



## BUSHIDO CAPITAL US EQUITY ETF (SMRI)

Strategy Overview

3Q 2024

[BUSHIDOETF.COM](https://bushidoetf.com)

*Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained from [bushidoetf.com](https://bushidoetf.com). Please read the prospectus carefully before you invest.*





# BUSHIDO CAPITAL US EQUITY ETF (SMRI) OVERVIEW

## INVESTMENT STRATEGY

The Bushido Capital US Equity ETF (“Bushido”, “SMRI”, the “Fund”) utilizes a systematic, fundamental value approach to individual stock selection that incorporates both quantitative and qualitative analysis.

The Fund seeks to identify and invest in companies with the following characteristics:

- High free cash flow generation relative to the capital employed
- Strong returns on capital over full economic cycles
- Management teams with track records of shareholder friendly capital allocation decisions

## INVESTMENT APPROACH

- Quantitative analysis focused on DCF modeling, profitability of business, and capital allocation track record
- Qualitative analysis centered on company transcripts, presentations, earnings calls and SEC filings
- Strict discipline around valuation and quality of company fundamentals for portfolio inclusion
- Focus on reported financial fundamentals of the business, not a story of why company should do well

## PORTFOLIO MANAGEMENT

- Intentional high active share with portfolio positions that may vary significantly from benchmark
- Equal weighted portfolio of 30-50 positions to focus on highest conviction ideas
- Lead Portfolio Manager has significant personal investment in the Fund

## FUND PERFORMANCE<sup>1</sup>

				Annualized			
	Q3	YTD	ITD	1Y	3Y	5Y	ITD
NAV	7.9%	15.8%	22.9%	26.1%	-	-	21.8%
MKT	7.8%	15.6%	22.9%	25.7%	-	-	21.7%
S&P 500 Value Index	9.1%	15.4%	25.6%	31.1%	-	-	24.4%

*The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance, please call (+1) 215-882-9983 or visit the Fund’s website at bushidoetf.com.*

### ABOUT THE ADVISOR

SMRI is based on the same investment strategy that has been implemented in a Separately Managed Account since 2020 by Sepio Capital, LP, the Fund subadvisor.

### Portfolio Managers (PM):

#### John Beatson

John Beatson serves as the lead portfolio manager of the Fund, is a Managing Partner of the Advisor, and Portfolio Manager of Bushido Capital Fund LLC, a private partnership, since 2008. Before joining Sepio Capital, John worked at Marshfield Associates, a private investment firm based in Washington D.C., as a partner and member of the investment committee from 2005-2018. Prior to that, he was an associate at Goldman Sachs in the Global Investment Research division. John graduated from Brown University with a B.A. in Economics.

#### Josh Carter, CFA, CAIA

Josh co-founded Sepio Capital after working as a managing director at Bank of America Merrill Lynch and as a senior equity research analyst and proprietary trader at Goldman Sachs. While at Goldman, Josh covered the exchanges, leading the firm’s research and analysis on the sector. As a proprietary trader, he covered financials and ran an equity long/short portfolio. Josh earned his MBA from the Wharton School of the University of Pennsylvania and his AB cum laude in Social Studies from Harvard University.



