GATOR
CAPITAL MANAGEMENT

August 4, 2022

Dear Gator Financial Partners:

We are pleased to provide you with Gator Financial Partners, LLC's (the "Fund" or "GFP") 1st Half 2022 investor letter. This letter reviews the Fund's 1st half of 2022 investment performance, our current thoughts on bank stocks, and our investment thesis on Axos Bank.

Review of 1st Half 2022 Performance

During the 1st Half of 2022, the Fund outperformed the Financials sector benchmark and the broader market. Short positions in SoFi Technologies, Compass, and Boston Properties were top contributors to performance. The largest detractors were long positions in PennyMac Financial, Jackson National, and Navient.

For Q2 2022, the Fund's top contributors were short positions in SoFi Technologies, Compass, and Boston Properties. The leading detractors were long positions in Jackson National, Anywhere Real Estate (fka Realogy Holdings), and BBX Capital.

	2022 YTD	Total Return Since Inception[1]	Annualized Return Since Gator's Inception[1]
Gator Financial Partners, LLC[2]	-17.81%	1,052.10%	19.08%
S&P 500 Total Return Index[3]	-19.96%	293.48%	10.27%
S&P 1500 Financials Index[3]	-18.22%	166.10%	7.24%

Source: Gator Capital Management & Bloomberg

Current Thoughts on Bank Stocks

Regional banks and other stocks in the Financials sector had a poor first half of 2022. Investors shifted from optimism about rising rates helping bank earnings, to focusing on downside risk and fears of recession. During January & February, the regional bank index outperformed the broader stock market by 12%. In contrast, from the end of February through June, regional banks underperformed the broader market by 9%. This underperformance came at the same time interest rates were shooting higher. Rising interest rates help bank earnings because banks can earn more on the cash, loans, and securities they hold, while they lag increasing the rates they pay on their deposits. Rising interest rates should materially help most banks' earnings.

[1] The Fund's inception date was July 1, 2008.
[2] Performance presented assumes reinvestment of dividends, is net of fees, brokerage and other commissions, and other expenses an investor in the Fund would have paid. Past performance is not indicative of future results. Please see General Disclaimer on page 7.
[3] Performance presented assumes reinvestment of dividends. No fees or other expenses have been deducted.

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The change in bank stock performance coincided with the Russian invasion of Ukraine, which we believe was the catalyst for investors to begin fearing a recession. When investors start to fear a recession, one of the first sectors they look to reduce risk is Financials because of the potential for credit losses in a recession. To implement this trade quickly, some large investors use ETFs to reduce their bank exposures. This causes a temporarily high correlation among bank stocks and creates opportunity, as either some banks have much better credit underwriting than others, or they have loan portfolios focused on less risky types of loans. We think there is opportunity to differentiate between the banks and own the ones with less risky credit profiles.

If we have a recession, we believe it will be short and shallow. In the last 35 years, we have had four recessions:

- 1990-91: Commercial real estate, Savings & Loan crisis, and Kuwait invasion
- 2000-02: Internet bubble and telecom debt bubble
- 2008-09 Great Financial Crisis,
- 2020 Covid shutdown

The deep recessions were the 1990-91 recession and the 2008-09 recession. These recessions coincided with credit crunches. The banking industry had severe problems during these recessions because bank lending standards were loose entering these periods. When the banks tightened underwriting during these recessions, it had a compounding effect, further restricted economic activity, and made the recessions deeper. During the other two recessions (in 2000-02 and in 2020) banks were more healthy and continued lending through the recessions. Economic activity recovered in a reasonable time, and these recessions were shallow. In our view, bank balance sheets and credit quality have never been stronger. We do not believe banks have loose credit underwriting. We think banks will continue lending if we have a recession.

We believe the market is overlooking the opportunity in banks. The earnings prospects have improved with higher rates, but the stocks have declined significantly since March. We own several banks that trade at 7x 2023 earnings, compared to January when they were trading as high as 14x earnings. We believe the earnings prospects have gotten better during 2022. We have seen strong loan growth in Q2 2022. Interest rates moved faster than investor expectations at the beginning of the year, and credit quality has remained strong.

