CONFIDENTIAL

RATIONAL
Investment Methodology

Investment Approach

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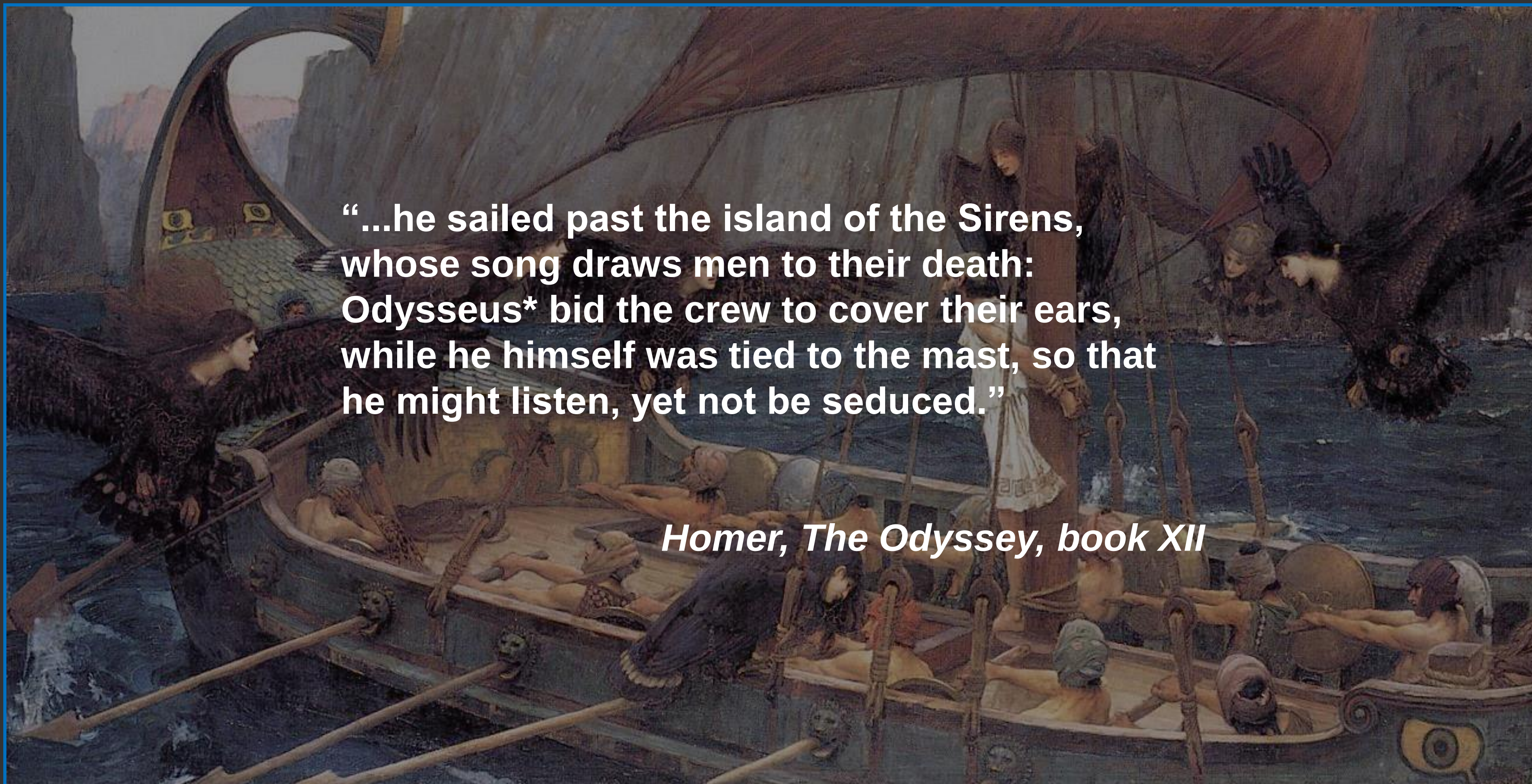
INVESTMENT METHODOLOGY PHILOSOPHY



Like Odysseus, RIM seeks to avoid the siren's call, which in the stock market is represented by the cycles of fear and greed that leads to constant mispricing of most stocks

* Odysseus is the protagonist in Homer’s Iliad; in Latin he is known as Ulysses. Painting is by John William Waterhouse : Ulysses and the Sirens (1891)

RIM IS A FUNDAMENTAL-QUANT APPROACH TO US EQUITIES INVESTING

Individual stock selection – the FUNDAMENTAL part of the process:

- Focuses on a quasi-static group of approximately 60 publicly traded, liquid US stocks - most of these companies, defined as RIM's Circle of Competence [CofC], have been followed for more than a decade

- Employs extensive industry research and analysis, building highly detailed proprietary discounted-dividend models

- Uses these proprietary models to determine "fair values" of companies based on different scenarios

