Return Stacked® ETFs

Quarterly Commentary

Q4 2024

Introduction

We introduced the Return Stacked® suite of ETFs in 2023 with a single goal in mind: to help investors better unlock the benefits of diversification with a series of capital efficient building blocks. We believe that the prudent application of leverage can allow investors to retain their core stock and bond exposures while introducing additional, potentially diversifying, return streams to stack on top of their core portfolio's return. As such, each ETF in the suite follows a similar design: providing $2 of exposure for every $1 invested.

New ETFs in Q4

In Q4 we introduced our sixth ETF to the suite: the Return Stacked® Bonds & Merger Arbitrage ETF (RSBA). For every $1 invested, RSBA seeks to provide $1 of core U.S. bond exposure and $1 of exposure to a merger arbitrage strategy. We are particularly excited about this strategy because we believe it represents a novel source of both return and diversification for most investors.

Suite Growth in 2024

In 2024, our suite grew from three to six ETFs, and assets under management grew 590% from $120 million to $830 million. We would like to thank all of our allocators for their trust and partnership over the past 12 months.

The Return Stacked® Suite of ETFs

	Name	Ticker	Base	Stack	Launch Date	AUM (Millions)
Capital Efficient Solutions	Global Stocks & Bonds	RSSB	Global Stocks	U.S. Treasuries	12/5/2023	$222.4
Pre-Stacked Alternatives	Bonds & Managed Futures	RSBT	U.S. Bonds	Managed Futures	2/8/2023	$86.9
	U.S. Stocks & Managed Futures	RSST	U.S. Stocks	Managed Futures	9/6/2023	$258.1
	U.S. Stocks & Futures Yield	RSSY	U.S. Stocks	Futures Yield	5/29/2024	$147.9
	Bonds & Futures Yield	RSBY	U.S. Bonds	Futures Yield	8/21/2024	$108.0
	Bonds & Merger Arbitrage	RSBA	U.S. Bonds	Merger Arbitrage	12/18/2024	$8.5
						$831.7

AUM as of 12/31/2024.

Return Stacked® Global Stocks & Bonds (RSSB)

The aim of the Return Stacked® Global Stocks & Bonds ETF (RSSB) is to provide $1 of exposure to a global equity strategy and $1 of exposure to a U.S. Treasury strategy, for every $1 invested. The global equity strategy aspires to match market-capitalization weighted global equity markets, while the U.S. Treasury strategy is engineered as an equal-weight ladder of 2-, 5-, 10-year, and U.S. long bond Treasury futures.

The fund is designed to provide investors with *capital efficiency*. Capital efficiency refers to the ability for an investment to provide exposure to a particular asset class or strategy while investing fewer overall dollars. By using a capital efficient fund to implement strategic exposure, investors can free up capital in their portfolio. Investors can then "choose their own stack" by using this freed-up capital to invest in any diversifying asset class or strategy of their choice, effectively turning it into an "overlay" on their portfolio.

Performance

Figure 1 plots the returns of the ETF versus a 100% Global Equity + 100% U.S. Treasury portfolio ("100/100") in calendar year 2024.

Figure 1: RSSB's Performance in 2024
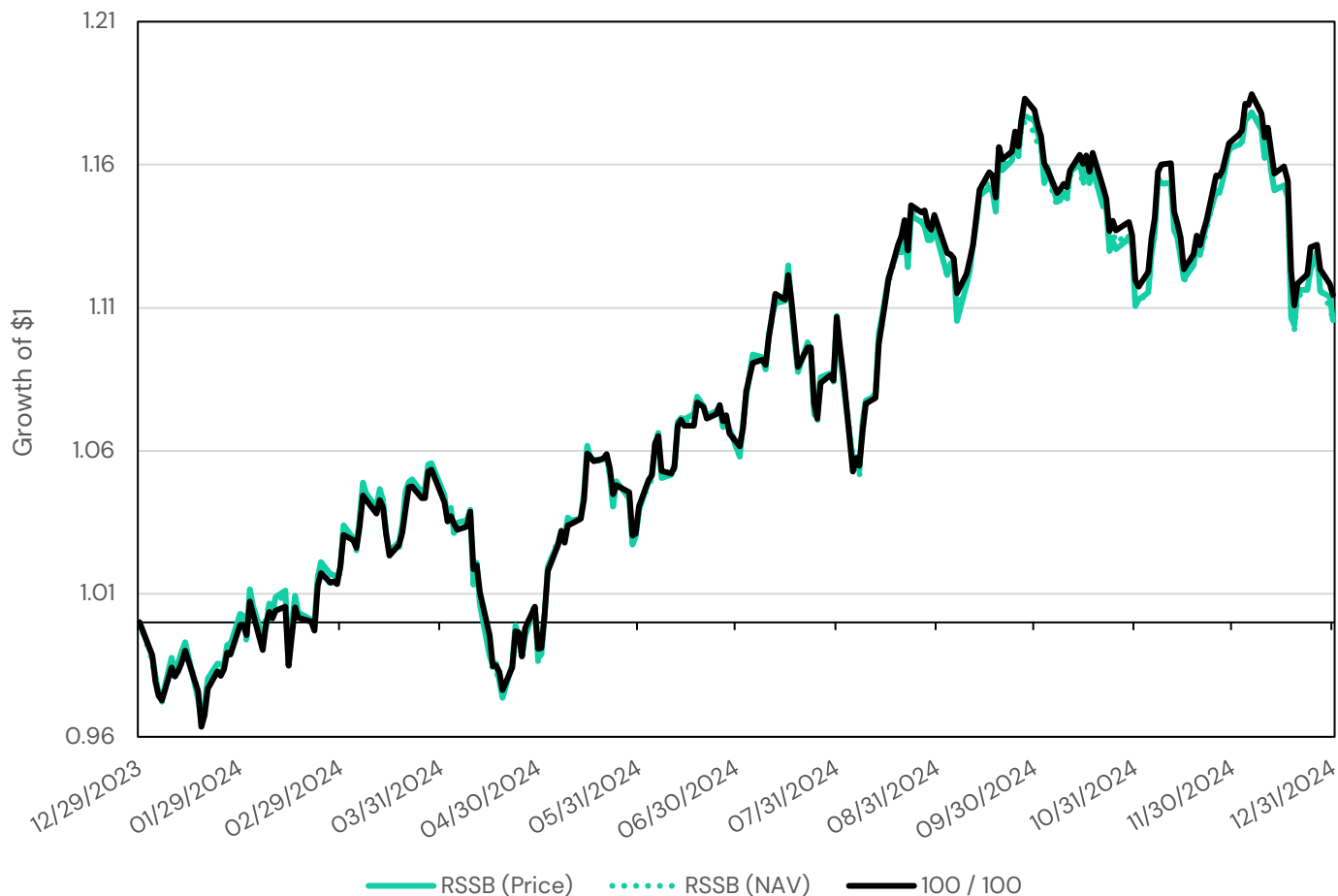
Source: Bloomberg. Global Stocks is the FTSE Global All Cap Index (GEISAC). U.S. Treasuries is the Bloomberg U.S. Treasury Total Return Unhedged Index (LUATTRUU). U.S. T-Bills is the Bloomberg Short Treasury Total Return Index Value Unhedged Index (LD12TRUU). 100/100 is 100% Global Stocks / 100% U.S. Treasuries / -100% U.S. T-Bills, rebalanced daily. Index returns are hypothetical. You cannot invest in an index. Returns assume the reinvestment of all distributions (net of foreign withholding taxes). Please see glossary at the end of this commentary for index definitions. Period is December 29, 2023 through December 31, 2024. The performance data quoted above represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted above.

In 2024, RSSB underperformed a 100/100 portfolio by approximately 87 basis points, which is in excess of the 36 basis points we would expect from management and acquired fund fees. There were two primary drivers of this underperformance:

- **Futures Ladder**: The portfolio implements its U.S. Treasury exposure through an equal-weight ladder of 2-year, 5-year, 10-year, and US Long Bond Treasury futures exposure. We estimate that the equal-weight ladder lagged the broad U.S. Treasury index by 36 basis points this year.

As the equal-weight ladder does not *perfectly* replicate a broad U.S. Treasury index, some tracking error is to be expected. Positive tracking error that had accrued from inception to August 2024 was erased in Q3 and Q4, leading to a drag on year-to-date performance.

We estimate the total net difference in the two approaches since inception (December 4th, 2023), however, at just 9 basis points.

- **Fair-Value Pricing:** RSSB gains exposure to international equities through an indexed ETF. Such funds can diverge from their benchmark due to fair-value pricing adjustments. These adjustments, which are required by the U.S. Securities and Exchange Commission, address pricing discrepancies that may arise because of time-zone difference among global securities markets.

  The fund employed by RSSB ended up trailing its benchmark by 55 basis points at the end of the year. However, just one week *before* year end, it led its benchmark by 30 basis points. Two weeks prior to that it was trailing by nearly 80 basis points! Such swings, due to fair-value pricing, are commonplace and we do not expect them to be a permanent impact to performance over the long run.

  We estimate a total negative contribution of 20 basis points in 2024 from this effect.

Astute readers will note that 36 + 36 + 20 = 92 > 87. The 5-basis point difference can likely be attributed to portfolio drift and execution timing assumptions (the 100/100 benchmark, for example, is assumed to be rebalanced daily while RSSB employs a band-based rebalance methodology).

RSSB Standardized Performance

(December 4, 2023, through December 31, 2024)

	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
RSSB (Price)	-5.94%	3.57%	10.57%	--	--	16.85%
RSSB (NAV)	-5.59%	3.62%	10.60%	--	--	16.77%
Global Stocks	-1.23%	5.68%	16.77%	--	--	20.83%
U.S. Treasuries	-3.14%	1.45%	0.58%	--	--	3.19%
U.S. T-Bills	1.19%	2.57%	5.32%	--	--	5.34%
100/100	-5.47%	4.54%	11.44%	--	--	18.28%

Source: Bloomberg. Global Stocks is the FTSE Global All Cap Index (GEISAC). U.S. Treasuries is the Bloomberg U.S. Treasury Total Return Unhedged Index (LUATTRUU). U.S. T-Bills is the Bloomberg Short Treasury Total Return Index Value Unhedged Index (LD21TRUU). 100/100 is 100% Global Stocks / 100% U.S. Treasuries / -100% U.S. T-Bills, rebalanced daily. Index returns are hypothetical. You cannot invest in an index. Returns assume the reinvestment of all distributions. Past performance is not indicative of future returns. Since inception returns less than a year are not annualized; since inception returns greater than a year are annualized. The total annual fund operating expense is 0.51%. The total annual fund operating expense after fee waiver is 0.36%. The Adviser has contractually agreed to waive all or a portion of its management fee until at least May 30, 2025 from exceeding 0.35%.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than

the performance quoted. For the most recent month-end performance, please visit the Fund's website at https://www.returnstackedetfs.com/rssb-return-stacked-global-stocks-bonds/. The market price is the final price at which a security is traded on a given trading day. Net Asset Value (NAV) is value per share on a specific date or time. Returns less than one year are cumulative.

Return Stacked® Bonds & Managed Futures (RSBT) and Return Stacked® U.S. Stocks & Managed Futures (RSST)

The aim of the Return Stacked® Bonds & Managed Futures ETF (RSBT) is to provide $1 of exposure to a bond strategy and $1 of exposure to a managed futures strategy, for every $1 invested. The bond strategy aims to track the broad U.S. bond market, and the managed futures strategy is engineered to replicate the excess returns of the broad managed futures trend-following space.

Similarly, the aim of the Return Stacked® U.S. Stocks & Managed Futures ETF (RSST) is to provide $1 of exposure to a U.S. equity strategy and $1 of exposure to a managed futures strategy for every $1 invested. The U.S. equity strategy aims to track large-cap U.S. equities, while the managed futures strategy seeks to replicate the excess returns of the broad managed futures trend-following space.

