

April 21, 2021

Quarterly Report - Kalo Capital Management, LP

Net Performance	Jan'21	Feb'21	Mar'21	YTD 2021	Trailing 2 Year (Apr'19-Mar'21)
Kalo Capital Management, LP	10.9%	13.3%	(4.5%)	20.0%	68.4%
Russell 2000 (IWM)	4.8%	6.2%	1.4%	12.9%	48.2%
S&P 500 (SPY)	(1.0%)	2.8%	4.5%	6.4%	45.5%
Small Cap Momentum ETF (DWAS)	6.9%	6.7%	(1.0%)	13.0%	69.2%
Gross Alpha Performance	10.3%	13.7%	(5.6%)	18.3%	79.8%
Gross Beta Performance	3.5%	2.6%	0.4%	6.6%	9.8%

Performance

In the first quarter, Kalo gained +20.0% net versus a 12.9% gain for the Russell 2000.

We are pleased 2021 is off to a great start! We have been running at the high end of typical levels due to the favorable market environment and performance has been strong.

January and February saw significant moves higher for many of our holdings. As certain stocks reached price targets we have trimmed or exited positions and cycled into new ideas. March saw things settle down with a slight pullback across the micro/small market cap landscape. This pullback has continued in April. Pullbacks like this are typical. Historically we find that these pullbacks will be broad based across small/micro market cap stocks in the short term, regardless of the underlying fundamental trends or valuations, as investment money simply leaves the space and liquidity dries up. Then those names with the strong fundamentals, compelling values, and performance catalysts will rebound leading to additional alpha performance. This is a typical pattern and reinforces the need for conviction in our holdings.

Our gross long exposure continues to run slightly higher than typical. As a reminder, our investments tend to be underfollowed with compelling value, but also have underappreciated near term growth (generally over the next couple of quarters). This near term fundamental growth, we believe will act as a catalyst for upward stock movement regardless of the overall market direction.

We are hopeful that the Covid pandemic is moving into the later stages, lockdowns are coming to an end, and that as more states reopen, the economy will accelerate. More pointedly for our portfolio, we expect a significant acceleration in revenues across many of our holdings, as the logistical lockdown issues resolve.

Investment Spotlight: Liqtech (LIQT)

Liqtech manufactures membranes and filters that are used to remove polluting particulates from a variety of transportation and industrial equipment. Their revenues are driven by “scrubbers” used in the maritime shipping industry to remove polluting sulfur content in ship exhaust. This has exciting growth potential given increased regulations and an industry shift from “open loop scrubbers” (most of historical and existing market) to “closed loop scrubbers” (where Liqtech has a leading position). But even more exciting, Liqtech has advanced its membrane and filtering technology and is now applying this to new industries with massive potential (Nox reduction on ships, waste water treatment for oil & gas industry, and others). Liqtech is already far along the process of partnering with industry players and beta testing to prove the benefits of adoption. We

believe they are on the cusp of a significant acceleration in revenues as these new industries start to adopt.

Conclusion

We continue to find overlooked, fundamentally disruptive stocks that we expect to rise regardless of the broader markets and economy.

We are honored to welcome our recent new investors. To all investors, we appreciate your confidence in us and will continue to strive to protect and grow your assets. We encourage you to share this newsletter with your colleagues who may be interested in investing with us in the future.

Please feel free to call to discuss anything.

Sincerely,



Steven D. Friedman, CFA
Founder and Portfolio Manager

Please note that Kalo's expectations and strategy can change regularly and the views expressed here may change.

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