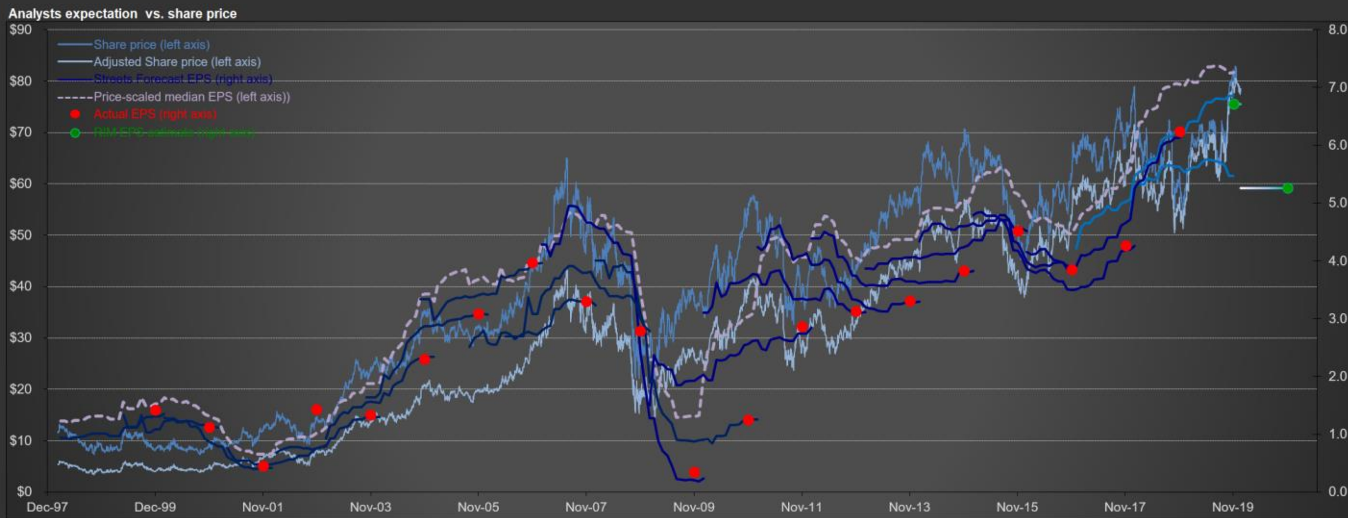
Portfolio Construction - the QUANTITATIVE part of the process:

- Constructs "rules-based" portfolios (long-short, long-only or long-aggressive) with a company-specific margin of safety relative to "fair value", using its proprietary Odysseus Portfolio Construction Tool, programmed in-house using the latest version of Python

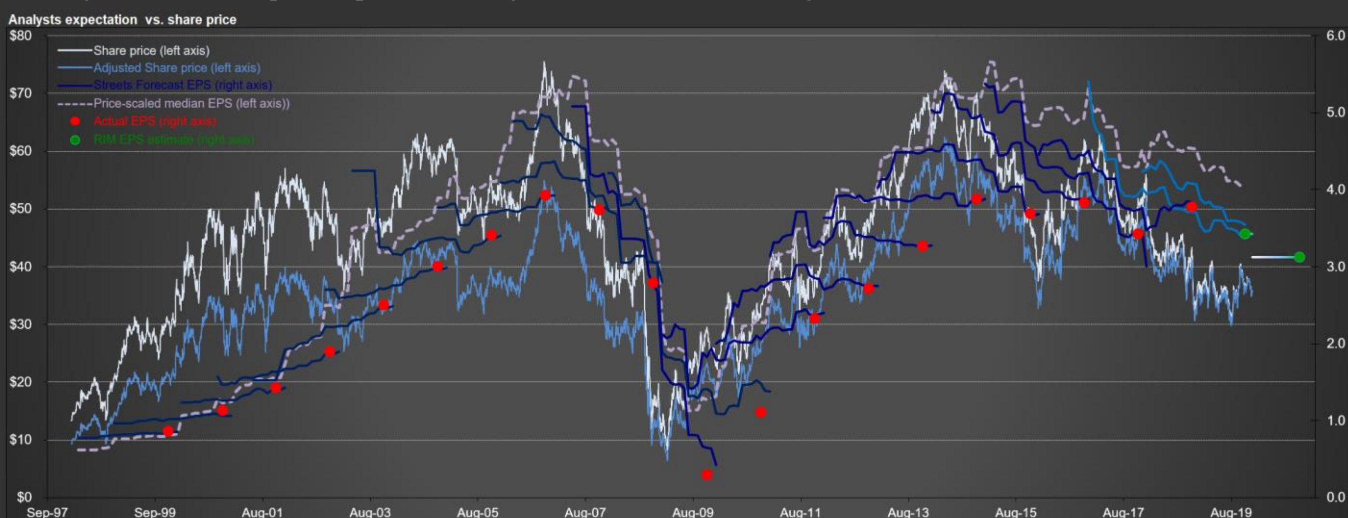
- Replicates the selected model portfolio into clients' accounts, using Interactive Brokers' platform, adjusting the number of shares in each client's portfolio in a *pari-passu* manner