Both funds are designed to allow investors and allocators to introduce managed futures into their portfolio without having to sacrifice core stock and bond exposure. By selling U.S. equity exposure and buying RSST, or selling fixed income and buying RSBT, an investor has the opportunity to retain similar long-term stock and bond returns while adding the potential diversification and return stream of managed futures. In effect, when used this way, the funds allow investors to "stack" managed futures on top of their existing portfolio.

Performance

Given the significant degrees of freedom that govern the design of managed futures strategies, the category is notorious for performance dispersion among its managers. Our goal in implementing a replication-based approach is to try to provide "index-like" exposure to the category, reducing single-manager dispersion risk.

The question to ask is, "in practice, how well have the strategies tracked their targets?" Our expectation is that the managed futures strategy will be responsible for most of each fund's tracking error, so we will focus our analysis there.

The managed futures strategy trades 27 futures contracts (including equity, bond, currency, and commodity markets) and employs two different approaches in trying to replicate the managed futures trend-following category:

1. **Top Down:** A regression-based approach that seeks to identify the portfolio of futures contracts that would have replicated the recent returns of the managed futures trend-following category. The top-down approach is implemented two ways: with a constrained 9-contract universe ("Top Down #1") as well as the full 27-contract universe ("Top Down #2").

2. **Bottom Up:** A composite trend-following model parameterized such that it has historically provided a high degree of fit to the broad managed futures trend-following category.

The top-down approach tries to replicate returns while the bottom-up approach tries to replicate process. We blend these two approaches (30% Top Down and 70% Bottom Up) to arrive at our target weights.

In Figure 2, we plot the year-to-date performance of each approach.

Figure 2: Managed Futures Program Model Returns in 2024
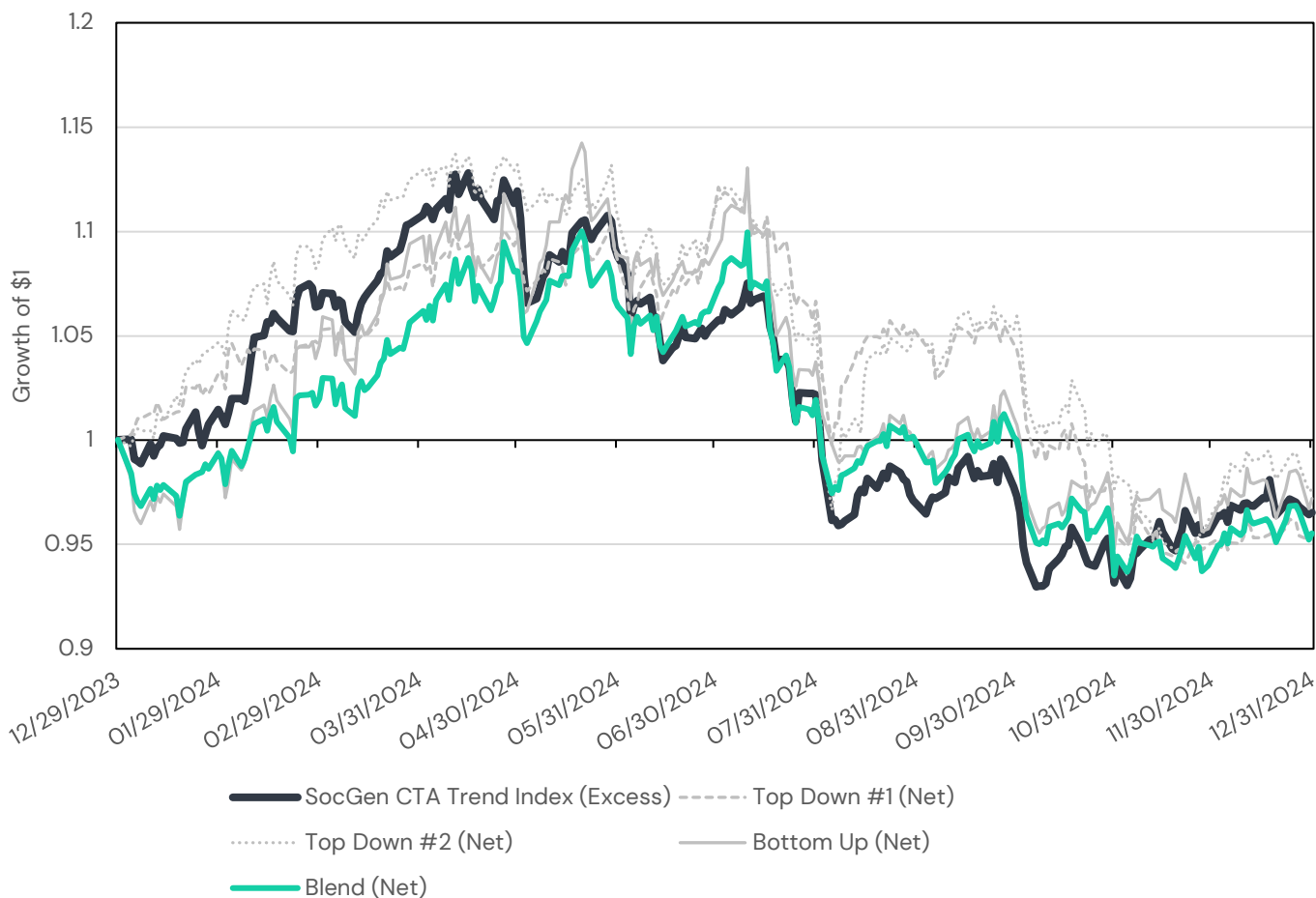
Source: Bloomberg; ReSolve Asset Management SEZC (Cayman). Calculations by Newfound Research. Top Down #1 (Net), Top Down #2 (Net), Bottom Up (Net), and Blend (Net) are the hypothetical model returns of replication strategies implemented in RSBT and RSST. Top Down #1 (Net), Top Down #2 (Net), and Bottom Up (Net) are net of estimated trading costs and a 0.95% annual expense ratio. Blend (Net) is a 15% Top Down #1 (Gross) / 15% Top Down #2 (Gross) / 70% Bottom Up (Gross) portfolio rebalanced daily, net of estimated trading costs and a 0.95% annual expense ratio. SocGen CTA Trend Index (Excess) is the Société Générale Trend Index (NEIXCTAT) minus the Bloomberg Short Treasury Total Return Index Value Unhedged Index (LD12TRUU). Returns assume the reinvestment of all distributions. Returns of NEIXCTAT are net of underlying fees. Index returns are hypothetical. You cannot invest in an index. Past performance is not indicative of future returns. Please see glossary at the end of this commentary for index definitions. Period is December 29, 2023 through December 31, 2024. This material is for illustrative purposes only and is not meant to reflect the actual investment in the RSBT or RSST ETFs.

In Figure 3, we plot the relative performance of each approach versus the Société Générale Trend Index (NEIXCTAT).

For clarity, note that Figure 3 should be interpreted as: *when the line is going up, the model is outperforming NEIXCTAT; when the line is going down, the model is underperforming NEIXCTAT; perfect replication would be a flat, horizontal line.*

Figure 3: Relative Returns of Managed Futures Models vs the NEIXCTAT in 2024
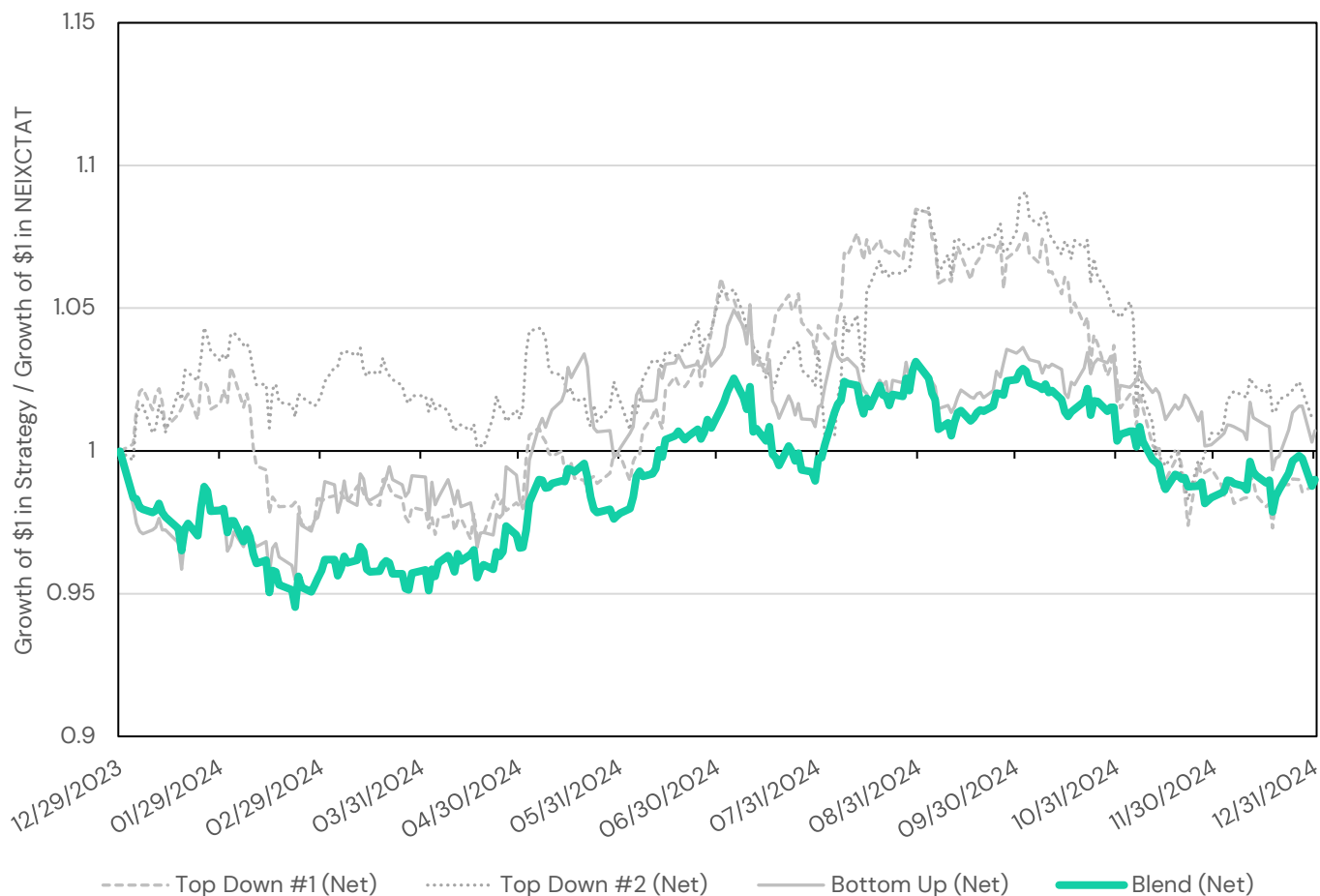
Source: Bloomberg; ReSolve Asset Management SEZC (Cayman). Calculations by Newfound Research. The plot shows the ratio of the model equity curves in Figure 3 versus the equity curve of NEIXCTAT in Figure 3. Please see important disclosures and definitions under Figure 2. Period is December 29, 2023 through December 31, 2024.

While a year is a small period to draw any meaningful statistical conclusions from, we do believe there are some important features to point out from this live period of performance.

- The blended program has – albeit, with some turbulence – closely matched the cumulative excess returns of NEIXCTAT in 2024.

- The realized correlation between daily returns of the Blend (Net) model and NEIXCTAT has been 0.86. We believe that these correlations highlight how well the blended model has replicated the general shape of the managed futures trend-following category since inception.

- The three underlying models have all exhibited fairly unique relative patterns in their tracking (e.g. the lines in Figure 2 zig and zag in uncorrelated ways). In fact, the excess returns of the models (i.e. the returns of the models minus the returns of the NEIXCTAT) have only had an average correlation of 0.27 to one another. Given our belief that all three approaches have equal efficacy in tracking the broad managed futures trend-following category over the long run, we believe this low correlation suggests a significant opportunity for model diversification.

