



Dear Investors,

January 2021 started where 2020 left off, with the S&P 500 hitting an all-time high just before month end. This coincided with the Reddit group wallstreetbets identifying highly shorted stocks and essentially forcing short squeezes in them, the most popular one being Gamestop (GME). While RS Low Beta Opportunity Fund has no direct correlation to single stock names, these short squeezes caused large financial institutions to get margin calls to cover their shorts, which in turn forced them to liquidate other positions, which led to selling the final 3 days of the month. In the last 3 days of January, the S&P 500 dropped 3.5% and the VIX rose over 40%.

This volatility, while it washed away all of January's gains (the Fund was flat for the month, on a gross return basis), was exactly what the strategy was looking for, as it allowed us to add exposure at elevated levels of volatility. In the first 3 days of February, the market recovered 85% of the decline from the final 3 days in January. More importantly, the VIX returned to where it was prior to the selloff, allowing the Fund to monetize all of the exposure that was added at higher levels of volatility. In the first 3 days of February, the Fund's profit rose 35% more than our decline during the final 3 days in January.

We always manage the strategy of RS Low Beta Opportunity Fund with a longer term point of view, but the 2 week period at the end of January and beginning of February was a perfect example of how the monthly returns may not necessarily be linear. The remainder of February continued to be relatively quiet until the final few days, when a rise in interest rates led to a month end selloff for a second month in a row. This caused a short-term spike in the VIX, which was ideal as we were able to take advantage of this spike in volatility.

The beginning of March remained volatile as interest rates were causing jitters in the equity markets, but as the first quarter of 2021 wound down, volatility began to subside as the S&P 500 closed in on new all-time highs. For Q1, the Fund's gross return was 2.62% (an average of 0.87%/month). This 0.87%/month return is in line with our expectations we laid out in our 4Q20 letter, where we envisioned the Fund would experience monthly returns between 0.65-1.25%/month. Looking at the rest of 2021, we believe that the market is now just entering the middle innings of the "stabilization" period that we laid out in both our Q3 and Q4 letters from 2020, and we continue to believe monthly returns will fall in the same range.

While a further rise in equity markets would allow the Fund to continue to generate income, this is not our preferred scenario. The strategy never wants the market to go one direction, and although a short term pullback may cause a short term decline for the Fund, it would not only extend the market's

stabilization period, but it would also coincide with a rise in the VIX, allowing the Fund to generate even more income over future months. This would maximize returns for RS Low Beta Opportunity Fund, and even if the pullback became more substantial, our continuous management of rolling options would allow us to eventually recapture all of the premium, and then some.

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