Peter Rabover
Portfolio Manager
Artko Capital LP

May 15, 2021

Dear Partner,

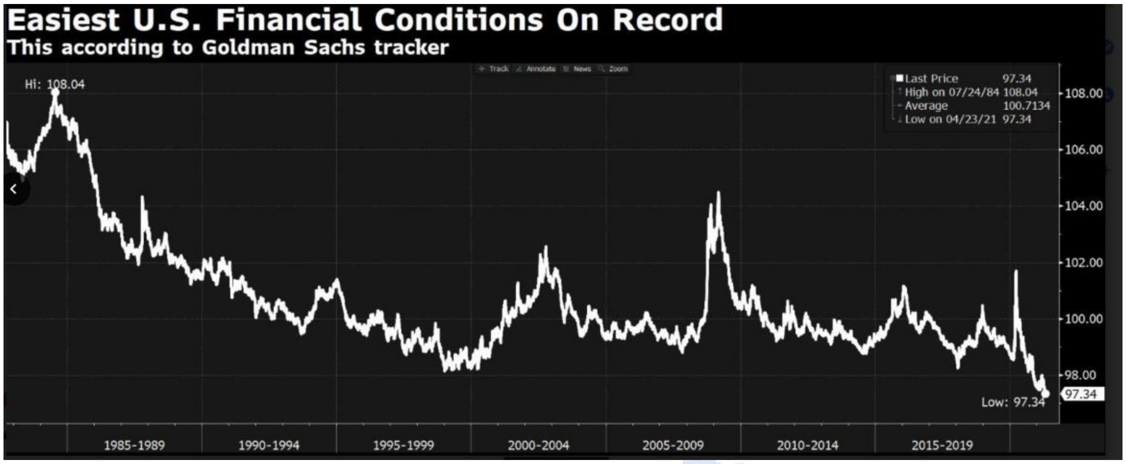
For the first calendar quarter of 2021, an average partnership interest in Artko Capital LP returned 30.9% net of fees. At the same time, investments in the most comparable market indexes—Russell 2000, Russell Microcap, and the S&P 500—were up 12.7%, 23.9%, and 6.2% respectively. Our detailed results and related footnotes are available in the table at the end of this letter. Our results this quarter came from Shyft Group, HireQuest, as well as modest contributions from US Ecology warrants and Northern Technologies.

	2Q20	3Q20	4Q20	1Q21	1 year	3 year	5 year	Inception 7/1/2015	Inception Annualized
Artko LP Net	**-11.4%**	**22.0%**	**17.2%**	**30.9%**	**65.7%**	**9.0%**	**14.4%**	**109.4%**	**13.7%**
Russell 2000 Index	**25.4%**	**4.9%**	**31.4%**	**12.7%**	**94.9%**	**14.8%**	**16.4%**	**91.5%**	**12.0%**
Russell MicroCap Index	**30.5%**	**3.7%**	**31.4%**	**23.9%**	**120.3%**	**16.6%**	**18.1%**	**94.3%**	**12.2%**
S&P 500 Index	**20.5%**	**8.9%**	**12.2%**	**6.2%**	**56.4%**	**16.8%**	**16.3%**	**116.0%**	**14.3%**

On Willful Ignorance

In the late 90's former Federal Reserve Chairman Alan Greenspan coined a phrase "irrational exuberance" to describe the go-go years and the investor behavior of the dot-com market environment. The phrase went on to gain even more prominence as Nobel Prize laureate Robert J Shiller published the eponymously titled book at the peak of the market in March 2000. In a similar vein the phrase "Too Big To Fail" became popular and synonymous with the housing crash and financial institution crisis in the late 2000s. It seems at every cycle there is a phrase that captures the market sentiment at its most definitive moment. Having been an active market participant for over two decades and an active reader of financial history, your portfolio manager would like to try his hand at coining a phrase that describes today's market environment: willful ignorance, a *decision in bad faith to avoid becoming informed about something so as to avoid having to make undesirable decisions that such information might prompt.*

The current market cycle continues to benefit from an exponential increase in willful ignorance by almost every corner and participant in the economy: from the regulatory apparatuses such as Securities and Exchange Commission (SEC) to monetary and fiscal policy makers such as the Federal Reserve and Executive and Legislative branches of the government, to institutional allocators of capital. The gorging gene theory which states humans are predisposed to gorge on scarce high calorie foods due to our foraging history 30,000 years ago is alive and well today, except instead of a fig tree we are gorging on capital, hereto a scare resource. However, with costs of capital, or at least perception of, nearly free and the scarcity of capital nearly non-existent, everyone seems to be gorging themselves on assets without any regard to the consequences of so called inflationary obesity that is now prevalent in our society today. And certainly it's hard to care about the future when the present has the easiest financial conditions on record:



That inflation is here is not a question, as the 4.2% "surprise" CPI reading showed this week. Listening to earnings calls of some of the world's biggest companies in the 1st quarter of 2021 it is by far the number one topic and concern among business executives today. The question is how policy makers can continue to advocate monetary and fiscal policies that instead of taming inflation and substantial asset bubbles are actually pouring gasoline on them by continuing with the substantial quantitative easing of policies and massive fiscal spending bills. There are numerous problems with this scenario, but our main concern essentially boils down to uncertainty. It has been more than a few generations since our society, both economic participants and policy makers have seen real, high single-digit/low double-digit inflation outside of the massive asset bubbles that continue to build up all around us (that Jerome Powell at the Fed has explicitly dismissed as outside of his purview). The real problem with inflation is not the actual loss in purchasing power (though that is certainly also a BIG problem) but the uncertainty it creates in almost every aspect of decision making along the economic chain, from everyday grocery purchases to multi-year and multibillion-dollar investment decisions. It feels surreal for our leaders to clamor and encourage something that has in the past brought down presidential administrations, nations, and empires and has destroyed economic security that is prized, above all, by most of humanity. Uncertainty breeds volatility and that is in fact the real risk that we see here. With most of the market regulatory apparatuses asleep at the wheel over the last decade, we have built up significant hidden risks within our system. While for some, the events so far in 2021, like the Gamestop episode bringing down a number of reputable funds or the Archegos family office implosion while the markets are putting up all time highs causing tens of billions in losses to major banks, are seen as one offs, we see them as signs of cracks in an increasingly unstable market structure that simply cannot handle any increase in volatility or interest rates. We are not prognosticators of markets, but our job as a steward of your capital is to make sure we keep a close on eye on them. With the economy posting fairly decent fundamental numbers in growth and jobs and expected to be back to above its pre-Covid economic shut down numbers this quarter, as well as aforementioned lax fiscal and monetary policies, we see a decent probability of continuing to see substantial gains in the markets and our portfiolio with our companies continuing to report fantastic numbers and sporting modest valuations, relative to the market. It is fair to say that our portfolio is still in the middle innings of recovering from the drawdown in the 1st half of 2020 and our "reopening bets" and other individual name theses still have a long runway to continue to play out. However, with the concerns we outlined above we assign almost an equal probability to seeing chaos in the markets in the intermediate future.

Our current strategy is to continue to aggressively hedge our portfolio (currently via tech indexes and ETFs) in the most cost-efficient way possible and to continue to hold our current portfolio without making substantial moves other than for risk management purposes. We are in the process of continuing to build up a Core Portfolio position in an insurance microcap and we did sell our position in Channel Advisor (ECOM) both for an individual red flag reason and for de-risking the portfolio from a frothy tech sector after a nice 40% plus return. However, past those moves, while we have an active watch list, we are looking to stay put with our current portfolio.

Core Portfolio Additions

- We are patiently adding to a microcap insurance company with a potential event driven special situation in the near future. We look forward to updating you on the name and thesis once we have built up a full position.

Core Portfolio Sales

- Channel Advisor (ECOM) – We sold our position in Channel Advisor in the low $20s during the quarter. While we do consider ourselves long-term investors with an average holding period of over 3.5 years and tend to be tax conscious with respect to capital gains and losses, we just felt increasingly uncomfortable with the behavior of the tech sector. More importantly a slew of insider sales, including from the director whom we have followed into the story, have always been a red flag signal for us which more often than not follows some bad news/decline in the stock and we just were not comfortable with the position. We took our 40% gain and ran.

