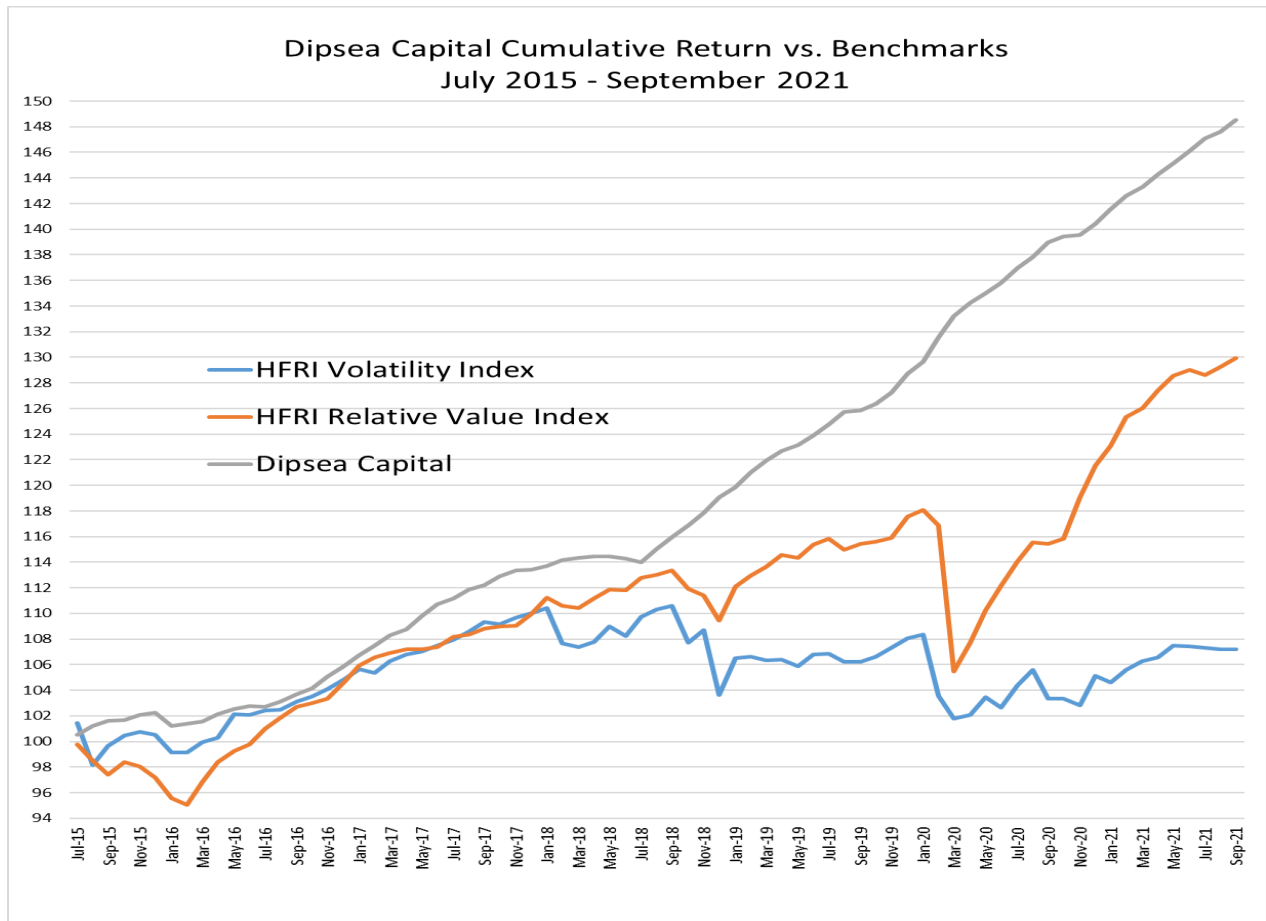




Market Sentiment Divergence - Dipsea Capital October 2021 Commentary



The Dipsea Capital Fund returned 0.57% in October, 6.41% year-to-date, and 7.13% to partners for the last twelve months. Markets experienced a divergence in October – as U.S. equities traded steadily higher, while U.S. bond markets were highly volatile. More on this below. The S&P 500 recovered its September loss with a gain of 7.01% and the Nasdaq did the same, up 7.27%.

