Investors,

For the second quarter of 2022 Deep Sail Capital Partners (the "Fund") returned -11.9% gross of fees while averaging 88% net long exposure.

Performance Summary	Gross Returns			Deep Sail Capital Vs Benchmark		
	Q2	YTD 2022	Strategy Since Inception *	Q2	YTD 2022	Strategey Since Inception*
Deep Sail Capital Partners	-11.8%	-37.3%	69.8%			
Russell 2000	-17.7%	-24.1%	47.9%	5.9%	-13.1%	21.9%
Russell Small Cap Growth	-20.4%	-30.5%	55.1%	8.6%	-6.8%	14.7%

All returns are shown as Gross Returns not excluding performance or management fees.
Please contact fund manager for historical Net Returns.

The second quarter of 2022 was a large relative performance improvement to our benchmarks as compared to the first quarter of 2022. The drivers of relative outperformance in Q2 were a strong performance of short portfolio and a strong rebound in several small cap growth stocks the fund purchased throughout the first half of this year. For the quarter the short portfolio generated a 44% positive return for the fund which help offset the downside in the long portfolio.

Market Commentary

The first half of the year has been the worst start to a year in financial markets since 1970. Our benchmarks, the Russell 2000 and Russell Small Cap Growth Index, were down 24% and 31% respectively in the first half of the year. As I previously discussed in my last few investor letters, there was an observable bubble that began inflating in 2020 that in hindsight clearly coincided with the record stimulus and quantitative easing in the United States and globally. That "COVID bubble" has since popped, and we have been dealing with the downside impacts of that since late 2021.

As quantitative easing is now halted, and the Fed is signally quantitative tightening on the horizon markets are in a very tough spot. On one side markets have largely deflated from the 2021 COVID bubble with many high-flying growth stocks below their pre COVID highs, SPACs rightfully in the dumpster, and other speculative assets like electric vehicle stocks and cryptocurrencies down significantly. On the other side the Fed is still fighting an uphill battle with inflation and hasn't even begun quantitative tightening yet.

Where do markets go from here is anyone's guess, but it's likely most of the pain in individual stocks has already been felt. When thinking about the overall market we try to think probabilistically in terms of near (1 Year) and mid-term (1-3 Years) outcomes. From a probability standpoint we think it's a high likelihood in the near term we might see some stabilization of markets on reduced inflation fears but in the mid-term we still have looming issues (Fed tightening, housing market bubble, inflation/rate, ongoing war, supply issues) that prevent a robust market recovery. With that said we believe markets will experience continued volatility in broader indexes for the next year and will likely test previous lows if not break down. A decline of 20% on indexes is not out of the question before we find an ultimate bottom.

Even with a 20% decline as a real potential risk, we believe right now is an exceptional time to be a Long Bias fund with a long-time horizon. We have already seen several attractive opportunities in markets that have arisen in companies we believe will be growing, building, and expanding their businesses for decades to come. For those willing and able to look out 5 to 10 years, now is a great time to invest high quality growth stocks and we have taken advantage.

Long Portfolio Summary

	Q2 Return
Overall Return	-24.79%

Best Performing	Q2 Contribution	Worst Performing	Q2 Contribution
Clearpoint Neuro	2.0%	Coinbase	-6.2%
Radius Global Infra.	0.5%	Unity	-3.9%
Interactive Corp	0.3%	MercadoLibre	-3.5%

The second quarter was another difficult quarter for the long portfolio in which we saw significant declines in several positions. High quality growth stocks were specifically under pressure in the quarter. Earnings on multiple positions saw pressure from the overall macro environment which drove declines in ad spending and e-commerce volumes. Lapping the comps of a stimulus fueled 2021 was no help either for most technology or ecommerce companies. It seems the market extrapolated out the COVID revenue and earning bump in 2020 & 2021 and is now extrapolating out the COVID decline in ecommerce into near perpetuity. This has presented an opportunity. Two of our Ecommerce and Digital payments portfolio companies, Paypal and MercadoLibre at trading at below their pre covid levels on all valuation metrics. We believe right now offers a great opportunity to own these businesses as the ecommerce and digital payments space stabilizes over the next few years post COVID and continues its stable penetration growth trajectory.

