

## UNDERSTANDING RSEE

- RSEE seeks returns that exceed global developed and emerging market equities.
- RSEE is a long/short systematic equity strategy that provides index exposure to global equity markets.
- RSEE uses a quantitative system to produce a daily investment strategy by systematically exploiting inefficiencies in macro data.
- RSEE is designed to exploit behavioral patterns in different market states by trading U.S. listed indices that seek to capture regional equity market returns.
- RSEE avoids human behavioral biases.
- RSEE targets larger medium-term risk-adjusted returns.

## INVESTMENT PROCESS

- The strategy's performance is derived from five regional sub-strategies that target important sources of global equity market return: U.S. Large Cap, U.S. Large Cap Growth, U.S. Small Cap, Non-US Developed Market, and Emerging Markets.
- Each sub-strategy seeks to add value by taking either a leveraged long equity position in liquid indices when the probability of outperforming cash is high or by taking a combination of short equity index plus cash position when the probability is low.
- Sub-strategy allocations seek to restrict tracking error versus all-country benchmarks and limit the probability of underperformance from year to year. Positioning within sub-strategies is designed to limit drawdown and potentially generate alpha by taking risk-controlled directional bets over different horizons.
- The strategy can stay invested for long periods of time if investor preferences do not materially change in bull markets. Trading tends to cluster around stressed or hyper-exuberant market states.

Sub-Strategies	Average Allocation	3 Potential Positions
U.S. Large Cap (S&P 500)	35%	<ul style="list-style-type: none"> <li>133% Long VOO</li> <li>33% Short VOO, 67% Cash</li> <li>100% Cash</li> </ul>
U.S. Large Cap Growth (NASDAQ-100)	20%	<ul style="list-style-type: none"> <li>133% Long QQQ</li> <li>33% Short QQQ, 67% Cash</li> <li>100% Cash</li> </ul>
U.S. Small Cap (Russell 2000)	10%	<ul style="list-style-type: none"> <li>133% Long VB</li> <li>33% Short VB, 67% Cash</li> <li>100% Cash</li> </ul>
Non-US Developed Market (MSCI EAFE)	25%	<ul style="list-style-type: none"> <li>133% Long VEA</li> <li>33% Short VEA, 67% Cash</li> <li>100% Cash</li> </ul>
Emerging Market (MSCI EM)	10%	<ul style="list-style-type: none"> <li>133% Long VWO</li> <li>33% Short VWO, 67% Cash</li> <li>100% Cash</li> </ul>

\*For RSEE top ten holdings, visit [www.rareviewcapital.com](http://www.rareviewcapital.com)

## QUANTITATIVE APPROACH

RSEE uses a system of algorithms designed to realize above average active returns. We seek to quantitatively exploit recurring behavioral patterns in different market states using index linked products.



**Data:** We use thousands of data points each day – price, money flow, etc. – that provide investor behavioral signals. The data is derived from equity and non-equity asset classes. While the data we apply is public, we believe that our models and algorithms use it in a more insightful and efficient manner than other market participants.



**Models:** Our models are dynamic and adaptive. They are designed to recognize patterns in investor preferences for equities versus safe-haven assets that lead to directional changes in market prices. Our models seek to profit from index level anomalies that reoccur over a market cycle as investors look for equilibrium prices in different market states.



**Algorithms:** The goal is to maximize return and limit drawdown and transaction costs. We use proprietary algorithms throughout the investment process to remove error and biases in procedures that allocate capital. Algorithms use output from multiple models with different investment horizons to determine market states and to optimally allocate capital across, and within, them.

## OUR SOLUTION – ENTER RSEE

RSEE is a potential solution for investors that want to stay invested but need a systematic process to potentially limit losses relative to global indices in bear markets and take advantage of market structure vulnerability.

- **Philosophy:** We find it more advantageous to systematically manage the sources of market risk directly and trade index products exclusively.
- **Exploitation:** The rise of passive investing has potentially significant consequences for market behavior. We analyze its influence on asset co-movement, market fragility, pricing efficiency, and index frictions. We believe the uneven distribution of passive ownership globally benefits strategies that seek to exploit the entire available investment universe.
- **Active Management:** We believe that changes in the drivers, expression, and dynamics of mispricing's favor active approaches that have the flexibility to adapt. Greater market fragility presents risk management challenges for investors, exacerbates vulnerability of simplistic allocation approaches, and highlights the value of holding cash reserves.

