SCHOOL & INSTITUTIONAL TRUST FUNDS OFFICE
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SALT LAKE CITY, UT 84111
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SITFO.UTAH.GOV

Investment Cover Memo: RLAM

Firm:	Ryan Labs Asset Management	**Firm Assets Under Management ($MM):**	8,100 physical 44,000 notional
Product:	Passive STRIPS, Defensive Risk Premia overlay	**Strategy Assets Under Management ($MM):**	158 STRIPS 420 DRP
Target Investment Date:	4/1/2019	**Strategy Inception Date:**	2016
Category:	Defensive	**Target Portfolio Weight:**	5% / $125MM
Asset Class:	Long US Treasury	**Risks:**	Interest Rates, Operational
Sub-Asset Class:	NA	**Liquidity:**	Daily (separate account)
Benchmark/Peer Group:	Bloomberg Barclays 20-30 Equal Par STRIPS Index	**Analyst:**	Brian Scott
Fees:	STRIPS 0.04%, DRP Overlay 0.13% (at target amount based on tiered fee schedule)		

I. Investment Thesis/Opportunity:

A. The function of the long US Treasury allocation has been discussed, approved, and codified in the investment policy statement. Passive STRIPS and the Defensive Risk Premia (DRP) overlay attempt to enhance this existing allocation with a rules-based overlay that increases convexity by adding duration when risk-based signals are on.

B. The overlay is deployed (duration and exposure are increased) using a futures margin account wherein passive STRIPS are held as collateral. This implies an efficient use of capital i.e. we can allocate less capital but theoretically obtain more convexity when the timing is right. This is consistent with the overarching portfolio theme of enhancing existing/known strategies and asset classes.

C. In general, the overlay attempts to capture flight to quality and liquidity risk premium during times of broad market stress (“risk off”).

II. Rationale for Hiring Manager:

A. Established history of fixed income management and left-tail research and solutions. RLAM's fixed income history makes it highly qualified to handle the STRIPS component of the long US Treasurys mandate. RLAM's management experience is less formalized as it relates to defensive products, but it has been providing complex hedging and convexity solutions since the 1990s and its derivative experience and operational acumen is well demonstrated. DRP's research, simulation, deployment, and current institutional investors represent a progression towards formalized, defensive product track records.

B. RLAM is a wholly owned subsidiary of Sun Life Financial (SLF). We view that relationship as a positive as the implied largess provides additional support for compliance, risk management, governance, policy implementation, and operational efficiency. Here we emphasize operational efficiency because while the STRIPS and DRP products are relatively simple, effective deployment of the strategy requires various stakeholders (investor, manager, prime broker, custodian, etc.) working in concert.

III. Rationale for Firing Manager:

A. Both products deploy simplicity and their interaction is designed to be self-sustaining. However, operational efficiency is critical. Significant turnover, departure/divestiture from SLF, or similar events that suggest operational disruption would lead us to consider another manager.

IV. Favorable Aspects of Strategy:

A. RLAM provides a better passive STRIPS allocation. In general, being outside the canned Vanguard product suite provides flexibility. RLAM's expertise provides for customization options should we desire further modifications.

B. DRP's defining characteristic is its simplicity. Signal rules are understandable and transparent; operational framework reduces complexity by holding the underlay and overlay with the same manager; the overlay only goes long US Treasury futures, one of the most liquid and capacity-unconstrained markets in the world. Additionally, the overlay is mostly idle, expected to be on 10% of trading days per year.

C. Risk management features exist in the form of stop losses: -2% under "risk-on" regimes and -3% during "risk-off" regimes. Additionally, the strategy is entirely rules based, which implies inherent risk management. Leverage, financing, long/short, position sizes/limits, and correlation expectations are all defined by the strategy.

V. Unfavorable Aspects of Strategy:

A. Rules -based strategies also have downsides. DRP may turn on but the market may quickly reverse course resulting in material capital erosion. Also, broader market regimes may evolve resulting in basis risk.

B. Limited track record for defensive-focused solutions as well as DRP itself. DRP, while new, does have a formalized simulation and production periods, as well as a live track record (seeded July 2016, first institutional investor April 2017).

VI. Rationale for Overweight:

A. Best-case scenarios include capital appreciation as a function of extreme convexity i.e. capital appreciation is not linear. In these instances, it may be prudent to lean into existing conditions and refrain from monetizing the overweight.

B. We may also overweight based on attractive valuation or when exogenous factors indicate the portfolio should be more defensive.

VII. Rationale for Underweight:

A. Again, best-case scenarios include monetizing convexity-affected DRP balances to increase allocation in areas where valuations are abnormally low and highly attractive. Conditions may exist such that monetization is substantial, resulting in an underweight.

B. There may also be instances where overlay application results in capital erosion and contemporaneous valuations do not provide an opportunity to rebalance the allocation to targets and/or previously existing asset class weights.

C. We may also underweight based on poor valuations or when exogenous factors indicate the portfolio should be less defensive.

For additional analysis see SITFO and FEG memos attached

Manager Research Report: RLAM

Firm:	Ryan Labs Asset Management
Product:	Passive STRIPS, Defensive Risk Premium overlay
Category:	Defensive
Asset Class:	Long Term US Treasurys

I. Firm Background:

A. Ryan Labs Asset Management (RLAM) is a wholly owned subsidiary of Sun Life Financial (SLF), a publicly traded company. RLAM was established in 1988 as a fixed income specialist, initially building liability indexes for pensions then managing fixed income mandates by the early 1990s. Nascent tail hedging business lines began in 1991 and have included the use of derivative-based products such as non-vanilla options, swaptions and floors, synthetic options structures, and futures. Though we perceive these products to be part of RLAM's heritage, Defensive Risk Premia (DRP) is the only product with a formalized track record.

B. For personal liquidity reasons, RLAM's founder was bought out in 2001 and the subsequent majority shareholders assumed leadership. SLF purchased 100% of the firm in 2015. At the time of acquisition RLAM had 26 shareholders and, in general, existing shareholders were nearing retirement or acting on behalf of estates. RLAM shares were exchanged for SLF shares and its board is currently controlled by SLF. SLF is expected to increase RLAM's product mix.

C. RLAM manages \$8.1B in physical assets and \$42B in notional derivative exposure. For DRP in particular, there are four institutional investors across state pensions and private corporations totaling nearly \$420MM in notional AUM.

D. RLAM's 2014 SEC examination letter detailed deficiencies across written policies and \ performance presentation in marketing materials. Compliance personnel has since been replaced and there have been numerous responses to the SEC including increased compliance head count, more complete written policies and procedures, compliance software, as well as specific and general effects of SLF governance since the 2015 acquisition.

E. RLAM's nine-person physical asset team is based in New York. Its five-person derivatives team is based in Wellesley, MA. All sales and business development tasks are handled by internal staff.

F. SITFO first met with RLAM in July 2018. Since then there have been over a dozen discussions with directors and analysts, both in person and via teleconference. SITFO visited RLAM's New York office in December 2018.

II. Team Background

A. Key personnel affecting the passive STRIPS and overlay products are:

1. Richard Familetti, CFA; president and CIO asset management. Familetti joined RLAM in 2009 as a corporate credit portfolio manager and was promoted to director of asset management in 2013. Prior to RLAM Familetti was at hedge funds and banks.
2. Raghva Vudata; associate portfolio manager. Raghava joined RLAM in 2008 as an index analyst. He manages the US Treasury (UST) portion of the portfolios for the DRP strategy.
3. Brett Pacific, CFA; senior managing director, derivatives portfolio manager. Pacific joined RLAM in 2004 and was named senior managing director in 2007. Prior to RLAM Pacific was was a hedge fund researcher and derivatives trader.
4. Peng Zhou, PhD, FSA, CFA; managing director, derivates portfolio manager. Peng manages the derivate overlay strategy. He has been with RLAM since 2014 and was named managing director in 2012.

III. Investment Philosophy

A. RLAM believes in actively managing portfolios to seek relative value. It seeks risk that is fundamentally or technically mispriced in order to find investment opportunities. Avoiding the downside is critical to outperformance; RLAM will underweight any sector. RLAM utilizes a repeatable process. It believes bottom-up security selection using repeatable processes creates value. RLAM takes a neutral stance on interest rates.

B. RLAM teams are integrated. It believes portfolios are best managed by small teams that integrate fundamental and technical analysis with portfolio management execution.

C. An additional observation could include simplicity. Note the DRP strategy does not include black boxes or even highly complex models. The entire investment process is open to observation and critique. It is designed to be self- sustaining. Additionally, operational simplicity is deployed between investor, manager, prime broker, custodian, etc. For in its most reduced form the investor is simply long UST duration.

IV. Investment Process

A. The STRIPS component is not a departure from the existing UST allocation. STRIPS are zero-coupon bonds that accrete to par and thus have slightly longer duration than the coupon-paying version. The physical STRIPS are in a managed account with RLAM and are benchmarked to the Bloomberg Barclays 20-30 Equal Par STRIPS Index.

B. The overlay attempts to capture flight to quality and liquidity risk premiums during times of broad market stress. The general idea is to test for both level and trend of market volatility and go long UST duration via futures. The stronger these signals the larger the hedge ratio. So, for every $1 in STRIPS the overlay adds between $0 and $1.5 dollars in 30-year UST futures. The hedge ratio is obtained through a futures margin account.

C. General procedure:

   1. Asses sentiment and trend with classic technical analysis of VIX. If this signal crosses a threshold, asses the equity signal.
   2. Asses equity-related metrics. If signal crosses a threshold, assess the UST signal.

3. Asses UST-related metrics. If signal crosses a threshold, all three signals are on and DRP is triggered.
4. The hedge ratio is mapped to a broad risk setting index and is between 0x and 1.5x.
5. Compute daily.

V. Risk Management

A. Formalized leverage mitigation. The use of a futures margin account could imply large ratios, sometimes up to 1:10. However the overlay is rules-based and maximizes at 1:1.5. Note that the 1.5 cap is an extreme case; used when the broader risk index is at “extreme” levels. In general, the hedge cap is 1.25; used when the broader risk index is at “elevated” levels.

B. DRP formalizes the use of stop losses: -2% under risk on regimes and -3% during risk-off regimes.

C. In general, rules-based strategies imply codified risk management. Leverage, financing, long/short, position sizes/limits, and correlation expectations are all defined by the strategy.

D. RLAM utilizes SLF risk management resources. There is a risk officer within the investment team responsible for operational risk and adherence to SLF procedures. This includes developing and monitoring risk indicators, identify risk events, regulatory liaison, and overall governance management and risk policy monitoring.