Coinbase was our largest detractor in Q2. It was significantly impacted by the decline of the overall crypto market. While we do believe that long term Coinbase will be a winner in the cryptocurrency space, we closed our position in Q2 both to harvest a tax loss and we believe the cryptocurrency market will have declining trade volumes for at least a few quarters forcing

Coinbase to make hard choices about headcount and reinvestment. We may re-enter a position in Coinbase at some point in the future.

The fund closed 4 positions and opened 2 long positions in Q2. Most notably we opened a large position in Leatt Corporation, a personal protective equipment maker.

Thrvy Holdings – Existing Position

Thrvy Holdings is one of our favorite types of investments, a small fast-growing business inside a larger declining business. The small fast-growing business in this case is a cloud based small business software platform called "Thryv". The large declining business is a marketing services business which consists primarily of Whitepages and Yellowpages offerings. The company was born through a 2017 merger of Dex Media and YP Holdings, both Yellowpages companies with a small but growing ambition to transition their business to become an SMB software platform. In 2020 Thrvy came public via a direct listing post the merger and a debt restructuring.

Thrvy held an Investor Day in April in which CEO Joe Walsh and his team laid out Thryv's strategy for the next 10 years. The market Thryv is going after is 12 million small and midsized businesses based on management's estimates. This TAM includes businesses in the US, Australia, Canada, and Europe that have between 2-50 employees and ~$500k in revenue. This 12 million TAM is huge as compared to the current 47,000 SaaS customers, suggesting there is significant runway for the Thryv SaaS product to grow its customer base. We believe that Thrvy will be an excellent long term growth business if it can even remotely achieve the aspirations management set out in their Investor Day. Below is a summary of our Long Thesis:

- **Thrvy Marketing Services business is viewed by the market as a drag on the SaaS business and the overall valuation, but <u>in fact it's a huge asset for Thrvy's SaaS business.</u>** Most of the existing Thrvy SaaS clients came from cross selling to their marketing services clients. We believe management can continue to cross sell their SaaS offering to marketing services clients for the foreseeable future.
- **Additional M&A of other Marketing Services businesses would be highly accretive**. The Thrvy Sensis acquisition in 2021 is a great example of the M&A value that Thrvy can create. Thrvy purchased Sensis for ~4.5x EBIDTA, which came with 100,000 Australian marketing services clients and an Australian sales team. Thrvy's US SaaS penetration of their Marketing Services clients is in the high single digits based on our own estimates, call it 7%. Over time as Thrvy is able to cross sell Sensis clients that means they can obtain about 7,000 new SaaS customers from marketing services cross selling plus add a regional sales team. SaaS clients currently have an ARPU of $350/month which would be about $30m of high gross margin SaaS revenue generated by the Sensis acquisition.
- **New sales channels are just ramping up.** Thrvy's focus until recently was growing clients via cross selling SaaS to marketing services clients. New channels of focus

including franchising, inbound selling, and partnering have begun ramping in 2022 and will be key factor in new customer growth going forward.

- **SMB SaaS adoption tailwind will sustain for over a decade.** SMBs are way behind their enterprise counterparts in terms of business management software and cloud adoption. SMBs will increasingly turn to mobile first software for their business management needs because software has become incredibly easy to use and the compute of the average cell phone is strong enough to allow all businesses the tools previously only used by enterprises.

Thryv - 4 Pillars of an Exceptional Investment:

