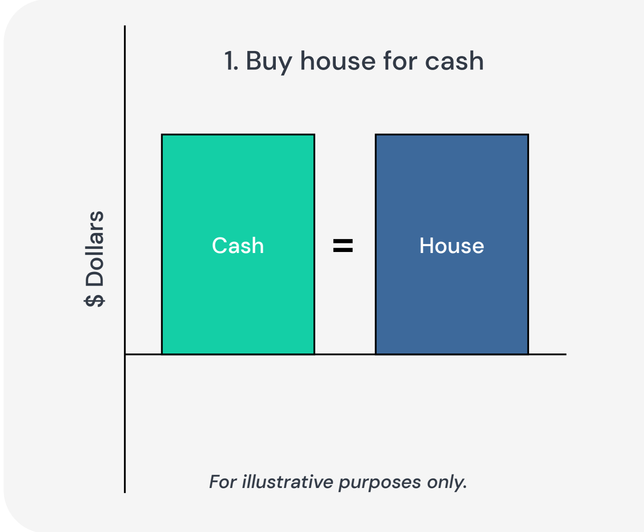
Return Stacked® Portfolio Solutions

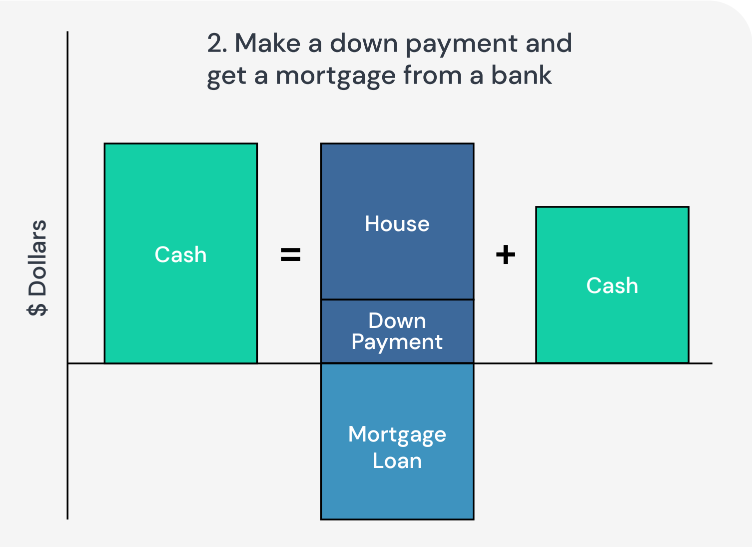
Return Stacking 101



For illustrative purposes only.

If You've Ever Bought a House, You Already Understand the Basics of Return Stacking

Imagine you have enough cash to buy a house outright. If you buy the home for cash, your return will be equal to the appreciation (or depreciation) of the home's value.

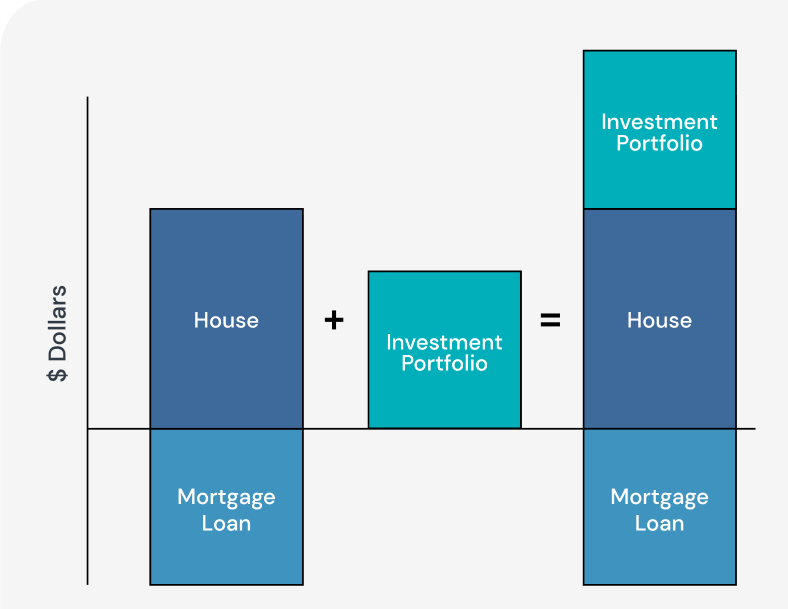


For illustrative purposes only.