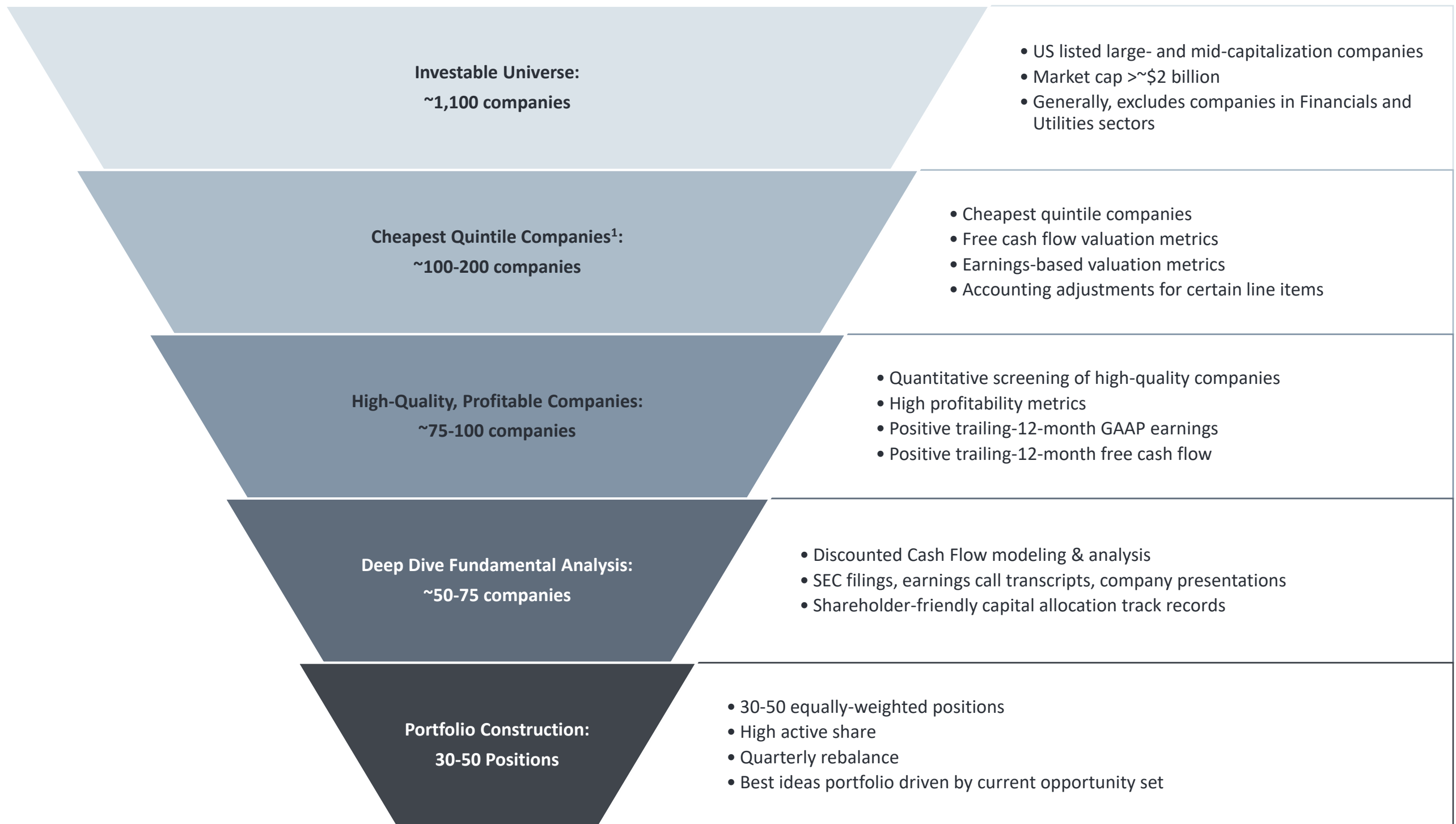
Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so shares may be worth more or less when redeemed or sold. Current performance may be lower or higher than that quoted. All data and metrics as of 9/30/2024.

<sup>1</sup>Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times. Returns are average annualized total returns, except those for periods of less than one year, which are cumulative. YTD is year-to-date and ITD is inception-to-date.



# Investment Process

- SMRI seeks to buy high-quality companies that are trading for attractive valuations in the PM's opinion.



<sup>1</sup>Bushido Capital defines "Cheap" as low Price/Sales, Price/Earnings, and EV/EBITDA ratios relative to the rest of the market.