FUNDAMENTAL ANALYSIS WORKS BECAUSE OF THE MARKET'S FOCUS ON SHORT TERM EARNINGS

PACCAR Inc. [PCAR] – trucks manufacturing



Harley-Davidson [HOG] – motorcycles manufacturing

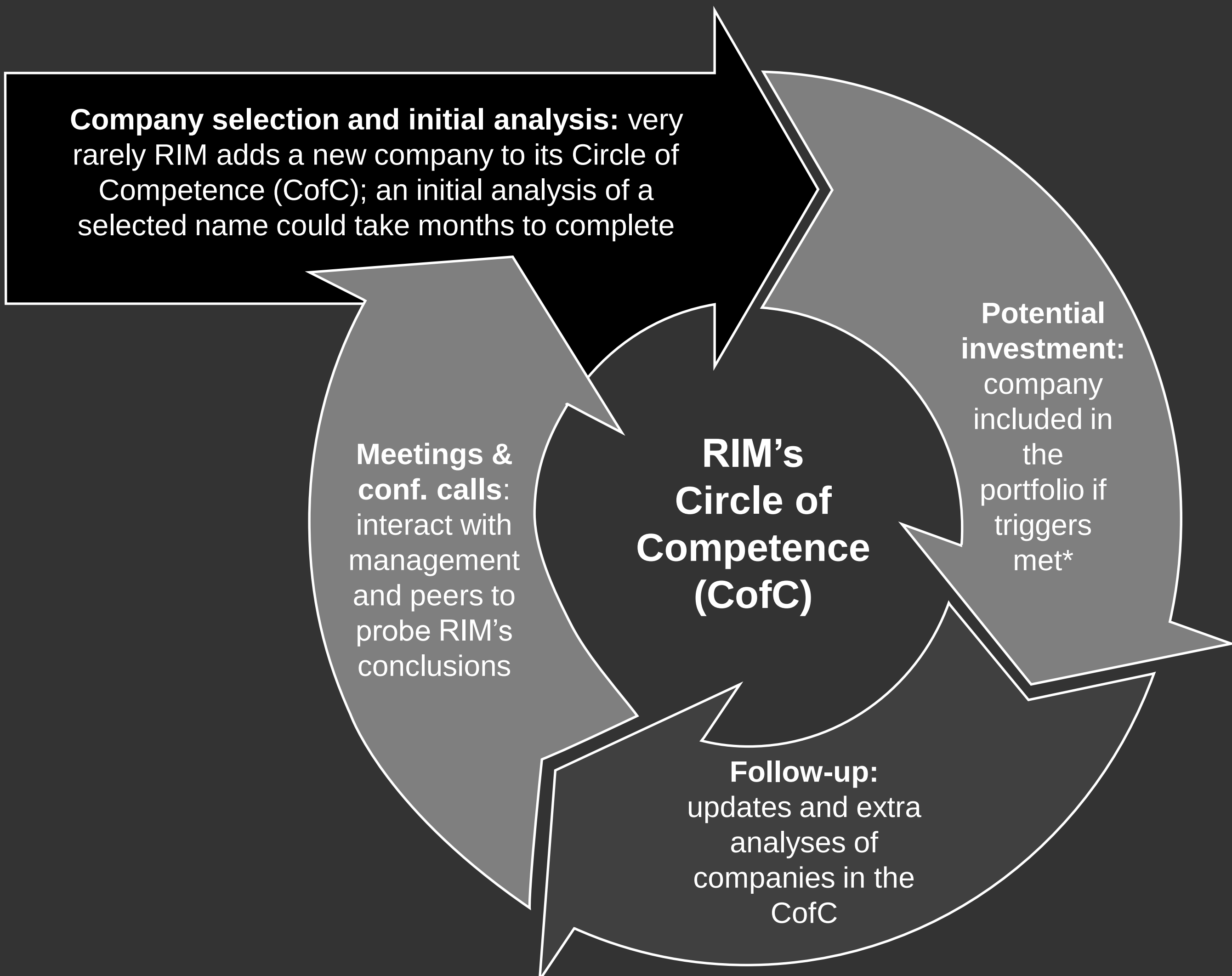


- **The market is not a random walk - it follows EPS (Earnings Per Share) very closely: if earnings expectations are low, share price is low; if earnings expectations are high, share price is high**
- **This short term approach overemphasizes the current stage of macroeconomic cycles, industry cycles or temporary head/tail winds affecting companies' earnings**
- **An investor that specializes in forecasting mid/long-term EPS of a limited number of companies has a better chance to be positioned correctly on the long or short side of an equity investment**

COMPETITIVE ADVANTAGE: THE CIRCULARITY OF RIM'S INVESTMENT METHODOLOGY; NOT A FILTER/FUNNEL PROCESS

Time consuming

Not time consuming



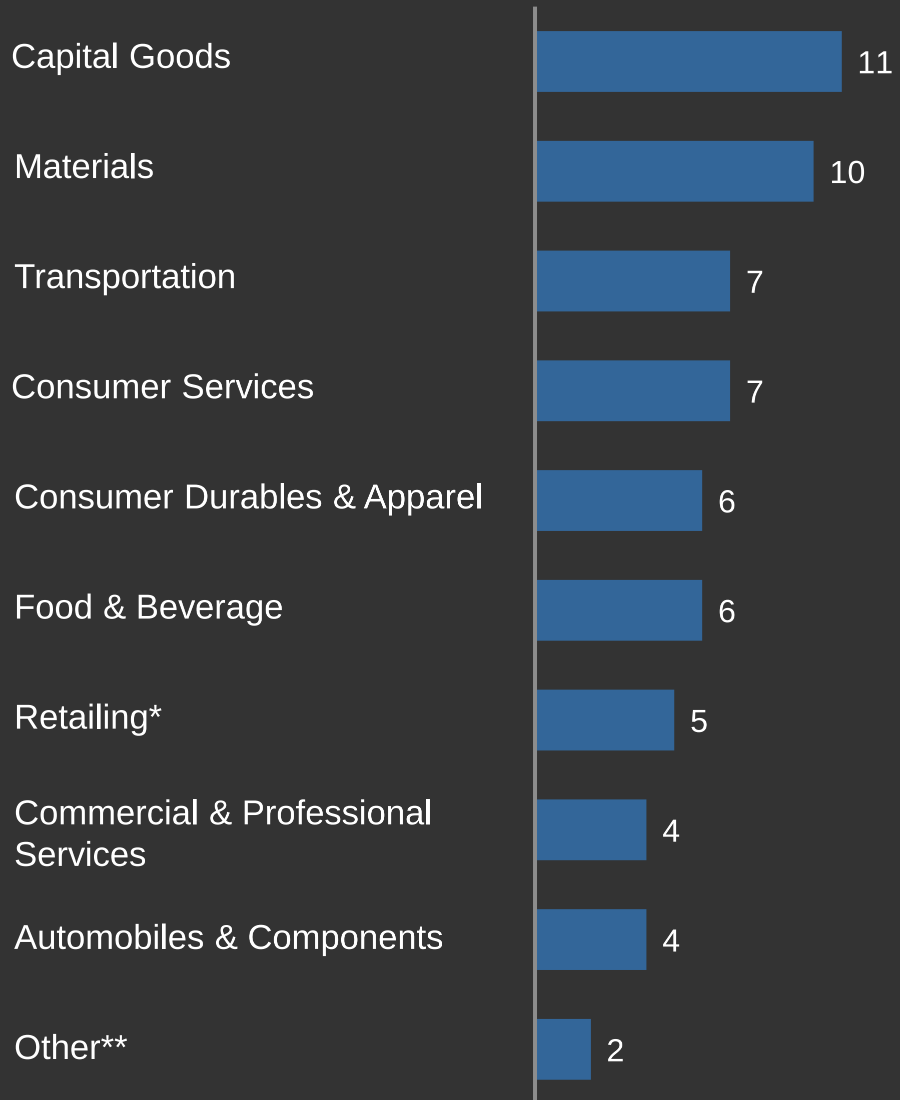
- **RIM focus on the same group of companies, which are defined as its Circle of Competence (CofC)**
- **Among this quasi-static group of companies RIM has more hours of analysis than the average investor****
- **Investing is mostly a "zero sum game": when an investor initiates a position, either he/she is wrong or the counterparty (that sold its shares or lent them to a short-seller) is wrong**
- **By knowing more than competitors about companies that are part of its CofC, RIM aspires to maximize how frequently it is at the right side of the investment**

