currently co-managed by Justin Hughes and Andrew Del Medico and the senior research team averages over twenty years of experience.
- **Launching Market Neutral Product:** Over the past eleven months, we have tested a Market Neutral product utilizing the research process of the main fund with tightened risk parameters via a live paper portfolio. The Market Neutral portfolio has exhibited a ~80% correlation of returns with the flagship fund.
- **Current Fundraising:** We are currently raising \$500 million across two strategies: our flagship fund with a 5+ year track record, and our new market neutral product.
- **Alignment of Interests:** The founding partners invested over \$25 million.

# Nexxt Fund's Strategy Performance

## Nexxt Fund

### Monthly Performance since Inception (October 1, 2019 - Present)

	2019	2020	2021	2022	2023	2024	2025	2026
January		3.1%	1.6%	(1.0%)	(5.1%)	4.9%	(0.2%)	(0.9%)
February		2.8%	10.2%	(1.4%)	(5.6%)	0.1%	0.8%	
March		(13.6%)	(2.8%)	3.4%	3.8%	4.0%	0.2%	
April		12.5%	1.0%	4.2%	2.7%	(1.3%)	3.8%	
May		1.9%	(3.9%)	(5.0%)	(3.4%)	(0.3%)	3.5%	
June		1.1%	0.9%	1.1%	(4.6%)	(3.5%)	1.8%	
July		3.4%	3.3%	2.5%	(1.1%)	1.7%	0.8%	
August		1.6%	6.0%	1.3%	(0.3%)	3.7%	2.4%	
September		2.1%	1.4%	2.3%	(2.1%)	2.1%	2.4%	
October	(1.0%)	3.1%	(2.5%)	2.6%	(2.6%)	1.5%	(0.1%)	
November	2.5%	3.8%	(0.8%)	1.8%	2.2%	6.4%	3.7%	
December	2.9%	2.0%	(1.6%)	4.3%	(2.7%)	(0.4%)	2.7%	

<b>Nexxt Fund</b>	<b>4.5%</b>	<b>24.2%</b>	<b>12.6%</b>	<b>17.0%</b>	<b>(17.9%)</b>	<b>20.1%</b>	<b>23.5%</b>	<b>(0.9%)</b>
S&P 500 Total	9.1%	18.4%	28.7%	(18.1%)	26.3%	25.0%	17.9%	1.4%
XLF Total	10.5%	(1.7%)	34.8%	(10.6%)	12.0%	30.6%	14.9%	(2.4%)

<b>Nexxt Fund Cumulative</b>	<b>106.8%</b>
S&P500 Cumulative	156.7%
XLF Cumulative	114.7%

Portfolio volatility statistics	Nexxt Fund	XLF	KRE	S&P 500	QQQ
Annualized volatility since inception	<b>14.6%</b>	25.1%	37.1%	20.7%	25.0%
Median 60-day trailing volatility	<b>11.3%</b>	19.0%	29.3%	14.8%	20.7%
Median 90-day trailing volatility	<b>11.7%</b>	19.4%	30.9%	14.8%	21.3%
Nexxt's Volatility vs.	XLF	KRE	S&P 500	QQQ	
Since inception	0.58x	0.39x	0.70x	0.58x	
Trailing 60d volatility annualized	0.60x	0.39x	0.76x	0.55x	
Trailing 90d volatility annualized	0.60x	0.38x	0.79x	0.55x	
Nexxt's Return Correlation (since inception) vs.	XLF	KRE	S&P 500	QQQ	
Correlation	0.32	0.22	0.34	0.31	
Nexxt's Return Correlation (ex-March/April 2020) vs.	XLF	KRE	S&P 500	QQQ	
Correlation	0.12	0.07	0.17	0.18	

Note: Justin Hughes is a co-portfolio manager with Andrew Del Medico.

**Disclosures:** The returns for Nexxt Fund LP (the "Fund") are unaudited estimates which are subject to modification by our independent administrator and/or auditors and are not reflective of the performance of any other funds or accounts managed by the firm. The Fund performance figures are net of all fees and expenses, including management fees, (1.5%) and the performance allocation (20% if applicable). Fund returns are inclusive of the reinvestment of dividends and other earnings, including income from new issues. \*\*The Year to Date and Inception to Date performance figures have been calculated using a hypothetical investor that made an initial investment on day 1, October 1, 2019, and pays full fees, (1.5%/20%) with no intra-year contributions or withdrawals.

The performance statistics from October 2019 to October 2020 are from a proprietary account which was not subject to any administrative/operating expenses, management fees or performance allocation and did not participate in new issues. A model 20% performance allocation and 1.5% management fee, representing the expected fees applicable to typical fund investors, has been applied retrospectively. The performance of the Fund, which may pay possibly differing fees and expenses and participate in new issues, may differ, perhaps materially, from the performance shown. Individual investor returns may vary based on the timing of their contributions, withdrawals and/or varying fee arrangements. Please note that this table contains unverified performance estimates and may be subject to change.

Past performance is not a guarantee of future returns. This is not an offer or a solicitation to invest in Nexxt Fund LP. The results of the Fund have been benchmarked against the ETF, Financial Select Sector SPDR Fund (XLF). The statistical data for XLF has been obtained from Bloomberg and reflects the reinvestment of dividends.

# Global Financials MNF 'Live Paper Portfolio'

## Karl Global Financials Market Neutral Fund Performance 'Live Paper Portfolio'

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	ITD Performance
<b>Karl Global Financials MNF</b>			0.8%	5.3%	4.2%	1.5%	2.1%	3.2%	2.5%	(0.1%)	3.7%	3.4%	(0.3%)	29.4%
SPX			1.6%	(0.8%)	6.2%	5.0%	2.2%	1.9%	3.5%	2.3%	0.1%	(0.1%)	1.4%	25.7%
XLF			5.0%	(2.1%)	4.5%	2.8%	0.0%	3.1%	(0.2%)	(2.8%)	1.8%	2.7%	(2.4%)	12.7%
KRE			3.1%	(4.8%)	5.1%	4.4%	1.1%	9.1%	(3.4%)	(5.2%)	5.0%	2.9%	6.2%	24.8%
IWM			0.7%	(2.3%)	5.2%	5.2%	1.7%	7.2%	2.9%	1.8%	1.0%	(1.0%)	5.5%	31.1%
SX7E			0.0%	(0.8%)	8.9%	(0.2%)	9.3%	2.1%	4.0%	(0.0%)	4.2%	8.2%	4.6%	47.9%

\*Note: Karl Global Financials MNF reflects performance and volatility net of 1.5x leverage and hypothetical fees for a full fee paying investor of 1.5% management fee and 20% performance fee.

\*\* Portfolio mock live paper portfolio simulated using \$500mn levered equity and \$1bn GMV for liquidity constraints

\*\*\*March 2025 performance reflects investment period of 3/14/25 to 3/31/25

\*\*\*\*Inception to date performance reflects investment period beginning 3/14/25

	% of Equity	% GMV
Average Net Market Exposure	4.1%	2.2%
Average Net Beta Market Exposure	8.3%	4.4%
Average Gross Market Exposure	282%	
Sharpe Ratio		3.4x

\*Metrics as of 1/31/26

### Karl Kapital Hypothetical Risk Disclosure:

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This does not constitute an offer to sell, or the solicitation of an offer to buy, any security, product or service, including an interest in any fund. Unless otherwise noted, information included herein is presented as of the dates indicated. This is not complete and the information contained herein may change at any time without notice. Karl Kapital does not have any responsibility to update this material to account for such changes. Karl Kapital makes no representation or warranty, expressed or implied, with respect to the accuracy, reasonableness, or completeness of any of the information contained herein, including, but not limited to, information obtained from third parties. It should not be assumed that performance of investments made in the future will equal or have any correlation to the investments discussed in the attached materials and it should not be assumed that opportunities in the future will be profitable. The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. Investors should make an independent investigation of the investment described herein, including consulting their tax, legal, accounting or other advisors, about the matters, discussed herein. Past performance is not indicative, nor a guarantee of, future results. Losses may occur. Certain information contained herein may be "forward-looking" in nature.

Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond Karl Kapital's control or are subject to change, actual results could be materially different. Due to various risks and uncertainties, actual events or results or the actual performance may differ materially from those reflected or contemplated in such forward-looking information. As such, undue reliance should not be placed on such information. Forward-looking statements may be identified using terminology including, but not limited to, "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Karl Kapital cannot give any assurance that the assumptions upon which it based its forward-looking statements will prove to be correct. There can be no assurance that the investment objectives described herein will be achieved. Nothing herein is intended to imply that an investment methodology may be considered "conservative," "safe," "risk free," or "risk averse." Economic, market and other conditions could also cause to alter its investment objectives, guidelines and restrictions. Investment losses may occur. Additional information may be available upon request.

Additionally, some of the information in this document may be considered hypothetical performance. Hypothetical performance results have many inherent limitations. No representation is being made that Karl Kapital will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. PAST PERFORMANCE – AND ESPECIALLY HYPOTHETICAL PERFORMANCE – IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Upon request, Karl Kapital will provide sufficient information to enable you to understand the risks and limitations of using hypothetical performance in making investment decisions.

### Karl Global Financials Market Neutral Fund Volatility

Portfolio volatility statistics	MNF	XLF	KRE	S&P 500	SX7E
Annualized volatility since inception	9.3%	19.2%	28.4%	18.7%	23.7%
60-day trailing volatility	9.8%	13.6%	25.0%	12.0%	17.9%
90-day trailing volatility	9.8%	13.6%	25.0%	12.0%	17.9%
MNF Volatility vs.	XLF	KRE	S&P 500	SX7E	
Since inception	0.48x	0.33x	0.49x	0.39x	
Trailing 60d volatility annualized	0.72x	0.39x	0.81x	0.55x	
Trailing 90d volatility annualized	0.72x	0.39x	0.81x	0.55x	
Nexxt's Return Correlation (since inception) vs.	XLF	KRE	S&P 500	SX7E	
Correlation	-0.19	-0.14	-0.19	0.25	

Note: Volatility of Market Neutral Fund adjusted for 1.5x leverage, data through 1/31/26

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# Portfolio Characteristic Comparison

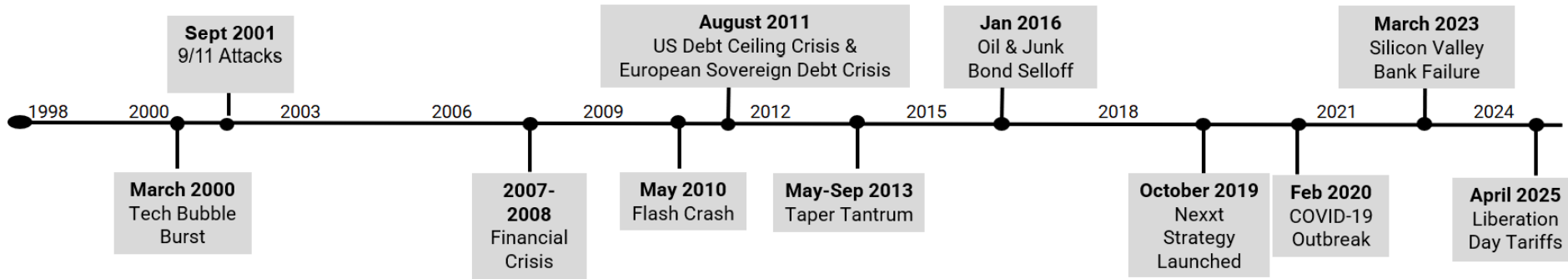
## Nexxt Fund

## Market Neutral Fund

<b>Net Exposure:</b>	20 - 40% of net equity	0 to +/- 20% of net equity
<b>Gross Exposure:</b>	160 - 180%	250 - 350%
<b>Positions:</b>	~70	75 - 105
<b>Sizing:</b>	Long: 2.5 - 15% Short: 2 - 5%	Long: 1 - 10% Short: 1 - 5%
<b>Subsector Risk</b>	N/A	+/- 20%
<b>Country Risk:</b>	N/A	+/- 20%
<b>Idiosyncratic Risk:</b>	N/A	~70-75%
<b>Liquidity Risk:</b>	N/A	3 days ADV 90% of portfolio to be able to be liquidated within 10 days at 20% volume
<b>Market cap:</b>	Focus \$500mn - \$10bn	Full Spectrum, with \$1-10bn focus
<b>Geography:</b>	Global with focus on US, UK, and Developed Europe	Global with focus on US, UK, and Developed Europe

# Principals - Key Experience

<b>Rachael Clarke</b> UN Las Vegas	Robertson Stephens Marsha Samuels	Philadelphia Financial	Nexxt Fund Managing Partner, COO/CCO
<b>Justin Hughes, CFA</b> UC Irvine	Robertson Stephens Jefferies/Hovde	Philadelphia Financial	Nexxt Fund Portfolio Manager
<b>Andrew Del Medico, CFA</b> Lehigh University	Discovery Capital Lehigh Univ. Keefe, Bruyette & Woods Autonomous Research Citadel Crestline Maltese	Nexxt Fund Portfolio Manager	
<b>Ian McBane</b> Univ of Oregon Portand State Univ	New England Financial ECONorthwest Talkot Capital	Nexxt Fund Private Nexxt Fund Senior Analyst	



# Consistent Opportunity Set in Global Financials

The global financial services sector is a misunderstood and dynamic investment space. The companies are highly levered and subject to regulation, technological disruption, and changing consumer preferences, these factors drive consistent dispersion within the sector.

## Why does the opportunity exist?

- Highly leveraged companies
- Changing consumer preferences
- Technological disruption
- Shifting policy / regulatory oversight
- Macro-economic cycles (rates, credit, etc)

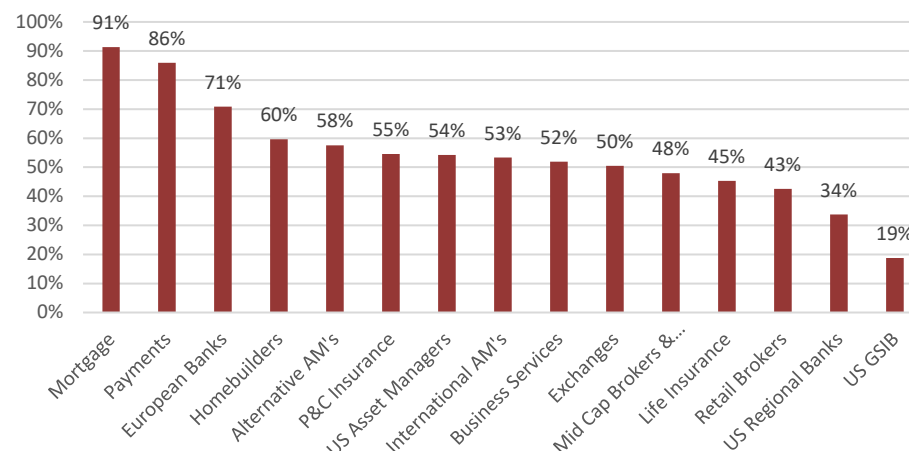
Our senior research team averages twenty years of investment experience and have witnessed this consistent opportunity set to generate alpha through cycles. Our large global coverage allows us to focus on the areas seeing the most change and invest in the highest alpha opportunities.