- The low realized correlation in excess returns led to a dramatic decrease in realized tracking error at the blended model level as well. The Top Down #1 (Gross), Top Down #2 (Gross), and Bottom Up (Gross) models had an annualized realized tracking error of 9.5%, 9.3%, and 10.0% respectively. The Blend (Net) model, however had an annualized realized tracking error of 7.1% despite being heavily tilted towards the model with the highest tracking error over the period!

- Despite the high degree of correlation in the fit, annualized tracking errors north of 7% suggest that quite a lot can happen in a quarter and that replication can be a noisy business. For example, the 500 basis points of negative tracking error in Q1 was quickly reversed in Q2 and followed by over 100 basis points of positive tracking error in Q3 and 370 basis points of negative tracking error in Q4. With integrity, we cannot crow about "alpha" or "skill" in Q2 and Q3 but bemoan "bad luck" in Q1 and Q4.

- Finally, some may be inclined, ex-post, to ask, "why not simply use the Top Down #1 (Gross) model? It has clearly had the best relative performance, after all!" While this is true, that relative performance has come at the cost of tracking accuracy: it's realized daily return correlation to NEIXCTAT has been just 0.65. With replication as the objective, Top Down #1 (Gross) has been, arguably, the *worst* performing model of the three. While we're always grateful for positive tracking error over negative tracking error, we would prefer *no* tracking error at all. In the meantime, we accept higher index correlation as a suitable model priority.

    Furthermore, variation in the short-term can be dramatic. In Q4 2024, the Top Down #1 (Gross) model underperformed the NEIXCTAT by 750 basis points, while the Bottom Up (Gross) model *outperformed* by 22 basis points! In fact, despite a difficult start to the year, the Bottom Up (Gross) model ended up being the best performing of the three models in 2024. For these reasons and others, we continue to adopt a blended multi-model process for replicating managed futures trend following.

A Brief Note on Rebalancing Effects

One frequently recurring topic in our conversations with clients is "rebalancing effects." There appears to be a general belief that frequent rebalancing creates a drag in levered and inverse ETFs and allocators want to know if these same effects beleaguer Return Stacked® products as well.

These beliefs are misguided. Ignoring transaction costs and implementation slippage, rebalancing between two uncorrelated assets should not impact portfolio returns unless we believe that the markets we are trading exhibit autocorrelation (positive or negative) over the period in which we are rebalancing. If we held such a belief, our choice of rebalancing frequency would allow us to effectively create a momentum or mean-reversion strategy within our portfolio!

Absent that belief, what rebalancing *can* do for a multi-asset portfolio is help maintain diversification. Left untouched, a portfolio will drift, increasing its weight to the best performing assets and decreasing its weight to the worst. This can be a problem because a portfolio's expected compound growth rate is impacted by its volatility.

Without going into the math, compound growth suffers when volatility rises because a drop in value requires a bigger percentage gain to recover. For example, a 50% loss requires a 100% gain to get back to breakeven, so big swings can drag down long-term growth unless future returns also increase proportionately.

Therefore, without a commensurate increase in expected return, an increase in portfolio volatility will lower expected compound growth rates.

A multi-asset portfolio that is allowed to drift can become increasingly concentrated and realize higher levels of volatility, hurting expected compound growth rates.

That all said, a portfolio that rebalances frequently is not guaranteed to outperform one that does not over every (or any) horizon.

For example, in 2024 the S&P 500 Total Return Index ("SPXTR") was up 25.02%, NEIXCTAT was up 2.56%, and U.S. Treasury Bills ("TBILLS") returned 5.32%. A 100% SPXTR / 100% NEIXCTAT / -100% TBILLS portfolio, allowed to drift, would have returned 22.26%. When rebalanced daily, however, the same portfolio returned 21.13%.

The 113 basis points of underperformance is not a structural "drag". The same exercise, performed in another year, may have yielded the exact opposite result. The difference in returns will largely be driven by the relative performance of the two assets, which is difficult to predict.

We choose to rebalance daily for two reasons: (1) so that the products provide the exposure they state to seek; and (2) to maintain diversification.

Positioning & Return Contribution

Finally, we want to address how the managed futures program reacted in Q4 2024, and then how it is positioned entering Q1 2025.

Figure 4 lays out the model's volatility-adjusted target weights for the managed futures program broken into bond, equity, commodity, and currency futures. Figure 5 provides estimated Q4 '24 and year-to-date contribution at a position level.

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Figure 4: Managed Futures Volatility-Adjusted Model Weight Changes in Q4

4.1 Fixed Income

Legend: ■ 12/31/24 ● 9/30/24
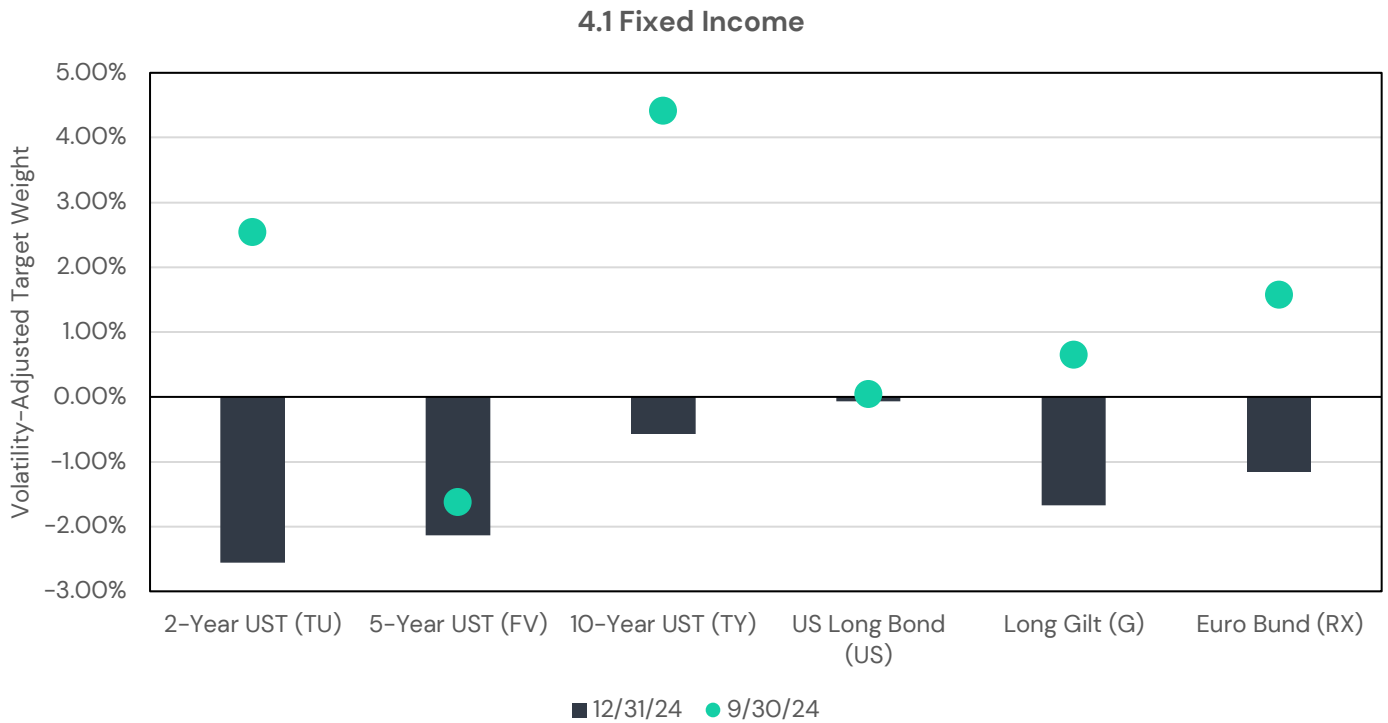
4.2 Equity Indices

4.3 Commodities
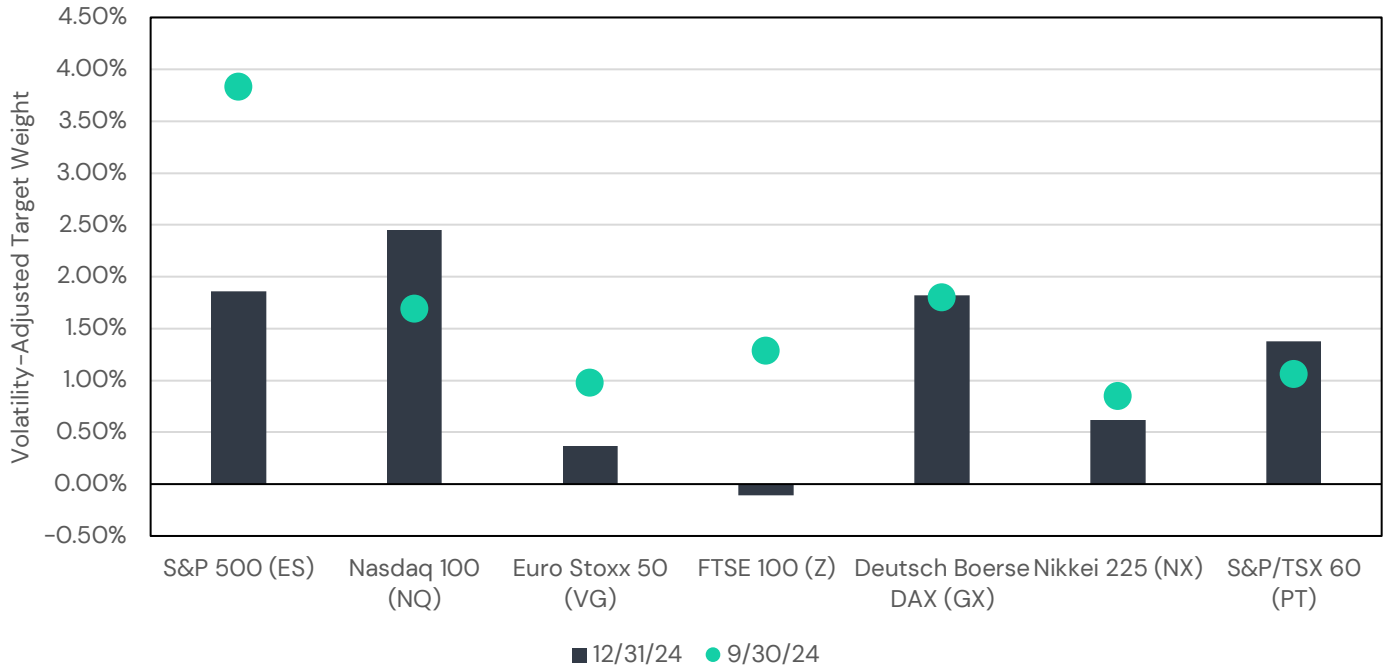
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4.4 Currencies