* See pages 7 and 8 for a detailed view on RIM's portfolio buildup methodology

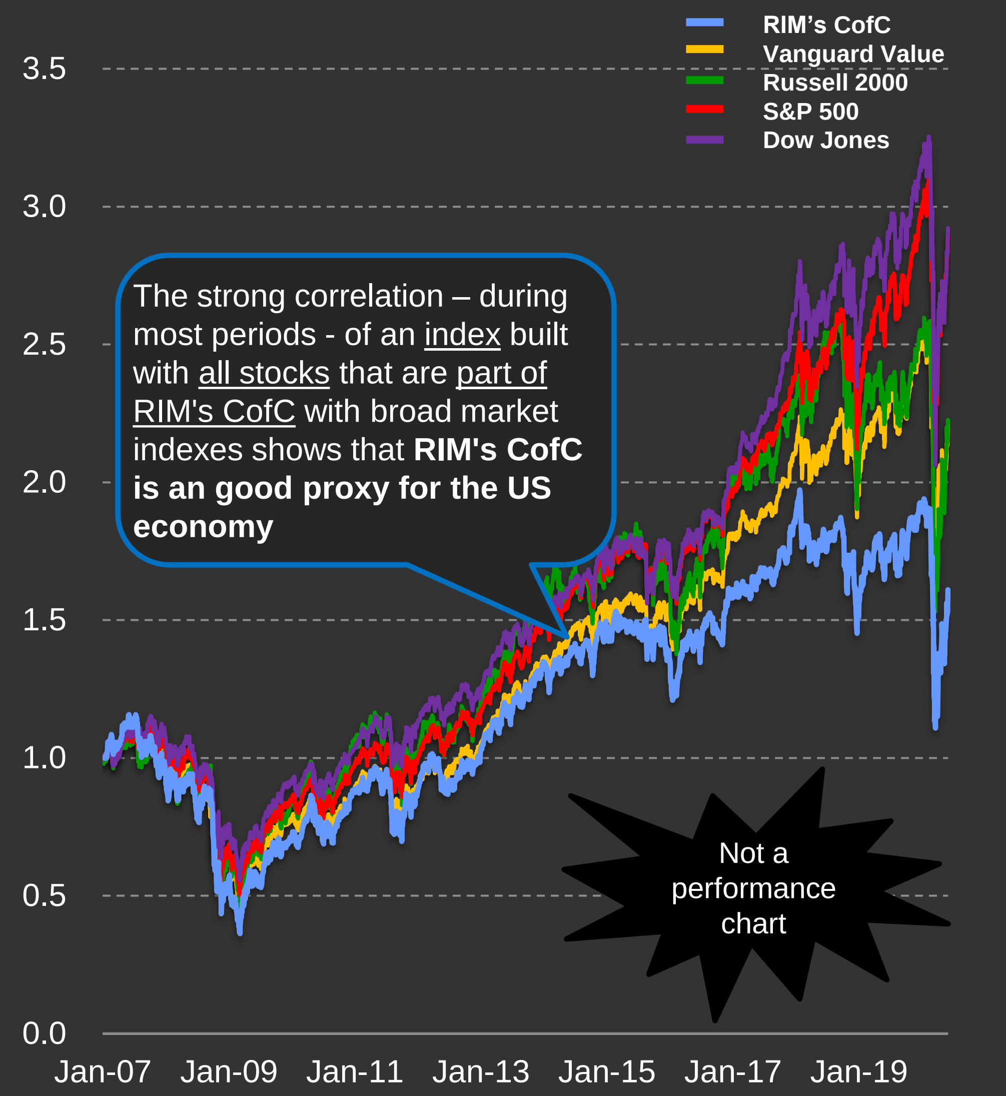
** This statement comes from the fact that the investment process of many of RIM's competitors consists of PMs and analysts constantly searching for "new ideas", which implies dedicating a significant amount of time to "screening". Therefore, competitors will have less hours of analysis, than RIM, regarding the business(es) of a company that is part of RIM's CofC

RIM'S CIRCLE OF COMPETENCE (CofC) REPLICATES THE U.S. ECONOMY

Number of companies covered (total = 62)



