

RISR

FOLIOBEYOND ALTERNATIVE INCOME AND INTEREST RATE HEDGE ETF

June 2023



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IMPORTANT INFORMATION

RISR —

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call (866) 497-4963 or visit our website at www.etfs.foliobeyond.com. Read the prospectus or summary prospectus 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. The fund is new and has limited operating history to judge.

Fund Risks - The value of MBS IOs is more volatile than other types of mortgage-related securities. They are very sensitive not only to declining interest rates, but also to the rate of prepayments. MBS IOs involve the risk that borrowers may default on their mortgage obligations or the guarantees underlying the mortgage-backed securities will default or otherwise fail and that, during periods of falling interest rates, mortgage-backed securities will be called or prepaid, which may result in the Fund having to reinvest proceeds in other investments at a lower interest rate. The Fund's derivative investments have risks, including the imperfect correlation between the value of such instruments and the underlying assets or index; the loss of principal, including the potential loss of amounts greater than the initial amount invested in the derivative instrument. The value of the Fund's investments in fixed income securities (not including MBS IOs) will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of fixed income securities owned indirectly by the Fund.

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ABOUT THE FIRM

FolioBeyond, LLC provides investment solutions

for independent Registered Investment Advisors, wealth managers, insurance companies, broker-dealers, banks and other financial market entities.

The firm's solutions integrate factor-based models, artificial intelligence/machine learning (AI/ML) tools, sophisticated valuation methods and disciplined risk management. FolioBeyond uses advanced proprietary algorithms for portfolio construction, asset allocation rebalancing and stress testing.

FolioBeyond is a registered investment adviser, founded in 2017.



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**We Are
Quantamental*
Investors**

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***Quantitative + Fundamental**

FolioBeyond Alternative Income and Interest Rate Hedge ETF (RISR)

RISR is an actively managed exchange-traded fund (ETF) that seeks to:

- Generate current income under a wide range of market regimes
- Provide an uncorrelated investment that can reduce risk in a broad range of portfolios and strategies
- Provide protection against rising interest rates

RISR

- RISR invests primarily in interest-only mortgage-backed securities (MBS IOs) and U.S. Treasury bonds.
- MBS IOs are a negative duration security that generally benefit from rising rates.
- MBS IOs —and Treasuries to a lesser extent —generally provide income under stable rates.

Duration

Duration is a measure of the relationship between interest rates and price for a fixed income security. Positive duration refers to a relationship whereby prices decline as interest rates rise, while negative duration refers to a relationship whereby prices increase as interest rates rise.

WHY RISR

Designed to Provide Stable Income and Add Diversification to Fixed Income, Equity and Blended Portfolios Using MBS IOs

- MBS IOs are negative duration instruments
Funds that seek to achieve negative duration by shorting Treasuries or by purchasing put options are commonly negative carry
- MBS IOs are positive carry
MBS IOs are correlated to 10-year Treasury yields and offer positive carry of as much as 4% to 8% (as of May 2023)
- MBS IOs are sufficiently liquid for a scalable strategy
- RISR is “quantamental” and actively managed
- RISR is a diversifier

Carry

The carry of an asset is the return obtained from holding it (positive carry), or the cost of holding it (negative carry).

RISR —

FolioBeyond has Deep Expertise in Mortgage Derivatives

- Our mortgage expertise spans quantitative modeling and risk management as well as buy side and sell side experience.
- Our skillset covers mortgage origination, servicing, loss-mitigation, hedging and securitization.

The Current Investing Landscape is Subject to an Unusually Large Set of Risk Factors:

- Inflation
- Interest Rate Policy
- Risk of Recession
- Budgetary Policy Stalemate
- Geopolitical Risk
- War-Induced Supply Disruptions
- Labor Market Disruptions
- Demographic Change
- Technological Innovations

All these factors and more make the current landscape especially perilous, and demand that investors and advisors pay particular attention to risk management.

