Dear Investors,

During 2019, RS Low Beta Opportunity Fund ("RSLB") completed its inaugural year. In its initial year, RSLB not only performed as designed, but even outperformed several major asset classes in many key metrics. This result occurred despite the incredible performances for both equities and fixed income in 2019.

Fixed income, as measured by using the S&P US Treasury Bond Index, had its best year since 2011, gaining 6.2%. However, we believe it's unlikely to match that performance going forward considering 10-year US Treasury rates ended with sub 2% yields. Additionally, the S&P 500 experienced its best year since 2013, and second best since the 1990's. The S&P 500 was up 28.9% for the year, with the 4^{th} quarter having a return of 8.53%. The rally throughout the year was fueled by an about face in interest rates, as we went from a restrictive Federal Reserve ("Fed") monetary policy to a more easing Fed. This, coupled with the trade deal with China, led to a decline in the CBOE VIX Index ("VIX") by 45.8% in 2019. The magnitude of the rally in equities combined with the lower volatility environment kept RSLB below its targeted risk of 30% of the S&P 500. However, RSLB still had a gross return of 7.34% for the year, with a 4^{th} quarter return of 1.88%, despite RSLB's average daily exposure for 2019 being just shy of 15% of the market. To summarize, RSLB captured just over 25% of the S&P 500's return while taking slightly less than 15% of the risk.

Leaving bonds aside, the excellent performance in the equity markets also caused extended valuations, and we believe many of the gains experienced in 2019 are now borrowed from future years. If this prediction comes to fruition, RSLB's returns will be even more prominent as measured against these asset classes for 2020 and beyond. This scenario will allow RSLB to perform better than most other investment vehicles in 2020, if not this whole decade. Due to the magnitude of the rally in 2019, the current price to earnings (P/E) ratio is now 21x the S&P 500, which historically is elevated. In addition, the Tobin Q ratio, a unique and non-mainstream valuation indicator, is flashing a signal only seen at the top of the 1999-2000 Nasdaq bubble, which took a decade to return to its previous valuation once it was burst. The Tobin Q ratio is produced using information from the Fed and measures current equity valuations vs underlying assets. In simpler terms, a reading of 1 would indicate a fairly valued market. In 1999, this indicator hit an all-time record of 2.17. On the flip side, as an indication of how cheap stocks had become at the bottom of the financial crisis in 2009, this indicator measured just above 0.6. The Tobin Q ratio now stands at 1.9 which means according to the Fed, equity valuations can be considered about 90% higher than their underlying value. While we are not predicting a decline of that significant of a magnitude since there are other variables that factor into stock price valuations including but not limited to interest rates, balance sheet goodwill, and growth predictions, it does give a good snapshot as to where prices are now. This is why we believe RSLB has a great chance not only to exceed risk adjusted returns in equities, but overall stock market returns too.

The other large factor which goes into determining RSLB's performance is volatility. Volatility, as measured by the VIX, closed 2019 at its historically low range. As previously mentioned, the rally throughout the year was fueled by both an easing Fed and a trade deal with China, which caused the significant decline in the VIX in 2019, closing at 13.78. Looking forward into 2020, there are a few positive factors that should help RSLB achieve its targeted returns:

- The Fed will not be as big a catalyst for the equity markets as it was in 2019. We are not in the camp that rates are going higher; in fact, we would not be surprised if rates continue to go lower throughout the year. Regardless, the market has already accounted for the change in monetary policy by the Fed.

- A lot of the China news is already out, which factored into the huge 4th quarter rally in 2019. During the 4th quarter, the US and China outlined "phase one" of a broader agreement which is expected to be signed in the coming week. Even if phase one of the trade deal goes as planned and phase two happens, a lot of this good news is already priced into the market.

- We believe the current market is pricing in a Trump re-election, and Trump has been good for financial assets. If any uncertainty arises about who his opponent may be, and the fear that his opponent may potentially win, equities will experience more volatility, as markets do not like uncertainty.

We envision a more turbulent trading/investing environment in 2020. This in turn should give a boost to the VIX, allowing RSLB to sell options at higher prices, thereby increasing returns to you, its investors.

While we are very happy with how RSLB performed in its first year, as it was in line with the expectations of a year that had significant gains, we believe due to the factors noted above that the prospects for even better performance lies ahead. We appreciate the trust from every one of you. As always, please do not hesitate to reach out to David or Brian with any questions or comments.

Thank you all and have a happy and healthy new year.

Sincerely,

David Rosenblum & Brian Shapiro