Source: ReSolve Asset Management SEZC (Cayman). For illustrative purposes only. Target Weights reflect target allocations and may not reflect the actual weights held within RSBT or RSST. Volatility-Adjusted Target Weights multiply Target Weights by a 63-day exponentially-weighted volatility measure. Holdings are subject to change.
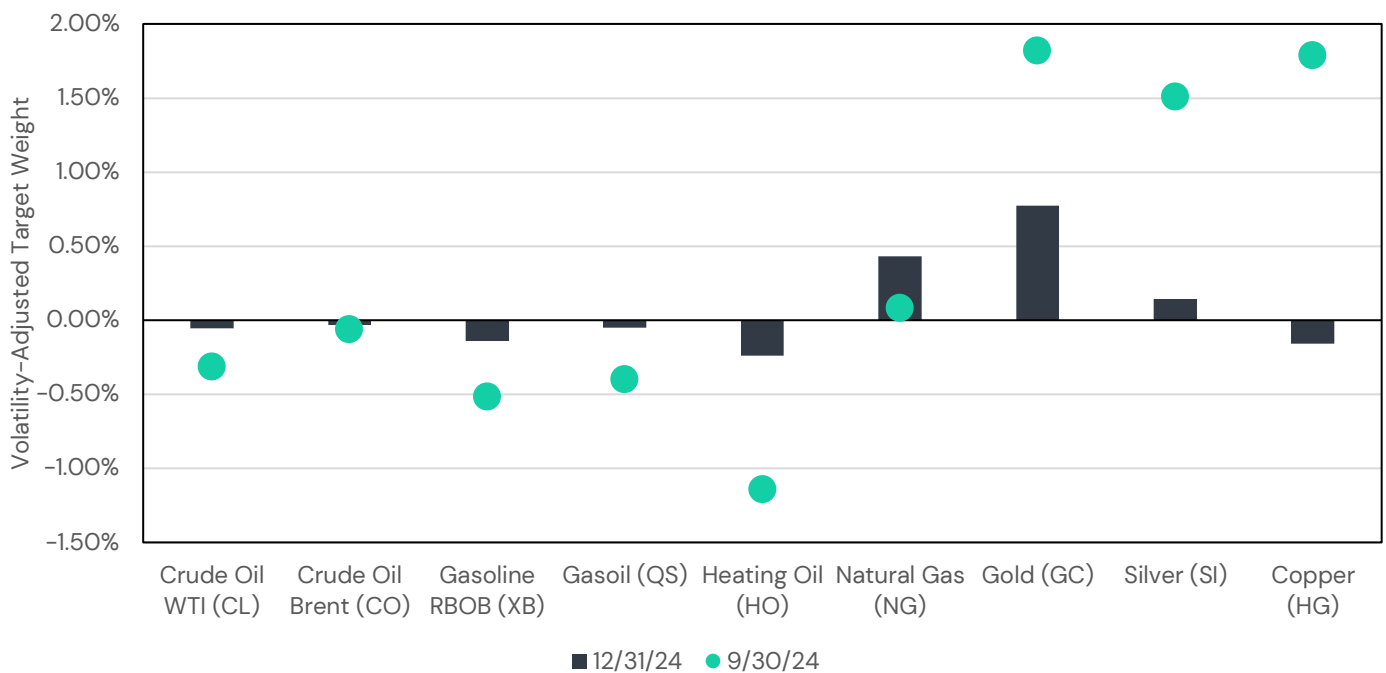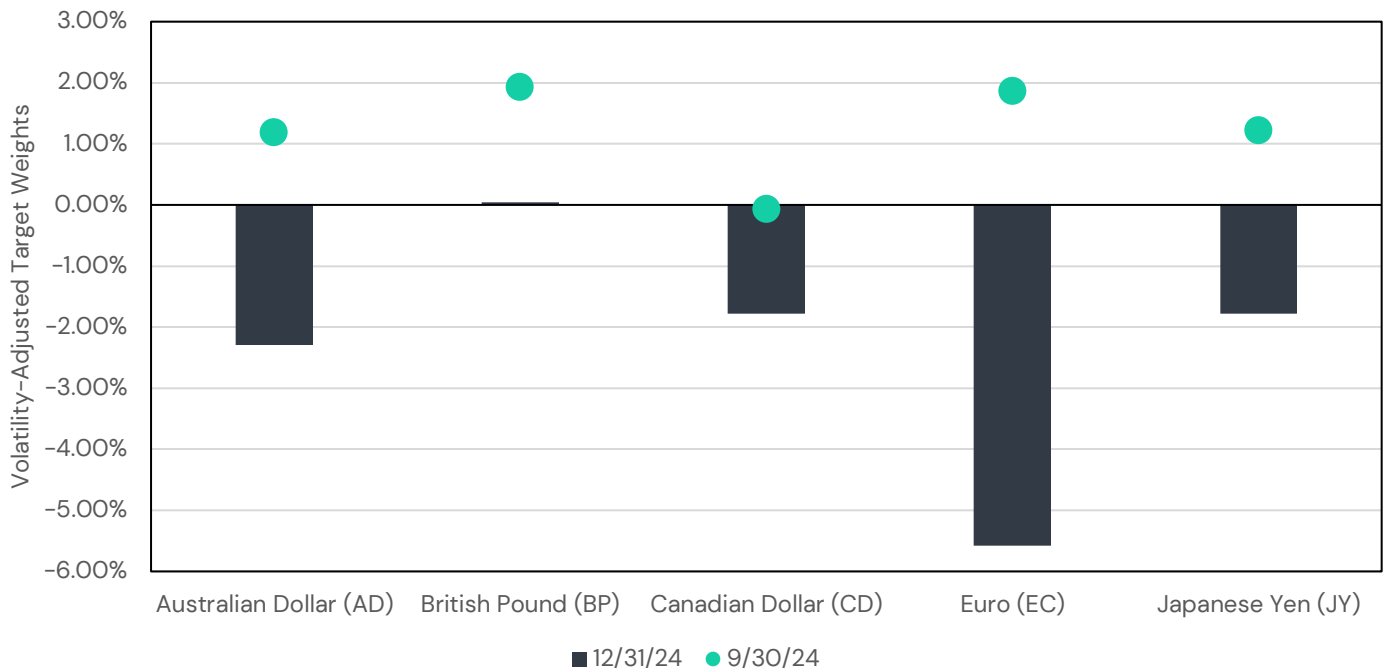
A few important points to make before analyzing these graphs. First, the weights are volatility adjusted; they do not reflect the actual weights targeted by the managed futures program. By volatility-adjusting the weights, positions in contracts with drastically different intrinsic volatilities can be more easily compared (e.g. 2-year US Treasuries versus the S&P 500). Second, these are a point-in-time snapshot of target weights. Managed futures is a dynamic strategy and these weights can shift meaningfully, in short order.

There were a few key trends that occurred from a positioning perspective over the quarter:

- The program flipped significantly negative on bonds. We estimate that bond shorts account for approximately 24% of the program's total risk exposure.

- Net exposure to equities fell over the quarter. Exposure in the S&P 500, specifically, was trimmed from 28% to 14%. Total, equities are responsible for just under 30% of the program's total risk exposure.

- Energy exposure has largely been taken towards zero, accounting for just under 4% of the program's total risk exposure at year end 2024.

- Positions in metals were dramatically reduced over the quarter and now account for just over 4% of the program's total risk exposure.

- The program flipped from long to short in its Australian Dollar, Euro, and Yen exposures, and increased its short in the Canadian Dollar. We estimate that currency exposure accounts for approximately 38% of the program's total risk profile.

Figure 5: Position–Level Contribution to Returns in Trend Program in Q4 and Year–to–Date

CURRENCIES	Q4	Year-to-Date
Australian Dollar (AD)	0.30%	−0.38%
British Pound (BP)	−0.97%	−0.62%
Canadian Dollar (CD)	1.25%	0.92%
Euro (EC)	1.04%	−0.72%
Japanese Yen (JY)	−0.12%	1.85%
Total	*1.50%*	*1.06%*

Equity Indices	Q4	Year-to-Date
S&P 500 (ES)	−0.11%	1.80%
Nasdaq 100 (NQ)	0.05%	0.45%
Euro Stoxx 50 (VG)	−0.26%	0.65%
FTSE 100 (Z)	−0.49%	−0.91%
Deutsch Boerse DAX (GX)	−0.28%	−0.05%
Nikkei 225 (NX)	0.01%	1.18%
S&P/TSX 60 (PT)	0.27%	0.45%
Total	*−0.81%*	*3.57%*

Bonds	Q4	Year-to-Date
2–Year UST (TU)	−1.46%	−3.19%
5–Year UST (FV)	2.27%	3.80%
10–Year UST (TY)	−2.67%	−3.32%
US Long Bond (US)	−0.04%	−0.84%
Long Gilt (G)	0.02%	−0.66%
Euro Bund (RX)	−0.63%	−1.82%
Total	*−2.51%*	*−6.03%*

Energies	Q4	Year-to-Date
Crude Oil WTI (CL)	−0.09%	−0.22%
Crude Oil Brent (CO)	−0.08%	−0.57%
Gasoline RBOB (XB)	−0.22%	−0.33%
Gasoil (QS)	−0.15%	−0.18%
Heating Oil (HO)	−0.36%	−0.34%
Natural Gas (NG)	−0.26%	−1.39%
Total	*−1.16%*	*−3.03%*

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Metals	Q4	Year-to-Date
Gold (GC)	-0.30%	1.82%
Silver (SI)	-0.22%	0.22%
Copper (HG)	-0.62%	-0.52%
Total	*-1.14%*	*1.52%*

Source: CSI and ReSolve Asset Management SEZC (Cayman). Calculations by Newfound Research.

RSBT Standardized Performance

(February 7, 2023 through December 31, 2024)

	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
RSBT (Price)	-7.89%	-8.52%	-2.90%	--	--	-7.81%
RSBT (NAV)	-7.36%	-7.96%	-3.07%	--	--	-7.67%
U.S. Bonds	-3.06%	1.98%	1.25%	--	--	2.38%
SG Trend Index	0.21%	-5.69%	2.56%	--	--	0.28%
U.S. T-Bills	1.19%	2.57%	5.32%	--	--	5.27%
100/100	-3.99%	-6.24%	-1.29%	--	--	-2.21%

Source: Bloomberg and Societe Generale. U.S. Bonds is the Bloomberg US Aggregate Total Value Unhedged USD Index (LBUSTRUU). SG Trend Index is the Société Générale Trend Index (NEIXCTAT). U.S. T-Bills is the Bloomberg Short Treasury Total Return Index Value Unhedged Index (LD12TRUU). 100/100 is 100% U.S. Bonds / 100% SG Trend Index / -100% U.S. T-Bills, rebalanced daily. Index returns are hypothetical. You cannot invest in an index. Returns assume the reinvestment of all distributions. Past performance is not indicative of future returns. Since inception returns less than a year are not annualized; since inception returns greater than a year are annualized. The total annual fund operating expenses is 1.06%.

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RSST Standardized Performance

(September 5, 2023 through December 31, 2024)

	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
RSST (Price)	-2.36%	-2.40%	18.37%	--	--	15.30%
RSST (NAV)	-2.46%	-2.61%	18.31%	--	--	15.08%
U.S. Stocks	2.41%	8.44%	25.02%	--	--	24.27%

SG Trend Index	0.21%	–5.69%	2.56%	--	--	–0.96%
U.S. T-Bills	1.19%	2.57%	5.32%	--	--	5.37%
100/100	1.32%	–0.70%	21.13%	--	--	16.45%

Source: Bloomberg and Societe Generale. U.S. Stocks is the S&P 500 Total Return Index (SPXT). SG Trend Index is the Société Générale Trend Index (NEIXCTAT). U.S. T-Bills is the Bloomberg Short Treasury Total Return Index Value Unhedged Index (LD12TRUU). 100/100 is 100% S&P 500 Total Return Index / 100% SG Trend Index / –100% U.S. T-Bills, rebalanced daily. Index returns are hypothetical. You cannot invest in an index. Returns assume the reinvestment of all distributions. Past performance is not indicative of future returns. Since inception returns less than a year are not annualized; since inception returns greater than a year are annualized. The total annual fund operating expense is 0.98%.

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Return Stacked® Bonds & Futures Yield (RSBY) and Return Stacked® U.S. Stocks & Futures Yield (RSSY)

The aim of the Return Stacked® Bonds & Futures Yield ETF (RSBY) is to provide $1 of exposure to a bond strategy and $1 of exposure to a futures yield (carry) strategy for every $1 invested. The bond strategy attempts to track the broad U.S. bond market, while the futures yield strategy will invest long and short across commodities, currencies, bonds, and equities via futures contracts using a systematic and quantitative process that seeks to harvest roll yield (carry) in futures contracts.

Similarly, the aim of the Return Stacked® U.S. Stocks & Futures Yield ETF (RSSY) is to provide $1 of exposure to a U.S. equity strategy and $1 of exposure to a futures yield (carry) strategy for every $1 invested. The U.S. equity strategy attempts to track large-cap U.S. equities, while the futures yield strategy will invest long and short across commodities, currencies, bonds, and equities via futures contracts using a systematic and quantitative process that seeks to harvest roll yield (carry) in futures contracts.