We do have minor concerns with banks. With rate increases, banks are showing losses on their bond holdings. This may be a reason investors are choosing not to own banks despite good loan growth and expanding net interest margins. Another concern is the Fed may not pause interest rate increases until they hurt the economy. The Fed seems insistent on raising rates despite long-term bonds yielding around 3%. Market commentators refer to this as a potential “policy error” by the Fed. We are less concerned. We think the Fed is trying to regain its inflation-fighting credibility, but they will not cause a deep recession. Lastly, we believe some of the market sell-off in bank stocks during 2022 is due to the sell-off in the broader stock market and in crypto currencies. While this does not affect the fundamental performance of our bank holdings, the broader bear market does reduce overall liquidity in the financial system. Ultimately, we think the pullback in crypto and technology-related areas is healthy, but it creates near-term uncertainty.

We think the market has overshot on the prices of banks and other Financials compared to the fundamentals. The banks usually track the 10-year Treasury. However, since March, when Russia invaded Ukraine, the relationship between bank stocks and the 10-year Treasury has diverged. We are already seeing that Q2 earnings reports have been a reason for investors to positively reevaluate their positioning. At the same time, we are aware investors may wait until after they get more clarity to add more risk in this area.

Axos Financial (AX)

We have owned a position in Axos Financial for 2 years, but the stock is off 37% from its high in early 2022. We think Axos is a good example of the opportunity in bank stocks right now. Axos has strong organic growth. It has low credit losses and will benefit from higher rates. No company specific issues have materialized in 2022 to explain the stock decline.

Here is our investment thesis on Axos Financial:

1. **Management –** Greg Garrabrants has been the CEO since 2007 and has done a nice job of growing the bank. We think his strategy of targeting lending businesses with attractive returns and steadily building out multiple deposit franchises has created value. For example, Axos has built out several loan programs such as Small Balance Commercial Mortgages and Lender Finance. On the deposit side, Axos has diversified its deposit gathering from Consumer Direct to include Fiduciary Deposits and White Label Banking.

2. **Nationwide Direct Bank –** Axos Financial is a nationwide direct bank. They have customers in every state, but they do not have branches. Previously, Axos operated under the name Bank of the Internet. The direct bank operation allows them to operate more efficiently than other banks with significant branch systems. Operating as a direct bank for two decades has positioned them well for the current trend of remote work and serving customers virtually.

3. **Organic Growth Focus –** For the most part, Axos has grown organically throughout its history. However, from time to time, the company has made small acquisitions to acquire new capabilities, such as the securities clearing business, which they use as growth platforms. We believe organic growth is more valuable than acquisition growth.

4. **Securities Clearing –** Over the last several years, Axos has made a couple bolt-on acquisitions that have positioned it to grow in serving Investment Advisors and smaller Broker-Dealers. Axos purchased Apex Clearing to start serving smaller Broker-Dealers. This deal gives Axos access to low-cost deposits in the form of excess cash held by the Broker-Dealer's customers in their brokerage accounts. Then, last year, Axos purchased E*Trade's Investment Advisor ("RIA") servicing business from Morgan Stanley. We think there is a good opportunity for Axos to fill a market need in servicing RIA's. After Schwab acquired Ameritrade, there are fewer options, especially for smaller RIA's, to custody their customers' assets. This acquisition of E*Trade's RIA relationships gives Axos critical mass to grow this business.

5. **Low Valuation –** Axos trades at 8x earnings. As recently as January, the bank traded at 14x earnings. We attribute the lower valuation to the general sell-off in regional bank shares since the Russian invasion of Ukraine rather than any Axos specific issue.

Other stock market investors see risks to Axos Financial's shares:

1. **Less Asset Sensitive –** Axos has a significant percentage of hybrid fixed-rate loans with initial terms of 3 to 5 years. So, in the current rising rate environment, Axos is less asset sensitive than peers who have a higher percentage of floating rate loans. However, compared to 2015, Axos' balance sheet is more sensitive to rising interest rates than it had been. Axos has more floating rate commercial loans than it did in 2015. Also, Axos has more low-cost commercial deposits it will not have to reprice to retain. We still think Axos will benefit from higher interest rates, but the benefit will come over a period of several years, instead of in late 2022 and early 2023.

