



Dear Investors,

Financial markets began the second half of 2023 in similar fashion to how the first half ended, with the S&P 500 continuing its rise. Volatility remained low, as the S&P 500 went the entire month of July without having a 1% daily move. This was the first time this happened since prior to Covid and the complacency was reflected in the VIX, as it averaged under 14 for the month of July. It only took two trading days into August for a 1% (down) move to occur, and that was the beginning of a very volatile third quarter of 2023.

August was a month that showed one of the significant benefits of our strategy. RS Low Beta Opportunity Fund was up 0.76% in August, compared to the S&P 500 which was down 1.77% for the month. September began with low volatility, but once the Federal Reserve made it clear that interest rates will remain higher for longer, it was risk-off in equities. We believe there now is an increased risk that the Fed will remain too tight on rates for too long, and this may begin a period where recessionary conditions begin to pick up. This will first appear in a steepening yield curve and increased stock market volatility. While the increase in volatility could affect stock prices, this volatility will ultimately lead to an inevitable reversal in Fed policy as the Fed will be forced to reverse the effects of the tightening and the problems that the series of hikes over the past year has created.

Overall, the third quarter was rough for stocks and bonds but was another solid quarter for RS Low Beta Opportunity Fund. For the quarter, we fully protected the Fund's capital versus the S&P 500's 3.65% loss. The Fund was able to not only protect all year-to-date gains but finished positive for Q3, allowing us to further add to our positive YTD performance. Through the first 9 months of 2023, RS Low Beta Opportunity Fund now has net return of 12%. Due to the S&P 500 dropping nearly 5% in the month of September, the Fund now enters the fourth quarter with a higher beta exposure. This is in line with our strategy, and as markets begin to stabilize, the Fund will monetize the higher premiums sold when the VIX spiked, and the beta will also slowly revert back to the mean.

Since markets began to stabilize in the middle of 2022, the Fund has captured more than 100% of the S&P 500's performance, while taking only a fraction of the risk. In addition, when looking at both the fourth quarter and the coming years, having a strategy that takes substantially less risk than equities, in addition to having a much better return profile than fixed income, will continue to be favorable for investors.

We appreciate your trust and as always, please do not hesitate to reach out to us with any comments or questions.

David Rosenblum & Brian Shapiro