## # of Companies in our Coverage

Sectors	#
Banks	343
Brokerage/Asset Management	154
Financial Technology	143
Insurance	103
Mortgage Finance / Homebuilders / REITs	177
Specialty Finance	93

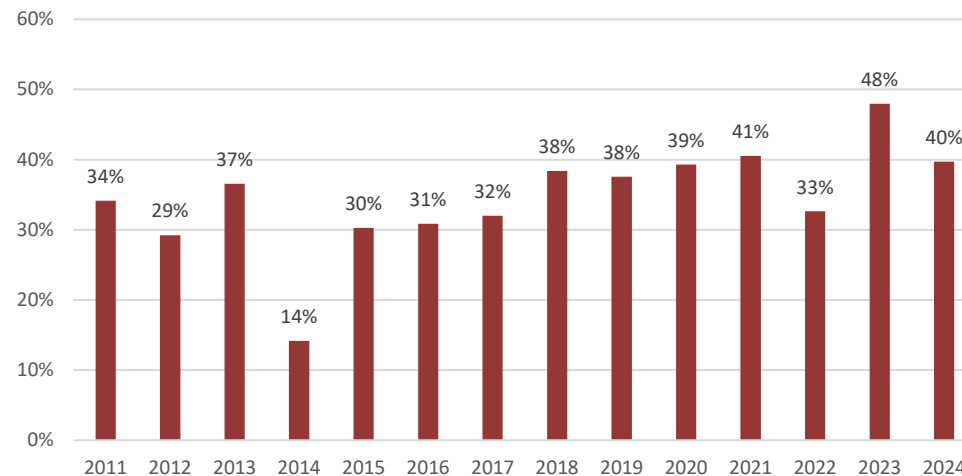
**Total: 1,013**

Average annual dispersion within financial subsectors



Note: Annual dispersion calculated as average spread between top and bottom performers between 2011-2024

Annual dispersion between financial subsectors



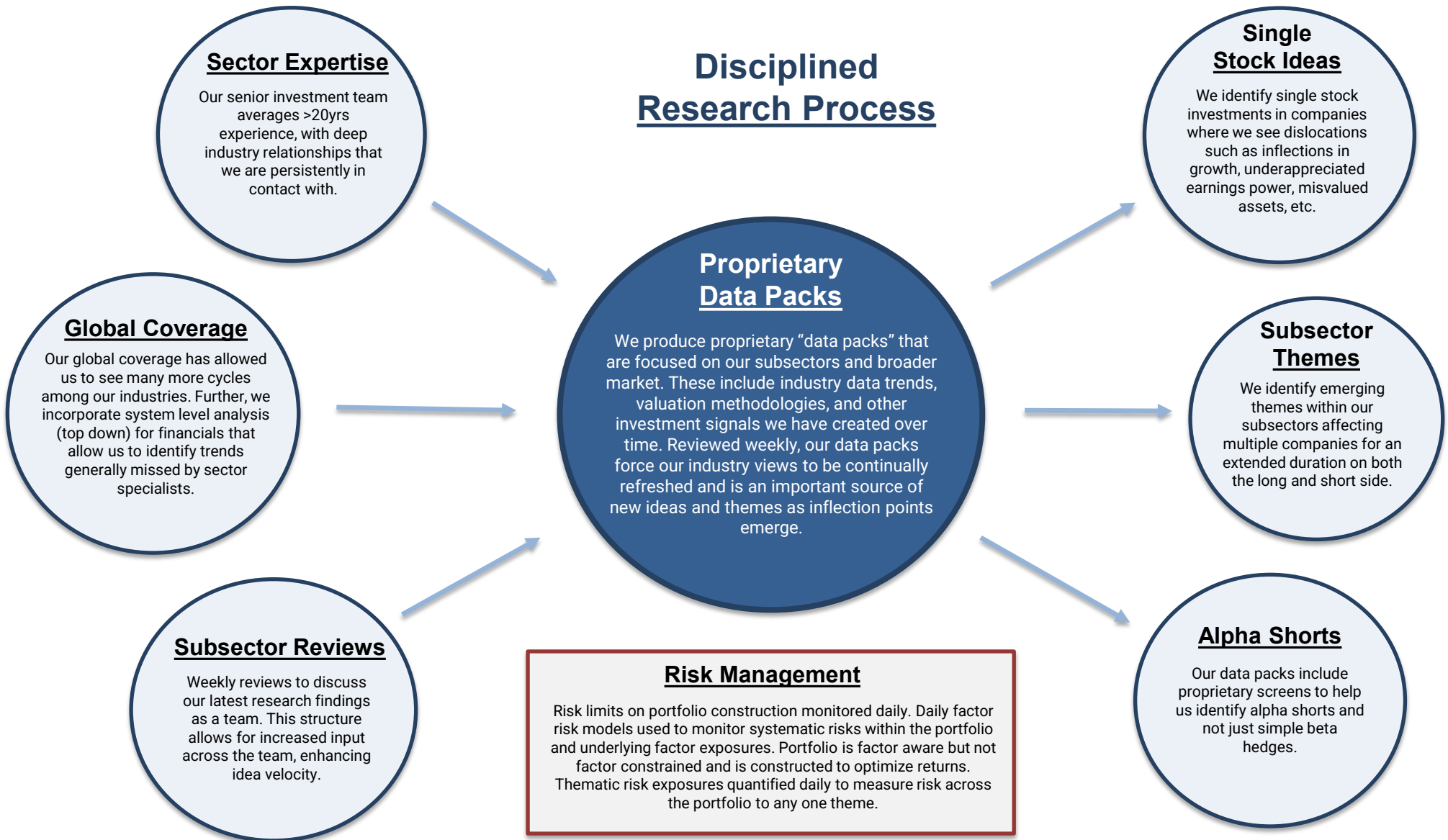
Note: Annual dispersion calculated as average spread between top 3 and bottom 3 sectors between 2011-2024

# Investment Philosophy

## We believe...

- **Industry expertise is needed to build a market beating investment process. We expect the research team to be industry thought leaders. We strive to leave no stone unturned in the research process.**
- **Financials are the plumbing of the economy, understanding the system level inputs are pivotal. Combining top-down system level analysis with bottom-up fundamentals provides differentiated and market beating views.**
- **Returns should not be targeted; we balance risk and recognize that different markets present different opportunities.**
- **Investing in financials is not just limited to banks, investing in the full spectrum of financial service companies and related technologies creates a balanced portfolio. There are numerous subsector trends beyond rates/credit to find opportunities and dispersion.**
- **Long-term investing drives superior risk adjusted returns. There are increasing amounts of capital chasing short term profits. Duration provides an edge in the current market structure.**
- **Quarterly results need to reinforce the thesis, not be the thesis.**
- **Return = Yield + Growth. In other words, we are not biased to value or growth. We can position to where we see the best returns.**
- **Consensus views lead to consensus returns. We look to consistently challenge existing market views.**

# Why We Produce Differentiated Results



# Data Driven Research Process

**We believe data driven investment decisions reduce biases and lead to superior return outcomes.**

**We invest with a data driven approach, distilling our process into our weekly proprietary data packs. We currently have 14 distinct data packs that we generate across the 6 financial subsectors.**

**We believe this consistent approach ensures our portfolio themes never get 'stale,' and creates a constant source of new idea generation.**

## **Examples of Data Packs across our coverage universe**

### **Banks**

- Top-down system analysis (leverage, spending, saving)
- Global loan and deposit growth trends
- Vertical loan type credit indicators
- Collateral value analysis
- Proprietary valuation screens

### **Specialty Finance**

- Real time delinquency and charge-off trends,
- Loss curve analysis
- Consumer buying expectations
- System loan balances

### **FinTech**

- Verticalized spend trends
- Hiring trend data
- App download tracker
- ATM usage
- T&E bookings
- Proprietary valuation screens

### **Mortgage / Real Estate**

- Mortgage rates
- Refinance and purchase volumes,
- Housing affordability metrics
- Home sales indicators
- Sentiment surveys
- Construction indices
- Proprietary valuation

### **Exchange & Market Structure**

- Industry & company specific volume data
- Volatility metrics across equities, fixed income and commodities