Other Portfolio Updates

- HireQuest (HQI) – Our biggest contributor to our portfolio's performance this past quarter was a 90% run up in the small cap franchisor of staffing branches. Our original thesis that the reverse merger with Command Center and the subsequent franchise sales of those branches would add to HireQuest's own franchised brand network would result in a very high margin business which would throw off significant cash flow. The thesis was playing out as expected prior to the Covid-19 pandemic, which certainly curtailed demand for on-demand staffing, especially in the event space where HQI had a large presence. However, the company, led by their impressive CEO, Richard Hermans, and their solid cash positive balance sheet, navigated the tumultuous waters of the past year with $9mm positive cash flow and, in the 1st quarter, added two "tuck in acquisitions" in the South, that increased its system-wide sales by 50%. Between the acquisitions and its own base business, the company is still operating 50% below its pre-pandemic levels while generating impressive cash flow ($4mm in 1Q ex acquisitions). With the United States "open for business" we expect the rest of year to go gangbusters, especially with the increasing demand for labor, and expect this $250mm market cap company to potentially generate over $30mm in Free Cash Flow in the next twelve months. While we have certainly enjoyed the 200%+ return we have had in the holding so far, we expect at least another 100-200% in the intermediate future as the market recognizes the operating leverage and the cash flow generating potential for this impressive company.

Partnership Updates

We welcomed one new partner to the partnership this quarter, bringing our total to 46 at the end of March. Despite the current economic challenges, we are excited about the continued growth in partners and recovery in assets under management and, as always, are thankful for your business.

Next Fund Opening

Our next partnership openings will be June 1, 2021. Please reach out for updated offering documents and presentations at info@artkocapital.com or 415.531.2699.

Appendix A: Performance Statistics Table

	Artko LP Gross	Artko LP Net	Russell 2000 Index	Russell MicroCap Index	S&P 500 Index
YTD	32.7%	30.9%	12.7%	23.9%	6.2%
1 Year	69.4%	65.8%	94.9%	120.3%	56.4%
3 Year	14.6%	10.8%	14.8%	16.6%	16.8%
5 Year	18.9%	14.4%	16.4%	18.1%	16.3%
Inception 7/1/2015	161.9%	109.4%	91.5%	94.3%	116.0%
Inception Annualized	18.2%	13.7%	12.0%	12.2%	14.3%
Monthly Average	1.7%	1.3%	1.1%	1.2%	1.2%
Monthly St Deviation	7.1%	6.7%	6.0%	6.6%	4.3%
Correlation w Net	-	1.00	0.74	0.71	0.71

Legal Disclosure

The Partnership's performance is based on operations during a period of general market growth and extraordinary market volatility during part of the period, and is not necessarily indicative of results the Partnership may achieve in the future. In addition, the results are based on the periods as a whole, but results for individual months or quarters within each period have been more favorable or less favorable than the average, as the case may be. The foregoing data have been prepared by the General Partner and have not been compiled, reviewed or audited by an independent accountant and non-year end results are subject to adjustment.

The results portrayed are for an investor since inception in the Partnership and the results reflect the reinvestment of dividends and other earnings and the deduction of costs, the management fees charged to the Partnership and a pro forma reduction of the General Partner's special profit allocation, if applicable. The General Partner believes that the comparison of Partnership performance to any single market index is inappropriate. The Partnership's portfolio may contain options and other derivative securities, fixed income investments, may include short sales of securities and margin trading and is not as diversified as the indices, shown. The Standard & Poor's 500 Index contains 500 industrial, transportation, utility and financial companies and is generally representative of the large capitalization US stock market. The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index and is generally representative of the small capitalization U.S. stock market. The Russell Microcap Index is comprised of the smallest 1,000 securities in the Russell 2000 Index plus the next 1,000 securities (traded on national exchanges). The Russell Microcap is generally representative of the microcap segment of the U.S. stock market. All of the indices are unmanaged, market weighted and reflect the reinvestment of dividends. Due to the differences among the Partnership's portfolio and the performance of the equity market indices shown above, however, the General Partner cautions potential investors that no such index is directly comparable to the investment strategy of the Partnership.

While the General Partner believes that to date the Partnership has been managed with an investment philosophy and methodology similar to that described in the Partnership's Offering Circular and to that which will be used to manage the Partnership in the future, future investments will be made under different economic conditions and in different securities. Further, the performance discussed herein does not reflect the General Partner's performance in all different economic cycles. It should not be assumed that investors will experience returns in the future, if any, comparable to those discussed above. The information given above is historic and should not be taken as any indication of future performance. It should not be assumed that recommendations made in the future will be profitable, or will equal, the performance of the securities discussed in this material. Upon request, the General Partner will provide to you a list of all the recommendations made by it within the past year.

This document is not intended as and does not constitute an offer to sell any securities to any person or a solicitation of any person of any offer to purchase any securities. Such an offer or solicitation can only be made by the confidential Offering Circular of the Partnership. This information omits most of the information material to a decision whether to invest in the Partnership. No person should rely on any information in this document, but should rely exclusively on the Offering Circular in considering whether to invest in the Partnership.