But what if instead of using all your cash, you decide to take out a mortgage as well. Why? Because this allows you to leverage your money for more opportunities.

By making a smaller down payment and letting the mortgage cover the rest, you now own the house and still have most of your cash available.

Your return will be equal to the house value appreciation *minus* the interest you pay on the mortgage.



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That is, unless you choose to invest your leftover cash elsewhere, effectively "stacking" any investments.

This means you have the potential appreciation of the house ***plus*** the returns from your new investments, ***minus*** the cost of the mortgage, potentially putting you in a better financial position than if you had simply bought the house out right.

Moreover, if your investments go up when there's a dip in the real estate market, you have introduced valuable diversification.

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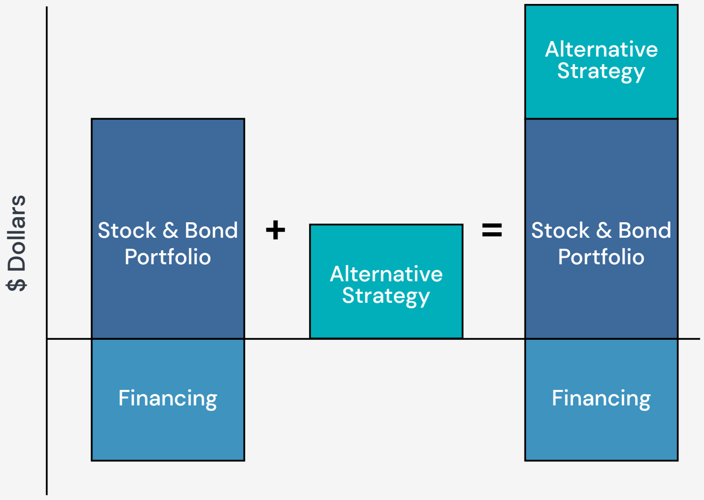

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From Real Estate Stacking to Financial Market Stacking

We can apply the exact same concepts within managed investment funds. Instead of buying a home, we are buying financial assets such as stocks and bonds. Instead of taking out a mortgage, we borrow from institutional markets at rates close to short-term U.S. Treasury Bills (often 2–3% cheaper than regular mortgage rates).

As before, the freed up cash can then be reinvested in a variety of strategies, whose returns can be stacked on top of the portfolios existing stocks and bonds.

This diversifies your investments and has the potential to add extra returns on top.

By purchasing units in an ETF that uses return stacking, you neatly combine these elements and reduce the complexity of building these strategies by hand.

Why Would I Want to Return Stack?

Return stacking aims to help investors unlock the benefits of diversification and the potential to increase portfolio returns by using their investments more efficiently and effectively.

At its core, return stacking is the idea of layering one diversified return profile *on top* of traditional asset classes like equities and bonds, achieving more than $1 of exposure for each $1 invested.

Return Stacking for Diversification

Investors can use return stacking to maintain 100% of their core stock and bond exposure while introducing additional, diversifying return streams to their portfolio in a capital efficient way.

Return Stacking for Outperformance

Investors can use return stacking to introduce additional return streams to their portfolio, pursuing alpha outside of traditional security selection.

A (short) list of institutions using return stacking concepts

> This was the first time I was ever really introduced to portable alpha.
>
> I was like, "Wait a minute... They're cheating, but they're winning."
>
> **Jonathan Glidden**
> CIO, Delta Airlines

- Ohio Police and Fire Pension Fund
- Missouri State Employees' Retirement System
- Pennsylvania Public School Employees' Retirement System
- Oregon Public Employees Retirement Fund
- State of Wisconsin Investment Board
- Teacher Retirement System of Texas
- Iowa Public Employees' Retirement System
- South Carolina Retirement System Investment Commission
- Delta Airlines
- Eli Lilly and Company
- RTX Corporation
- The Rockefeller Foundation

The institutions listed above all implement the core concepts of return stacking and portable alpha, i.e., investing in hedge funds while obtaining beta exposure via derivative overlays. Additional information for their implementations can be found in their respective publicly-available investment policy statements or publicly available statements made by senior members of the investment staff.