# PORTFOLIO OVERVIEW

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<b>Investment Universe</b>	<ul style="list-style-type: none"><li>• U.S. domiciled mid- and large-cap companies</li><li>• Long-only portfolio concentrated in best ideas</li><li>• No derivatives, no leverage, no shorting</li></ul>
<b>Investment Focus</b>	<ul style="list-style-type: none"><li>• High levels of free cash flow generation</li><li>• Shareholder friendly capital allocation track records</li><li>• Cheap valuation compared to PM's estimate of intrinsic value</li></ul>
<b>Number of Positions</b>	<ul style="list-style-type: none"><li>• 30-50 equity positions</li><li>• Equally-weighted</li></ul>
<b>Sector Constraints</b>	<ul style="list-style-type: none"><li>• Sector agnostic</li><li>• Single sector exposure capped at 25% of portfolio at cost</li><li>• Generally exclude Financials and Utilities sectors except for special situations investments</li></ul>
<b>Special Situations Investment</b>	<ul style="list-style-type: none"><li>• Up to 10% of portfolio in financials and real estate companies</li><li>• Opportunistic entry and exit points anchored by valuation analysis</li><li>• Current valuation pricing in extended distress; PM has more constructive view over intermediate term</li></ul>
<b>Portfolio Rebalance</b>	<ul style="list-style-type: none"><li>• Quarterly rebalancing to equal weight</li><li>• New holdings driven by current opportunity set</li></ul>
<b>Cash Position</b>	<ul style="list-style-type: none"><li>• Fully invested at all times</li><li>• Cash dividends re-invested in smallest portfolio position on payout date</li></ul>
<b>Systematic Sell Discipline</b>	<ul style="list-style-type: none"><li>• Sell to buy new position with potential superior risk / reward profile</li><li>• Sell when equity approaches targeted intrinsic value</li></ul>

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# PORTFOLIO CHARACTERISTICS

## FUND DETAILS

Ticker Symbol	SMRI
Inception Date	9/14/2023
Strategy	US Large-Cap Equity
Exchange	NASDAQ GM
Total Net Assets <sup>1</sup>	\$374 Million
Expense Ratio	0.71%
Benchmark Index	S&P 500 Value Index

## PORTFOLIO CHARACTERISTICS<sup>1</sup>

	<u>SMRI</u>	<u>S&amp;P 500 Value</u>	<u>S&amp;P 500</u>
Median Market Cap (\$M)	\$37,641	\$35,223	\$38,176
Forward P/E	13.2x	17.9x	22.5x
EV/EBITDA	9.3x	11.4x	15.8x
Price/Cash Flow	9.9x	15.1x	19.7x
Price/Sales	0.8x	1.8x	3.0x
Active Share vs:	-	90%	94%

## SECTOR BREAKDOWN<sup>1</sup>

	<u>SMRI</u>	<u>S&amp;P 500 Value</u>	<u>S&amp;P 500</u>
Communication Services	2.0%	4.4%	8.9%
Consumer Discretionary	18.0%	5.3%	10.1%
Consumer Staples	2.0%	10.2%	5.9%
Energy	17.5%	6.0%	3.3%
Financials	2.0%	23.0%	12.9%
Health Care	19.8%	17.8%	11.6%
Industrials	12.2%	11.7%	8.5%
Information Technology	20.4%	8.0%	31.7%
Materials	2.0%	3.6%	2.2%
Real Estate	0.0%	4.5%	2.3%
Utilities	4.2%	5.5%	2.5%

## TOP 10 HOLDINGS<sup>1</sup>

<u>Ticker</u>	<u>Name</u>	<u>% of Net Assets</u>
HPE	Hewlett Packard Enterprise Co	2.1%
DAL	Delta Air Lines Inc	2.1%
VST	Vistra Corp	2.1%
DOCU	DocuSign Inc	2.1%
JBL	Jabil Inc	2.1%
NRG	NRG Energy Inc	2.0%
MCK	McKesson Corp	2.0%
LEN	Lennar Corp	2.0%
EXPE	Expedia Group Inc	2.0%
SNA	Snap-on Inc	2.0%



<sup>1</sup>Source: Bloomberg. As of 9/30/2024. Portfolio profile subject to change due to active management. Percentages may not total 100% due to rounding. Past performance is not a guarantee of future results. Fund statistics may not be representative of the Fund's current or future investments and are subject to change due to active management. Forward-looking figures represent next twelve months expected returns. Expected returns do not represent a promise or guarantee of future results and are subject to change. Top 10 Holdings excludes cash and cash equivalents. Allocations and security selection are subject to change. The mentions of the securities should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions the sub-advisor makes in the future will be profitable or equal to the investment performance of securities referenced herein. There is no assurance that any securities referenced herein are currently held in the portfolio or that securities sold have not been repurchased. The securities mentioned may not represent the entire portfolio. Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times. Returns are average annualized total returns, except those for periods of less than one year, which are cumulative. YTD is year-to-date and ITD is inception-to-date. NAV is the sum of all assets less any liabilities, divided by the number of shares outstanding.