Pillar	Rating	Comments
Pillar 1 - High Quality Business Model	B	• SaaS offering while not as sticky as enterprise software will still scale well providing significant Operating Leverage • Due to their end market (SMBs) customer churn will always be an issue. Managing the churn levels and making sure new customer additions outpace churn is a KPI for success • Marketing Services is a great cross selling opportunity for their SaaS Business. Additional M&A would be highly accretive.
Pillar 2 - Exceptional Management	A-	• Joe Walsh is an industry veteran who knows the SMB space well. The management team has plenty of software & SMB experience and worked well together for a long time. • So Far SaaS transition is progressing on plan • Go to Market strategy has been slow to roll out and ramp up in terms of additional sales channels outside of Market Services cross selling. Executing on additional sales channels should prove out management's strategy and give investor's confidence in their 10-year vision.
Pillar 3 - Substantial Long Term Growth Prospects	A+	• SMBs SaaS is a huge untapped market • As Boomers age out and retire from the SMB market, younger more tech savvy entrepreneurs that replace them will be looking for a SaaS business management solution like the consumer software they are accustomed in their personal lives.
Pillar 4 - Reasonable Valuation	A +	• Valuation is based mostly on the declining Marketing Services Business • EV/EBITDA = 5 • SaaS Growth ~20-30% for 10+ years will eventually cause the valuation to shift to valuing the SaaS business which will get a higher multiple from investors

Short Portfolio Summary

	Q2 Return
Overall Return	44.21%

Best Performing	Q2 Contribution	Worst Performing	Q2 Contribution
Warby Parker	6.2%	Clear Secure	-0.9%
Dutch Brothers	2.6%	Jinko Solar	-0.8%
Carvana	2.3%	Sunrun	-0.5%

The short portfolio significantly outperformed our benchmarks in Q2. Several short positions were down over 30% in the quarter including Warby Parker, Carvana, Affirm, Beyond Beef, and few smaller positions.

We continue to keep short positions in many Electric Vehicles, Alternative Energy, Moonshots (no revenue companies with big ambitions) and failed SPACs but have closed all our valuation shorts in SaaS companies as the valuations have contracted to be more in line with historical averages.

Top Holdings & Current Exposure

Top Holdings

Long Portfolio	Industry/Segment	%	Short Portfolio	Industry/Segment	%
Leatt Corporation	Retail	9.8%	ARK Innovation ETF	Innovation ETF	-4.3%
Adyen	Payments Software	9.2%	Rivian	Electric Vehicles	-3.8%
Thryv Holdings	Application Software	9.2%	Nvidia	Semiconductors	-3.3%
Elastic N.V.	Application Software	8.7%	Warby Parker	Retail	-3.1%
Clearpoint Neuro	Medical Devices	8.4%	MannKind	Biotechnology	-3.0%

At the end of the Q2 the fund held 22 long positions and 23 short positions. The fund ended the quarter with an exposure of 140% long and 54% short or an 86% net long exposure.

Fund Launch

As of July 1st Deep Sail Capital has officially launched to outside investors. The process to get point has been a several year journey in which I had tremendous support along the way. For anyone that picked up my call, responded to my email, or offered advice over twitter I want to thank you for your time and guidance. Most importantly I want to thank all the current investors for their willingness to believe in me and trust me with their hard-earned capital over the last seven years.

With the fund launch several changes have been made to the fund's documents, fee structure, fund name, and service providers. These changes have all been communicated to you via email, but if you have any questions on these changes don't hesitate to reach out to me.

The fund is now accepting new investment from all US based accredited investors. We pride ourselves on being a flexible and LP friendly firm, including a fee structure of 1.5% & 15% below industry average and putting an emphasis on deferring capital gains taxes for LPs when possible. Our ideal LP is someone that aligns with our goal of long-term capital appreciation that wants to be a partner in the fund for 10-20+ years. If you know of anyone who you think might be interested in investing in the fund, please contact me at info@deepsailcapital.com.

Sincerely,
Deep Sail Capital LLC

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"Deep Sail Capital Partners" returns in this document are shown as Gross Returns. For Net Returns of fees and expenditures figures please reach out to the fund manager at the email info@deepsailcapital.com.

"Deep Sail Capital LLC" name was changed on April 7th 2022 from the previous name "Organon Capital LLC".
"Deep Sail Capital Partners LP" name was changed on April 6th 2022 from the previous name "Westropp Funds LP".

"Strategy Since Inception" refers to the Strategy inception date of July 2016. Deep Sail Capital Partners LP's predecessor incubator fund, "Westropp Funds LP" pivoted from a Value Investment style to a Growth at a Reasonable Price (GARP) style fund on that date. For more details on this transition or the calculation behind the "Strategy Since Inception" returns please reach out to the fund manager at info@deepsailcapital.com.