With its strong negative correlation to the Bloomberg US Aggregate Bond Index, and very low correlation to the S&P and Nasdaq stock Indices, adding RISR to existing Fixed Income, Equity or Blended portfolios can increase diversification materially, potentially reducing overall risk.

Correlation Matrix				
	RISR	LBUSTR	SPX	XNDX
RISR	1.000			
Bloomberg US Agg Total Return (LBUSTRUU)	-0.565	1.000		
S&P 500 INDEX (SPX)	0.006	0.244	1.000	
NASDAQ-100 Total Return Index (XNDX)	-0.040	0.261	0.952	1.000

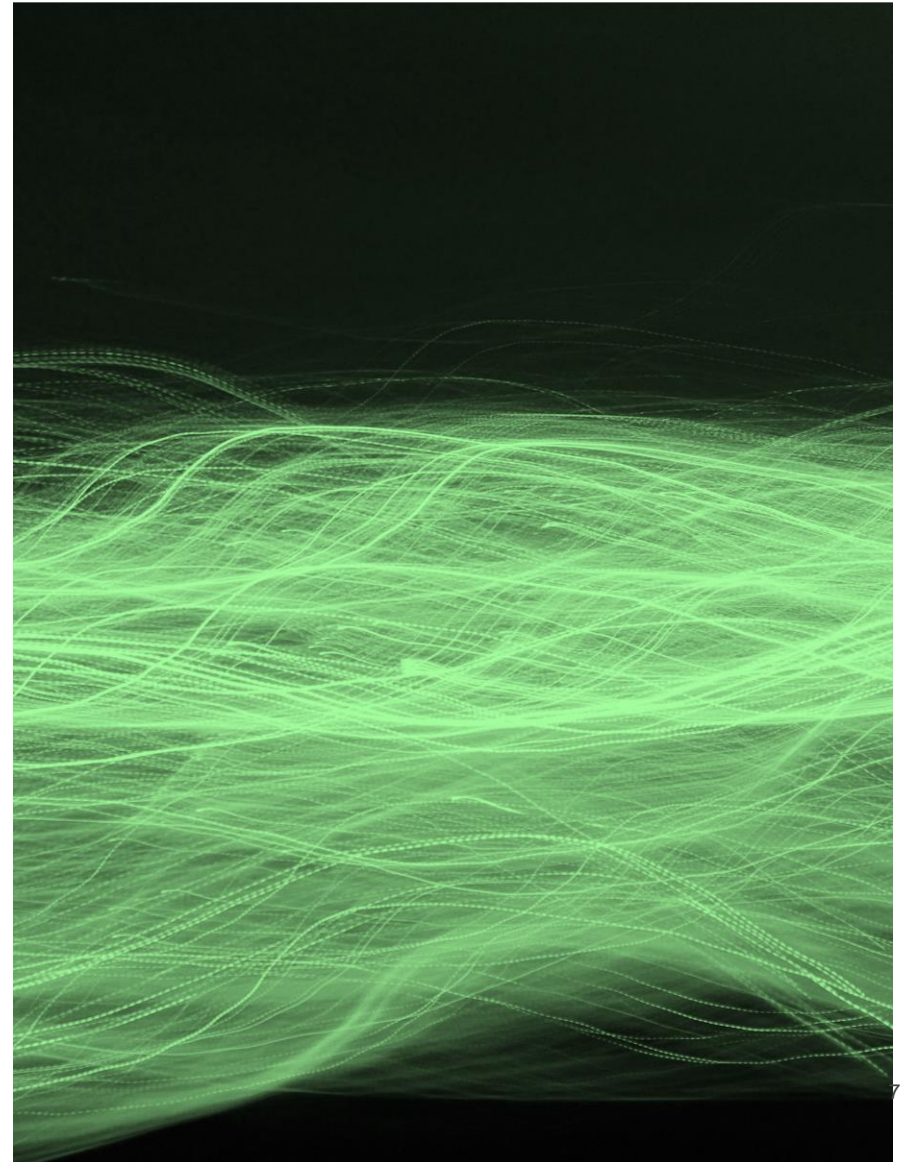
Source: Bloomberg, L.P. 6/22/22-6/22/23

AGENCY/AAA CREDIT

Residential Mortgage-Backed Securities: AAA Credit

- RISR invests in MBS IOs issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.
- Ginnie Mae securities are backed by the full faith and credit of the U.S. government. Fannie Mae and Freddie Mac securities are guaranteed by Fannie Mae and Freddie Mac. These entities, in turn, are backed by a line of credit with the U.S. Treasury. This gives the securities the highest credit rating granted by ratings agencies.¹
