

# Standard Value - Systematic Equity + Income Proposed Strategy

## Equity Market Neutral Hybrid with High Yield and Mortgage Income

Feb 2018

Benchmark 1: S&P 500 Index Total Return ("S&P 500")

Benchmark 2: Barclays Agg Total Return ("Barc Agg")

Standard Value improves upon the traditional equity market neutral fund by replacing some of the long exposure with fixed income. Using a mix of corporates and mortgages, our proposed strategy adds income and maintains a beta of zero, while considerably improving the Sharpe ratio.

This unique product is the payoff from two decades of research into each of the components. The work was done by principals who have worked together in the past and have known each other since graduation from the Chicago MBA program 25+ years ago.

The securities in the equity and corporate bond long / short portfolio are selected using Rational Investing LLC's technology, a unique AI-driven fundamental approach to corporate finance with a stunning track record of Alpha generation. We select corporate bonds where the normalized Debt / EDITDA approaches equity payoffs based on current prices for very resilient franchises, so going up the capital structure reduces risk.

The MBS positions are selected using proprietary search and valuation algorithms developed by Samir Shah over 25 years to identify cash flows in excess of industry standard models. The resulting MBS portfolio has an unusually powerful risk / reward profile.

### Performance - Systematic Equity + Income Strategy

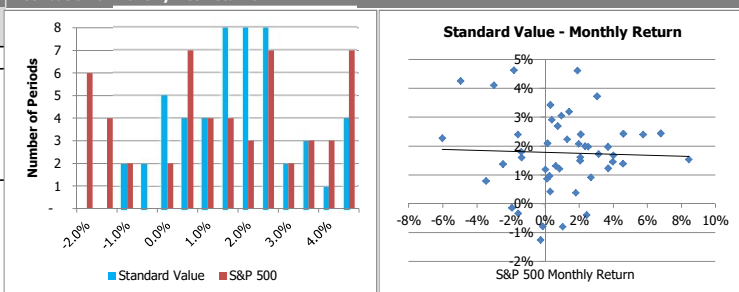
Net Monthly Total Returns (assumed Fees and Leverage Financing Costs)

	Net Monthly Total Returns (assumed Fees and Leverage Financing Costs)												YTD Net Returns		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Standard Value	S&P 500	Barc Agg
2018	1.3%	-1.2%											0.0%	1.8%	-2.1%
2017	4.6%	1.5%	0.9%	-0.8%	3.2%	1.3%	1.5%	3.4%	-0.1%	0.2%	-0.2%	0.1%	16.6%	21.8%	3.5%
2016	4.3%	-0.8%	2.4%	2.9%	0.4%	1.0%	2.0%	2.1%	1.2%	4.6%	1.2%	2.1%	25.9%	12.0%	2.6%
2015	4.1%	2.4%	-0.3%	3.1%	2.2%	-0.1%	2.4%	2.3%	1.4%	1.5%	0.4%	2.4%	23.9%	1.4%	0.5%
2014	0.8%	1.4%	1.2%	2.7%	2.0%	1.6%	1.6%	1.7%	1.8%	-0.4%	0.9%	-1.3%	14.9%	13.7%	6.0%
2013									1.7%	2.4%	3.7%	2.0%	10.2%	14.0%	0.8%

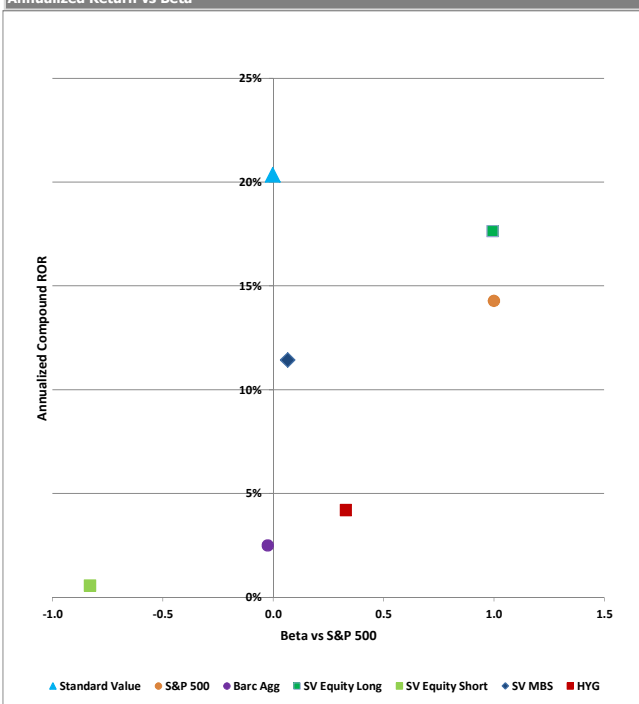
### Portfolio Construction and Returns - Comparisons to Benchmarks & Components