# WHY WE FOCUS ON VALUE & PROFITABILITY

## Value beat Growth<sup>1</sup>



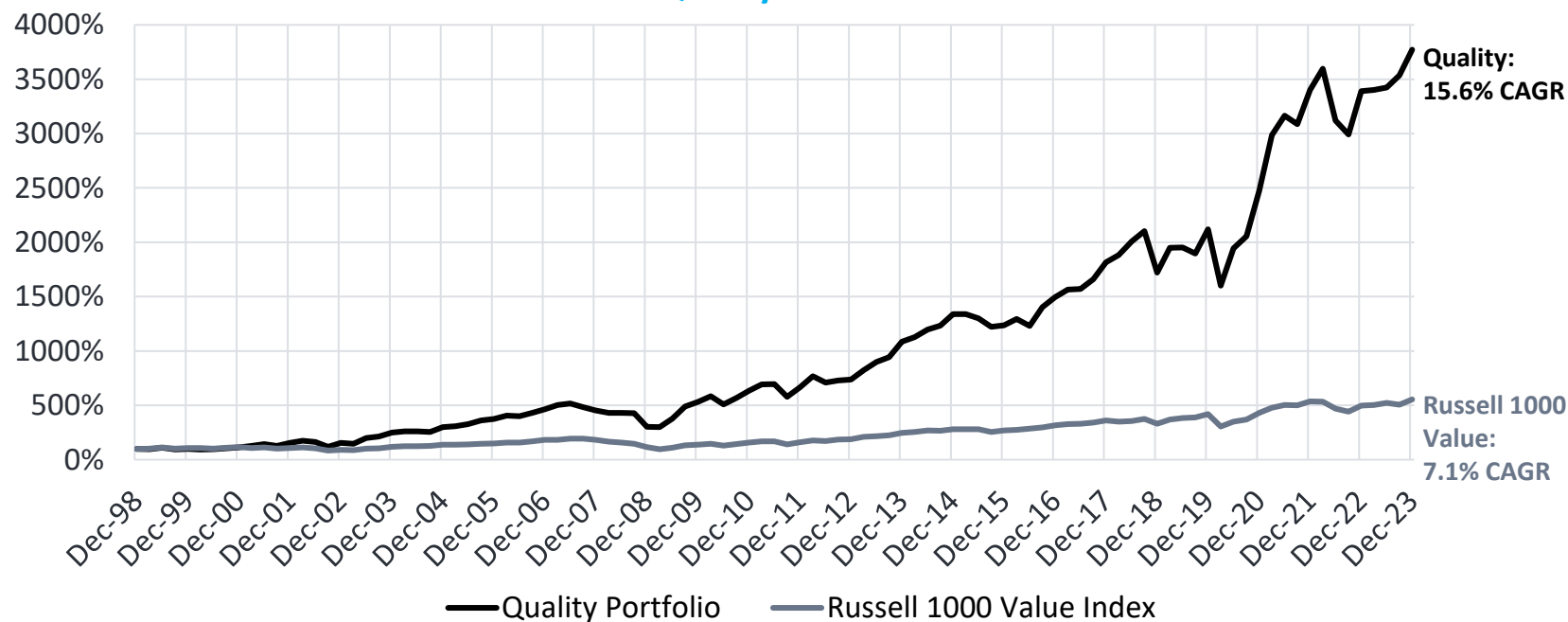
- Overlapping Periods: July 1926 – December 2023
- **Value** is Fama/French US Value Research Index. **Growth** is Fama/French US Growth Research Index. There are 1,051 overlapping 10-year periods, 1,111 overlapping 5-year periods, and 1,159 overlapping 1-year periods.

## High Profitability beat Low Profitability<sup>1</sup>



- Overlapping Periods: July 1963 – December 2023
- **High** is Fama/French US High Profitability Index. **Low** is Fama/French US Low Profitability Index. There are 607 overlapping 10-year periods, 667 overlapping 5-year periods, and 715 overlapping 1-year periods

## Cumulative Performance of Quality Portfolio vs Russell 1000 Value Index<sup>2</sup>



- Back Testing Period: January 1999 – December 2023
- Back testing analysis is based on **Quality**, which we define as free cash flow generated by a business relative to the amount of capital employed.