2. **Executive Compensation –** The CEO has an innovative compensation structure. His compensation increases if the stock outperforms its benchmark. This can lead to remarkably high payouts if the stock does well. If the stock underperforms, he will not receive a bonus. We are not thrilled with this arrangement, but we tolerate it because we believe the opportunity in Axos is outsized.

We like Axos Financial. We think the stock is interesting at the current level. The management team has a strong record of consistent, organic growth. The bank's current valuation is low, especially compared to recent history. We think the bank has ample opportunity for continued growth. We view Axos as an example of a bank holding in our portfolio that demonstrates low valuation, solid organic growth, and low likelihood of material credit losses in the medium-term. We have a dozen or more holdings with similar characteristics.

Portfolio Analysis

Largest Positions
Below are the Fund's five largest common equity long positions. All data is as of June 30, 2022.

Long
Genworth Financial
First Bancorp PR
OFG Bancorp
PennyMac Financial Services
Victory Capital Holdings

Sub-sector Weightings
Below is a table showing the Fund's positioning within the Financials sector[4] as of June 30th, 2022.

	Long	**Short**	**Net**
Alt Asset Managers	0.00%	0.00%	0.00%
Capital Markets	13.27%	0.00%	13.27%
Banks (large)	33.21%	-20.25%	12.96%
Banks (small)	29.72%	-21.99%	7.73%

[4] "Financials sector" is defined as companies included in the Global Industry Classification System ("GICS") sectors 40 and 60, which contains financial and real estate companies.

P&C Insurance	13.03%	-2.93%	10.09%
Life Insurance	15.74%	0.00%	15.74%
Non-bank Lenders	16.55%	0.00%	16.55%
Processors	0.00%	0.00%	0.00%
Real Estate	9.38%	-3.24%	6.14%
Exchanges	0.00%	0.00%	0.00%
Index Hedges	0.00%	-0.65%	-0.65%
Non-Financials	0.00%	0.00%	0.00%
Total	130.90%	-49.08%	81.83%

The Fund's gross exposure is 193.71%, and its net exposure is 81.55%. From this table, we exclude fixed income instruments such as preferred stock. Preferred stock positions account for an additional 13.73% of the portfolio.

Conclusion

Thank you for entrusting us with a portion of your wealth. We are grateful for investors like you who believe and trust in our strategy. On a personal level, Derek Pilecki, the Fund's Portfolio Manager, continues to have more than 80% of his liquid net worth invested in the Fund.

As always, we welcome the opportunity to speak with you and discuss the Fund.

Sincerely,

Gator Capital Management, LLC

Gator Capital Management, LLC

Gator Capital Management, LLC prepared this letter. Ultimus LeverPoint Fund Solutions, LLC, our administrator, is responsible for the distribution of this information and not its content.

General Disclaimer

By accepting this investment letter, you agree that you will not divulge any information contained herein to any other party. This letter and its contents are confidential and proprietary information of the Fund, and any reproduction of this information, in whole or in part, without the prior written consent of the Fund is prohibited.

The information contained in this letter reflects the opinions and projections of Gator Capital Management, LLC (the "General Partner") and its affiliates as of the date of publication, which are subject to change without notice at any time subsequent to the date of issue. All information provided is for informational purposes only and should not be deemed as investment advice or a recommendation to purchase or sell any specific security.

All performance results are based on the net asset value of the Fund. Net performance results are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, as indicated, and include the reinvestment of all dividends, interest, and capital gains. The performance results represent Fund-level returns and are not an estimate of any specific investor's actual performance, which may be materially different from such performance depending on numerous factors.

The market indices appearing in this letter have been selected for purposes of comparing the performance of an investment in the Fund with certain well-known equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject and may involve significantly less risk than the Fund. The Fund is not restricted to investing in those securities which comprise these indices, its performance may or may not correlate to these indices, and it should not be considered a proxy for these indices. The S&P 500 Total Return Index is a market cap weighted index of 500 widely held stocks often used as a proxy for the overall U.S. equity market. The S&P 1500 Financials Index is a market cap weighted index of financial stocks within the S&P 1500 Super Composite Index we used as a proxy for the Financials sector of the U.S. equity market. An investment cannot be made directly in either index. The Fund consists of securities which vary significantly from those in the benchmark indices listed above. Accordingly, comparing results shown to those of such indices may be of limited use.