	Standard Value	S&P 500	Barclays Agg	Long SV Equity	Short SV Equity	Long SV MBS	Long HYG
<b>Weightings</b>				90%	130%	80%	40%
MTD	-1.2%	-3.7%	-0.9%	-4.5%	3.0%	-0.5%	-0.9%
QTD	0.0%	1.8%	-2.1%	0.7%	0.0%	0.8%	-0.8%
YTD	0.0%	1.8%	-2.1%	0.7%	0.0%	0.8%	-0.8%
1 Year	9.9%	17.1%	0.5%	14.5%	-1.0%	6.8%	2.7%
ITD	130.2%	82.4%	11.8%	107.8%	2.6%	62.8%	20.3%

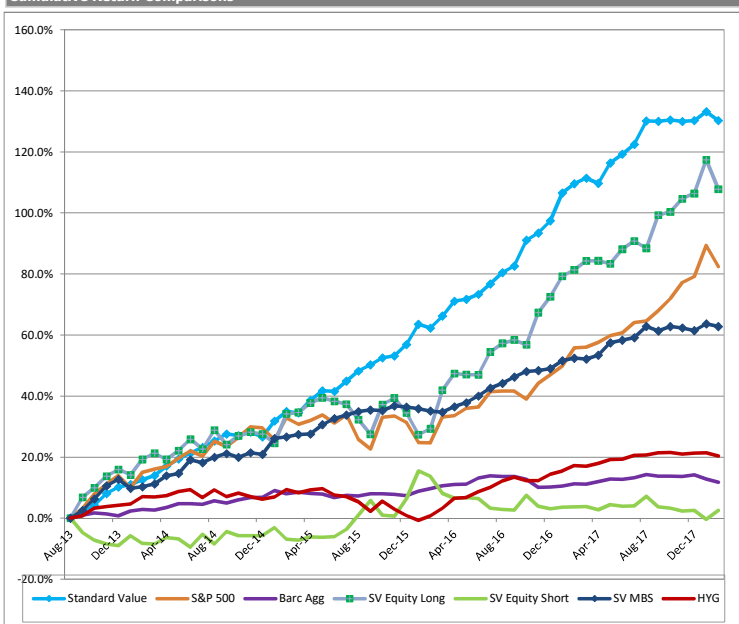
### Distribution of Monthly Net Returns



### Annualized Return vs Beta



### Cumulative Return Comparisons



### Standard Value Returns - Comparisons to Benchmarks

	S&P 500	Barc Agg	Barc MBS	Barc HY	Value Factor
Alpha Monthly	1.6%	1.5%	1.5%	1.5%	1.6%
Annualized Alpha	20.5%	19.7%	19.7%	19.2%	21.3%
Beta	(0.00)	0.25	0.29	0.20	(0.05)
R-Squared	0.00	0.02	0.02	0.04	0.01

### Statistical Analysis from 9/2013

	Standard Value	S&P 500	Barclays Agg	Long SV Equity	Short SV Equity	Long SV MBS	Long HYG
Ann Ret	20.4%	14.3%	2.5%	17.6%	0.6%	11.4%	4.2%
Cum Ret	130.2%	82.4%	11.8%	107.8%	2.6%	62.8%	20.3%
St Dev	4.9%	9.8%	2.8%	11.4%	9.9%	4.7%	5.0%
Sharpe	3.5	1.2	0.3	1.3	(0.1)	2.0	0.5
Best Mth	4.6%	8.4%	2.1%	9.8%	8.6%	4.3%	3.2%
Worst	-1.3%	-6.0%	-2.4%	-5.3%	-4.9%	-2.6%	-3.0%
Pos Mths	83%	74%	59%	67%	43%	74%	69%

\*Please refer to the important notes and disclosures on the next page.