The funds are designed to allow investors and allocators to introduce a multi-asset futures yield strategy into their portfolio without having to sacrifice core stock and bond exposure. By selling U.S. equity exposure and buying RSSY, or selling fixed income exposure and buying RSBY, an investor has the opportunity to retain similar long-term stock and bond returns while adding the potential diversification and return stream of a multi-asset futures yield strategy. In effect, when used this way, the funds allow investors to "stack" a futures yield strategy on top of their existing portfolio.

Performance

The futures yield program struggled to find its footing early in the quarter. Long positions in bonds proved to be especially painful as the 10-year U.S. Treasury yield rose over a quarter point in the first half of October.

Bond positions proved to be a headwind throughout the entire quarter, with 10-year rates climbing almost 75 basis points by quarter end. However, losses in the latter part of the quarter were curbed by gains in currency exposures. Shorts in the Canadian Dollar, the Euro, and the Yen proved fruitful as the U.S. Dollar Index climbed nearly 7%.

Losses in the energy complex were offset by gains in metals. Finally, mixed positioning in global equities proved to be a drag.

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**Figure 6: Futures Yield (Net) Strategy Performance in Q4**
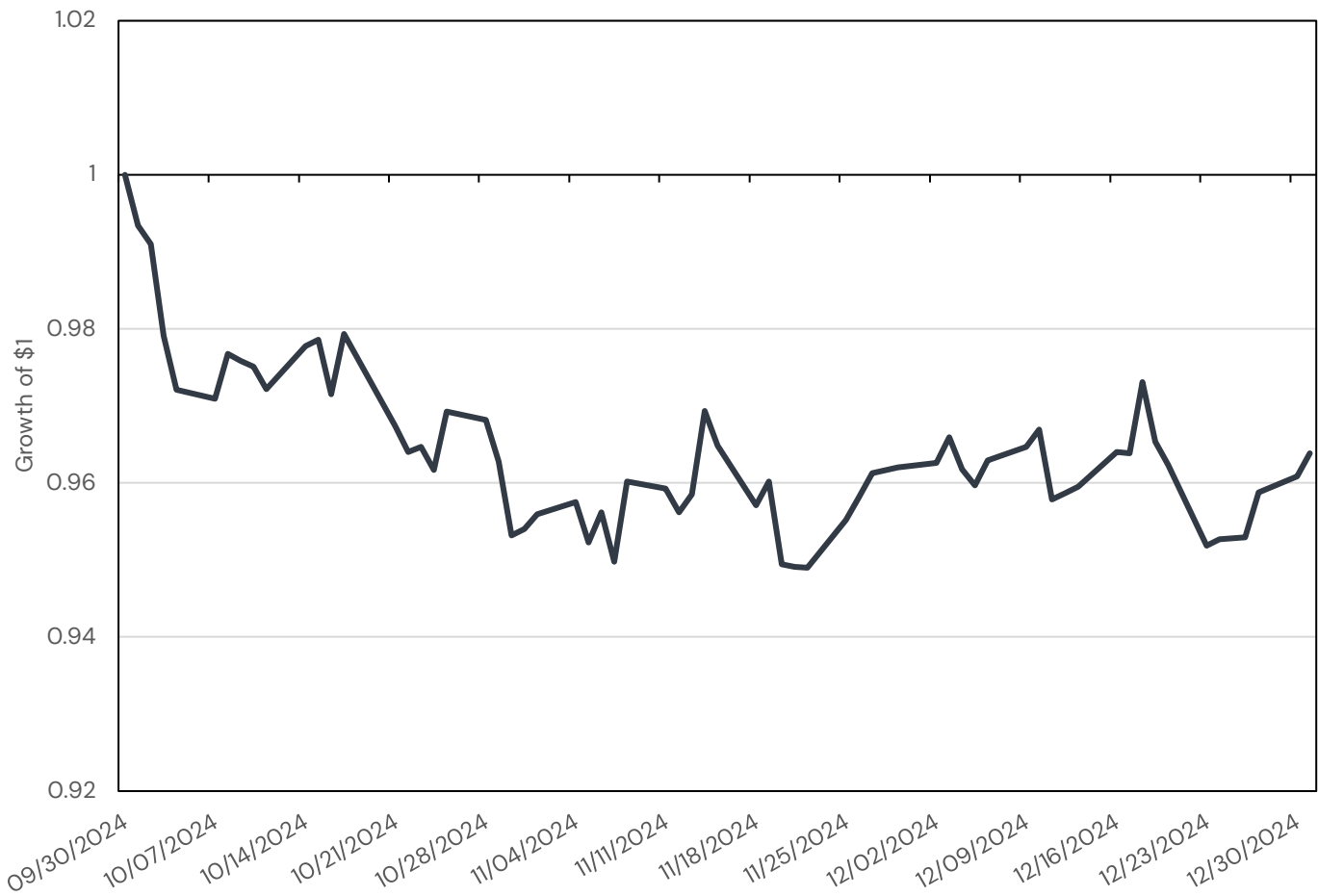
Source: Bloomberg. Calculations by Newfound Research. Futures Yield (Net) is the NAV return of the Return Stacked® U.S. Stocks & Futures Yield ETF (RSSY) minus the S&P 500 Total Return Index (SPXT). Returns of Futures Yield (Net) are net of underlying fees and transaction costs. Index returns are hypothetical. You cannot invest in an index. Past performance is not indicative of future returns. Please see glossary at the end of this commentary for index definitions. Period is September 30, 2024 through December 31, 2024. This material is for illustrative purposes only and is not meant to reflect the actual investment in the RSBY or RSSY ETFs.

The basic premise of a carry strategy is that an asset's forward return will be proportional to its carry. The underlying thesis is that carry provides information about the compensation an investor expects to receive for fundamental risks associated with holding a given asset. For example, in equities it may provide signals on fundamental growth risks, while in bonds it may provide signals about monetary policy risk or inflation risk.

In Figure 7, we plot the forecasted carry of the currencies in our universe versus their forward 6-month realized risk-adjusted return. For clarity, the dots plotted for December 31st, 2023 represent the carry signals versus the risk-adjusted returns realized from December 31st, 2023 through June 30th, 2024. If our hypothesis about carry signals is correct, we would expect to see a positive relationship.

We provide a snapshot from December 31st, 2023 and June 30th, 2024, capturing the first and second halves of 2024 respectively.

Figure 7: Forecasted Carry versus Risk–Adjusted Returns for Currencies in H1 and H2 2024
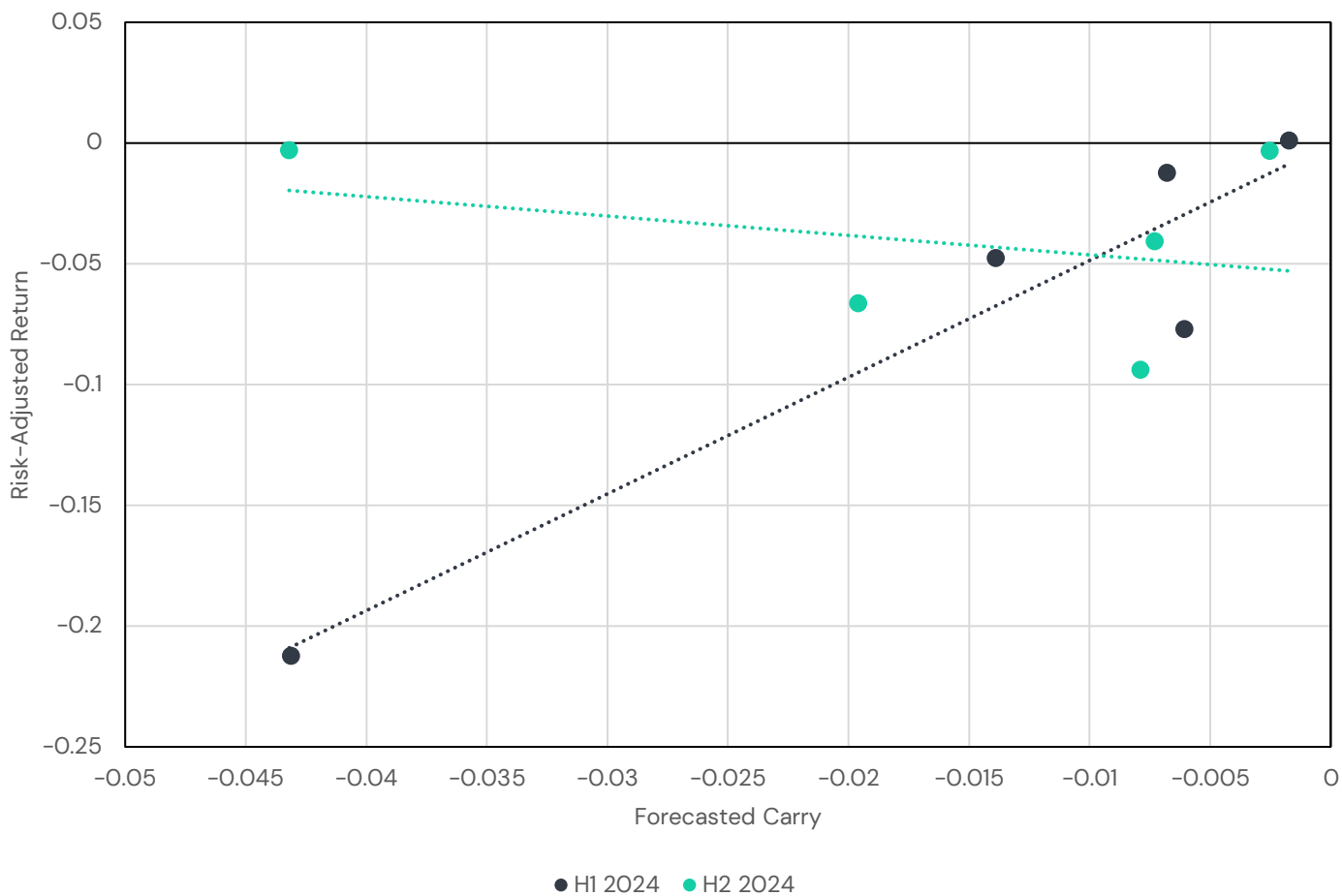
Source: ReSolve Asset Management (SEZC). For illustrative purposes only.

Investing in a carry strategy implies an expectation that, on average, markets currently exhibiting positive carry will experience positive subsequent returns, and vice versa, implying an expectation of a positive slope when we plot carry against forward returns. We can see that in the first half of 2024, there was a strong positive linear relationship between forecasted carry and forward risk-adjusted return. In the second half of the year, the relationship was much weaker, and slightly negative. Unsurprisingly then, a carry strategy run on currencies was much more profitable in the first half of the year than it was in the second half. For example, the Bloomberg GSAM FX Carry Index returned 7.33% in the first half of the year but –1.12% in the second half.

In a perfect world, the relationship between forecasted carry and risk-adjusted returns would be both linear and positive within *and across* assets. Of course, such a world would also allow us to create a perfectly smooth equity curve that only goes up and to the right, so this is unlikely in practice.

While we believe the relationship holds on average over the long run, there are many reasons why it may not hold over the short run. The simplest reason being that carry is only one of many variables that explain future market returns.

Furthermore, if we believe that carry is a proxy for fundamental risks (and therefore predominately a risk premium), there are two other important considerations. First, it presumes that the market is pricing risk correctly. We generally believe that markets are reasonably efficient, though not perfectly efficient, which is why we advocate for a multi-asset approach to carry. Even if the market is pricing risk correctly, however, we must also acknowledge that *risk happens*. A simple parallel is equity markets: we expect to earn an equity risk premium over the long run because sometimes markets go down in the short run. Similarly, we believe a multi-asset carry portfolio earns a risk premium over the long run because risks will happen in the short run.