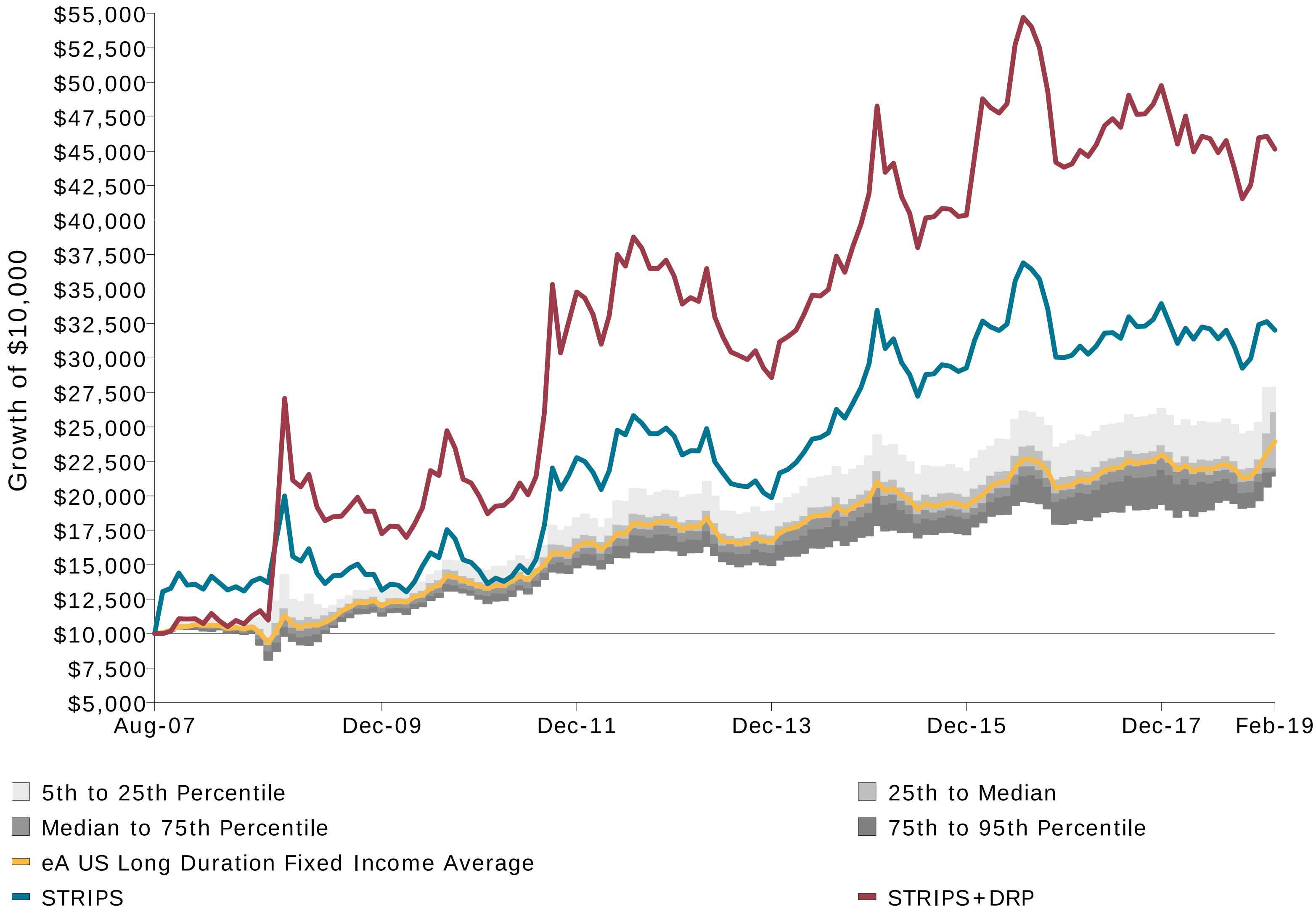
VI. Track Record

A. Please see the attached performance analysis.

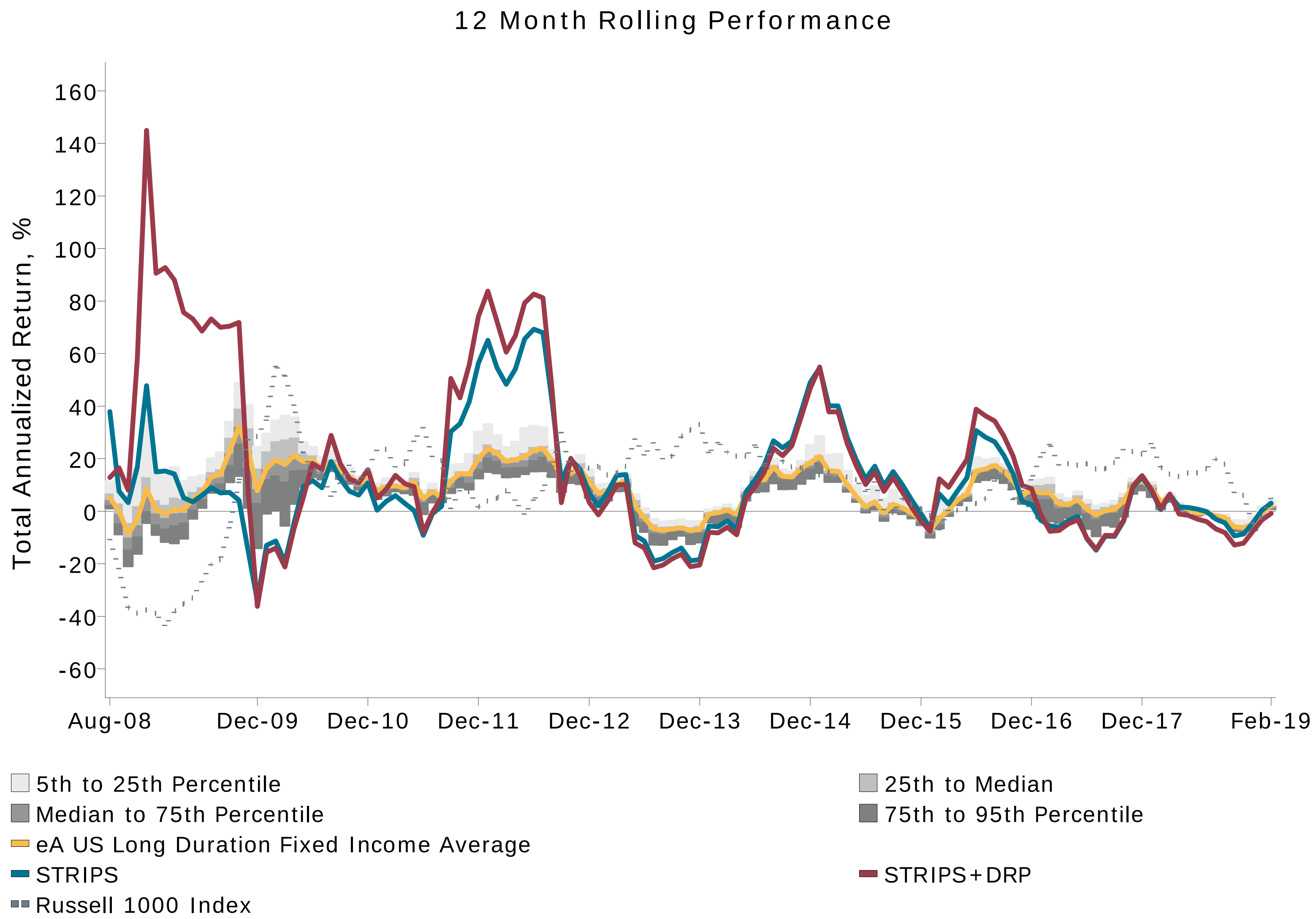
STRIPS+DRP Manager Comparison
March 14, 2019