## OVERRELIANCE ON HUMANS

A seminal investment issue for investors is how to avoid a catastrophic stock market sell-off and minimize the time back to breakeven. Consider the following information:

- **Drawdowns:** S&P 500 intra-year drawdowns of -10% happens every 1.6 years on average. -15% happens every 2.5 years on average. -20% happens every 4 years on average and -30% happens every 9 years on average.
- **Recovery:** The average decline seen in bear markets\* since 1900 has been -30.8%. This means that the first 44.5% of the next bull market will be spent recovering from the bear decline. In other words, buy-and-hope investors spend more than half the gains of the average bull market just recovering from the previous bear cycle.
- **Market Timing:** The 10 best and worst trading days occur when volatility is extremely elevated, and markets are stressed and drawing down. If you missed the top 10 days of market recovery, you would have lost out on 50% of the total return.

## MARKET STRUCTURE VULNERABILITY

A gathering body of research indicates that today's market structure is fragile, including:

- **Passive Indexing:** Passive investing flows now control 54% of the US domestic equity fund market vs. active management. Assets invested in index funds reached more than \$15 trillion in 2021, up from \$1 trillion since 2010. The rise in popularity of index investing contributes to higher systematic equity market risk. More equity index trading corresponds to increased cross-sectional trading commonality, which precipitates higher return correlations among stocks. Consistent with the accelerating growth of passive investing, equity betas have not only risen but also converged in recent years.
- **Stock Market Float Shrinkage:** There has been a sharp fall in the number of listed stocks in the U.S. in the last decade. Because of this trend, industries are more concentrated and the average company that has a listed stock is bigger, older, more profitable, and has a higher propensity to disburse cash to shareholders. The Wilshire 5000 Total Market Index, established in the mid-1970s to capture the 5,000 or so stocks with readily available price data, now has only ~3,000 stocks.
- **Proliferation of ETFs:** The number of exchange-traded funds worldwide is over 7600. Assets under management in exchange traded funds eclipsed traditional index-tracking mutual funds for the first-time last year, totaling over \$8.5 trillion.
- **Trading Venues:** Because of the increase in trading venues, fragmentation now is at the highest level ever, reflecting the complexity of U.S. equity market structure today. Equity market structure – specifically, the pattern of market fragmentation – is a key determinant of the risk of extreme price changes. Prices are more sensitive to liquidity shocks in fragmented markets because imperfect intermarket linkages effectively “thin out” each venue's limit order book.
- **Individual Stock Concentration:** A key feature of the stock indices is the hyper-concentration amongst the top seven stocks in the S&P 500 – Apple (7.01%), Microsoft (6.96%), Alphabet (3.81%), Amazon (3.44%), NVIDIA (3.05%), Meta Platforms (1.96%), and Tesla (1.71%). A small number of stocks now account for 27.94% of a supposedly broad market index's returns.

## OUR EXECUTION PROCESS

- **Experience:** A deep understanding of indexing, systematic strategies, and building quantitative models.
- **Institutional Approach:** To meet investment objectives, the strategy uses techniques that are traditionally used by alternative investors in private funds, such as leverage and short selling.
- **Model-Driven:** A proprietary quantitative model that determines equity index investments, including holdings and exposure levels.
- **Target Macro Inefficiency:** We believe Nobel Laureate Paul Samuelson's dictum that markets are micro-efficient but macro-inefficient and use liquid index linked securities, such as ETFs or futures, to exploit trading opportunities.

## WHERE DOES RSEE FIT INTO AN INVESTOR'S PORTFOLIO?

- Addition of new dynamic source of potential portfolio return and diversification.
- Many allocators struggle to find strategies that produce positive active equity returns, after fees. Replacement strategy for poor performing global active strategies that offers the potential for better active returns.
- Potential replacement strategy for passive index fund or ETF exposure that offers access to index products with the opportunity for better returns and lower drawdown.
- Solution for investors that want to stay invested but need a systematic process that seeks to limit losses below levels of global benchmarks in bear markets.

