



Dear Investors,

Financial markets began the fourth quarter of 2024 relatively rangebound as the election approached. Following the election, markets rallied for the next 5 weeks, which coincided with a drop in volatility. It was risk-on until December 18, when the Fed made its intentions clear for the upcoming year and investors were forced to adjust downward the amount of interest rate cuts to expect in 2025. This led to not only a selloff in equities, but also a spike in the VIX. While selling premium at elevated levels is exactly what RS Low Beta Opportunity Fund wants, this rise in the VIX happening so close to year end causes us to wait until the first quarter of 2025 to monetize these sales. December was still a very good month for the Fund, as we protected our investors from more than 90% of the market's selloff. The S&P 500 dropped 2.5% for the month, while we lost 0.15%. RS Low Beta Opportunity finished the fourth quarter up 2.55%, which brought our full year return to 9.8%, and our 2-year trailing return to 28%.

We believe 2025 will be a more difficult year for equity markets, although we do not believe a crash or even a steep bear market will occur. Rather, our opinion is that volatility will persist, and already elevated P/E ratios will keep a ceiling on equities. Due to this, the Fund's outlook for 2025 is extremely bright. We view less rate cuts by the Fed as a positive to RS Low Beta Opportunity Fund for 2 reasons:

- 1- Higher interest rates will make a straight up bull market less likely, which should also lead to a higher average VIX in 2025 than we saw in 2024. This will allow the Fund to generate higher premiums on our put sales.
- 2- Due to the nature of always closing/rolling expiring puts and never taking assignment, the full AUM of the Fund is invested in short-term treasuries. The Fed having less rate cuts means a higher average interest rate the Fund will receive on its treasuries.

As stated in last year's end-of-year letter, the strategy of RS Low Beta Opportunity Fund performs best as markets stabilize. The final two weeks of 2024 led to some instability in financial markets, and we believe that some form of stability will return in the first few months of 2025. While the last few years have been ones where equities have had large moves, we believe 2025 will be one of less magnitude. There still will be periods of large swings, but overall, we believe the absolute return of the S&P 500 in 2025 will be less than it has been in the last few years. If we are accurate in our thinking, 2025 will be very profitable for our investors, as a sideways market is where RS Low Beta Opportunity Fund can separate itself from many other investments and asset classes.

We wish you a happy, healthy, and prosperous new year, and while our periodic letters will continue, to be more consistent with the longer-term approach of the strategy, we are changing the frequency of the letters to be semi-annual rather than quarterly.

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