STRIPS+DRP Manager Comparison March 14, 2019

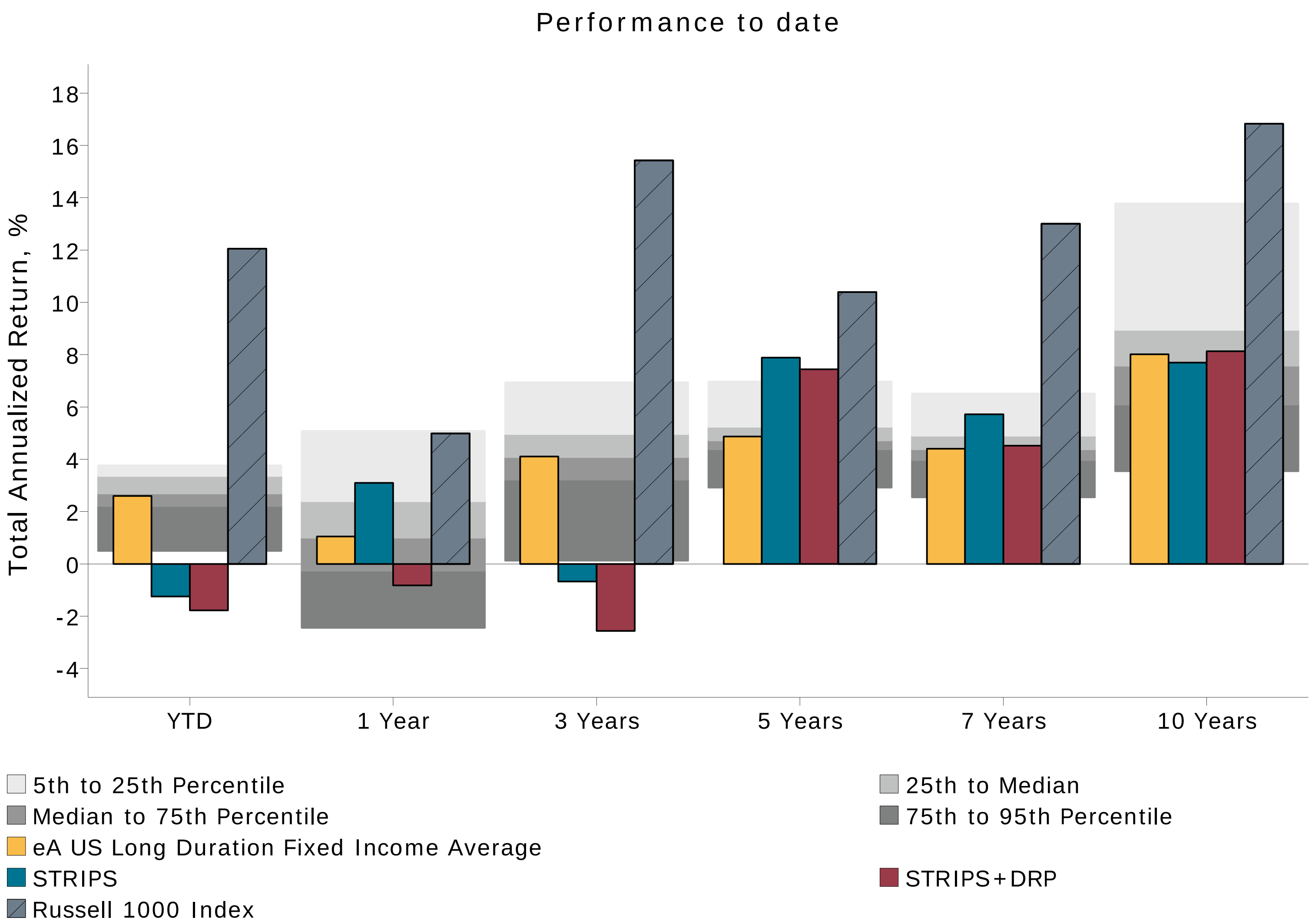
Performance



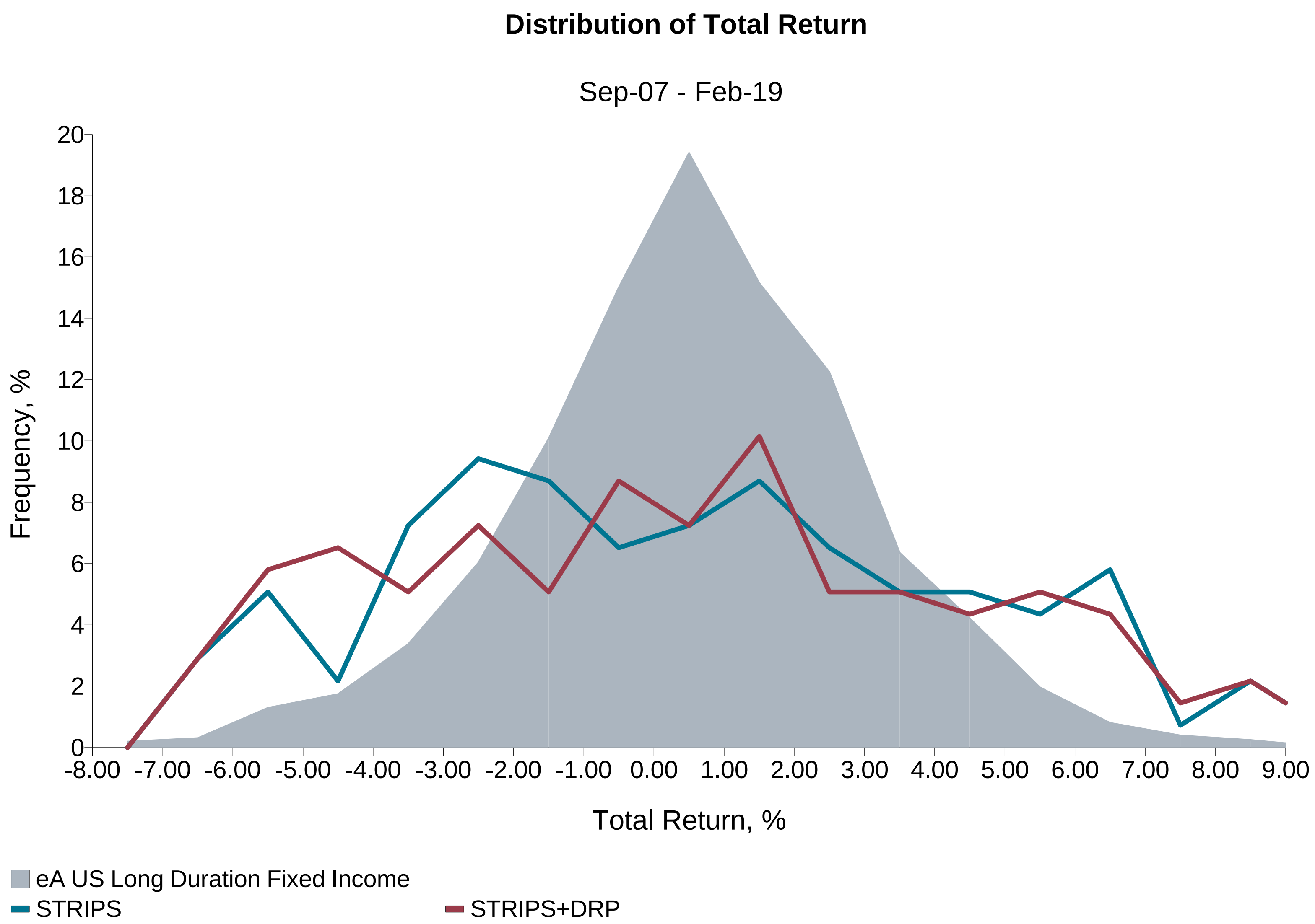
Performance



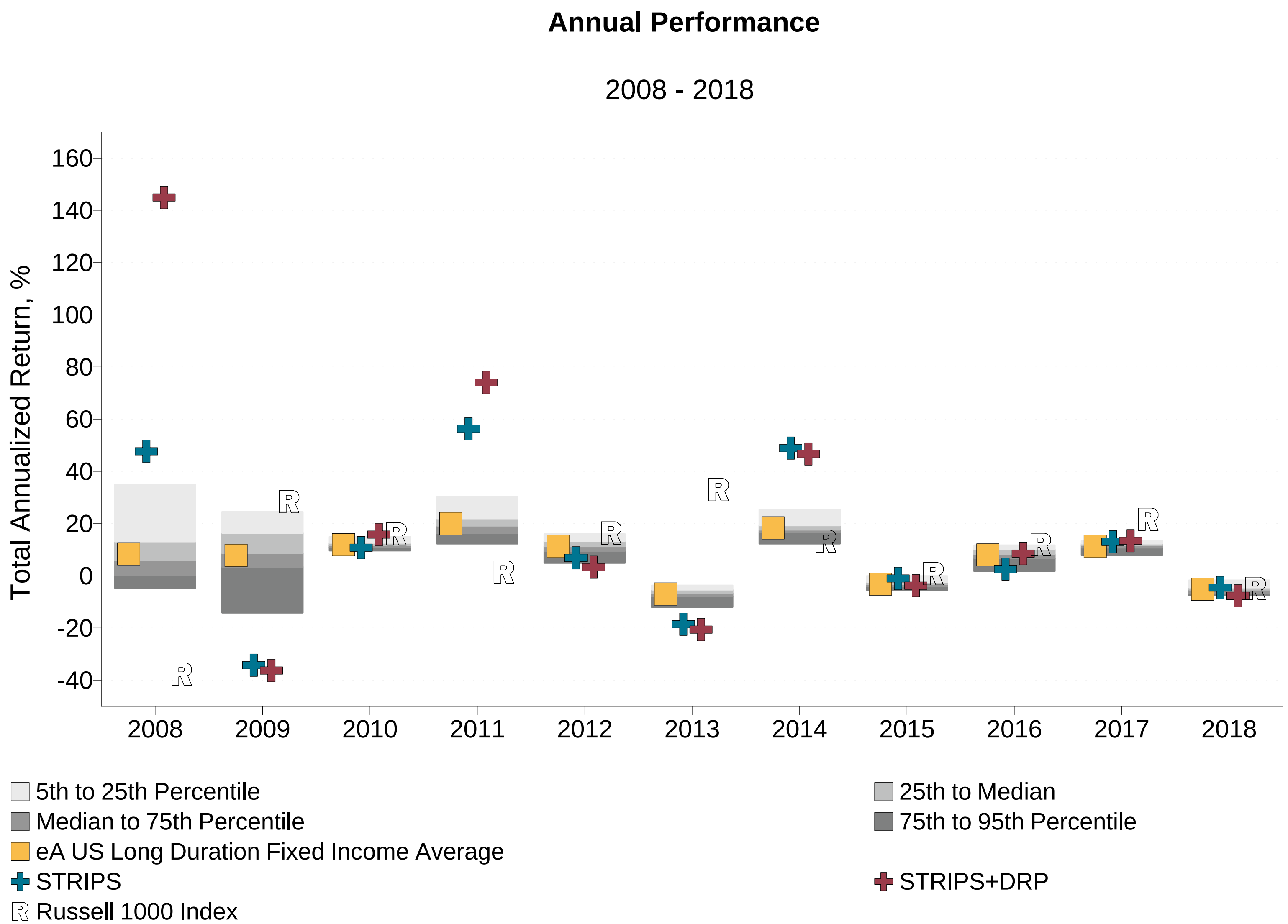
Performance



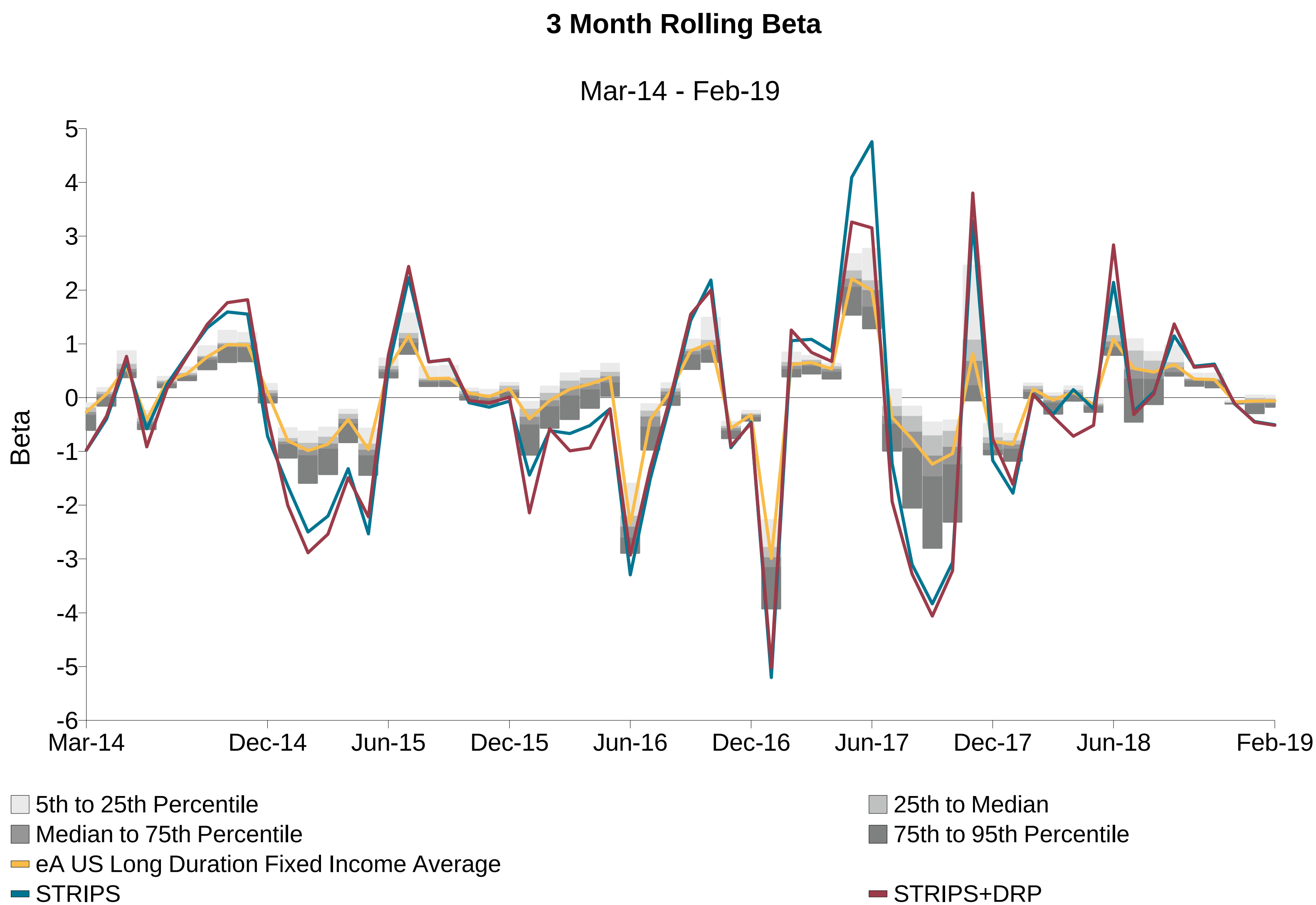
Performance



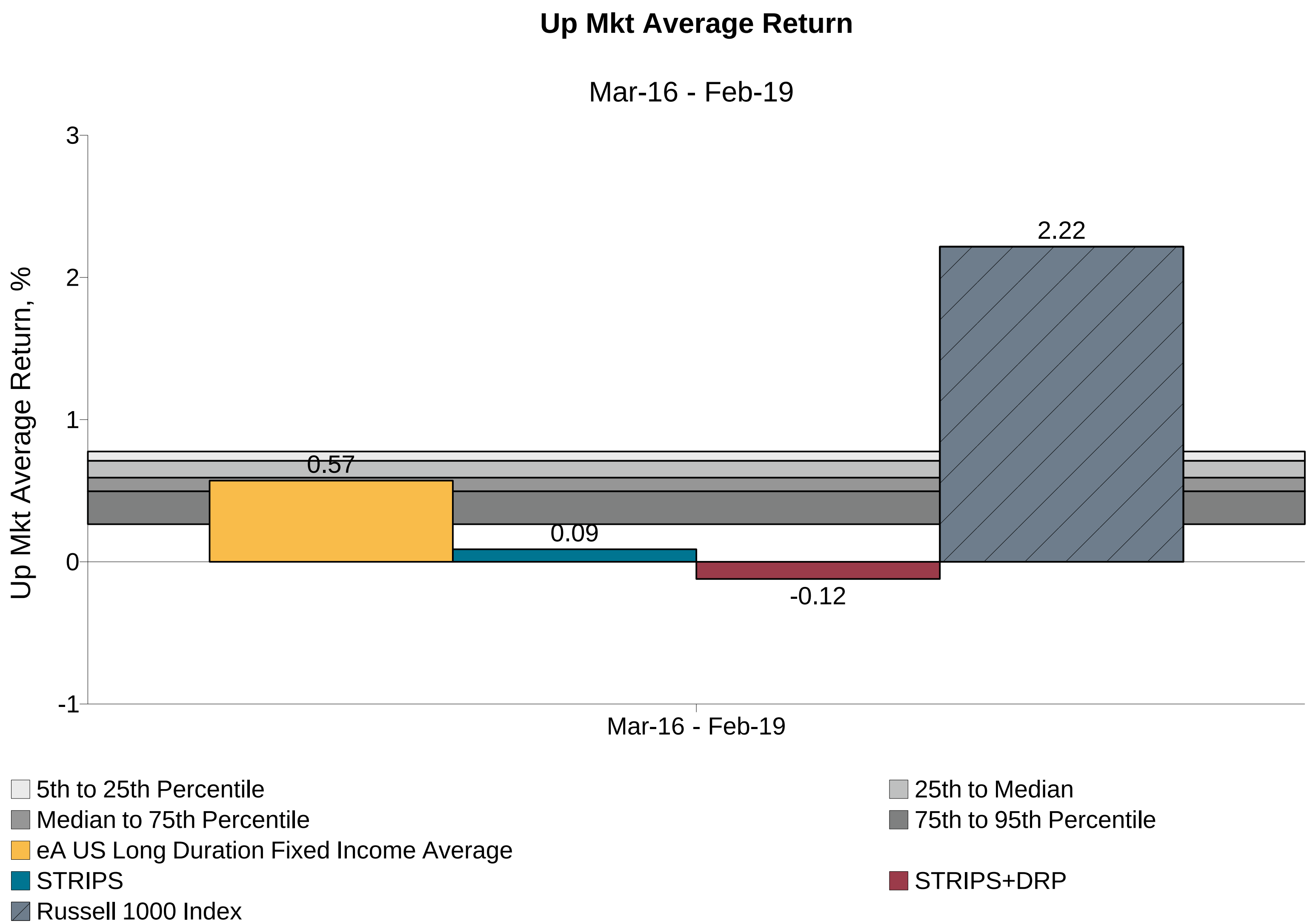
Performance



MPT

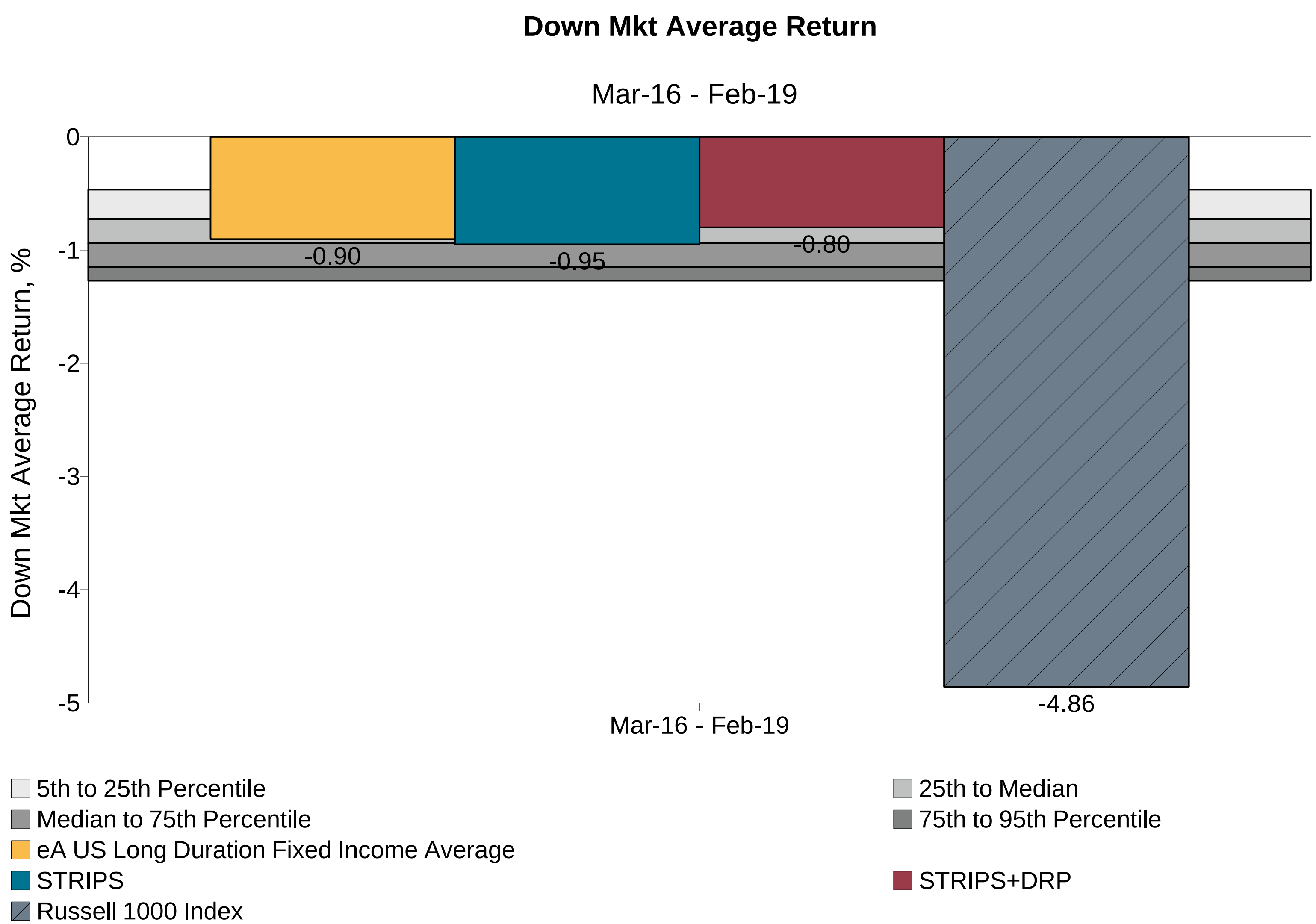

3 Month Rolling Beta
Mar-14 - Feb-19
Beta
5
4
3
2
1
0
-1
-2
-3
-4
-5
-6
Mar-14
Dec-14
Jun-15
Dec-15
Jun-16
Dec-16
Jun-17