RIM's CofC vs. selected indexes***



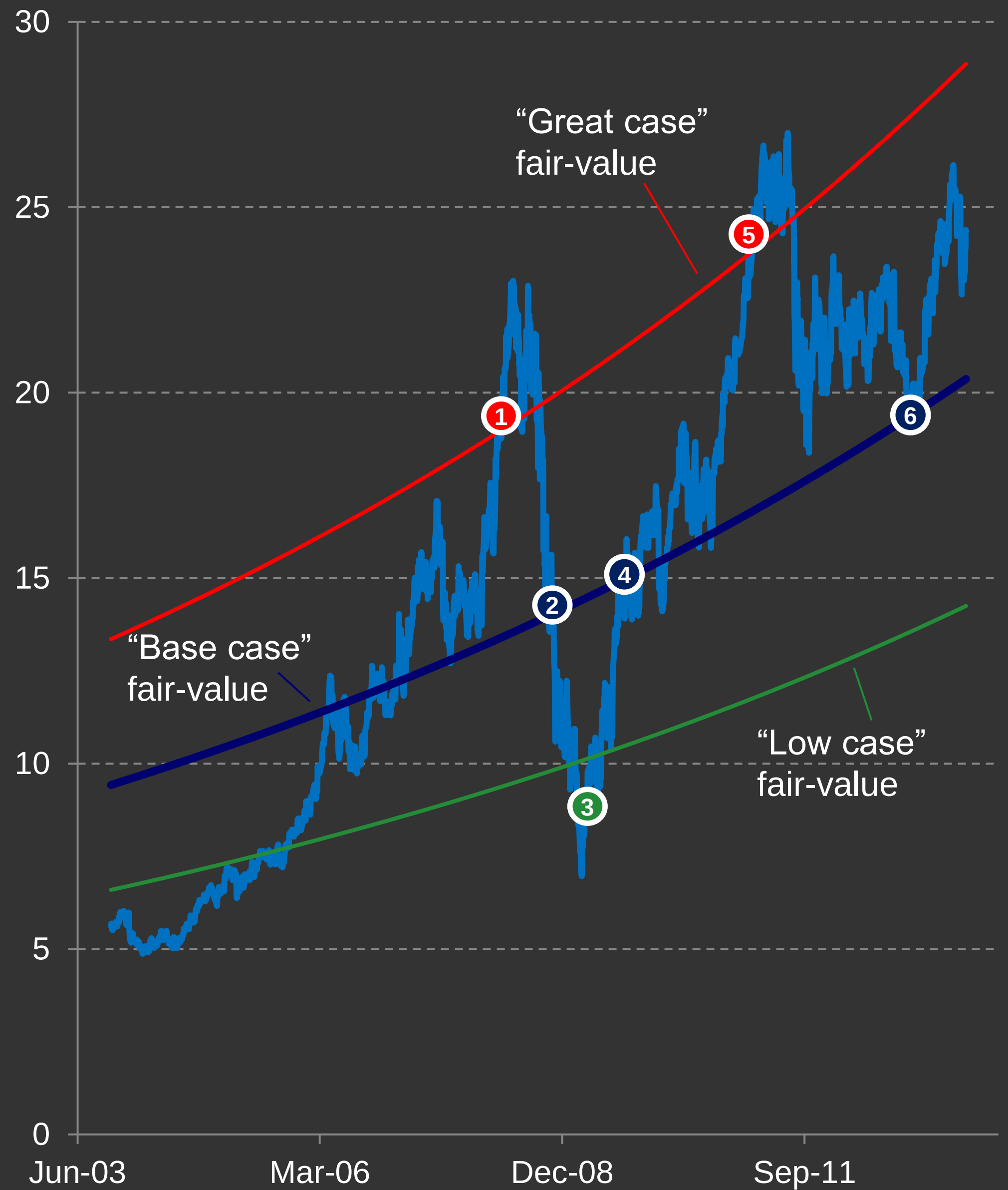
* All hardline retailers - Home Depot, Lowe's, Advance Auto Parts, O'Reilly Automotive and Best-Buy

** Other includes a Food and Staples Retailer and a Media Infrastructure company

*** Market index information shown herein, such as that of the Russell 2000 and S&P 500 Stock Index, is included to show relative market performance for the periods indicated and not as standards of comparison, since these are unmanaged, broadly based indices which differ in numerous respects from RIM's portfolio composition. The series with the title "RIM's Circle of Competence" represents an equal allocation among all the company's on RIM's CofC (i.e. ~1/60th of a simulated amount of resources) at the beginning of the comparison period, with daily rebalancing during the period shown above. Market index and individual securities information was compiled from sources that RIM believes to be reliable. No representation or guarantee is made hereby with respect to the accuracy or completeness of such data.

PORTFOLIO CONSTRUCTION RULES: TRIGGERS

Theoretical investment (share price, US$)



Trading rules

- **Positions initiated when:**
  - Longs: current stock price is <u>below</u> the “low case” fair-value for 10 days
  - Shorts: current stock price is <u>above</u> the “great case” fair-value for 10 days
- **Position closed when the stock price reaches the “base case” fair-value**

Ideal trades*

Short
- 1 April 2008: sell short @ $19
- 2 October 2008: cover short @ $14

Long
- 3 March 2009: buy @ $8
- 4 August 2009: sell @ $15

Short
- 5 February 2011: sell short @ $24
- 6 November 2012: cover short @ $19

* The “ideal trades” included above represent only the entry/exit points of a theoretical long or short position; while a position is open, usually a series of adjustments are performed – i.e. the size of the initial position varies, depending on a series of portfolio rules (some of those rules are described on the next page); because of these adjustments, actual returns might be significantly lower/higher than the “ideal trades” entry/exit points might indicate.