### **Asset Managers**

- Asset manager performance and fund flow trends through proprietary data pulls across ETFs and mutual funds

### **Retail Brokers**

- Company specific trading volume data
- App downloads
- OTC bulletin board
- Margin trading

### **Insurance**

- Data related to personal lines frequency and severity trends (workplace mobility tracker, vehicle miles traveled, etc.)
- Rate filing and pricing trends
- Catastrophe tracker and leading indicators

# Examples of Previous Quarterly Themes

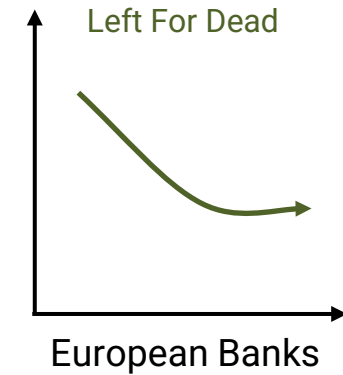
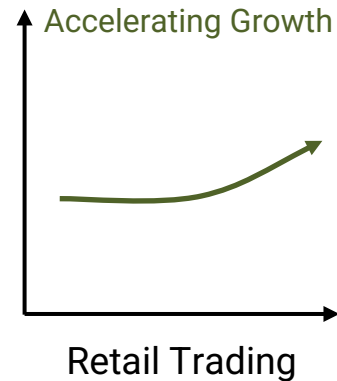
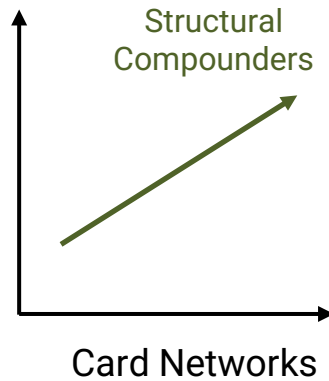


**Note: Our themes are published quarterly for investors and are available upon request.**

# Example Investment Characteristics

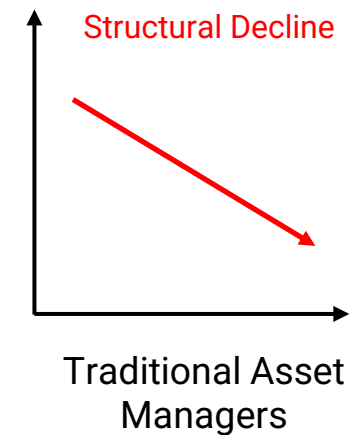
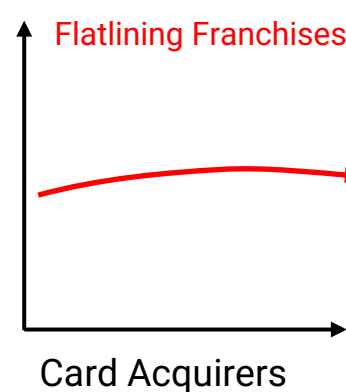
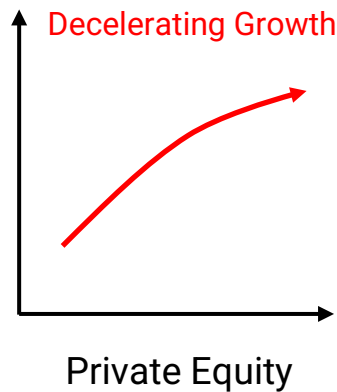
## Longs

Examples:



## Shorts

Examples:



# Example Previous Investment Ideas

## Q2 Holdings

### QTWO, Long, Structural Compounder

**Background:** Q2 Holdings is a fintech company specializing in deposit platform software for banks. It works adjacent to banks' core operating systems and facilitates the digital interfaces consumers utilize at many banks. The company has historically had a strong growth profile as there is a structural shift to digital across the banks.

**Investment Opportunity:** Following the bank crisis in early 2023, shares came under pressure as investors feared a regional banking crisis would wipe out much of the company's customers. This provided an excellent entry point as we had met with the company just a day following SIVB's failure and came away not only comfortable with the company's exposures, but more positive on its growth outlook as more banks looked to invest in their deposit franchise. Further, with sustainable growth we saw a realistic path to margin improvement as the company focused on improving profitability.

Given the structural tailwinds and improving forecasts, we made this one of the top positions in the portfolio and held it through the rest of the year as growth accelerated and profitability improved, finally exiting in December 2023 after 98% appreciation.

## Barclays PLC

### BARC LN, Long, Left for Dead

**Background:** Barclays is a global money center bank headquartered in London. It has a global investment bank, retail and corporate banks in the UK, a private wealth business in the UK, and a small credit card portfolio in the US. The company has suffered from poor execution since the global financial crisis and has historically traded at a significant discount to peers.

**Investment Opportunity:** At the beginning of 2024 shares were pricing in elevated levels of risk with shares at just 0.3x tangible book value, despite achieving a 10% return on tangible equity. Fears on worsening deposit mix shift weakening both balance sheet size and NIM led to the overhang. Our system level analysis pointed to stabilizing deposit levels and we used both weekly and monthly data to confirm our view in real time. The stabilization led to an inflection in benefits to its structural hedge, which is a unique asset/liability framework utilized by UK banks, while the company simultaneously entered into a large reinvestment tailwind for the fixed portion of its hedge.

The company was prepared to discuss this all at its first investor day in years providing a catalyst for the market to change its perception. Targets at the investor day came in above consensus expectations, and have been exceeded since, in-line with our analysis.

We purchased the shares in January 2024 and was the top position for the fund. Shares have appreciated 167% as the company has executed, we continue to hold a smaller position as the company continues to execute and the shares trade at a discount to tangible book, despite our view of 13%+ attainable ROTCE.

# Example Previous Investment Ideas (continued)

## Fintech Short #1

### Fintech, Short, Decelerating Growth

**Background:** We analyzed a fintech company that specialized in buying and selling of residential real estate. The company had an aggressive ramp of home purchases as rates declined in 2020 and 2021 and hire turnover during a strong housing market. We had initially shorted the shares as rates began to rise in early 2022, as our analysis pointed to slowing turnover trends that would impair targeted margins.

**Investment Opportunity:** As rates continued to rise, we discovered and utilized a data set that allowed us to see weekly sales and pricing trends and imply the company's margin. Through the data, we found a real time cadence to pricing and discovered the company was materially cutting price to move inventory. We believed this would lead to impairment and leverage concerns.

The real time data allowed us to manage our risk around the short and continue pressing even as shares declined. In late 2022, as expected, the company announced a large impairment on its portfolio and stopped all portfolio purchases. We covered our short after roughly 9 months with the shares down 82%.

## Fintech Short #2

### Fintech, Short, Structural Decline

**Background:** We were short a fintech company specializing in prepaid cards. The business historically held significant market share, selling much of its product to low end consumers through Walmart and other convenience stores. The introduction of peer-to-peer (P2P) payments, such as Venmo, made the company's original business obsolete.

**Investment Opportunity:** We analyzed market share trends and saw increasing adoption in digital channels, driving declines in the company's active user base. In 2020 the company pivoted to build a digital bank and benefited from stimulus during COVID response that drove inflows to the bank.

We shorted the shares following this temporary rally as our data continued to show share loss despite the short-term benefit to earnings. We shorted the shares in late 2020 and covered the shares roughly 18 months later down 43%.

# Example of Activism

Mr. Richard Berliand  
Chairman of the Board

TP ICAP  
135 Bishopsgate  
London, United Kingdom  
EC2M 3TP

March 22, 2022

Dear Mr. Berliand:

We own 7.7 million shares of TP ICAP (TCAP). As background, I have been following TP ICAP and its predecessor companies for over 20 years. I currently see your shares as significantly undervalued, believe management's lack of stock ownership represents a significant governance failure (the 'G' in ESG) and believe the company needs to make decisive steps immediately to benefit long suffering shareholders. TCAP's share price woefully undervalues the company's assets and we believe, are worth tremendously more, but management needs to unlock this value. In line with other public market investors, we are uninspired with management's execution and strategy. We believe it is time for TP ICAP's Board to consider strategic alternatives so that the underlying assets of this company can be realized, and long-suffering shareholders can receive a share price that reflects underlying value.