Dec-17
Jun-18
Feb-19
5th to 25th Percentile
25th to Median
Median to 75th Percentile
75th to 95th Percentile
eA US Long Duration Fixed Income Average
STRIPS
STRIPS+DRP

MPT

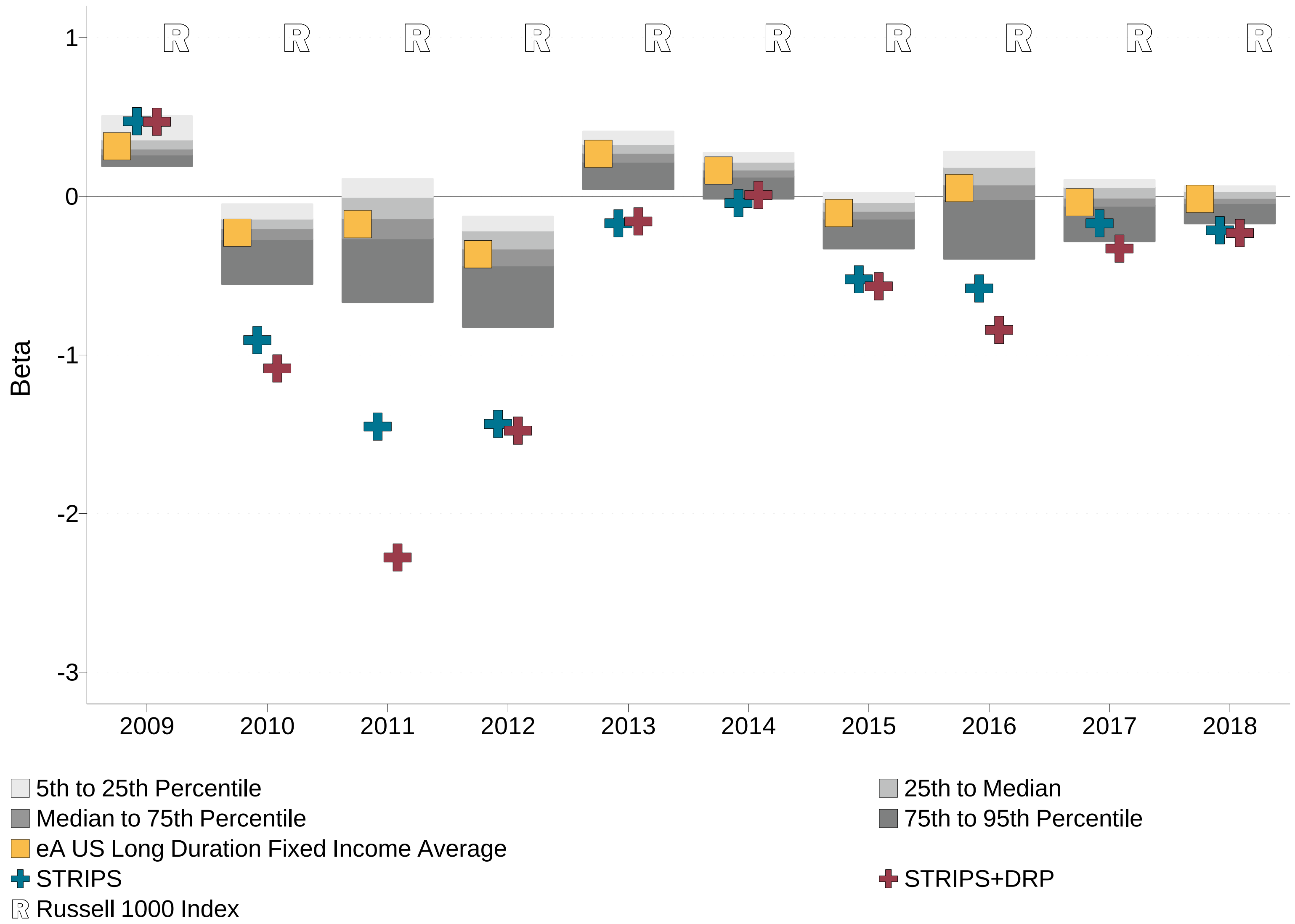


Up Mkt Average Return
Mar-16 - Feb-19
Up Mkt Average Return, %
3
2
1
0
-1
0.57
0.09
-0.12
2.22
Mar-16 - Feb-19
5th to 25th Percentile
25th to Median
Median to 75th Percentile
75th to 95th Percentile
eA US Long Duration Fixed Income Average
STRIPS
STRIPS+DRP
Russell 1000 Index