SELECTED EXAMPLES OF QUANTITATIVE RISK MANAGEMENT RULES: LONG-SHORT CONSTRUCT

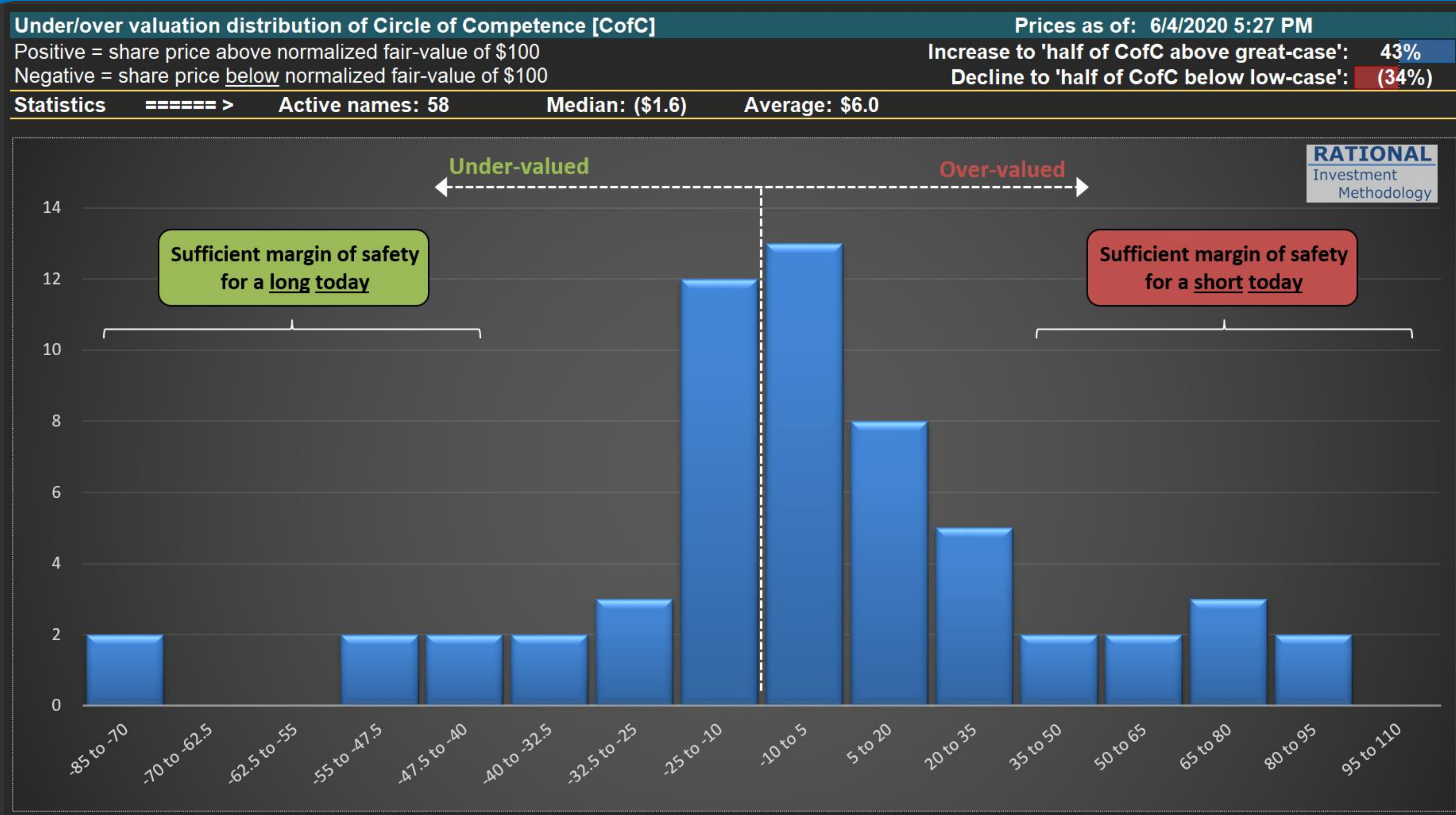
Rules	Benefits
• No individual long position should exceed 5% at any time. No individual short position should exceed 3% at any time*	• Limits exposure to any individual company. Too much exposure to a single name would bring a “gambling” aspect to the portfolio
• New long positions are the smaller of (i) 5% or (ii) 1 divided by the number of longs**. New short positions are the smaller of (i) 3% or (ii) 1 divided by the number of shorts	• Avoids Portfolio Manager’s unjustified favoritism / greed or excessive fear of losses • Helps Portfolio Manager to maintain focus on fundamental analysis
• Maximum gross long of 120%; maximum gross short of 70%; maximum net long of 60%; maximum net short of 20%*	• Avoids margin calls and potential forced sells/buys at the worst possible time • Limits volatility to acceptable levels for most investors
• Net exposure will fluctuate within the above constraints based on the under and over-valuation of stocks that are part of the firm’s knowledge base	• Directional exposure should increase absolute return over time – net long at the end of economic downturns; net short at the end of economic booms
• Position size is increased if there is space in the net/gross long/short limits – “size push”	• Maximizes exposure (and returns) as long as individual position sizes remain under specified limits
• Long positions target allocations are not increased if the stock price falls after a position is initiated; short positions target allocations are not increased if the stock rises after initiation	• Companies have strong “operational momentum” which impacts EPS and, therefore, prices. “Doubling down” means more money on names that will likely take more time to become profitable to the detriment of allocation to expected better performers***

* To avoid excessive trading costs RIM might elect to allow a position or the portfolio to be a few basis points above the set limit. At the end of the month (or when the Portfolio Manager finds it necessary) the portfolio is adjusted to perfectly match the “ideal portfolio”

** For example, for a portfolio that has 29 names long, a new long position would be 1/30th (or 3.33%) of the portfolio value

*** RIM’s simulation shows that when an option to “increase position with more upside” is turned on, performance decreases and volatility increases, for most periods

A SIGNIFICANT MARKET CORRECTION IS STILL NECESSARY TO OFFER SUFFICIENT OPPORTUNITIES FOR OF A LONG-BIASED PORTFOLIO



- Apart from a few days in March, overall valuation levels remain elevated during 2020, despite diminished economic prospects for most companies
- From todays' price levels, a correction to achieve a typical undervalued market is significant – investors have to be wise when considering how much directional risk to incur in the US equity market

A SPECIFIC PORTFOLIO CONSTRUCT SHOULD BE USED DEPENDING ON (i) RIM'S CofC VALUATION LEVELS AND (ii) RISK-SEEKING INCLINATION OF EACH INVESTOR

	Long-Short	**Long-Only**	**Long-Aggressive**
Companies on RIM's CofC mostly **over-valued** (or recently mostly over-valued)	1 • Reduced number of longs and high number of shorts could lead to appreciation during market downturns; a persistent bull-market would lead to a slow decline (as net-short exposure is limited)	2 • Higher cash positions will offer an initial draw-down protection; pace of draw-down would intensify if market continues to decline as net-long exposure would be approaching/at 100%	3 • With positions of up to 10% of AUM, net-long exposure could be relatively high even during the initial stages of a market correction or recession, leading to a significant draw-down