Justin Hughes, CFA  
44 Montgomery St, Ste 2970  
San Francisco, CA 94104  
[justin@phase2partners.com](mailto:justin@phase2partners.com)  
415-503-5711

June 11, 2024

Board of Directors  
Noah Holdings Limited  
No. 1687 Changyang Road  
Shanghai, China

Dear Members of the Board,

I am writing to you as a shareholder of Noah Holdings. I would like to commend the board for its stewardship of the company and its commitment to delivering value to shareholders this year by increasing your regular dividend and declaring a special dividend. However, I believe there is an opportunity for Noah to further enhance shareholder value, be more tax efficient and improve market perception by utilizing excess cash reserves for stock repurchases.

## ITG Adds Independent Director and Signs Cooperation Agreement With Philadelphia Financial

"We appreciate the constructive input we have received from Philadelphia Financial and Voce Capital and my Board colleagues and I look forward to working with Kevin," said ITG Chairman Minder Cheng. "Given the positive developments at ITG over the past several months in terms of new leadership, new Board members, a sharper business focus and a stronger capital position, we believe we are well positioned to pursue a path of growth in the coming years."

Justin Hughes, Founding Partner at Philadelphia Financial, noted that "the company is now positioned to realize the long-term potential we see in ITG as an independent institutional broker and financial technology firm. We are pleased that the ITG Board has acted upon several of our recommendations, including input on the CEO search, creation of a capital committee and the appointments of both Kevin and our last board candidate, Jarrett Lilien, who served a critical role as interim CEO. In addition, the successful sale of the energy research business positions the firm well to capitalize on available growth opportunities in financial technology."

## Research Sample: Is Triterras (TRIT) the Wirecard of Blockchain?

January 14, 2021

## And...It's Gone!

Presentation on Plus 500

May 3<sup>rd</sup>, 2018

Presentation by: Justin Hughes & Steve Fullerton

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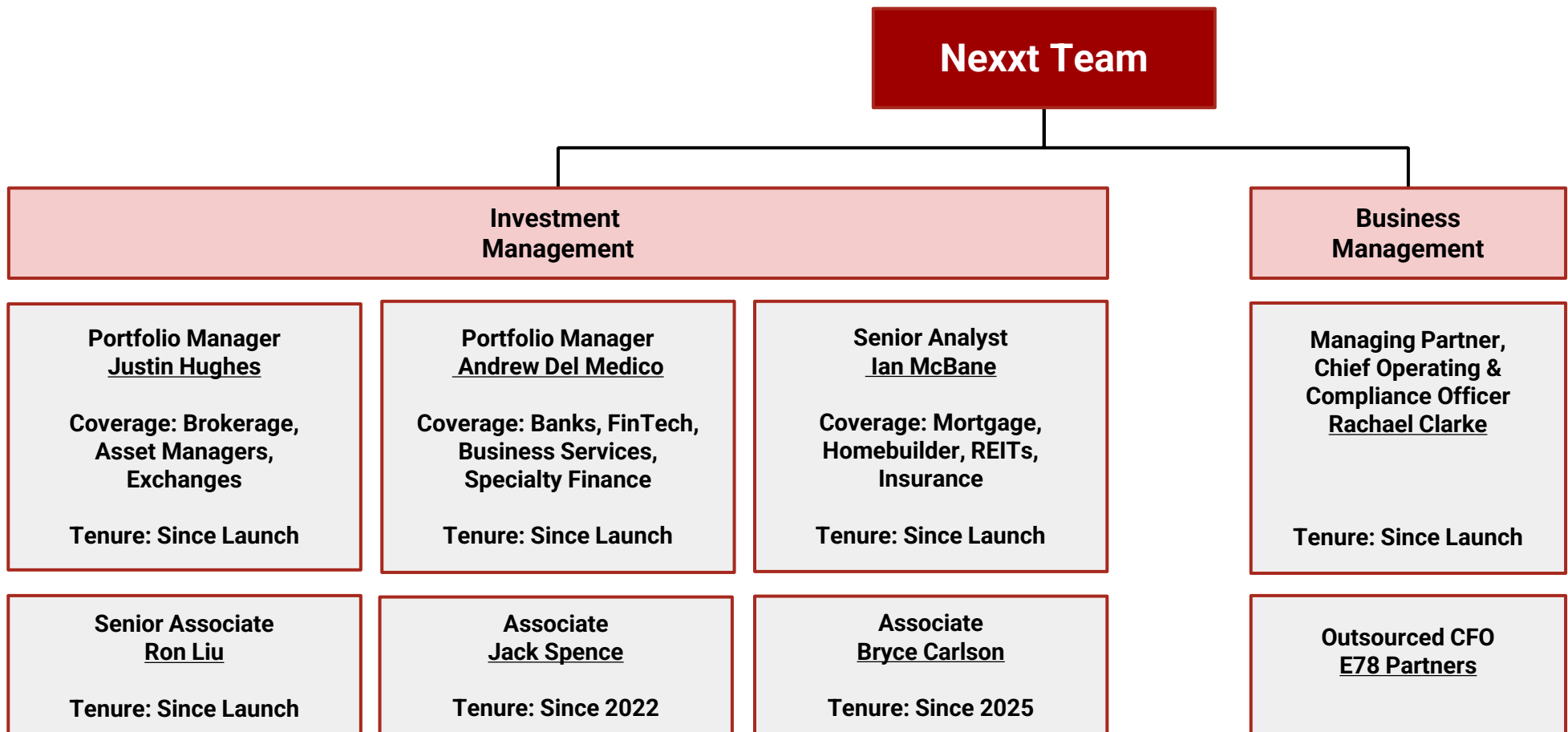
# Portfolio Characteristics – Nexxt Fund

- **Net Exposure** – 20%-40%
- **Gross exposure** – 160-180% gross exposure
- **Positions** – Target 70 Positions, Roughly Equal Number of Longs and Shorts
- **Sizing** – 2.5% to 10% for Longs / 2% to 5% for Shorts. Single position maximum of 15% of fund. Position expected to be trimmed next day if it breaks threshold. 10% positions only when we have very high conviction.
- **Liquidity Risk** – We aim to maintain a highly liquid portfolio. There will be no privates in the fund. Limited derivative use, no open option writing.
- **Market Capitalization** – Mid Cap Focus (\$500M to \$10B).
- **Focus Geography** – Global with focus on North America, Developed Europe, & UK
- **Crowding/Short Interest** – Data pack and factor screens used to size portfolio exposure to measures of crowding and short interest. Short interest exposure is measured as short interest % of float, retail trading involvement, and tightening borrow capacity, which are all then capped at our internal risk measure. Factor screens measure both short interest and long crowding exposure to minimize risk to “de-grossing” events.