MPT

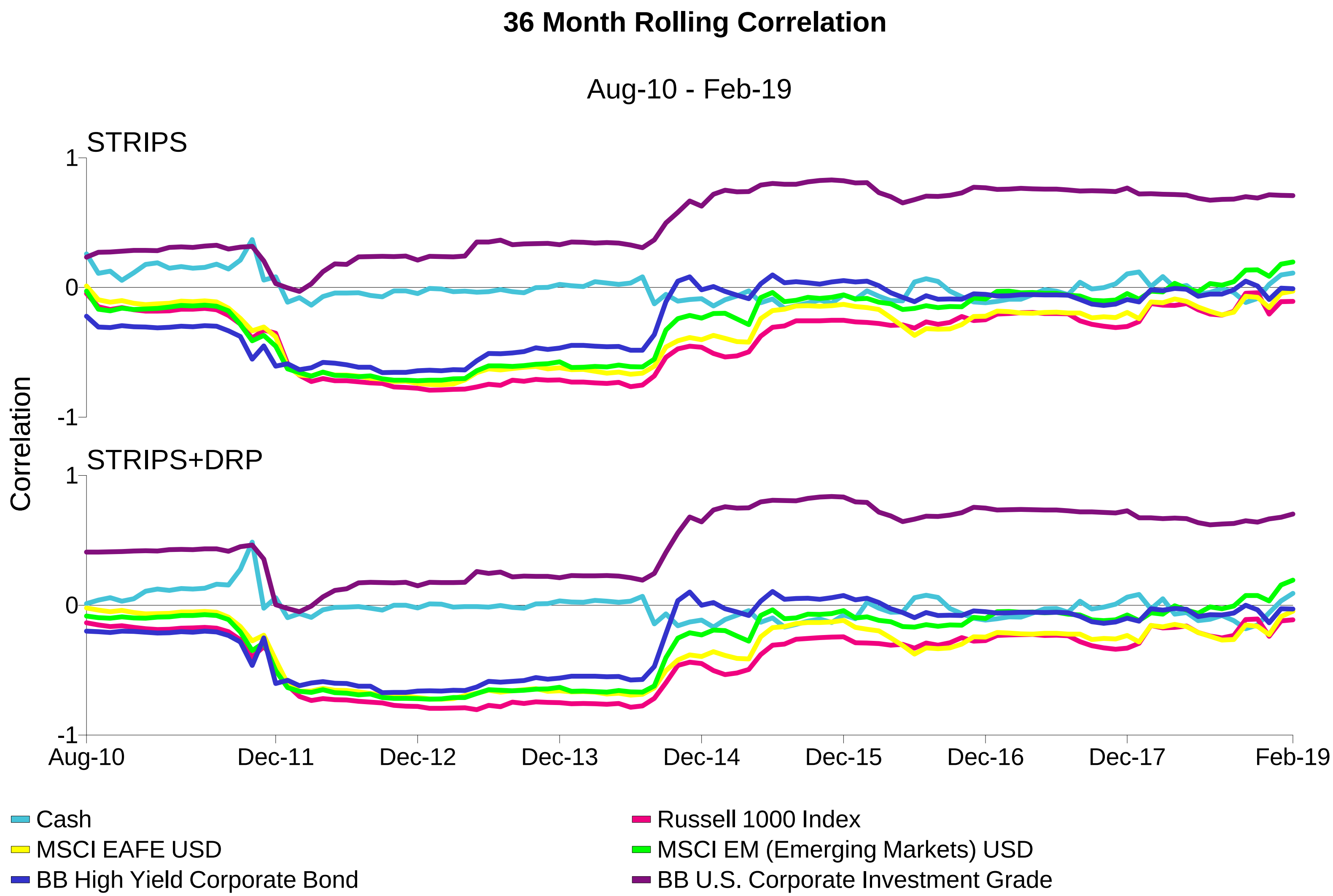

Down Mkt Average Return
Mar-16 - Feb-19
Down Mkt Average Return, %
0
-1
-2
-3
-4
-5
-0.90
-0.95
-0.80
-4.86
Mar-16 - Feb-19
5th to 25th Percentile
25th to Median
Median to 75th Percentile
75th to 95th Percentile
eA US Long Duration Fixed Income Average
STRIPS
STRIPS+DRP
Russell 1000 Index

MPT

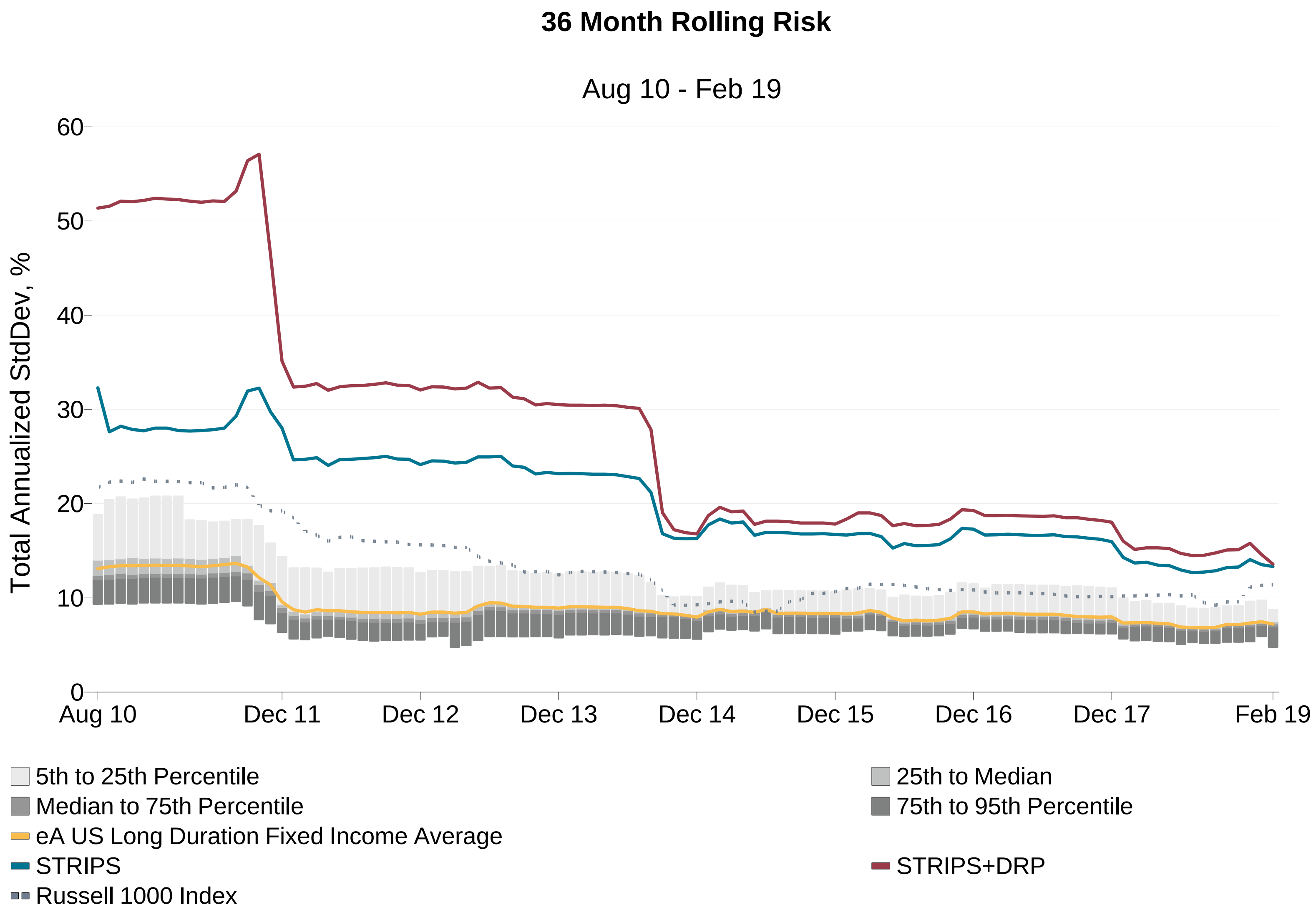


Beta
1
0
-1
-2
-3
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
5th to 25th Percentile
25th to Median
Median to 75th Percentile
75th to 95th Percentile
eA US Long Duration Fixed Income Average
STRIPS
STRIPS+DRP
Russell 1000 Index