- RMBS IOs are one of the only negative duration fixed income instruments with sufficient liquidity to form the basis of a scalable strategy.

1. It should be noted, however, that in the case of MBS IOs, a default by an underlying borrower, will have the same effect as a voluntary prepayment (i.e., it will reduce the balance of the underlying mortgage pool, thereby reducing the value of the MBS IO, notwithstanding such guarantee).



The table below summarizes the performance of RISR ETF since inception.

As of March 31, 2023							
	1M	3M	6M	YTD	Since Inception Cumulative	1Y	Since Inception Annualized
RISR NAV	-1.48%	0.46%	2.57%	0.46%	32.91%	10.46%	20.91%
RISR MKT	-0.23%	1.36%	2.91%	1.36%	33.85%	11.62%	21.48%

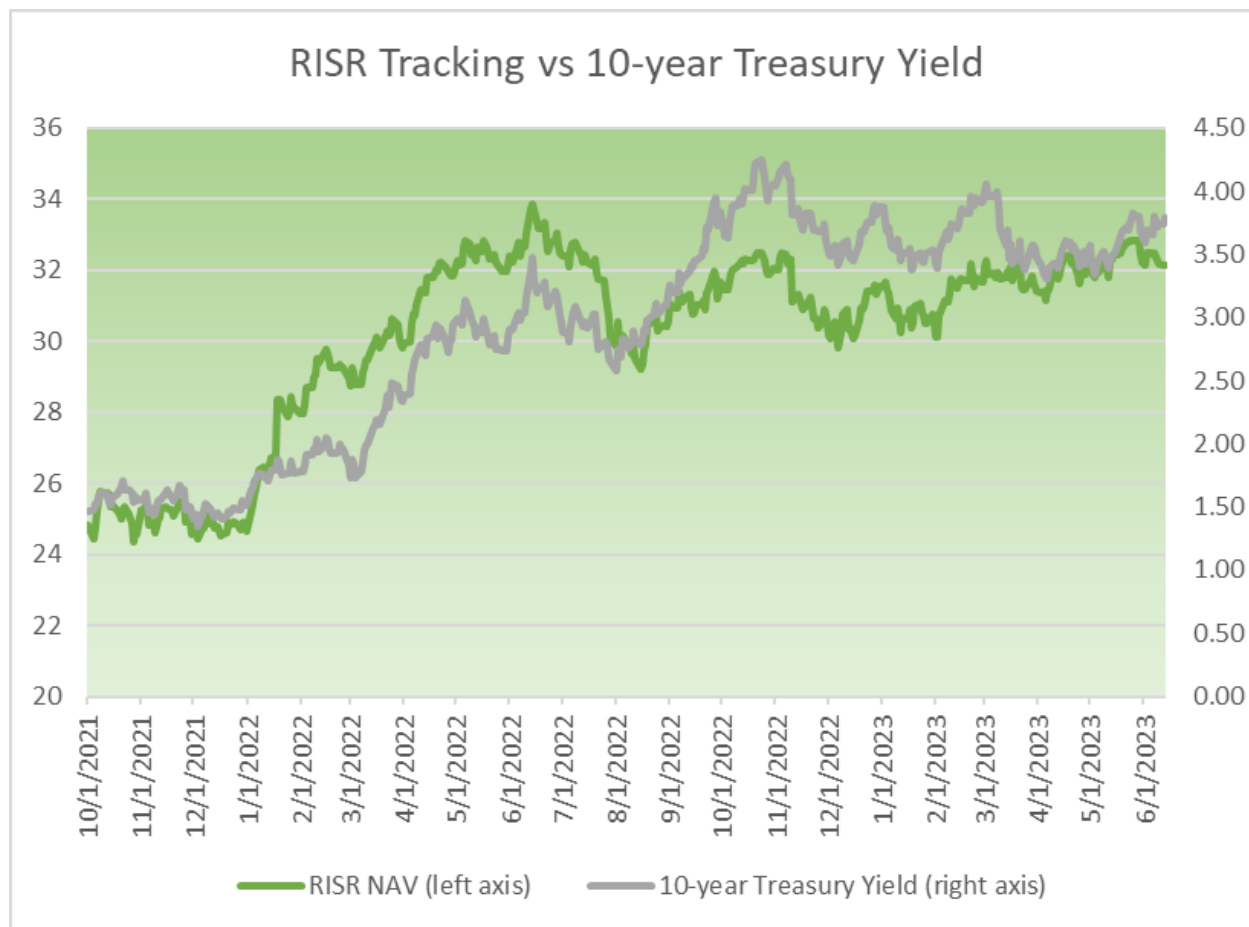
The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Performance current to the most recent month-end can be obtained by calling 866-497-4963. Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. Returns beyond 1 year are annualized.

