

Dear Investors,

The beginning of 2020 experienced the fastest drop from a bull market high to a bear market in history. The severity, magnitude and velocity of the drop are all unprecedented. During Q1 2020, the S&P 500 fell 35% top to bottom in a one month period. It is the black swan, the once in a hundred year flood and the apocalyptic event moment that we hope to see only once in our lifetime. We are a defensive fund by nature and will always outperform any decline of this magnitude. However, due to the timeframe involved, we do end up participating to some extent in the decline at its onset when it comes quickly and in such a short compressed timeframe. During the past month, RS Low Beta was down 9.65%, while in comparison the S&P 500 was down 12.5%. For the first quarter, the S&P 500 lost 20%, while RS Low Beta was down 14.44% in the same period.

The VIX started the year at 13.78 and closed the quarter at 53.54. Given the speed and magnitude of the decline in equities, compounded by the VIX almost quadrupling, our average daily beta was much higher than any point in our short history. To further elaborate, over a calendar year we aim to have our average daily exposure to the market (beta) close to 0.30 (30%). As the market rallies, the Fund's beta decreases, sometimes to single digits as our short puts become worthless. As the market declines, the Fund's beta rises, and the extent of the rise is determined by the speed and magnitude of the market's drop. Given how fast of a drop the market experienced in the final 5 weeks of the quarter, our beta went from 0.05 (at the peak on February 20) to 0.85 (at the low March 23). By the end of March, it was back down to 0.60, and this will continue to decline as the market either rallies or stabilizes. With all of this in mind, the good news is that the fund performed stronger than the overall market decline in this volatile time and now stands to benefit from this crash. This will lead to many upcoming bright spots for our investors in the coming months, quarters, and years following this incredible period.

As mentioned above, RS Low Beta is built to add exposure as the market drops and to reduce this exposure as the market rises, while collecting income the whole time. We never use leverage, which is why we were able to outperform the market even with the explosion of the VIX. While short term our mark to market losses were larger than if this drop took months instead of weeks to happen, it did allow us to sell options at premiums not seen in over a decade. As the market stabilizes, RS Low Beta enters its sweet spot and we have already seen a stabilization begin in the final week of the quarter (the VIX retraced from the low 80s towards the low-mid 50s to end March).

While a quick 'V' shaped recovery would allow RS Low Beta to not only recover all of its losses, as well as earn significant profits well before the S&P 500 entered positive territory for the year, we would prefer this recovery to drag out and be more of a 'U' or 'W' shape. The longer we can take advantage of rolling options at an elevated VIX, the more money we will make for our investors. We also believe that the next few months will be range bound for the market, which is great for our strategy, as we will continuously be able to add exposure on down moves and reduce that exposure on rallies.

With the VIX in a 40-60 range, our monthly downside buffer increases from 1% (when the VIX is 15) to 3%. We cannot predict if the market will be higher or lower over the next few months, however, the following demonstrates how our potential profits can increase in all scenarios. In a month where the market is unchanged and the VIX is unchanged, we would expect to make between 2-3% rather than 0.5-1.25% in a lower VIX environment. In an attempt to quantify further, the S&P 500 closed at 2584 at the end of March. The table below lays out several market scenarios over the remaining 9 months of 2020 and how we would expect RS Low Beta to perform over the same 9 month period in each scenario (there are several assumptions being made, one of which is assuming an average VIX of 40 throughout this time period).

<b>S&amp;P 500 Index</b>	<b>S&amp;P 500 Performance</b>	<b>RS Low Beta Performance</b>
<b>December 31, 2020</b>	<b>April - December 2020</b>	<b>April - December 2020</b>
3100	20%	30- 35%
2842	10%	25-35%
2584	Flat	20-25%
2325	(10)%	5-15%
2067	(20)%	(5)-10%

While we expected 2020 to be more volatile, as stated in our 2019 annual letter, we did not expect a decline so rapid and extreme. All in all, this past month creates a tremendous amount of opportunities for RS Low Beta not only for the remainder of 2020, but for the next 3-5 years (if not longer).

We appreciate your trust and as always, please don't hesitate to reach out to David or Brian with any comments or questions.

David Rosenblum & Brian Shapiro  
RS Low Beta Opportunity Fund