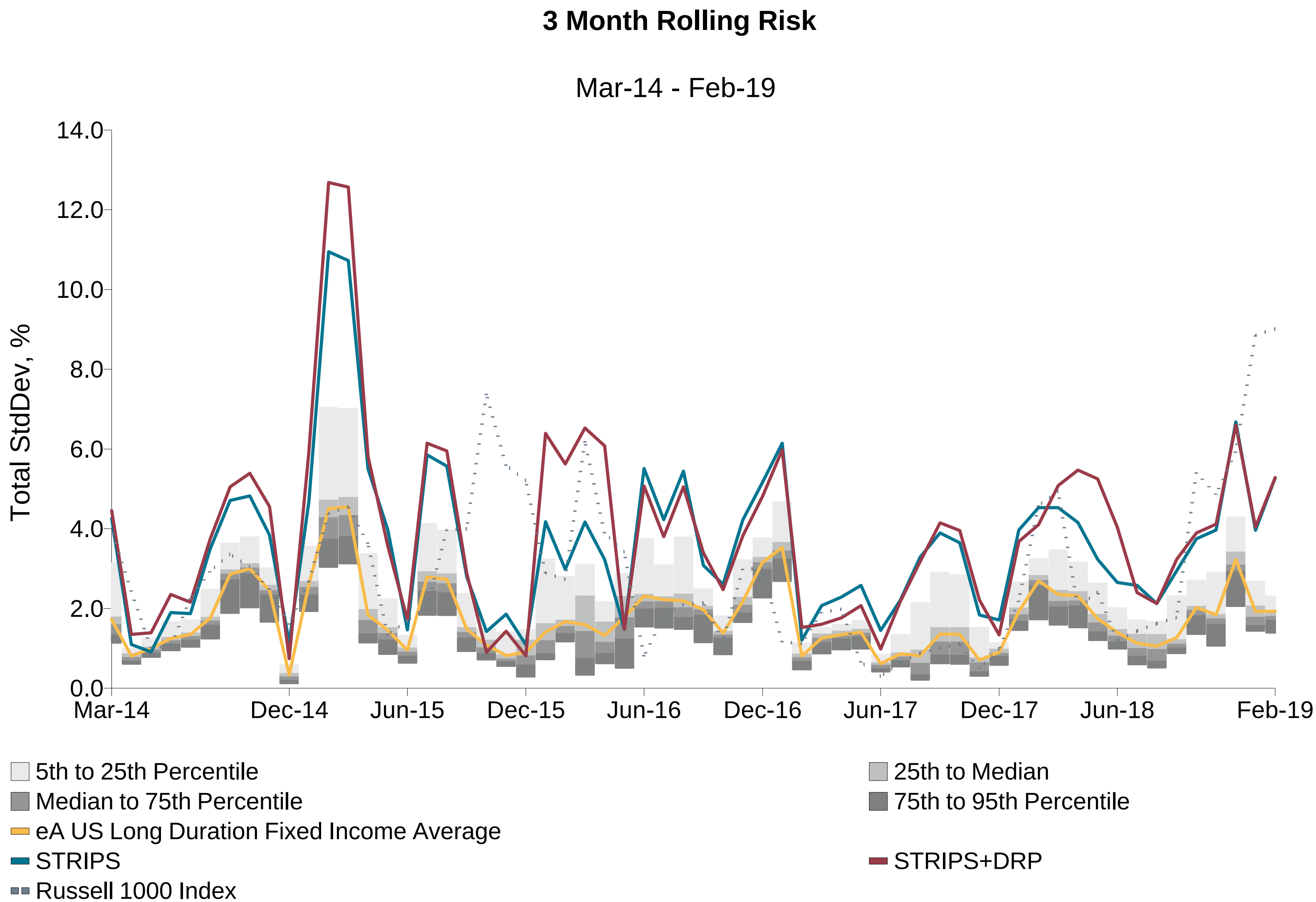
Correlation



Volatility

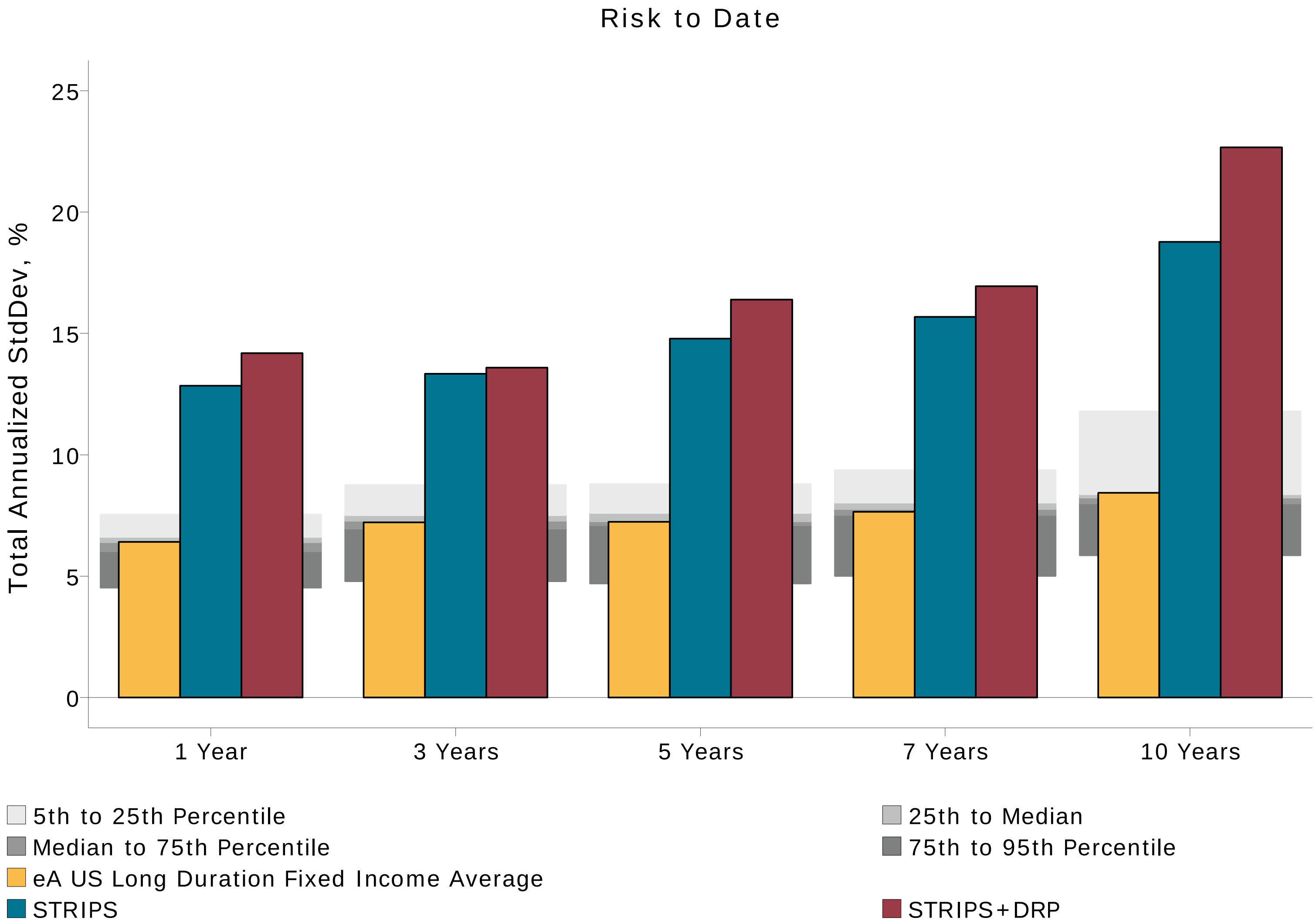

36 Month Rolling Risk
Aug 10 - Feb 19
Total Annualized StdDev, %
60
50
40
30
20
10
0
Aug 10
Dec 11
Dec 12
Dec 13
Dec 14
Dec 15
Dec 16
Dec 17
Feb 19
5th to 25th Percentile
25th to Median
Median to 75th Percentile
75th to 95th Percentile
eA US Long Duration Fixed Income Average
STRIPS
STRIPS+DRP
Russell 1000 Index

Volatility


3 Month Rolling Risk
Mar-14 - Feb-19
Total StdDev, %
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Mar-14
Dec-14
Jun-15
Dec-15
Jun-16
Dec-16
Jun-17
Dec-17
Jun-18
Feb-19
5th to 25th Percentile
25th to Median
Median to 75th Percentile
75th to 95th Percentile
eA US Long Duration Fixed Income Average
STRIPS
STRIPS+DRP
Russell 1000 Index

STRIPS+DRP Manager Comparison March 14, 2019

Volatility



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Additional DRP Quant

I. General risk-off convexity (n = 505 months, 2/28/1977-2/28/2019)

A. Figure 1 below shows the general convexity properties sought in the existing long US Treasury allocation. Convexity is heuristically defined here by a fitted second order polynomial line. We show the BB Agg and BB Long UST total return indexes as response variables to the broader equity market. The increase in duration suggests better convexity properties. Note this chart does not make correlation observations, which is a linear index.

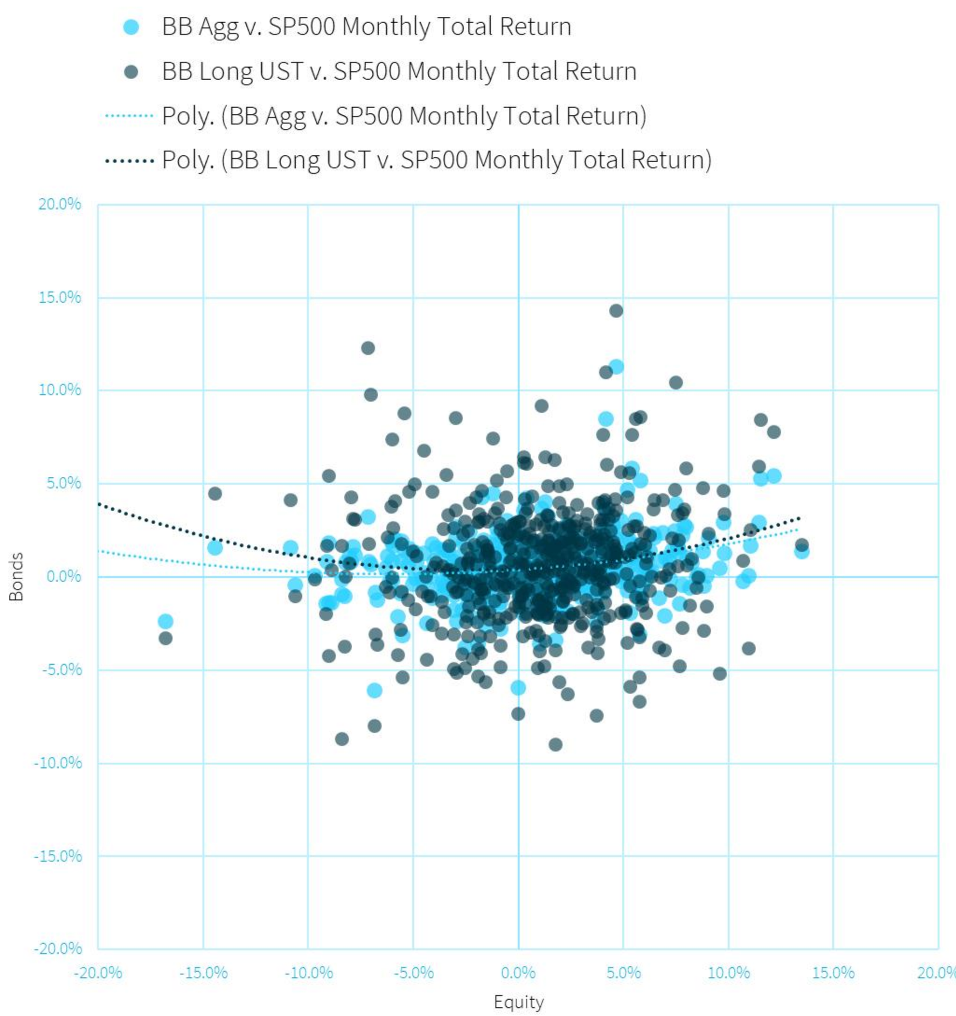

Figure 1

II. STRIPS and STRIPS+DRP risk-off convexity (n = 2,875 days, 8/30/2007-3/6/2019)

A. Again, Figure 2 heuristically defines convexity with a fitted second order polynomial line. We show plain STRIPS and STRIPS+DRP in response to the broader equity market. Here we see improved convexity with DRP by observing both the fitted line as well as the more extreme yellow observations in the upper left of the chart. Note again this chart does not make correlation observations, which is a linear index.

Figure 2

III. Correlation as it relates to total return (n = 2,150 weeks, 12/30/1977-3/8/2019)

A. Figure 3 shows total return of long UST and equity indexes (log scale) alongside the trailing 52-week correlation between the two. We can first see correlation is not consistent across the observation period. Certainly there is more negative correlation over the past 20 years. But we can also see both long UST and equities have positive total return across periods of very clear negative correlation; both do not always have the same total return direction during times of positive correlation.

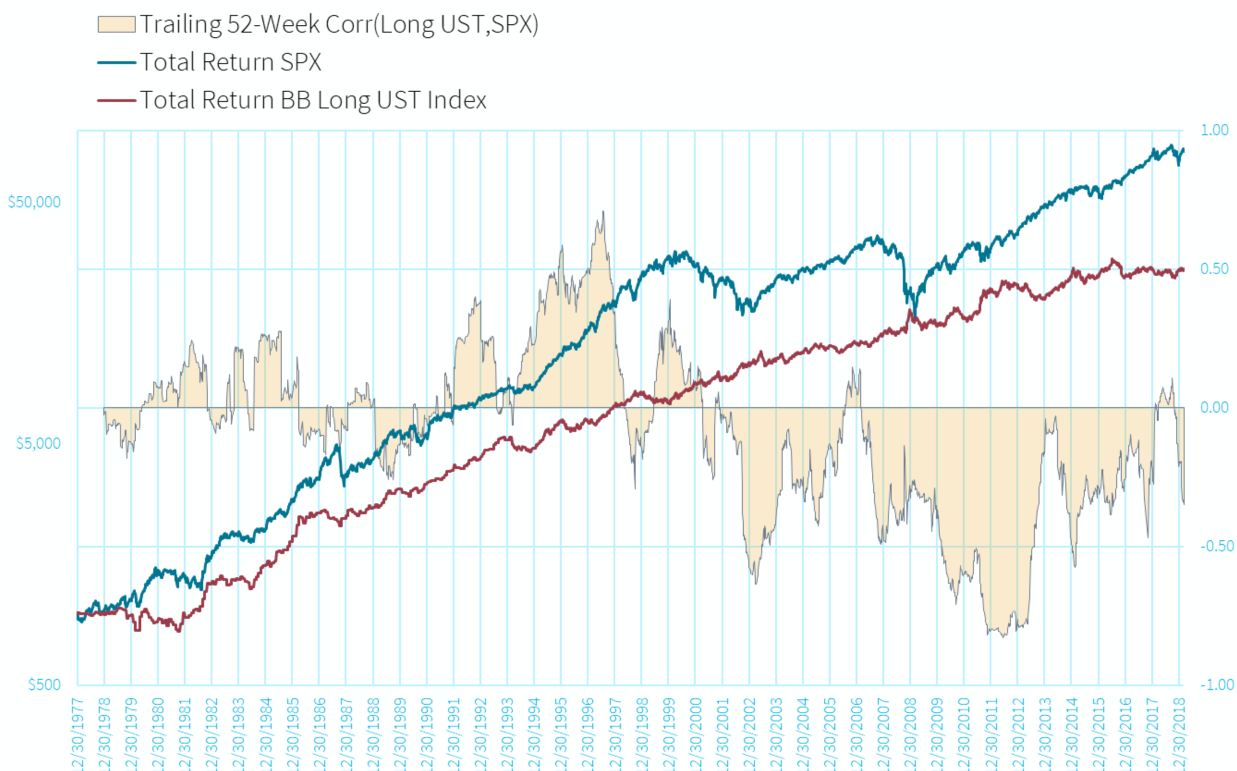

Figure 3

IV. Long bond index total return as a function of 30-Year UST rates (n = 505 months, 2/28/1977-2/28/2019)

A. Here we explore rates and long UST holding period total returns. Figure 4 shows monthly and rolling 12-month holding periods. We can see the observations are not exclusively patterned down and to the right. Extreme rate periods are less common but there are positive and negative return observations during those instances. On an absolute basis, higher bond rates do not appear predictive of monthly or 12-month holding period returns.