Correlation Between Trend and Futures Yield (Carry)

We launched the Futures Yield (Carry) ETFs (RSBY and RSSY) to complement the existing trend-following lineup (RSBT and RSST). We believe that multi-asset carry not only offers a compelling long-term return profile but should also exhibit, on average, low correlation to Trend.

Unfortunately, since RSSY's inception in late May, Futures Yield (Carry) and Trend programs have both realized negative returns. Have they exhibited unusually high correlation to one another?

Just the opposite, in fact. In Figure 8, we plot the daily returns of the Trend and Futures Yield (Carry) programs.

Figure 8: Daily Returns of Trend Program Versus Futures Yield (Carry) Program Since Joint Inception
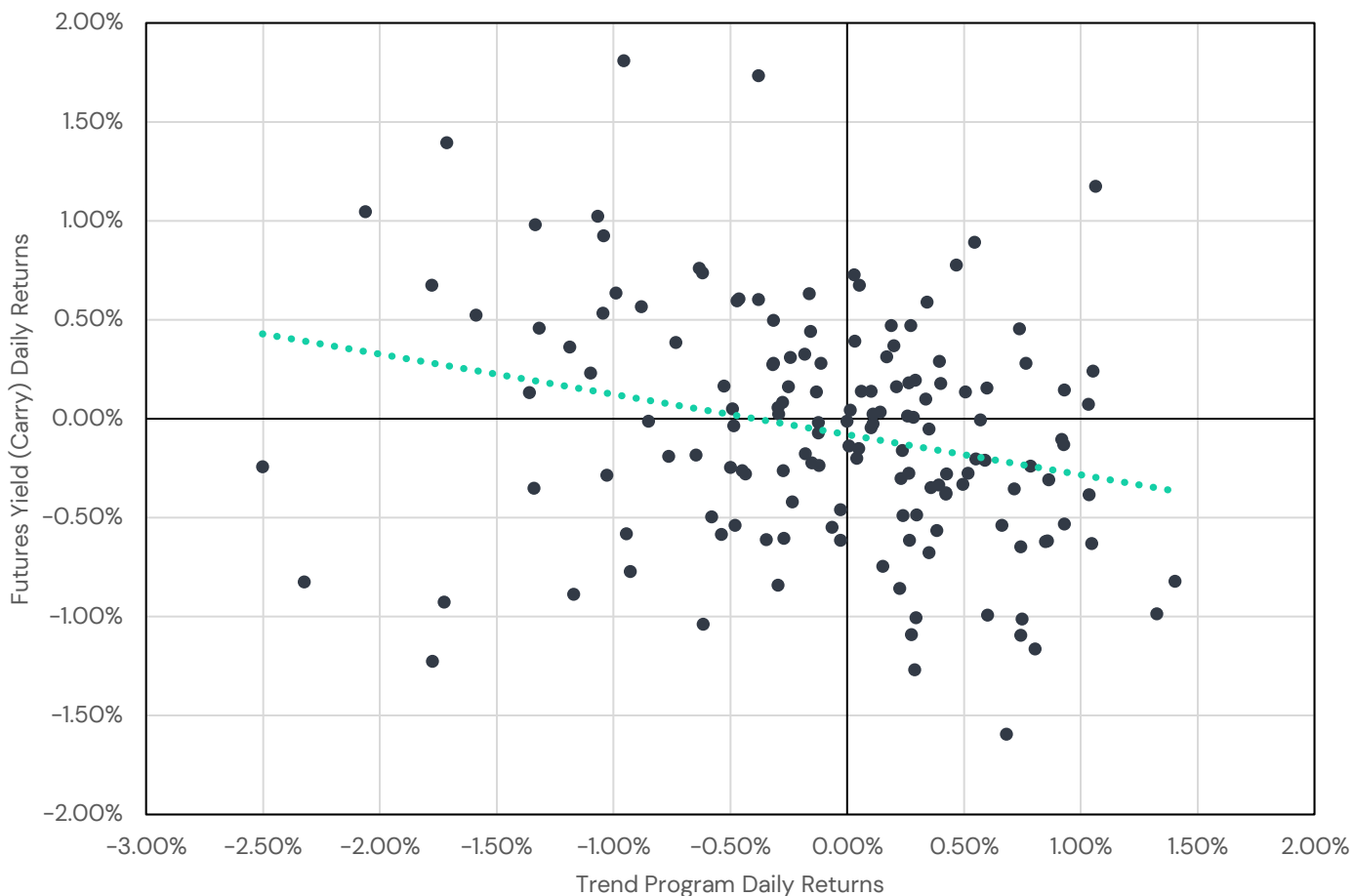
Source: Bloomberg. Calculations by Newfound Research. Trend Program Daily Returns is the daily percent change of RSST's NAV minus the daily percent change of the S&P 500 Total Return Index (SPXTR). Futures Yield (Carry) Daily Returns is the daily percent change of RSSY's NAV minus the daily percent change of the S&P 500 Total Return Index (SPXTR). Returns are net of underlying trading costs and management fees. Returns assume the reinvestment of all distributions. Index returns are hypothetical. You cannot invest in an index. Past performance is not indicative of future returns. Please see glossary at the end of this commentary for index definitions. Period is May 28, 2024 through December 31, 2024, which reflects the full period for which data is available. This material is for illustrative purposes only and is not meant to reflect the actual investment in the RSST or RSSY ETFs.
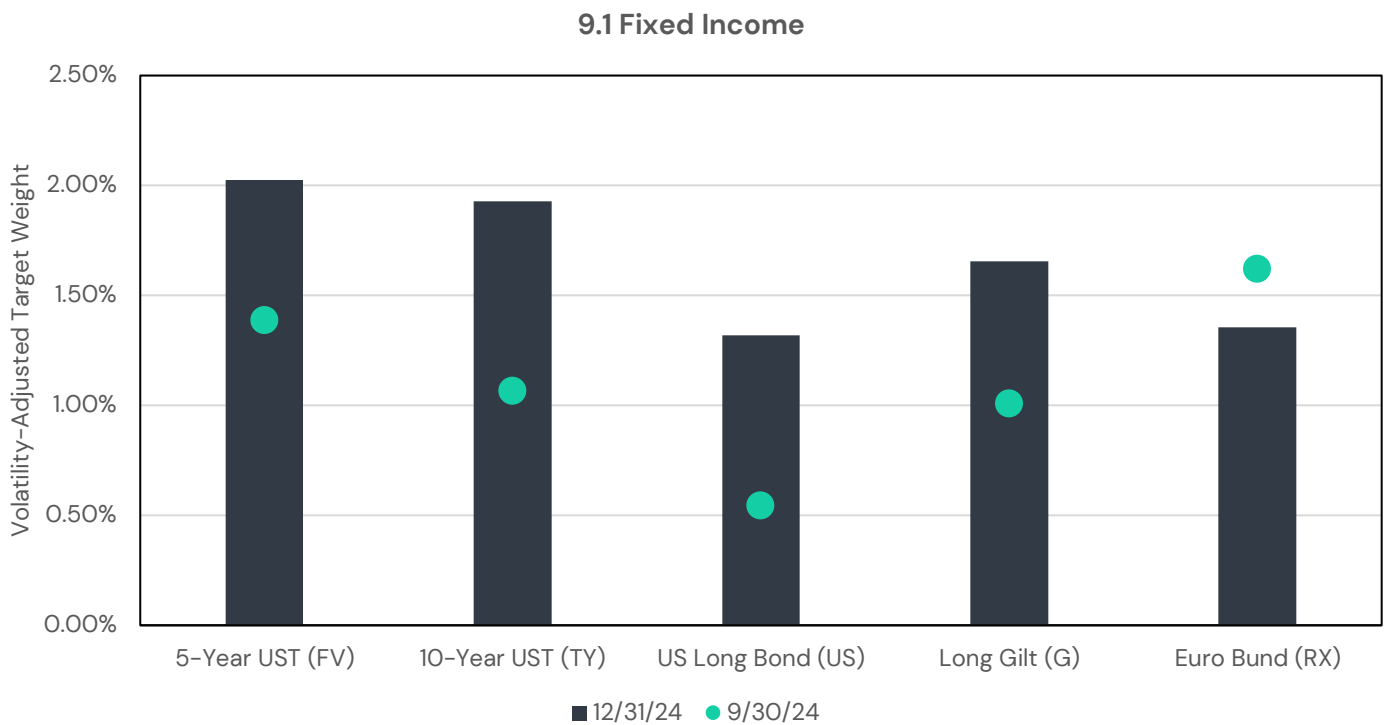
Over this period, the realized daily return correlation of the two programs was –0.26, and the realized weekly return correlation was –0.12.

Just as stocks and bonds can exhibit little-to-no correlation but still both be down over a 3- or 6-month period, the same can be true for alternative strategies like Trend and Futures Yield (Carry).

Positioning & Return Contribution

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Figure 9 lays out the model's target weights for the futures yield program broken out into bond, equity, commodity, and currency futures. Figure 10 provides estimated Q4 contribution at a position level.

Figure 9: Futures Yield Model Weight Targets at End of Q4

9.1 Fixed Income

Bar chart titled "9.1 Fixed Income" with y-axis labeled "Volatility-Adjusted Target Weight" ranging from 0.00% to 2.50%. Categories on x-axis: 5-Year UST (FV), 10-Year UST (TY), US Long Bond (US), Long Gilt (G), Euro Bund (RX). Legend: 12/31/24 (dark bars), 9/30/24 (green dots).