A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The market price is the most recent price at which the fund was traded. The fund intends to pay out income, if any, monthly. There is no guarantee these distributions will be made.

Total Expense Ratio is **0.99%**.

RELATIONSHIP OVER TIME

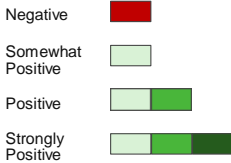
The graph plots the 10-year Treasury yield vs. Net Asset Value of RISR since inception of the Fund. Note how the yields and prices have similar peaks and dips. Total Expense Ratio of RISR is 0.99%.



COMPARISON OF STRATEGIES UNDER DIFFERENT MARKET ENVIRONMENTS

RISR

LEGEND
Impact of Market Environment
on Strategies



Market Environment	Strategy			
	Floating Rate Instruments	Short 10-year Treasuries	Treasury Inflation-protected Securities (TIPS)	RISR
	<div></div> <p>Increase in Long-term Rates</p> <p>Limited impact on floating rate with short-dated cash flows</p>	<div></div> <p>Direct benefit from mark-to-market gain</p>	<div></div> <p>Some benefit from rising inflation offset by duration risk</p>	<div></div> <p>Direct correlation to slowing prepayments</p>
	<div></div> <p>Increase in Short-term Rates</p> <p>Direct benefit from rising coupon rate</p>	<div></div> <p>Negative carry on short position with no benefit from increase in short rates</p>	<div></div> <p>Positive carry based on inflation expectations</p>	<div></div> <p>Some benefit from slowing refinancing into adjustable mortgages offset by higher short-term discount rate</p>
	<div></div> <p>Stable Long- and Short-term Rates</p> <p>Positive carry</p>	<div></div> <p>Negative carry</p>	<div></div> <p>Positive carry based on inflation expectations</p>	<div></div> <p>Positive carry of ~7%in current environment</p>
	<div></div> <p>Rise in Inflation</p> <p>Rising coupon income as short rates rise in anticipation of Fed tightening</p>	<div></div> <p>Benefit from possible selloff in Treasuries</p>	<div></div> <p>Benefit from rising break-even inflation rate partly offset by duration effect</p>	<div></div> <p>Declining prepayment rates as interest rates rise</p>

INVESTMENT PROCESS

RISR —

1 Asset Allocation

APPROACH - Top Down

INPUT

- Historical pricing data
- Option adjusted yields
- Implied volatility
- Correlations
- Momentum effects



MODEL

Proprietary multi-factor optimization model



FUNDAMENTAL OVERLAY

Embedded in option adjusted yield and spread calculations that incorporate prepayment modeling