## THE END RESULT

- **Total Return:** A potential higher total return than the overall global equity market.
- **Drawdown:** A potential lower drawdown when equities are in a bear market and shortened time back to breakeven.
- **Upside/Downside Capture:** A potential higher upside/downside capture ratio.
- **Diversification:** Exposure to a broad range of developed and emerging market companies. Access to the global stock market in a single fund.
- **Liquidity:** A core equity portfolio of liquid benchmark indices that trade 24 hours.
- **Access:** The strategy uses techniques that are traditionally used by alternative investors in private funds, such as leverage and short selling, to meet investment objectives. Making the strategy available in an ETF provides access for non-institutional investors.
- **Lower Cost:** A liquid alternative product wrapped in an ETF that is significantly more cost competitive than a typical hedge fund structure.

## WHO IS THIS FUND FOR

Investors who:

- Plan to hold their investment for medium-to long-term.
- Want to gain global equity exposure.
- Are looking for a liquid alternative ETF strategy that utilizes short-selling where appropriate to complement their traditional portfolios.
- Can handle the volatility of returns generally associated with equity investments.

*\*The Fund is not an appropriate investment if you have a short-term investment horizon.*

## IMPORTANT RISK CONSIDERATIONS

*More detailed information regarding these risks can be found in the Fund's prospectus.*

Investing involves risk, including possible loss of principal. There can be no assurance that a Fund will achieve its stated objectives. An investment in the Fund may be subject to risks which include, among others, market, interest rate, tax, liquidity, leverage, non-diversified, investment restrictions, operational, authorized participant concentration, no guarantee of active trading market, trading issues, active management, fund shares trading, premium/discount and liquidity of fund shares and concentration risks, all of which may adversely affect the Fund. Diversification does not ensure profits or prevent losses. **Exchange-Traded Funds (ETFs)** trade like stocks, are subject to investment risk, and will fluctuate in market value. Unlike mutual funds, ETF shares are not individually redeemable directly with the Fund and are bought and sold on the secondary market at market price, which may be higher or lower than the ETF's net asset value (NAV). Transactions in shares of ETFs will result in brokerage commissions, which will reduce returns.

**Derivatives Risk.** Through its hedging strategies or through its investments in other funds, the Fund may be subject to the risks of investing in derivative securities. **Active Management Risk.** The Fund is actively managed using proprietary investment strategies and processes. There can be no guarantee that these strategies and processes will be successful. **Foreign Investment Risk.** Foreign securities and emerging markets may involve risks such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. **Cash and Cash Equivalents Risk.** The Fund may hold cash or cash equivalents. Generally, such positions offer less potential for gain than other investments. **Futures Risk.** Commodities and futures generally are volatile and are not suitable for all investors. Futures investing is highly speculative and involves a high degree of risk.

*Carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Fund's full and summary prospectus, which may be obtained by visiting [www.rareviewcapital.com](http://www.rareviewcapital.com). Read the prospectus carefully before investing.*

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

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## FINANCIAL TERMS

**Standard Deviation** measures the volatility of the funds returns. High deviation represents higher volatility. **Sharpe Ratio** uses the funds standard deviation and its excess return (difference between the funds return and the risk-free return of 90-day Treasury bills) to determine reward per unit of risk. The **information ratio (IR)** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. The IR is often used as a measure of a portfolio manager's level of skill and ability to generate excess returns relative to a benchmark, but it also attempts to identify the consistency of the performance by incorporating a tracking error, or standard deviation component into the calculation. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Alpha** is a measure of performance on a risk-adjusted basis. The excess return of a fund relative to the return of the benchmark index is a fund's alpha. **Max Drawdown** is the maximum observed loss from a peak to a trough of a portfolio, before a new peak is attained. Maximum drawdown is an indicator of downside risk over a specified time period. **Upside/Downside Capture:** Upside Capture measures a manager's performance in up markets relative to the named index itself. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return. Downside Capture measures a manager's performance in down markets as defined by the named index. A down-market is defined as those periods (months or quarters) in which the named index return is less than 0. A **long**—or a long position—refers to the purchase of an asset with the expectation it will increase in value. A **short**—or a short position—refers to the sale of an asset with the expectation it will decrease in value. A **risk-adjusted return** is a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it.