9.2 Equity Indices

Volatility-Adjusted Target Weight

■ 12/31/24   ● 9/30/24

9.3 Commodities

Target Weight

■ 12/31/24   ● 9/30/24
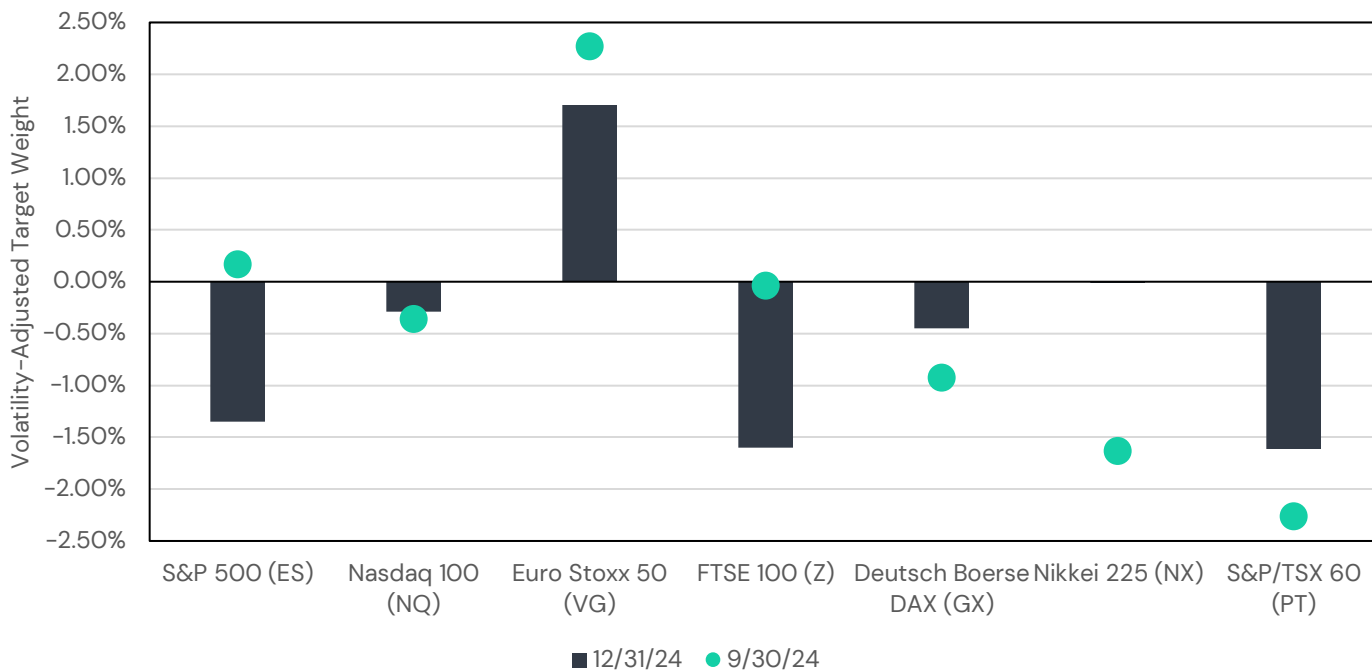
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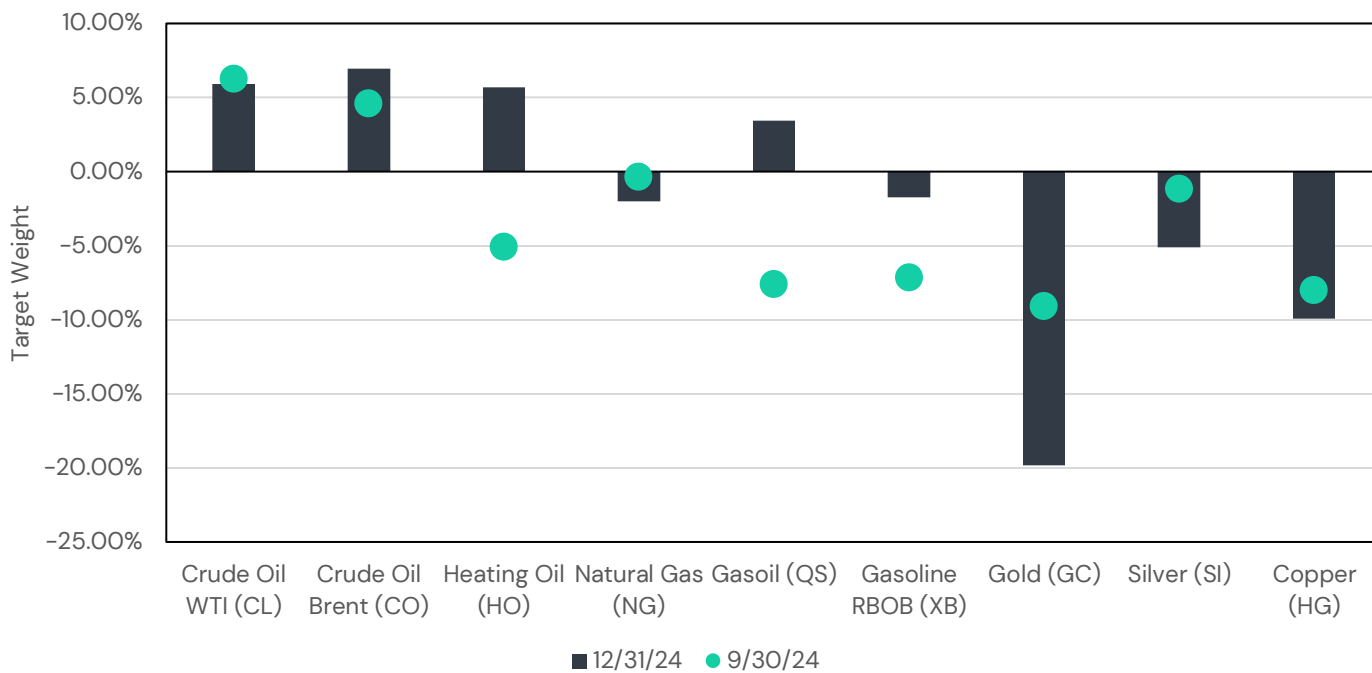
9.4 Currencies

Source: ReSolve Asset Management SEZC (Cayman). For illustrative purposes only. Target Weights reflect target allocations and may not reflect the actual weights held within RSSY or RSBY. Holdings are subject to change. Volatility-Adjusted Target Weights multiply Target Weights by a 63-day exponentially-weighted volatility measure.

A few important points to make before analyzing these graphs. Again, the weights are volatility adjusted. As mentioned above, this is done to acknowledge that a position with lower volatility and substantially greater weight may contribute an equal amou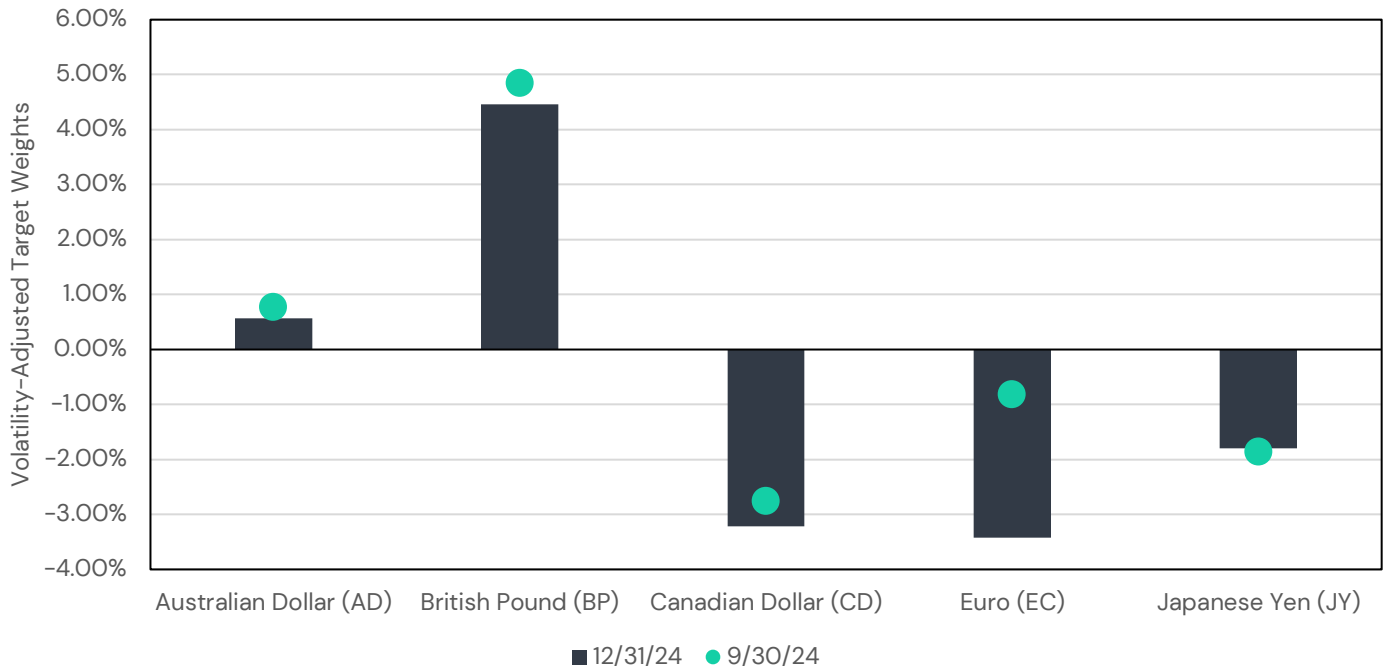nt of risk as a position with higher volatility and lower weight. Second, these are again point-in-time snapshots of target weights. Futures yield is a dynamic strategy, and these weights can shift dramatically in short order.

- As interest rates climbed in Q4, bonds became increasingly attractive from a relative carry perspective. The program has increased its exposure to U.S. Treasuries across the curve and, as of quarter end, we estimate that bonds account for just under 19% of the program's total risk profile.

- Equity exposure maintains a negative tilt, with the Euro Stoxx 50 remaining the positive outlier. Over the quarter the program increased shorts on the S&P 500 and the FTSE 100. We estimate that equities account for just under 16% of the program's total risk profile.

- Positions in the energy complex shifted increasingly positive over the quarter, with shorts in Heating Oil and Gasoil flipping long. We estimate that energy assets account for approximately 17% of the program's total risk profile.

- Shorts in gold, silver, and copper were all increased over the quarter. We estimate that metals account for approximately 14% of the program's total risk profile.

- Currency positioning shifted further towards the U.S. dollar in Q4, with a long position in the British Pound being trimmed and a short in the Euro being increased. We estimate that currency positions account for approximately 35% of the program's total risk profile.

Figure 10: Position–Level Contribution to Returns in Trend Program in Q4 and Year–to–Date

CURRENCIES	Q4	Year-to-Date
Australian Dollar (AD)	–1.20%	––
British Pound (BP)	–4.44%	––
Canadian Dollar (CD)	4.59%	––
Euro (EC)	2.76%	––
Japanese Yen (JY)	1.46%	––
Total	*3.17%*	*––*

Equity Indices	Q4	Year-to-Date
S&P 500 (ES)	–0.20%	––
Nasdaq 100 (NQ)	–0.56%	––
Euro Stoxx 50 (VG)	–0.43%	––
FTSE 100 (Z)	0.17%	––
Deutsch Boerse DAX (GX)	–0.10%	––
Nikkei 225 (NX)	–0.21%	––
S&P/TSX 60 (PT)	0.04%	––
Total	*–1.29%*	*––*

Bonds	Q4	Year-to-Date
5–Year UST (FV)	–1.34%	––
10–Year UST (TY)	–1.12%	––
US Long Bond (US)	–0.60%	––
Long Gilt (G)	–1.17%	––
Euro Bund (RX)	–0.65%	––
Total	*–4.88%*	*––*

Energies	Q4	Year-to-Date
Crude Oil WTI (CL)	0.33%	––
Crude Oil Brent (CO)	0.20%	––
Gasoline RBOB (XB)	–0.48%	––
Gasoil (QS)	–0.66%	––
Heating Oil (HO)	–0.42%	––
Natural Gas (NG)	–0.45%	––
Total	*–1.48%*	*––*

Metals	Q4	Year–to–Date
Gold (GC)	0.15%	--
Silver (SI)	0.19%	--
Copper (HG)	1.12%	--
Total	*1.46%*	*--*

Source: CSI and ReSolve Asset Management SEZC (Cayman). Calculations by Newfound Research.

RSSY Standardized Performance

(May 28, 2024 through December 31, 2024)

	3–Month	6–Month	1–Year	3–Year	5–Year	Inception
RSSY (Price)	–1.17%	-3.80%	--	--	--	1.50%
RSSY (NAV)	–1.03%	-3.35%	--	--	--	1.62%
U.S. Stocks	2.41%	8.44%	--	--	--	11.75%
U.S. T–Bills	1.19%	2.57%	--	--	--	3.07%

Source: Bloomberg. U.S. Stocks is the S&P 500 Total Return Index (SPXT). U.S. T–Bills is the Bloomberg Short Treasury Total Return Index Value Unhedged Index (LD12TRUU). Index returns are hypothetical. You cannot invest in an index. Returns assume the reinvestment of all distributions. Past performance is not indicative of future returns. Since inception returns less than a year are not annualized; since inception returns greater than a year are annualized. The total annual fund operating expense is 1.04%.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For the most recent month–end performance, please visit the Fund's website at https://www.returnstackedetfs.com/rssy–return–stacked–us–stocks–futures–yield/. The market price is the final price at which a security is traded on a given trading day. Net Asset Value (NAV) is value per share on a specific date or time. Returns less than one year are cumulative.

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RSBY Standardized Performance

(August 20, 2024 through December 31, 2024)

	3–Month	6–Month	1–Year	3–Year	5–Year	Inception
RSBY (Price)	–6.62%	––	––	––	––	–7.69%
RSBY (NAV)	–6.41%	––	––	––	––	–7.93%
U.S. Bonds	–3.06%	––	––	––	––	–2.05%
U.S. T–Bills	1.19%	––	––	––	––	1.81%

Source: Bloomberg. U.S. Bonds is the Bloomberg US Aggregate Total Value Unhedged USD Index (LBUSTRUU). U.S. T-Bills is the Bloomberg Short Treasury Total Return Index Value Unhedged Index (LD12TRUU). Index returns are hypothetical. You cannot invest in an index. Returns assume the reinvestment of all distributions. Past performance is not indicative of future returns. Since inception returns less than a year are not annualized; since inception returns greater than a year are annualized. The total annual fund operating expense is 1.00%.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For the most recent month-end performance, please visit the Fund's website at https://www.returnstackedetfs.com/rsby-return-stacked-bonds-futures-yield/. The market price is the final price at which a security is traded on a given trading day. Net Asset Value (NAV) is value per share on a specific date or time. Returns less than one year are cumulative.