OUTPUT

- %MBS IOs with coupon ranges
- %Treasuries with maturity ranges
- %Other hedges if appropriate

2 Security Selection

APPROACH - Bottom Up

INPUT

- MBS IO deal/tranche structure in CMOs
- Underlying collateral characteristics



MODEL

MBS prepayment and option-adjusted spread (OAS) models



FUNDAMENTAL OVERLAY

Portfolio manager MBS IO bond and collateral analysis

OUTPUT

Individual security selection

3 Portfolio Risk Management

APPROACH - Risk Analysis and Stress Test

INPUT

- Price
- Yield curve
- Implied volatility



MODEL

Prepayment and OAS models: standard and stress scenarios



FUNDAMENTAL OVERLAY

Incorporate macro factors related to mortgage and housing markets

OUTPUT

Sensitivity analysis and risk profile including rate duration, convexity, prepayment duration, yield curve risk



RETURN AND VOLATILITY COMPARISON VS EQUITY AND BOND INDICES

RISR —

As of 6/23/2023	Total Return (%)					
	3 Month	6 Month	YTD	1 Year	Since Inception	90 Day Volatility
RISR	4.02	6.13	3.96	5.12	37.23	17.41
Bloomberg US Aggregate Bond Index	-1.04	1.69	2.36	-0.02	-11.19	7.76
US Treasury 7 Year Bond Inverse Index	1.94	-1.96	-2.58	0.57	13.32	9.99
S&P 500 Index	10.19	14.30	14.43	13.31	2.47	18.57
ICE U.S. Treasury 7-10 Year Bond Index	-2.08	1.52	2.17	-1.51	-13.10	9.92
ICE U.S. Treasury 20+ Year Bond Index	-2.41	2.40	4.39	-5.60	-26.04	18.68

Source: Bloomberg, L.P.

PORTFOLIO MANAGER BIOGRAPHIES

RISR

Yung Lim

CEO, FolioBeyond
Portfolio Manager, RISR

Yung Lim, the CEO of FolioBeyond and Portfolio Manager of the FolioBeyond Rising Rates ETF (RISR), has 30+ years of experience in the fixed income markets, spanning investment management, risk management, and quantitative model development.

Previously Mr. Lim was:

- Co-founder of Treesdale Partners, a fixed income fund of hedge funds with peak AUM of \$2.3 billion
- Chairman of Pedestal Inc., an online mortgage trading platform funded by Reuters, Deutsche Bank and Battery Ventures
- Senior consultant at Andrew Davidson & Co.
- Vice President at Merrill Lynch in the Mortgage-Backed Securities Group

Mr. Lim is co-author of *Collateralized Mortgage Obligations*, by Davidson, Ho and Lim.

He received his M.B.A. from the Booth School at the University of Chicago and his B.S. in Electrical Engineering from the California Institute of Technology.

Dean Smith

Chief Strategist, FolioBeyond
Portfolio Manager, RISR

Dean Smith, Chief Strategist of FolioBeyond and Portfolio Manager of the FolioBeyond Rising Rates ETF (RISR), has 25+ years of experience in all aspect of structured products with roles as an investment banker, trader, and hedge fund portfolio manager.

Prior to joining FolioBeyond, Mr. Smith was:

- Founder of Stonehenge Financial Partners
- Partner at Highland Financial Holdings
- In senior positions at DLJ and Nomura Securities

Mr. Smith earned his M.A. and M.Phil. in Economics from Columbia University. He also received a B.A. in Economics from the University of California San Diego.

Michael Venuto

Portfolio Manager, RISR

Michael Venuto is Chief Investment Officer of Toroso Investments and Portfolio Manager of the FolioBeyond Rising Rates ETF (RISR). Mr. Venuto is an ETF industry veteran with over a decade of experience in the design and implementation of ETF-based investment strategies.

Previously, Mr. Venuto was Head of Investments at Global X Funds where he provided portfolio optimization services to institutional clients. Before that, he was Senior Vice President at Horizon Kinetics where his responsibilities included new business development, investment strategy and client and strategic initiatives.