# Portfolio Characteristics – Market Neutral Fund

- **Net Exposure** – Net neutral with range of 0 to +/- 20% of net equity (+/- 10% of GMV) on a beta and dollar basis. Beta and dollar nets are expected to run at similar levels.
- **Gross exposure** – 250-350% gross exposure
- **Positions** – Target approximately 75-105 Positions, 35-50 longs and 40-55 shorts
- **Sizing** – Target 1% to 10% position for long and 1% to 5% for shorts of equity. Positions sized on expected return and catalyst path to achieve returns.
- **Subsector risk**– Of the 6 financial subsectors we track, net exposure will be limited to +/- 20% equity of a single subsector.
- **Liquidity Risk** – We aim to maintain a highly liquid portfolio. Position size capped at 3 days of ADV and expect 90% of the portfolio to be able to be liquidated within 10 trading days. There will be no privates in the fund. Limited derivative use, no open option writing.
- **Market Capitalization** – Full spectrum with no names under \$400mn market cap.
- **Focus Geography** - Global with focus on North America, Developed Europe, & UK
- **Country risk** – Country risk will be limited to +/- 20% net exposure to a single country or geography (North America, EMEA, etc).
- **Factor Exposure** – The portfolio will monitor and maintain exposures consistent with the subsector and net exposure limits, while not limiting any one factor exposure. Historically, the risk limits have generated an idiosyncratic exposure of ~70%. During certain periods, the funds may run at a slightly higher or lower idiosyncratic risk level.
- **Crowding/Short Interest** – Data pack and factor screens used to size portfolio exposure to measures of crowding and short interest. Short interest exposure measured as short interest % of float, retail trading involvement, and tightening borrow capacity, which are all then capped at our internal risk measure. Both short interest and long crowding exposure measured by factor screens to minimize risk to “de-grossing” events.

# Organizational Structure



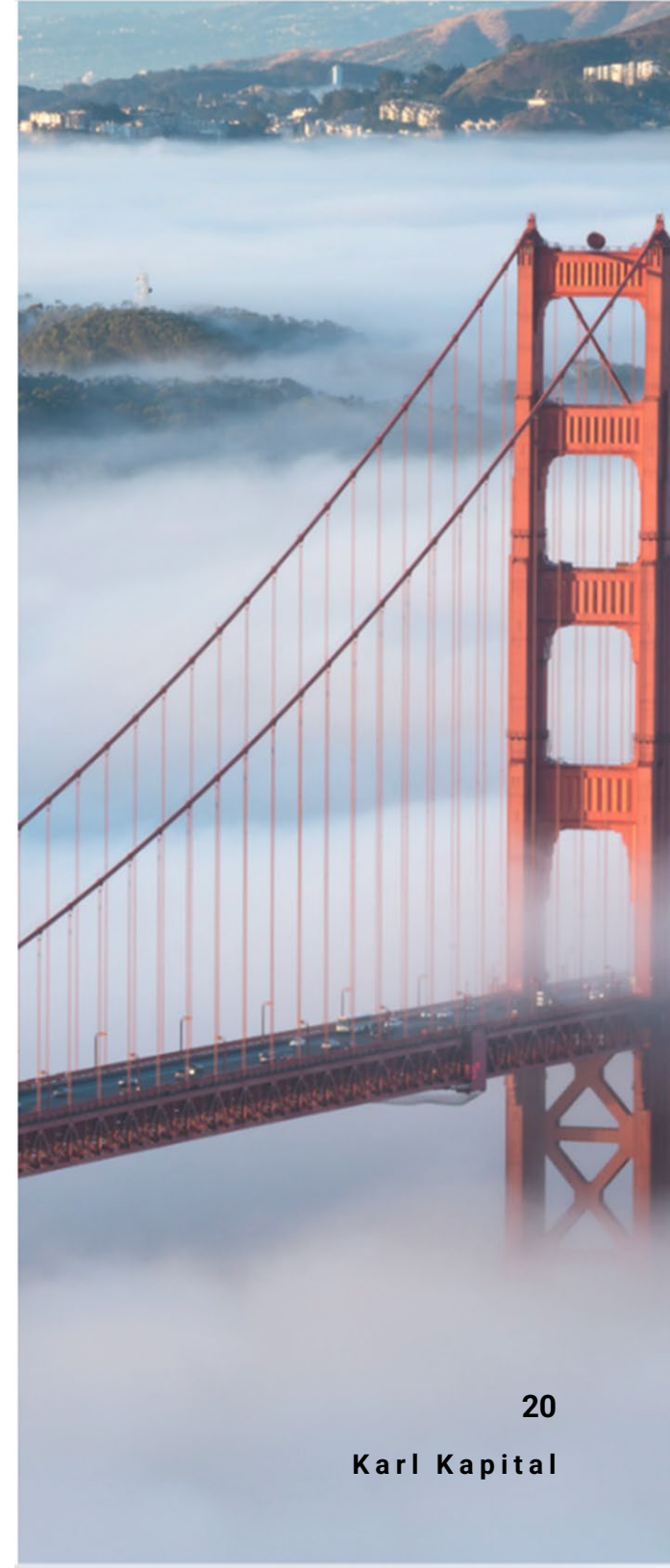
Note: The funds are co-managed by Justin Hughes and Andrew Del Medico, acting as lead PM on the Nexxt and Market Neutral Fund, respectively.

# Fund Structure & Terms

<b>Minimum Investment:</b>	\$500,000
<b>Fund Structure:</b>	Stand-Alone
<b>Management Fee:</b>	1.5% (Non-negotiable)
<b>Incentive Allocation:</b>	20% (Non-negotiable)
<b>Highwater Mark:</b>	Yes
<b>Do not offer:</b>	First Lost or Alpha Capture Strategies
<b>Withdrawal Provisions:</b>	-Quarterly/60 days. -Soft lockup of 15 months minus a day. -5% fee if redemption occurs prior to 6 months of initial contribution date <u>or</u> 3% fee for redemptions that occurs between 6 months to end of lockup period.
<b>Prime Brokerage / Custodian:</b>	Morgan Stanley
<b>Audit &amp; Tax:</b>	EisnerAmper LLP
<b>Compliance:</b>	Waystone Compliance Solutions
<b>Legal Counsel:</b>	Ropes & Gray LLP (US)
<b>Fund Administrator:</b>	Citco Fund Services (Cayman Islands) Limited

# Appendix

- Strategy Performance
- Biographies
- Contact Information
- Disclaimer



# Philadelphia Financial Management - Boathouse Row I, LP

## Philadelphia Financial Management - Boathouse Row I, LP

### Monthly Performance since Inception (June 9, 2004 - September 2019)<sup>1,2</sup>

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
January	N/A	1.9%	(0.1%)	2.4%	(2.6%)	4.1%	(0.1%)	1.7%	3.9%	3.9%	1.1%	0.9%	(5.2%)	3.0%	4.1%	5.6%
February	N/A	1.9%	1.8%	4.3%	3.8%	0.6%	2.6%	3.3%	2.9%	2.1%	4.7%	1.2%	4.0%	1.4%	(8.6%)	0.0%
March	N/A	1.7%	2.9%	1.5%	(3.0%)	(4.1%)	3.9%	0.2%	2.0%	1.5%	2.4%	2.7%	4.9%	0.9%	(1.1%)	(0.3%)
April	N/A	1.6%	3.6%	0.7%	0.4%	(1.5%)	(0.4%)	1.7%	1.5%	0.8%	(0.3%)	(1.1%)	1.4%	1.3%	5.1%	1.5%
May	N/A	2.7%	0.8%	3.9%	2.7%	2.7%	(2.2%)	0.2%	(1.2%)	0.4%	2.6%	0.6%	(0.1%)	(0.5%)	0.6%	(3.7%)
June	1.7%	2.1%	(1.0%)	2.4%	(3.2%)	1.3%	0.0%	(1.4%)	1.0%	0.0%	1.4%	0.6%	(2.2%)	5.7%	0.0%	2.5%
July	1.3%	2.2%	2.7%	1.6%	1.6%	2.0%	3.8%	(0.8%)	(0.3%)	2.1%	0.4%	4.1%	2.7%	(1.1%)	2.7%	2.7%
August	1.1%	1.0%	2.8%	2.8%	2.2%	6.7%	0.5%	(4.7%)	2.6%	(1.7%)	2.3%	(1.0%)	0.8%	(1.4%)	1.2%	(3.0%)
September	0.4%	1.4%	0.5%	2.9%	(5.6%)	1.0%	0.3%	(2.8%)	2.5%	1.8%	(2.9%)	(3.8%)	2.1%	1.3%	1.1%	2.5%
October	2.3%	0.2%	3.4%	6.2%	(6.4%)	(3.2%)	2.3%	3.8%	1.8%	1.1%	2.6%	2.2%	1.4%	1.4%	(4.7%)	N/A
November	2.9%	0.6%	(1.3%)	(1.6%)	0.3%	0.5%	(0.3%)	(0.9%)	0.2%	1.4%	(0.7%)	(0.7%)	5.1%	(0.7%)	(0.9%)	N/A
December	2.5%	3.8%	3.9%	3.9%	(0.3%)	1.1%	3.8%	0.6%	1.1%	0.6%	0.1%	(0.9%)	1.3%	(1.7%)	(5.6%)	N/A