<sup>1</sup>Source: Dimensional Fund Advisors, L.P. As of 12/31/2023. <sup>2</sup>Source: Bloomberg; Sepio analysis as of 12/31/2023. Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. The data presented above is provided for illustrative purposes only and is not indicative of results that could have been achieved, or will be achieved, by any investment strategy or product.

# IMPORTANT INFORMATION

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An investment in the Bushido Capital US Equity Fund (“Fund”) involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. There can be no assurance that the Fund will achieve its investment objective. An investment in the Fund carries with it the inherent risks associated with the underlying investments.

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**Large-Capitalization Companies Risk.** Large-capitalization companies may trail the returns of the overall stock market. Large-capitalization stocks tend to go through cycles of doing better - or worse - than the stock market in general.

**Mid-Capitalization Companies Risk.** Investing in securities of mid-capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies.

**New Fund Risk.** The Fund is new with no operating history. As a result, prospective investors have no track record or history on which to base their investment decision.

**Value-Style Investing Risk.** The Sub-Adviser may be wrong in its assessment of a company's value, and the stocks the Fund owns may not reach what the Sub-Adviser believes are their true value.

**Management Risk.** The Fund is actively-managed and may not meet its investment objective based on the Adviser's or Sub-Adviser's success or failure to implement investment strategies for the Fund. The success of the Fund's investment program depends largely on the investment techniques and risk analyses applied by the Sub-Adviser, including the use of quantitative models or methods. It is possible the investment techniques and risk analyses employed on behalf of the Fund will not produce the desired results. In addition, the Adviser's and Sub-Adviser's evaluations and assumptions regarding investments may not successfully achieve the Fund's investment objective given actual market trends. Absent unusual circumstances (e.g., the Adviser determines a different security has higher liquidity but offers a similar investment profile as a recommended security), the Adviser will generally follow Sub-Adviser's investment recommendations to buy, hold, and sell securities and financial instruments.

**Risk of Investing in Other ETFs.** The fund may invest in other ETFs, the Fund's investment performance is impacted by the investment performance of the selected underlying ETFs. An investment in the Fund is subject to the risks associated with the ETFs that then-currently comprise the Fund's portfolio.

**Forward P/E.** Forward 12 Months Price to Earnings (P/E) Ratio. The weighted harmonic average of current share price divided by the forecasted 12 months earnings per share for each security in the Fund. Positive outliers are included, and negative outliers are excluded in the calculation.

**EV/EBITDA.** Periodic Enterprise Value to Trailing 12 Months Earnings Before Interests, Tax, Depreciation and Amortization (EBITDA) Ratio. The weighted harmonic average of periodic enterprise value divided by the trailing 12 months EBITDA per share for each security in the Fund. Positive outliers are included, and negative outliers are excluded in the calculation.

**Price/Cash Flow.** Price to Trailing 12 Months Cash Flow Ratio. The weighted harmonic average of current share price divided by the trailing 12 months cash flow per share for each security in the Fund. Positive outliers are included, and negative outliers are excluded in the calculation.

**Price/Sales.** Price to Trailing 12 Months Sales Ratio. The weighted harmonic average of current share price divided by the trailing 12 months revenue per share for each security in the Fund. Positive outliers are included, and negative outliers are excluded in the calculation.

**NAV.** NAV is the sum of all assets less any liabilities, divided by the number of shares outstanding.

**Free cash flow.** A company's cash flow from operations minus capital expenditures.

**DCF.** Discounted cash flow. Discounting a company's future cash flow using a discount rate/cost of capital to calculate the company's net present value.

**Active Share.** Active share is the percentage of a portfolio's stock holdings that differ from its benchmark index. It is based on the weightings of securities in a portfolio compared with those of its benchmark and can be used as a measure of the degree of a portfolio's active management. SMRI active share is calculated relative to the iShares S&P 500 Value ETF (ticker: IVE), which seeks to track the S&P 500® Value Index, and SPDR® S&P 500® ETF Trust (ticker: SPY), which seeks to track the S&P 500® Index.

**S&P 500 Value Index.** The S&P 500 Value Index is a market capitalization weighted index, and measures value stocks using three factors: the ratios of book value, earnings, and sales to price. S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500®.

**S&P 500 Index.** The S&P 500 Index is a market capitalization weighted index.

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