Charles A. Ragauss, CFA

Portfolio Manager, RISR

Charles A. Ragauss, CFA, is a Portfolio Manager at Toroso Investments and Portfolio Manager of the FolioBeyond Rising Rates ETF (RISR). Through Toroso, Mr. Ragauss also provides support services to CSat Investment Advisory, L.P., doing business as Exponential ETFs ("Exponential"). Mr. Ragauss previously served as Chief Operating Officer and in other roles at Exponential from April 2016 to September 2020.

Previously, Mr. Ragauss was Assistant Vice President at Huntington National Bank ("Huntington"), where he was Product Manager for the Huntington Funds and Huntington Strategy Shares ETFs, a combined fund complex of almost \$4 billion in assets under management. At Huntington, he led ETF development, bringing to market some of the first actively managed ETFs. Mr. Ragauss joined Huntington in 2010.

Mr. Ragauss attended Grand Valley State University where he received his Bachelor of Business Administration in Finance and International Business, as well as a minor in French. He is a member of both the National and West Michigan CFA societies and holds the CFA designation.

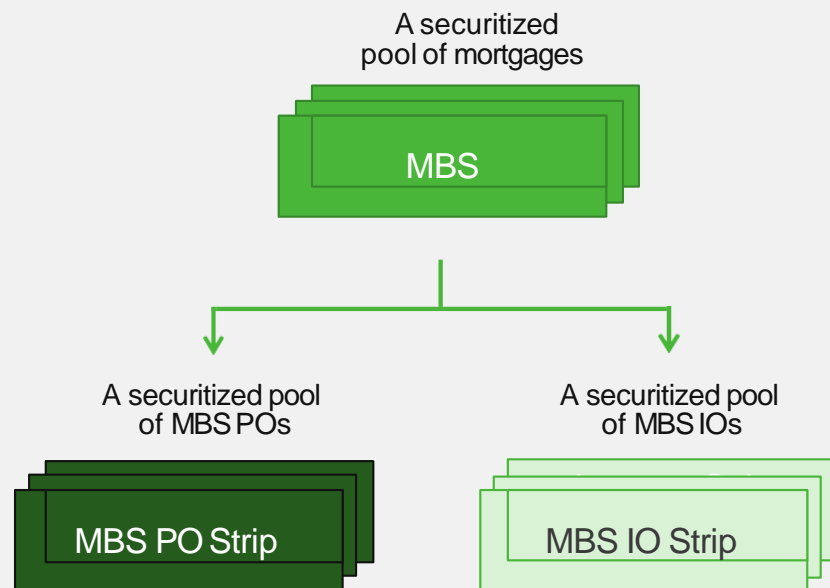


Appendix

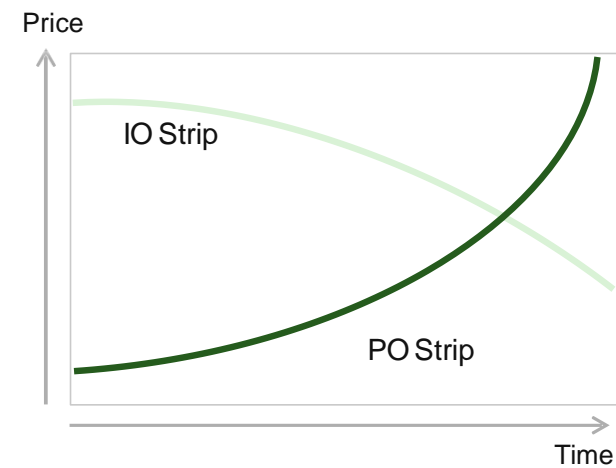


STRIPPING MORTGAGE SECURITIES

Interest only and principal only strips are created by packaging the cash flows into separate securities.