Boathouse Row I, LP (BHRI)	12.8%	23.1%	21.5%	35.3%	(10.2%)	11.5%	15.1%	0.7%	19.4%	14.6%	14.5%	4.7%	17.0%	9.7%	(6.7%)	7.8%
XLF Total	7.0%	6.2%	18.9%	(19.2%)	(55.1%)	17.6%	11.9%	(17.1%)	28.4%	35.5%	15.1%	(1.7%)	22.6%	22.0%	(13.0%)	19.4%
S&P 500 Total	7.2%	4.9%	15.8%	5.5%	(37.3%)	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	21.8%	(4.4%)	20.6%

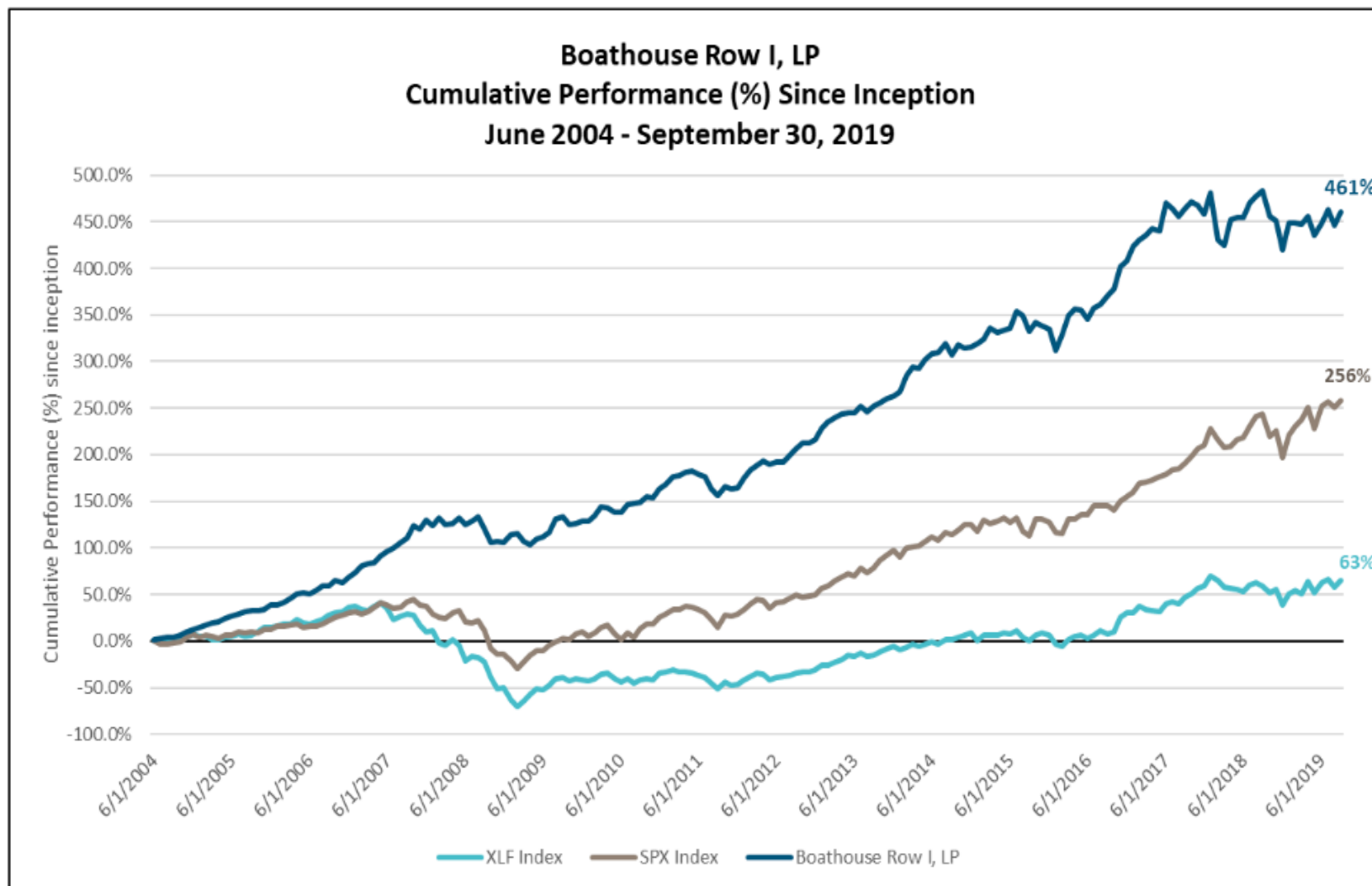
BHRI Cumulative	<b>461.8%</b>
XLF Cumulative	<b>63.3%</b>
S&P500 Cumulative	<b>256.2%</b>

1. Jordan Hymowitz was a co-portfolio manager with Justin Hughes.

2. All performance figures, including indices, reflect total return (meaning dividends reinvested). Boathouse Row I's performance is net of all expenses. Performance is on a fund level, which includes investors with reduced fees.

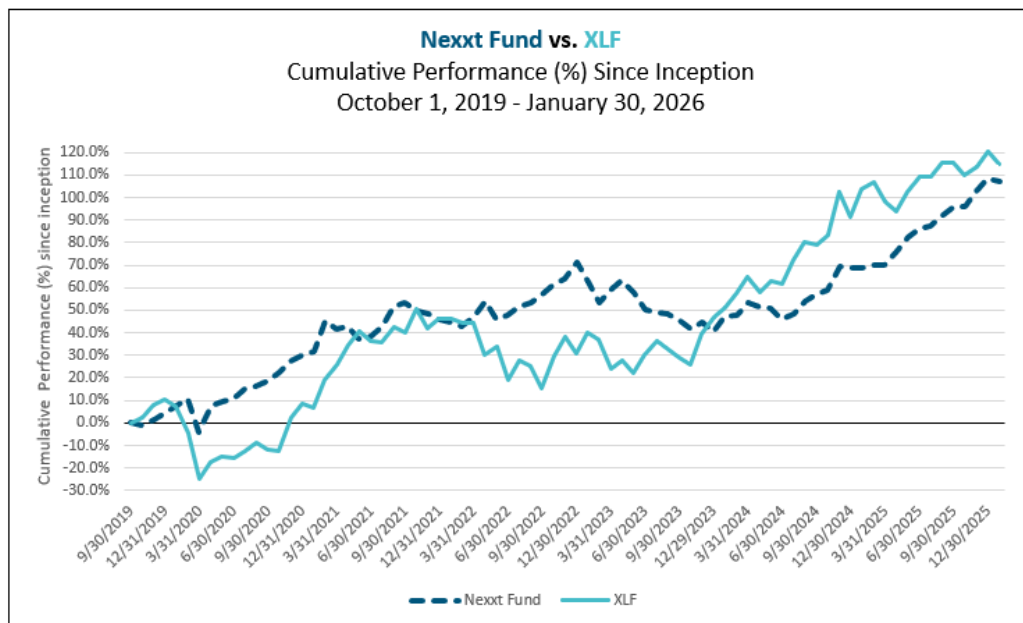
**Source:** Philadelphia Financial Management's 3Q'19 Newsletter

# Philadelphia Financial Management - Boathouse Row I, LP



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# Nexxt Fund vs. XLF Index Since Inception