B. Figure 5 shows the distributions of the observations in Figure 4.

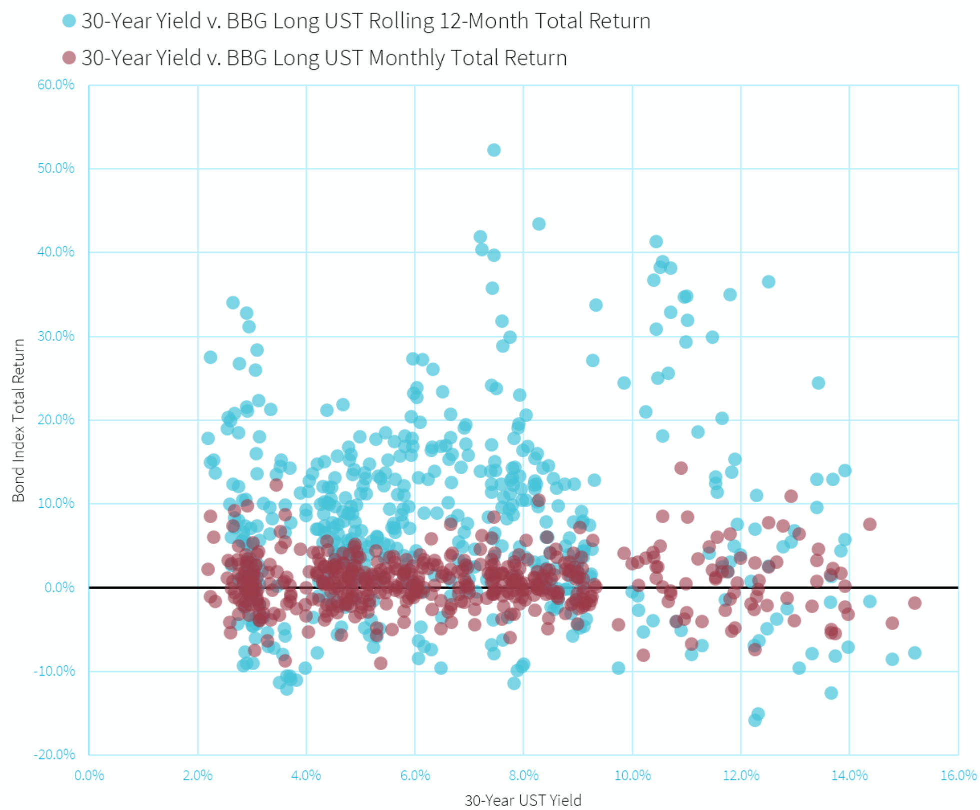

Figure 4

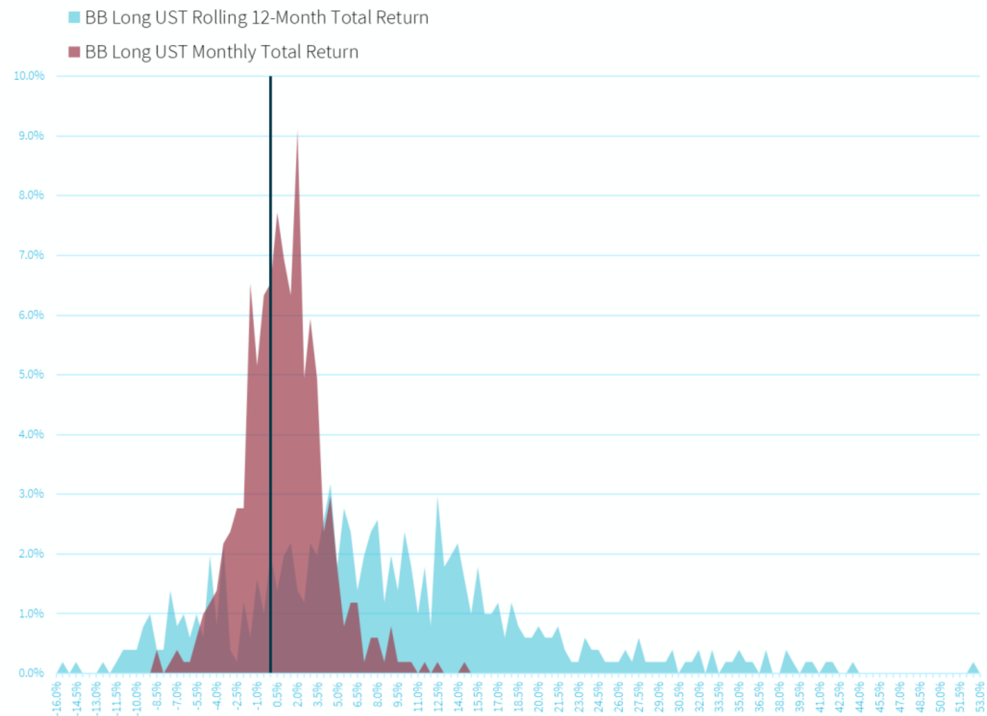

Figure 5

V. Long bond index total return as a function of 30-Year UST rates in a specific regime i.e. a known downside (n = 88 months, 2/28/1977-5/31/1984)

A. Absolute rate scatters like Figure 4 do not reveal information about rate regimes or trends. Here we isolate an extreme period to examine the monthly and rolling 12-month holding period returns. Figure 6 below shows the history of the 30-Year UST yield since 1977. We select the runup at the beginning of 1977 to mid-1984 as the test period for rising rate environments.

B. Figure 7 is identical to Figure 4 save for the truncated time period and regression data. If we can consider this time window the worst known downside to holding UST duration, we still can't say that this environment destroyed holding period return in all cases. More formally, for both regressions, the null hypothesis that holding period return betas to rates does not equal zero cannot be rejected and is not statically significant at 5%.