Statistical Analysis calculated using eVestment's (formerly Pertrac) methodology.

Profile							
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<b>Website:</b>	<a href="http://www.mbsmantrallc.com">www.mbsmantrallc.com</a>		<b>Website:</b>	<a href="http://www.rationalinvesting.com">www.rationalinvesting.com</a>			
<b>Inception Date</b>	9/1/2013 (MBS track record)	<b>Lockup</b>	1 Year (or redemption fee)	<b>Prime Broker</b>	TBA		
<b>Management Fee</b>	1.5%	<b>Redemption</b>	Quarterly	<b>Administrator</b>	TBA		
<b>Incentive Fee</b>	15%	<b>Redemption Notice</b>	90 days	<b>Legal</b>	TBA		
<b>Minimum Account</b>	10mm	<b>Reporting Style</b>	Quarterly	<b>Domicile</b>	US		
<b>Subscription</b>		<b>Fund Structure</b>	Domestic/Cayman				
<b>High Water Mark</b>		<b>Strategy</b>	Income with Beta Control - Hybrid Bond/Equity Long Short				
<b>Hurdle Rate</b>		<b>Currency</b>	USD				

**Standard Deviation** - Measures the degree of variation of returns around the mean (average) return. Standard Deviation is often used as a measure of Investment risk.

**Sharpe Ratio** - Measures the excess return (or risk premium) per unit of deviation in an investment asset or a trading strategy (using 0.75% risk free rate)

**Alpha** - The Alpha statistic is the difference between a Manager's return and the Benchmark's return, adjusted by the Manager's exposure to the Benchmark's risk. Alpha is typically used to measure the Managers investment skill relative to the Benchmark. A positive alpha indicates that the Manager has produced risk adjusted returns that exceed the benchmark's return. Annualized Alpha is the measure of the annualized value added.

**Beta** - A way to measure the "risk" or price volatility of a particular stock or fund as it compares to the market as a whole. A beta of 1.0 indicates that a security's risk measurement is on par with the market. A beta of 1.20 indicates that a security is 20% more volatile than the market, while a beta of 0.80 indicates that a security is 20% less volatile than the market.

**R-Squared** - A measure of how much of a fund's past returns can be explained by the returns from the market in general, as measured by a given index. If a fund's total returns were precisely synchronized with an index's returns, its R-squared would be 1. If a fund's returns bore no relationship to the index's returns, its R-square would be 0.

#### Past performance is not indicative of future results.

The performance returns and statistical data are estimates computed by the manager, based on unaudited figures. The figures above are **indicative** performance figures for the Portfolio as a whole, and are not specific to your account. Actual performance for your account will be provided to you in your quarterly account statement. Actual performance will vary for investments made in different fee classes, or at different times of the year.

**Please Note: As indicated above, past performance may not be indicative of future results.** Therefore, no current or prospective investor should assume that future performance will be profitable, or equal either the past performance results reflected or any corresponding historical index.

#### Benchmarks

**The S&P 500 Index Total Return** - The 500 stocks in this index are selected by Standard and Poor's selection committee and are based on industry representation, liquidity, and company stability and assumes that any cash distributions, such as dividends, are reinvested back into the index. The stocks in the S&P 500 are not the 500 largest companies in the United States, but is an index designed to capture the returns of many different sectors of the U.S. economy. The index consists of approximately 400 industrial firms, 40 utility companies, and 20 transportation companies. This index is market capitalization weighted.

**The Bloomberg Barclays US Aggregate Bond Total Return Index (Barcl Agg)** - A broad-based flagship benchmark that measures the Total Return of the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

**The Bloomberg Barclays US Securitized Total Return Index (Barc MBS)** - represents the Total Return of the Securitized section of the Barclays US Aggregate. This includes MBS, ABS, CMBS and Covered bonds, and is unhedged.

**The Bloomberg Barclays US Corporate High Yield Total Return Index (Barc HY)** - represents the Total Return of the The Bloomberg Barclays US Corporate High Yield Bond Index. This measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**The iShares Edge MSCI USA Value Weighted Index Fund (VLUE; "Value Factor ETF")** - an exchange-traded fund that seeks to track the performance of an index that measures the performance of U.S. large and mid-capitalization stocks with value characteristics and relatively lower valuations.

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