Portfolio volatility statistics	Nexxt Fund	XLF	KRE	S&P 500	QQQ
Annualized volatility since inception	<b>14.6%</b>	25.1%	37.1%	20.7%	25.0%
Median 60-day trailing volatility	<b>11.3%</b>	19.0%	29.3%	14.8%	20.7%
Median 90-day trailing volatility	<b>11.7%</b>	19.4%	30.9%	14.8%	21.3%
Nexxt's Volatility vs.		XLF	KRE	S&P 500	QQQ
Since inception		0.58x	0.39x	0.70x	0.58x
Trailing 60d volatility annualized		0.60x	0.39x	0.76x	0.55x
Trailing 90d volatility annualized		0.60x	0.38x	0.79x	0.55x
Nexxt's Return Correlation (since inception) vs.		XLF	KRE	S&P 500	QQQ
Correlation		0.32	0.22	0.34	0.31
Nexxt's Return Correlation (ex-March/April 2020) vs.		XLF	KRE	S&P 500	QQQ
Correlation		0.12	0.07	0.17	0.18

**Disclosures:** The returns for Nexxt Fund (the "Fund") are unaudited estimates which are subject to modification by our independent administrator and/or auditors and are not reflective of the performance of any other funds or accounts managed by the firm. The Fund performance figures are net of all fees and expenses, including management fees, (1.5%) and the performance allocation (20% if applicable). Fund returns are inclusive of the reinvestment of dividends and other earnings, including income from new issues. \*\*The Year to Date and Inception to Date performance figures have been calculated using a hypothetical investor that made an initial investment on day 1, October 1, 2019, and pays full fees, (1.5%/20%) with no intra-year contributions or withdrawals.

The performance statistics from October 2019 to October 2020 are from a proprietary account which was not subject to any administrative/operating expenses, management fees, or performance allocation and did not participate in new issues. A model 20% performance allocation and 1.5% management fee, representing the expected fees applicable to typical fund investors, has been applied retrospectively. The performance of the Fund, which may pay possibly differing fees and expenses and participate in new issues, may differ, perhaps materially, from the performance shown. Individual investor returns may vary based on the timing of their contributions, withdrawals, and/or varying fee arrangements. Please note that this table contains unverified performance estimates and may be subject to change. Past performance is not a guarantee of future returns. This is not an offer or a solicitation to invest in Nexxt Fund. The results of the Fund have been benchmarked against the ETF, Financial Select Sector SPDR Fund (XLF). The statistical data for XLF has been obtained from Bloomberg and reflects the reinvestment of dividends.

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# Principals Biographies

## Rachael Clarke

- **2021 – Present:** Managing member, COO & CCO of Karl Kapital
- **2020:** Set up P2 Nexxt Funds incubated at Philadelphia Financial
- **2004 – 2019:** CCO and COO of Philadelphia Financial
- **Director** registered in the Cayman Islands
- **Education:** University of Nevada Las Vegas, BS in Hotel Administration

## Justin Hughes, CFA

- **2021 – Present:** Lead PM of the P2 Nexxt Funds
- **2020:** Incubated the P2 Nexxt strategy at Philadelphia Financial
- **2004 – 2019:** Co-Portfolio Manager of Philadelphia Financial's client accounts
- **1994 – 2003:** Research Analyst covering insurance, asset management, specialty finance, brokers, exchanges and financial technology
- **Education:** UC Irvine, BA in Economics

## Andrew Del Medico, CFA

- **2021 – Present:** Co-PM on Nexxt Funds, Lead PM for Market Neutral Strategy
- **2016 – 2020:** Senior investment analyst covering universal banks, capital markets, consumer finance, and financial technology at Citadel, Crestline, and Maltese Capital
- **2010 – 2016:** Research analyst covering banks, capital markets and consumer finance at Autonomous Research and KBW
- **2006 – 2008:** Supported the Financials and Macro research team at Discovery Capital, while still at university
- **Education:** Lehigh University, BS in both Finance and Accounting

## Ian McBane

- **2021 – Present:** Senior member of the investment team on Nexxt Funds
- **2008 – 2020:** Analyst & PM at Talkot Capital covering mortgage, insurance, specialty finance, and banks
- **2005 – 2007:** Research Analyst at ECONorthwest, economics and finance consulting
- **Education:** University of Oregon, BS Finance & Economics & Portland State University, MS Economics

# Contact Information

## **KARL KAPITAL**

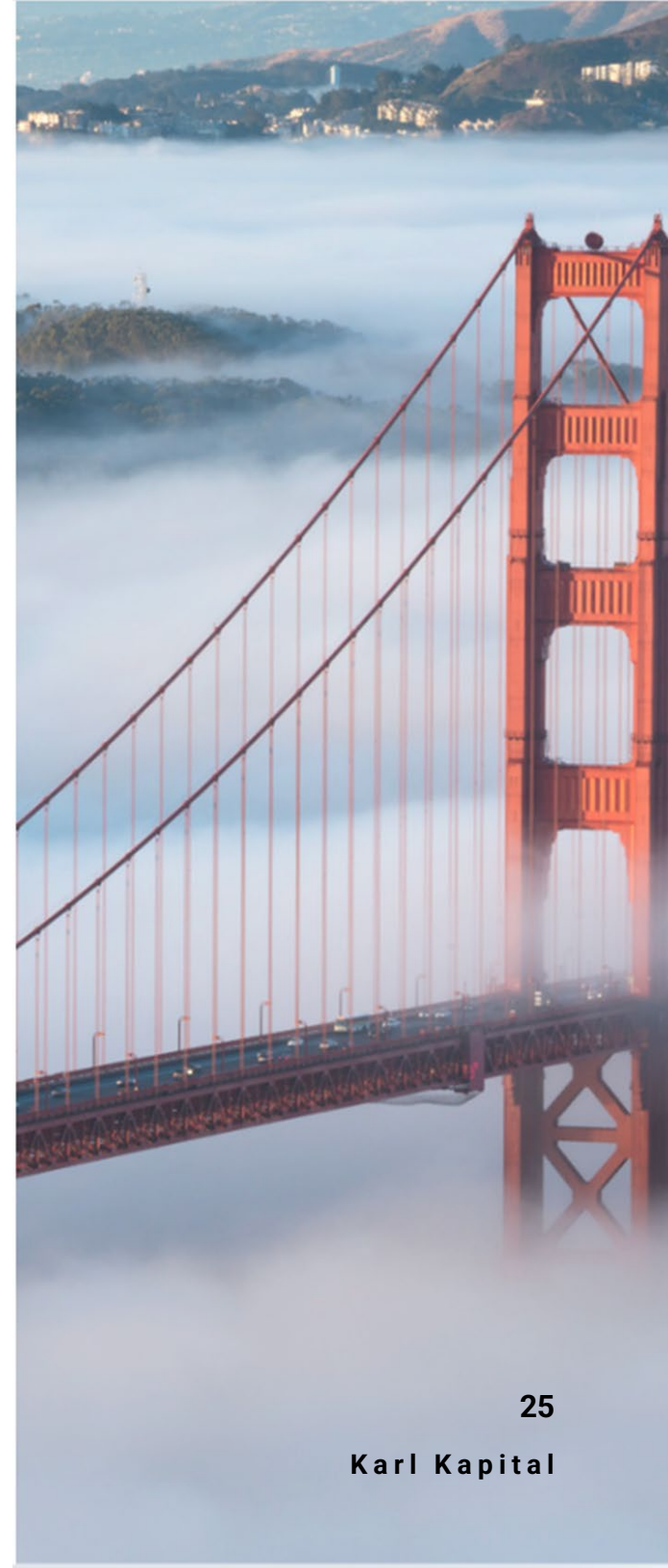
260 California Street #803

San Francisco, CA 94111

## **RACHAEL CLARKE**

Rachael@karlkapital.com

(415) 503-5712



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