The Tesla breakout on the October 25th news of its receiving a large order from Hertz was the cherry on the cake in October. Fortunately, we benefit from shifts in Tesla’s volatility profile, which does not require a view on whether Tesla is under or over-valued. Tesla’s at-the-money

implied volatility jumped from 35 prior to this news to 60 and then as high as 90 the following week. Tesla was our largest single-name contributor in October (11 bps).

Stock market volatility was on the decline for most of October (until October 25th) and we were consistently profitable throughout the month. Our gross daily returns were in the range of +0.10% to -0.03%. Index trading accounted for 77% of October's return, with the remainder coming from single-names. Dipsea's net market exposure averaged 0.1%.

Market Thoughts and Organizational Update

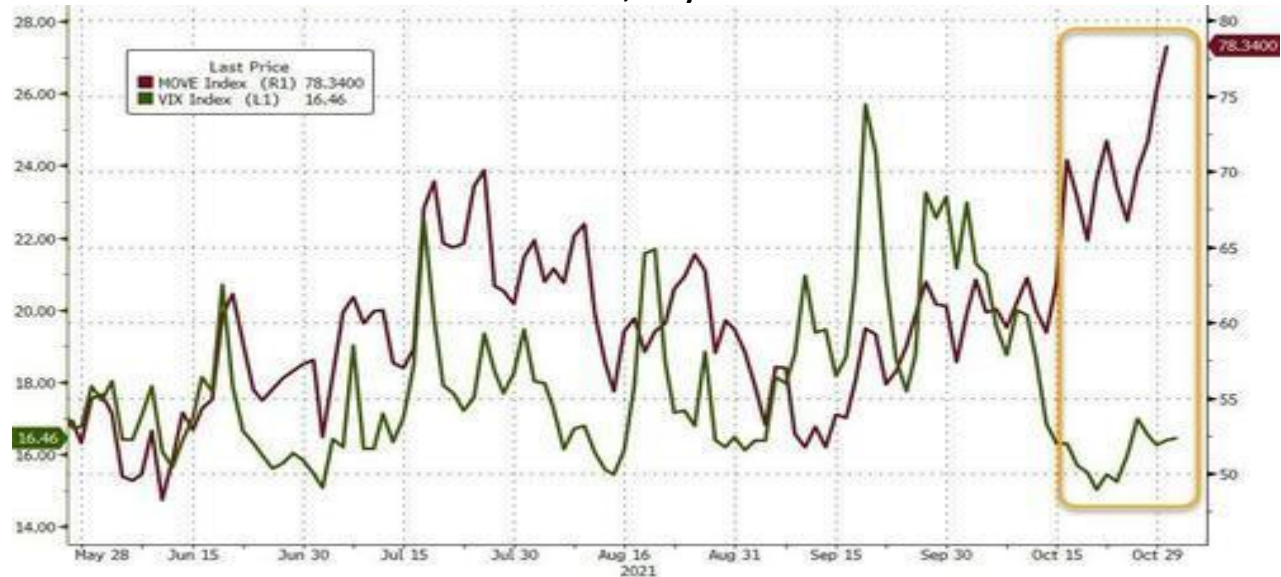
We expect an interesting remainder of the year as despite the recent relative calm, the market's animal spirits are ever present. Recent employment and earnings data and Chairman Powell's start of bond purchase tapering announcement November 3rd have been well received by the market, but it was only two weeks prior to this that the market sold off as he commented on the start of tapering at the Bank for International Settlements Conference. Input costs, the supply and rising cost of labor, and supply chain problems remain top concerns for corporations.



As can be seen in the following graph, stock and bond market volatility drastically diverged in recent weeks. As mentioned above, the VIX was on the decline while the MOVE index spiked to its highest level since April, 2020. Clearly, bond investors and equity investors have very different

takes on the market impact of the Fed's announcement. The MOVE index tracks U.S. Treasuries' volatility across various maturities.

VIX vs. MOVE index, May – October 2021



We are pleased to announce that we welcomed Ryan Miller to the Dipsea Capital team in September. Ryan joins us from Aviva Investors, where he led sales enablement initiatives and supported institutional relationship development as part of its Americas Client Solutions team in Chicago. He is working with Jonathan Clark, our Director of Marketing, as we continue to reach out to new investors seeking consistent, uncorrelated returns.

Thank you for your continued trust and support and please contact us with any comments or questions.

Sincerely,

Christopher Antonio

Chief Investment Officer and Founder