C. Figure 8 again shows the distributions of the observations in Figure 7.

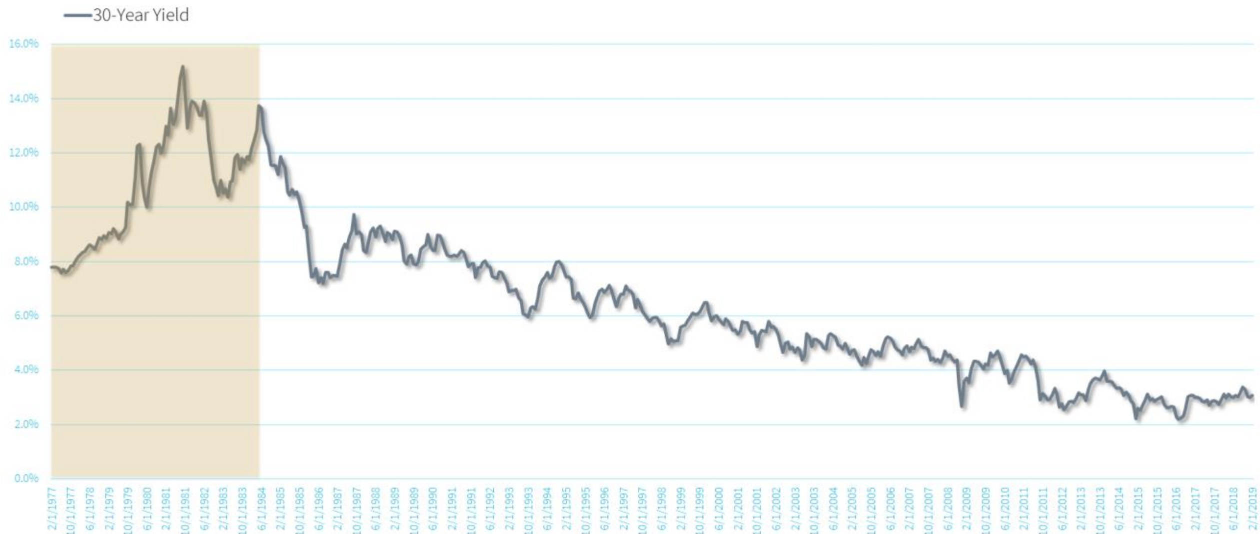

Figure 6

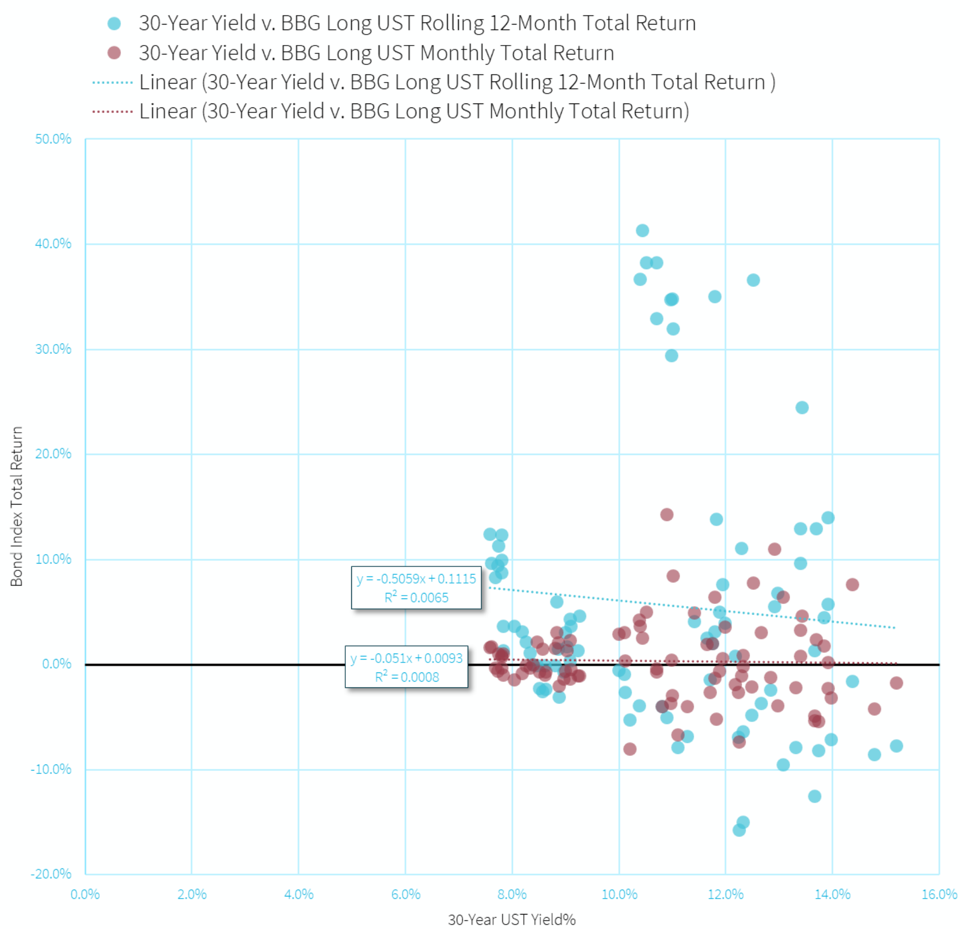

Figure 7

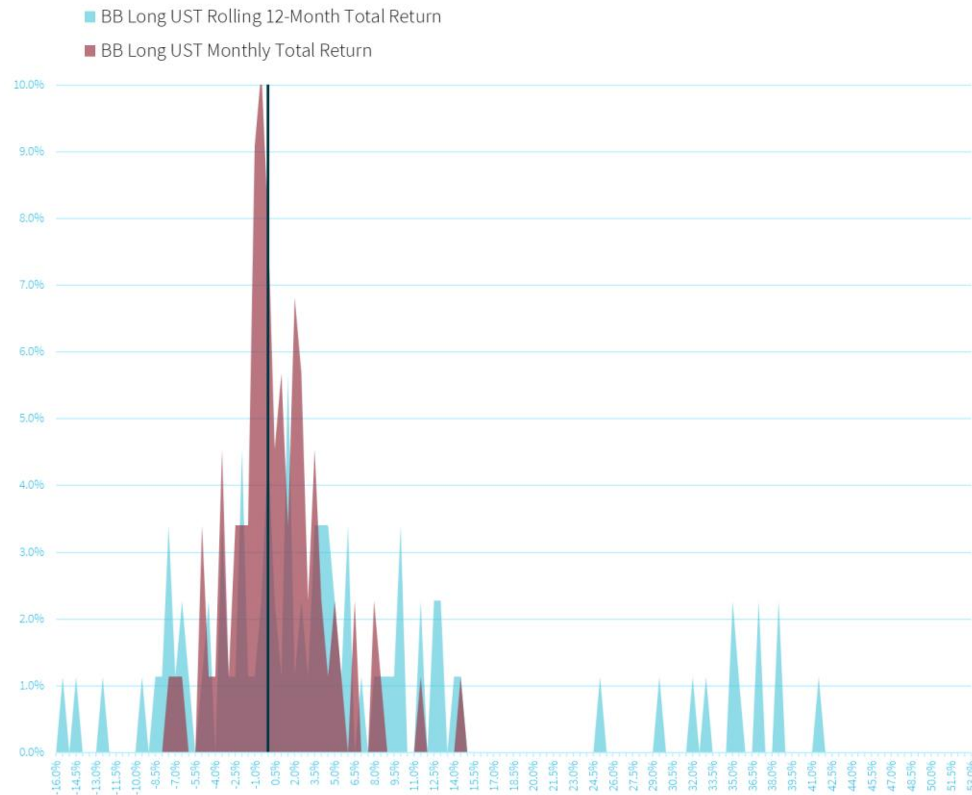
BB Long UST Rolling 12-Month Total Return
BB Long UST Monthly Total Return
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-16.0%
-14.5%
-13.0%
-11.5%
-10.0%
-8.5%
-7.0%
-5.5%
-4.0%
-2.5%
-1.0%
0.5%
2.0%
3.5%
5.0%
6.5%
8.0%
9.5%
11.0%
12.5%
14.0%
15.5%
17.0%
18.5%
20.0%
21.5%
23.0%
24.5%
26.0%
27.5%
29.0%
30.5%
32.0%
33.5%
35.0%
36.5%
38.0%
39.5%
41.0%
42.5%
44.0%
45.5%
47.0%
48.5%
50.0%
51.5%
53.0%

Figure 8

FEG MEMORANDUM

TO: Utah School and Institutional Trust Fund Office (SITFO)

FROM: FEG Investment Advisors

SUBJECT: FEG Six Tenet Review of Ryan Labs Asset Management Defense Risk Premia Strategy

DATE: March 4, 2019

FEG reviewed Ryan Labs Asset Management (Ryan or the firm) within the context of the six tenets of FEG's investment philosophy. This is the framework by which FEG evaluates all investment managers. Ryan is a New York based investment management firm founded in 1988 as a fixed income and risk management specialist focused on research and advisory services, and later fixed income investment management beginning in 1991. In 2015 the firm was acquired by Sun Life Financial (Sun Life) to enhance Sun Life's capabilities in liability driven investing, traditional and alternative fixed income strategies. Both Ryan and Sun Life have extensive experience managing tail-risk hedging strategies, having managed such portfolios since 1991 and 1999 respectively. As a part of the acquisition the overlay team at Sun Life was incorporated into Ryan where they could work more closely with the team managing the underlying portfolios.

In 2016, Ryan launched its Defensive Risk Premia overlay strategy (DRP, the strategy, or the overlay) to provide a cost-effective offset to periodic drawdowns in domestic equity markets through systematically implemented tactical hedges. The strategy seeks to enhance the returns of SITFO's portfolio of U.S. Treasury STRIPs[1] (the underlay) during periods of market stress by increasing the underlay's exposure to long Treasuries when interest rates are expected to decline, thereby capitalizing upon a "flight-to-quality" premium. To accomplish this, Ryan has developed a proprietary model which attempts to purchase futures contracts (the overlay) on the on-the-run 30-year Treasury bond ahead of a sell-off, effectively leveraging the portfolio's exposure to U.S. interest rates as a result. DRP was developed by Brett Pacific, CFA, senior managing director, and Peng Zhou, PhD, CFA, managing director, who have worked together at the firm for 15 years and have extensive experience in the development and management of quantitative and hedging strategies. Pacific and Zhou are supported by three additional professionals with an average of 11 years of investment experience, who will assist in refining the model over time.

1. STRIPS is an acronym for Separate Trading of Registered Interest and Principal of Securities

Portfolio construction for DRP follows a systematic, tactical approach based on a proprietary model which seeks to assess the likelihood and magnitude of near-term domestic equity market sell-offs by using a combination of 26 market indicators seeking to capture market risk sentiment. The model seeks to identify key current drivers of return through a series of linear regressions and subsequently uses multi-variate regression to measure the combined strength of the two most relevant return drivers for both domestic equities and U.S. Treasuries. The strength is assessed against a defined level of confidence which is set to target exposure to the overlay to 10% of the trading days in a calendar year. If the level of confidence is met a position in U.S. Treasury futures contracts will be entered and sized based upon current market volatility. Depending on longer-term sentiment indicators, futures positions can be leveraged up to either 1.25 times or 1.50 times the duration of the on-the-run 30-year Treasury. This process is managed daily and attempts to adjust position sizes in tandem with changes in market volatility. If one or both of the levels of confidence are no longer met, the positions are unwound.

The following is a summary of the strategy within the context of the six tenets of FEG's investment philosophy.

FEG SIX TENET REVIEW

CONVICTION – Ryan has dedicated significant resources towards the development and maintenance of the DRP model. The firm regularly tests the efficacy of its signals and adjusts the strategy's position sizes accordingly. Additionally, the model's analytics are generated entirely using Ryan's internal research with limited input from external sources. Ryan employees, including the professionals managing DRP, participate in an equity program tied to the revenue of the firm in which shares of the parent are granted annually, showing a strong alignment of interests.

CONSISTENCY – The firm has managed tail-risk hedging mandates since 1991, when it began managing a portfolio of long duration bonds to mitigate funding volatility in equity markets. Additionally, tail-risk hedging has been a key component to the overlay team for more than three decades. The acquisition of Ryan by Sun Life is also accretive to the firm's capabilities, as Sun Life has maintained its own equity tail risk hedging program for two decades. The systematic nature of the strategy indicates that it will generally be managed in a consistent manner.

PRAGMATISM –The firm has managed tail hedging mandates since 1991, when it began managing a portfolio of long duration bonds to mitigate funding volatility in equity markets. Pacific and Zhou average 21 years of experience managing portfolios of derivatives and conducting research on quantitative investment strategies. The experience of the portfolio managers is concentrated in the construction and management of hedging strategies, lending credibility to the team's ability to manage DRP.

INVESTMENT CULTURE – The investment management team, responsible for the underlay portfolio, has been together since 2009, and the derivatives desk was integrated into the firm from Sun Life after the firm was acquired in 2015. Raghava Vudata, associate portfolio manager, manages the Treasury portion of portfolios for DRP and serves as a liaison between the underlay team in New York and the derivatives team in Wellesley to further integrate the teams and enhance the collaborative effort required to execute DRP. While the overlay team has experienced modest turnover at the junior and mid-levels, the senior members of the team, who developed DRP, have worked together for over 15 years.

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RISK CONTROL –

- *Operational* - The strategy leverages the firm's established derivatives platform, which is supported by middle and back office functions dedicated to Ryan's overlay strategies. The back office functions are led by Roslyn Skanes, who oversees a team of eight operations professionals responsible for collateral management and daily reconciliation.
- *Investment* – Ryan has streamlined the implementation of the strategy through the use of standardized, highly liquid U.S. Treasury futures and limiting the strategy to one trading decision per day. The firm also incorporates two levels of stop-loss triggers to mitigate the potential losses from price changes of the futures contracts. Additionally, the investment team has a dedicated risk officer responsible for developing risk metrics, performing risk assessments, identifying operational risks and monitoring adherence to the firm's risk policies.

ACTIVE RETURN – While Ryan has managed U.S. Treasury STRIPS since 1996, the DRP strategy was incepted in 2016. Because the underlay and overlay portfolios are separately managed, FEG opted to analyze the performance of both the underlay and the performance of the underlay when combined with DRP. It should be noted that the underlay performance reviewed by FEG does not represent performance within a STRIPS strategy, but rather the performance of STRIPS which have been bought in other portfolios managed by Ryan on a gross of fees basis. When the STRIPS performance is combined with DRP's performance since DRP's inception in July, 2016, the aggregate performance is not in line with either the expectations laid out by the firm, or with the hypothetical back-tested performance shown for prior periods.

CONCERNS –

1) *Regulatory Risk* – Ryan's most recent Securities and Exchange Commission examination letter (2014) shows several material deficiencies pertaining to the firm's lack of appropriate controls, policies and procedures, as well as inappropriate presentation of performance in its marketing materials. Since the examination Ryan has been acquired by a significantly larger firm with greater resources dedicated to compliance, added dedicated compliance staff, and retained the services of Focus 1 associates, an SEC regulatory compliance consultant, to assist with compliance. While the firm appears to have taken meaningful steps to resolve the issues laid out in the examination letter, SITFO should continue to monitor Ryan's progress on these issues as long as they are invested with the firm.

2) *Hypothetical Performance* – While the strategy is approaching a three-year track record of live performance, much of the performance shown in the strategy's marketing materials references hypothetical, back-tested performance on a gross of fees basis. Though the back-tested performance appears to indicate that the strategy has performed in line with the manager's expectations, the only year of live performance which included any significant equity sell-offs (2018) resulted in performance seemingly inconsistent with both the back-tested performance and the strategy's stated objective. As such, SITFO should carefully consider the biases that may be present in the model DRP uses to time its hedges. This is partially mitigated by the liquid nature of the strategy's assets and ability to redeem within five days, providing some measure of protection from a prolonged period of underperformance.

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CONCLUSION – Based upon the materials reviewed by FEG and in conversations and meetings with the team at Ryan, FEG believes the firm appears to have the requisite expertise to manage DRP. Significant concerns regarding the firm's use of hypothetical performance, the strategy's short track record and lack of alpha since its inception mean that SITFO should carefully monitor both the implementation and performance of the strategy. The liquidity profile of the strategy should allow SITFO to make a reasonably timed exit should it determine it no longer wishes to invest with the firm.

Disclosure

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DUE DILIGENCE SUMMARY

Due Diligence Item	Completed	Comments
Initial Call or On-Site Meeting	Yes	Initial call July 2018
QER	Yes	
RFI Questionnaire/DDQ	Yes	
FEG Compliance Memo	Yes	Completed February 2019
Performance Data	Yes	
References	No	
Form ADV	Yes	
Audited Financials	N/A	
SEC Audit Letters	Yes	Last SEC audit in 2014
GIPS Compliance Report	N/A	No GIPS compliant composite available
Subscription/Offering Documents	Yes	