Return Stacked® Bonds & Merger Arbitrage ETF

We are excited to introduce our sixth ETF to the Return Stacked® ETF suite: the Return Stacked® Bonds & Merger Arbitrage ETF.

The aim of the Return Stacked® Bonds & Merger Arbitrage ETF (RSBA) is to provide $1 of exposure to core U.S. Treasuries and $1 of exposure to a merger arbitrage strategy, for every $1 invested.

Merger arbitrage is a strategy that invests in companies involved in publicly announced merger and acquisition deals. The strategy seeks to capture the spread between the current trading price and the expected deal price by taking two actions: (1) purchasing the stock of the acquisition target at a discount; and (2) shorting the acquirer (unless it is an all-cash deal).

The spread between the current trading price of the acquisition target and the deal price is usually a function of interest rates, the estimated time it will take for the deal to close (involving deal complexity and regulatory approvals), and risks to the deal falling apart (e.g. valuation, financing, shareholder composition and regulatory approval). The greater the uncertainty in the deal, the greater the spread.

Merger arbitrage, therefore, is typically thought of as capturing a risk premium: investors are being paid to warehouse the risk that a deal falls through, or takes longer to complete than originally expected.

The merger arbitrage strategy component of RSBA seeks to track the AlphaBeta Merger Arbitrage Index. The Index endeavors to generate long-term annualized returns equal to the risk-free rate plus 400 basis points. In pursuing this goal, the Index invests in a maximum of 20 deals at a time.

Anytime a new deal is announced, the entire universe of deals is re-ranked based upon their expected returns. Expected returns are a function of four factors: (1) the probability the deal is completed; (2) the potential return if the deal is completed; (3) the probability the deal falls apart (i.e. 100% minus the potential the deal is completed); and (4) the potential loss if the deal falls apart.

To estimate the probability a deal is completed or falls apart, AlphaBeta applies a proprietary machine learning model trained on all announced, U.S.-listed deals since December 31st, 1999. The model includes variables that seek to capture the quality of the deal (e.g. relative market capitalizations), the quality of the acquirer (e.g. profitability), and potential regulatory risks (e.g. market concentration).

Deals that are included in the index are actively managed, with their weights being systematically adjusted as a function of deal size, market liquidity, and expected downside risk.

We are excited about this launch not only because it allows investors to implement merger arbitrage as an overlay to their portfolio, but as a standalone solution, we believe that U.S. Treasuries *plus* merger arbitrage makes a very compelling alternative to traditional corporate bond exposure.

RSBA Standardized Performance

(December 17, 2024 through December, 2024)

3-Month	6-Month	1-Year	3-Year	5-Year	Inception

RSBA (Price)	--	--	--	--	--	0.09%
RSBA (NAV)	--	--	--	--	--	0.04%
U.S. Treasuries	--	--	--	--	--	-0.69%
U.S. T-Bills	--	--	--	--	--	0.18%

Source: Bloomberg. U.S. Treasuries is the Bloomberg U.S. Treasury Total Return Unhedged Index (LUATTRUU). U.S. T-Bills is the Bloomberg Short Treasury Total Return Index Value Unhedged Index (LD12TRUU). Index returns are hypothetical. You cannot invest in an index. Returns assume the reinvestment of all distributions. Past performance is not indicative of future returns. Since inception returns less than a year are not annualized; since inception returns greater than a year are annualized. The total annual fund operating expense is 0.97%.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For the most recent month-end performance, please visit the Fund's website at https://www.returnstackedetfs.com/rsba-return-stacked-bonds-merger-arbitrage/. The market price is the final price at which a security is traded on a given trading day. Net Asset Value (NAV) is value per share on a specific date or time. Returns less than one year are cumulative.

Conclusion

Return stacking is reshaping how investors think about asset allocation by allowing them to introduce additional return streams to their existing portfolio **without compromising exposure to broad stocks and bonds**. In doing so, we believe investors gain the opportunity to enhance long-term returns and improve internal diversification.

We aim to help investors achieve these outcomes by offering pre-stacked solutions that can serve as portfolio building blocks. RSSB is designed to provide capital efficiency, allowing investors to free up room in their portfolio for creative cash management and overlay implementations. RSBT, RSST, RSBY, RSSY, and RSBA seek to provide pre-stacked alternative solutions that allow investors to retain core stock and bond allocations while introducing exposure to trend-following, carry-based managed futures, and merger arbitrage.

Taken together, we believe these six building blocks provide investors with tremendous flexibility in portfolio design and the ability to rethink diversification within their portfolios.

We are excited for the future of this suite and the value that Return Stacked® funds can bring to investors.

Glossary

Bloomberg Energy Subindex *is a commodity group subindex of the Bloomberg Commodity Index and is composed of futures contracts on crude oil, heating oil, unleaded gasoline, and natural gas.*

Bloomberg GSAM FX Carry Index *provides an equal risk weighted exposure to the Bloomberg GSAM FX10 and EM Carry strategies. These strategies rank the currencies using an average of recent implied US dollar interest rates as the carry measure.*

Bloomberg Precious Metals Subindex *is a commodity group subindex of the Bloomberg Commodity Index and is composed of futures contracts on gold and silver.*

Bloomberg Short Treasury Total Return Index Value Unhedged Index *is an index that covers U.S. Treasury Bills between 1-to-3 months in maturity.*

Bloomberg US Aggregate Bond Index *is an index that covers the broad U.S. investment grade, US dollar-denominated, fixed-rate taxable bond market.*

Bloomberg U.S. Treasury Total Return Unhedged Index *is an index that covers broad U.S. Treasury Bills, Notes, and Bonds.*

FTSE Global All Cap Index *is a market-capitalization weighted index representing the performance of large, mid, and small cap stocks globally.*

S&P 500 Index *is an abbreviation for the Standard & Poor's 500, a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.*

Société Générale CTA Index *is designed to track the largest commodity trading advisors ("CTAs") in the managed futures space net of underlying fees. The index does not represent the entire universe of CTAs. Actual rates of return may be significantly different and more volatile than those of the index.*

Société Générale Trend Index *is designed to track the largest trend following commodity trading advisors ("CTAs") in the managed futures space net of underlying fees. The index does not represent the entire universe of all CTAs. Actual rates of return may be significantly different and more volatile than those of the index.*

Euro Bund *is a long-term bond issued by the Federal Republic of Germany, the Republic of Italy, the Republic of France, or the Swiss Federation.*

UK Gilt *is a UK Government liability in sterling.*

WTI *is West Texas Intermediate and is the benchmark for the U.S. light oil market, sourced from U.S. fields.*

Brent *is the benchmark used for the light oil market in Europe, Africa, and the Middle East, originating from oil fields in the North Sea between the Shetland Islands and Norway.*

RBOB *stands for Reformulated Blendstock for Oxygenated Blending, a component that is used to create formulated gasoline.*

Important Disclosures

Investors should carefully consider the investment objectives, risks, charges and expenses of the Return Stacked® ETFs. This and other important information about the ETFs is contained in their prospectuses, which can be obtained by calling 1–310–498–7655 or clicking [here](). The prospectuses should be read carefully before investing.

Investments involve risk. Principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Brokerage commissions may apply and would reduce returns.

__Derivatives Risk:__ Derivatives are instruments, such as futures contracts, whose value is derived from that of other assets, rates, or indices. The use of derivatives for non–hedging purposes may be considered to carry more risk than other types of investments. __Cayman Subsidiary Risk:__ By investing in the Funds' Cayman Subsidiaries, the Funds are indirectly exposed to the risks associated with the Subsidiaries' investments. The futures contracts and other investments held by the Subsidiaries are subject to the same economic risks that apply to similar investments if held directly by the Fund. The Subsidiaries are not registered under the 1940 Act, and, unless otherwise noted in the Funds' Prospectus, are not subject to all the investor protections of the 1940 Act. __Bond Risk:__ The Funds will be subject to bond and fixed income risks through their investments in U.S. Treasury securities, broad–based bond ETFs, and investments in U.S. Treasury and fixed income futures contracts. Changes in interest rates generally will cause the value of fixed–income and bond instruments held by Funds (or underlying ETFs) to vary inversely to such changes. __Commodity Risk:__ Investing in physical commodities is speculative and can be extremely volatile. __Commodity–Linked Derivatives Tax Risk:__ The tax treatment of commodity–linked derivative instruments may be adversely affected by changes in legislation, regulations, or other legally binding authority. As registered investment companies (RIC), the Funds must derive at least 90% of its gross income each taxable year from certain qualifying sources of income under the Internal Revenue Code. If, as a result of any adverse future legislation, U.S. Treasury regulations, and/or guidance issued by the Internal Revenue Service, the income of the Funds from certain commodity–linked derivatives, including income from the Funds' investments in the Subsidiary, were treated as non–qualifying income, the Funds may fail to qualify as RIC and/or be subject to federal income tax at the Fund level. The uncertainty surrounding the treatment of certain derivative instruments under the qualification tests for a RIC may limit the Funds' use of such derivative instruments. __Commodity Pool Regulatory Risk:__ The Funds' investment exposure to futures instruments will cause it to be deemed to be a commodity pool, thereby subjecting the Funds to regulation under the Commodity Exchange Act and the Commodity Futures Trading Commission rules. Because the Funds are subject to additional laws, regulations, and enforcement policies, they may have increased compliance costs which may affect the operations and performance of the Funds. __Credit Risk:__ Credit risk refers to the possibility that the issuer of a security will not be able to make principal and interest payments when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of the Funds' investment in that issuer. __Currency Risk:__ Currency risk is the risk that changes in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. __Equity Market Risk:__ By virtue of the Funds' investments in equity securities, equity ETFs, and equity index futures agreements, the Funds are exposed to equity securities both directly and indirectly which subjects the Funds to equity market risk. Common stocks are generally exposed to greater risk than other types of securities, such as preferred stock and debt obligations, because common stockholders generally have inferior rights to receive payment from specific issuers. Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect securities markets generally or factors affecting specific issuers, industries, or sectors in which the Fund invests. __Foreign and Emerging Markets Risk:__ Foreign and emerging market investing involves currency, political and economic risk. __Leverage Risk:__ As part of the Funds' principal investment strategies, the Funds will make investments in futures contracts to gain long and short exposure across four major asset classes (commodities, currencies, fixed income, and equities). These derivative instruments provide the economic effect of financial leverage by creating additional investment exposure to the underlying instrument, as well as the potential for greater loss. __Non–Diversification Risk:__ The Funds are non–diversified, meaning that they are permitted to invest a larger percentage of its assets in fewer issuers than diversified funds. __Underlying ETFs Risk:__ The Funds will incur higher and duplicative expenses because they invest in ETFs. The Funds may also suffer losses due to the investment practices of the underlying ETFs. __New Fund Risk:__ The Funds are recently organized with no operating history. As a result, prospective investors do not have a track record or history on which to base their investment decisions.

Toroso Investments, LLC ("Toroso") serves as investment adviser to the Funds and the Funds' Subsidiary.

Newfound Research LLC ("Newfound") serves as investment sub–adviser to the Funds.

ReSolve Asset Management SEZC (Cayman) ("ReSolve") serves as futures trading advisor to the Return Stacked® Bonds & Managed Futures ETF, the Return Stacked® U.S. Stocks and Managed Futures ETF, the Return Stacked® U.S. Stocks & Futures Yield ETF, the Return Stacked® Bonds & Futures Yield ETF, and their respective Subsidiaries.

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