More — **Draw-down protection (*fear*)** — Less

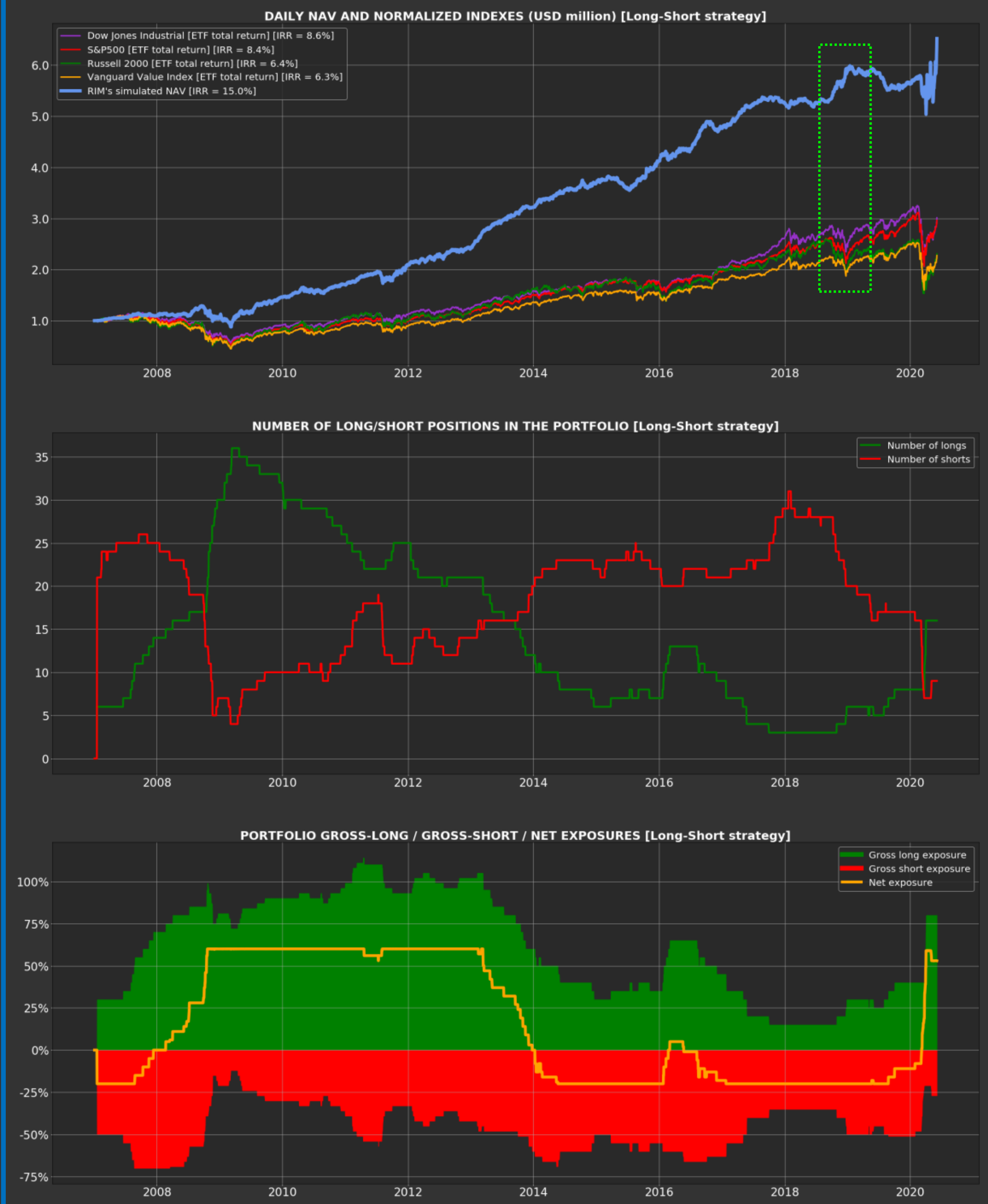
	Long-Short	**Long-Only**	**Long-Aggressive**
Companies on RIM's CofC mostly **under-valued** (or recently mostly under-valued)	A • Limited net-long exposure, which could lead to a significant cash-position even at the bottom of a recession, will curb appreciation during a recovery	B • Market correction and/or recession might not be strong enough to lead to 100% exposure before a recovery starts, limiting appreciation; exposure might be below 100% years before market / economic cycle peak	C • Full 100% net-long exposure will be maintained for a longer period (vs. other constructs) and *momentum* used, allowing positions to be held up to 10% above their base-case fair-value