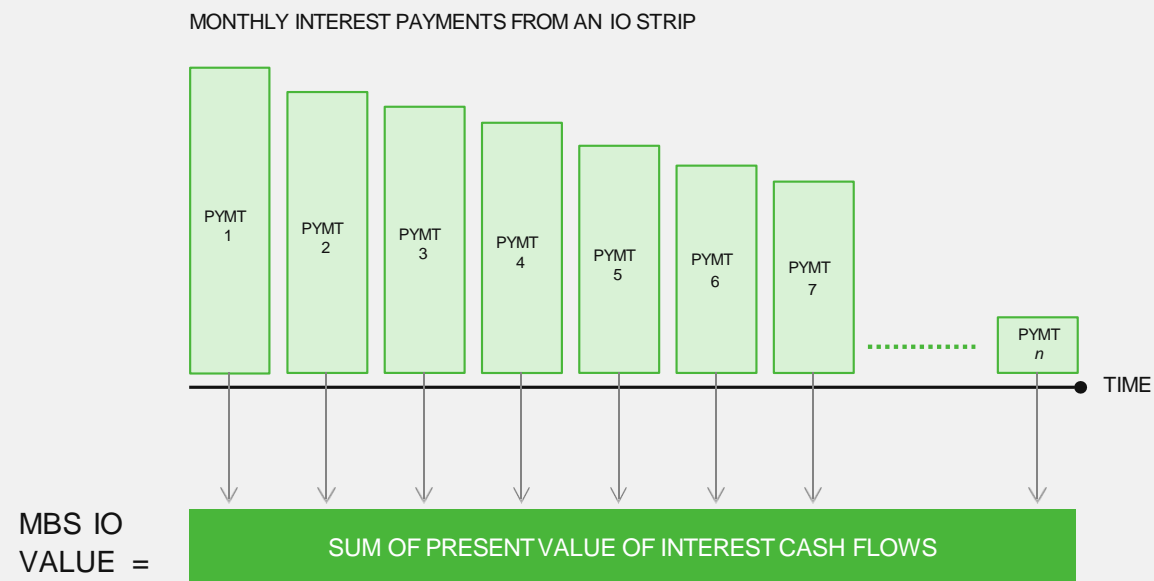
Cash Flow Characteristics: PO and IO Strips



MBS IO STRIP

RISR

Pricing MBS IO Strips



MBS IOs are negative duration securities

If mortgage rates rise

- Mortgage prepayments decline
- Interest cash flows increase
- MBS IO value increases

If mortgage rates fall

- Mortgage prepayments increase
- Interest cash flows decline
- MBS IO value decreases



GLOSSARY

Agency MBS	These include MBS issued or guaranteed by Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (FreddieMac) or the Government National Mortgage Administration (Ginnie Mae). Agency MBS are backed by the full faith and credit of the U.S. government, which gives them the highest credit rating granted by the credit ratings agencies.
Carry	The carry of an asset is the return obtained from holding it (positive carry), or the cost of holding it (negative carry).
Cuspy Coupons	A minor decrease in rates is likely to cause substantial prepayment of mortgages. These securities are most susceptible to negative convexity.
Correlation	A statistical relationship, whether causal or not, addressing the degree to which a pair of variables are linearly related.
Duration	Duration is a measure of the relationship between interest rates and price for a fixed income security. Positive duration refers to a relationship whereby prices decline as interest rates rise, while negative duration refers to a relationship whereby prices increase as interest rates rise.
Factor Models	Factor Models are financial models that incorporate factors (macroeconomic, fundamental, and statistical) to define a security's risk and returns.
MBS	Mortgage-backed securities are fixed-income instruments that represent an interest in a pool of mortgages.
MBS IOs	MBS IOs represent the interest portion of the MBS.
MBS POs	MBS POs represent the principal portion of the MBS.
OAS	Option-adjusted spread represents the yield spread that is added to the benchmark yield curve to price a security with an embedded option.
Stripped MBS	Stripped MBS represent interest in a pool of mortgages, the cash flow from which has been separated into interest and principal components.
Yield	A measure of the ex-ante return to a holder of the security.