Statements herein that reflect projections or expectations of future financial or economic performance of the Fund are forward-looking statements. Such "forward-looking" statements are based on various assumptions, which assumptions may not prove to be correct. Accordingly, there can be no assurance that such assumptions and statements will accurately predict future events or the Fund's actual performance. No representation or warranty can be given that the estimates, opinions, or assumptions made herein will prove to be accurate. Any projections and forward-looking statements included herein should be considered speculative and are qualified in their entirety by the information and risks disclosed in the Fund's Private Placement Memorandum. Actual results for any period may or may not approximate such forward-looking statements. You are advised to consult with your own independent tax and business advisors concerning the validity and reasonableness of any factual, accounting and tax assumptions. No representations or warranties whatsoever are made by the Fund, the General Partner, or any other person or entity as to the future profitability of the Fund or the results of making an investment in the Fund. Past performance is not a guarantee of future results.

The funds described herein are unregistered private investment funds commonly called "hedge funds" (each, a "Private Fund"). Private Funds, depending upon their investment objectives and strategies, may invest and trade in a variety of different markets, strategies and instruments (including securities, non-securities and derivatives) and are NOT subject to the same regulatory requirements as mutual funds, including requirements to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in a Private Fund (which also are applicable to the underlying Private Funds, if any, in which a Private Fund may invest). Prospective investors should note that:

- A Private Fund represents a speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication/experience, and willingness to bear the risks of an investment in a Private Fund. An investor could lose all or a substantial portion of his/her/its investment.
- An investment in a Private Fund is not suitable for all investors and should be discretionary capital set aside strictly for speculative purposes. Only qualified eligible investors may invest in a Private Fund.
- A Private Fund's prospectus or offering documents are not reviewed or approved by federal or state regulators and its privately placed interests are not federally, or state registered.
- An investment in a Private Fund may be illiquid and there are significant restrictions on transferring or redeeming interests in a Private Fund. There is no recognized secondary market for an investor's interest in a Private Fund and none is expected to develop. Substantial redemptions within a limited period of time could adversely affect the Private Fund.
- Certain portfolio assets of a Private Fund may be illiquid and without a readily ascertainable market value. The manager's/advisor's involvement in the valuation process creates a potential conflict of interest. Instances of mispriced portfolios, due to fraud or negligence, have occurred in the industry.
- A Private Fund may have little or no operating history or performance and may use performance information which may not reflect actual trading of the Private Fund and should be reviewed carefully. Investors should not place undue reliance on hypothetical, pro forma or predecessor performance.
- A Private Fund may trade in commodity interests, derivatives, and futures, both for hedging and speculative purposes, and may execute a substantial portion of trades on foreign exchanges, all of which could result in a substantial risk of loss. Commodities, derivatives, and futures prices may be highly volatile, may be difficult to accurately predict, carry specialized risks and can increase the risk of loss.
- A Private Fund's manager/advisor has total trading authority over a Private Fund. The death or disability of a key person, or their departure, may have a material adverse effect on a Private Fund.
- A Private Fund may use a single manager/advisor or employ a single strategy, which could mean a lack of diversification and higher risk. Alternatively, a Private Fund and its managers/advisors may rely on the trading expertise and experience of third-party managers or advisors, the identity of which may not be disclosed to investors, which may trade in a variety of different instruments and markets.
- A Private Fund may involve a complex tax structure, which should be reviewed carefully, and may involve structures or strategies that may cause delays in important financial and tax information being sent to investors.
- A Private Fund's fees and expenses, which may be substantial regardless of any positive return, will offset such Private Fund's trading profits. If a Private Fund's investments are not successful or are not sufficiently successful, these payments and expenses may, over a period of time, significantly reduce or deplete the net asset value of the Private Fund.

- A Private Fund and its managers/advisors and their affiliates may be subject to various potential and actual conflicts of interest.
- A Private Fund may employ investment techniques or measures aimed to reduce the risk of loss which may not be successful or fully successful.
- A Private Fund may employ leverage, including involving derivatives. Leverage presents specialized risks. The more leverage used, the more likely a substantial change in value may occur, either up or down.

The above summary is not a complete list of the risks, tax considerations and other important disclosures involved in investing in a Private Fund and is subject to the more complete disclosures in such Private Fund's offering documents, which must be reviewed carefully prior to making an investment.

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