Less — **Potential for appreciation (*greed*)** — More

APPENDIX

LONG-SHORT CONSTRUCT SIMULATION

Results are from simulation(*) using the Odysseus Portfolio Construction Tool

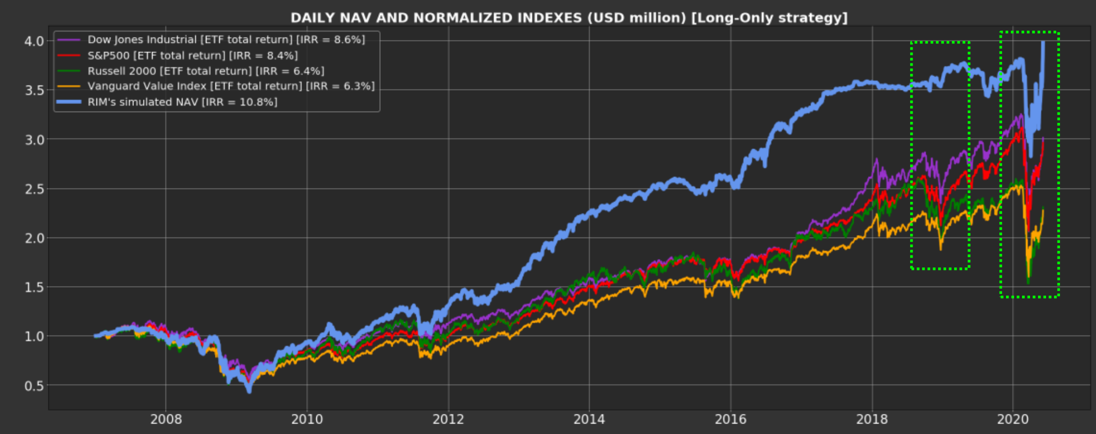


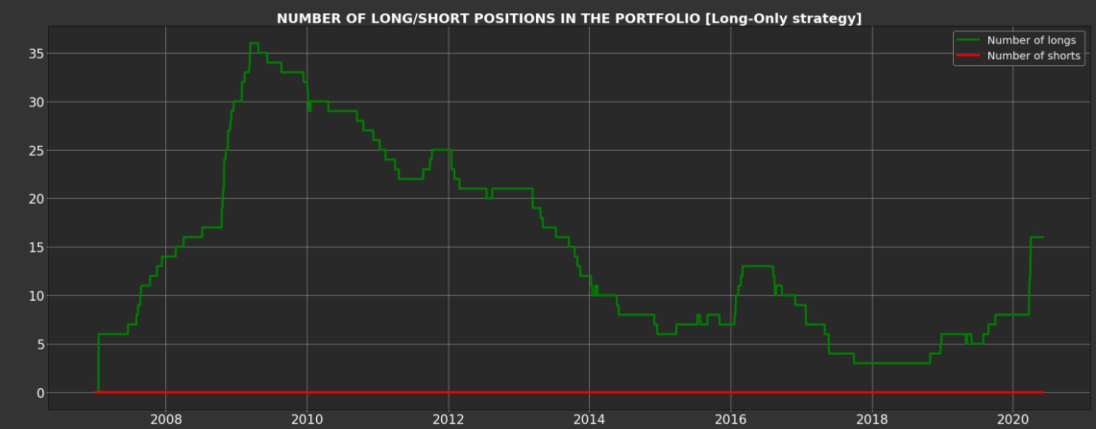
- There is a reason why long-short strategies where conceptualized: they usually avoid big draw-downs, which are especially damaging for pension plans/endowments and foundations, that have regular/mandatory uses of resources
- The difference in volatility between RIM's long-short construct and broad indexes, during a market correction in early 2019, is an excellent example of the extra protection offered by the strategy
- A long-short strategy could also help family-offices protect their wealth during a crisis. Preserved resources could subsequently be deployed towards private investments when asset prices, in general, become more attractive
- Long-short strategies performance could be substantially better if interest rates stop being repressed by the Fed, as cash carried on the long-short account would be justly rewarded

(*) charts purposely from a simulation (vs. actuals) to clearly show the impact of selected portfolio construction adjustments; simulated performance shown should not be seeing as an indicative of future performance

LONG-ONLY CONSTRUCT SIMULATION

Results are from simulation(*) using the Odysseus Portfolio Construction Tool



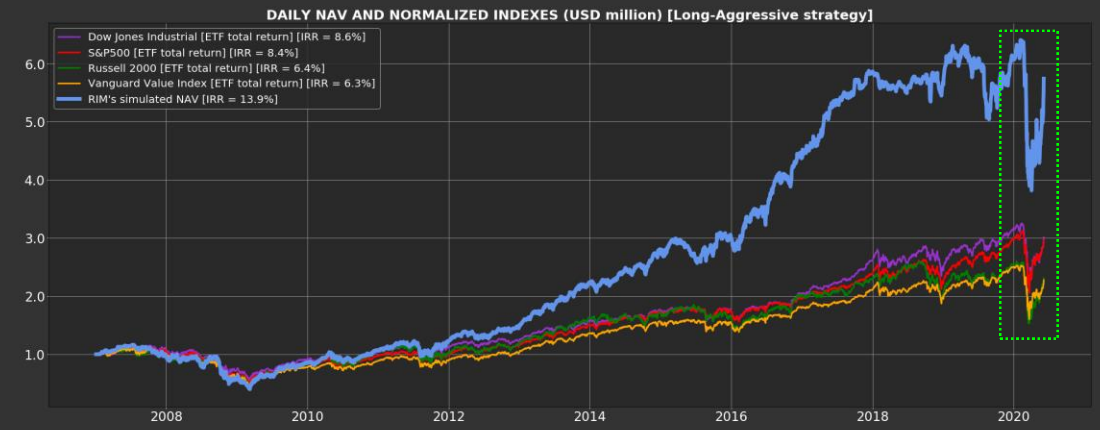


- Only two changes on RIM's risk management rules (vs. the long-short construct) leads to a long-only portfolio:
  - ✓ No shorts
  - ✓ Maximum 100% net-long
- Avoiding shorts, but still being risk-conscious and therefore carrying a high cash-balance due to the lack of cheaply priced stocks, could plausibly deliver a comparable performance with some indexes, even during a bull market
- The performance forms a plateau as the strategy accumulates a high amount of cash. However, the cash accumulation also leads to lower volatility and draw-down vs. the one observed for broad indexes (e.g., as during the correction saw in early 2019; during the more severe correction of early 2020, even a substantial amount of cash couldn't prevent a significant draw-down)

(*) charts purposely from a simulation (vs. actuals) to clearly show the impact of selected portfolio construction adjustments; simulated performance shown should not be seeing as an indicative of future performance

LONG-AGGRESSIVE CONSTRUCT SIMULATION

Results are from <u>simulation(*)</u> using the Odysseus Portfolio Construction Tool



- Four changes on RIM's risk management rules (vs. the long-short construct) leads to a long-aggressive portfolio:
  - ✓ No shorts
  - ✓ Maximum 100% net-long
  - ✓ Maximum positions of 10%
  - ✓ Only sell longs when share price 10% above base-case "fair-value"
- The recent suppression of interest rates by the Fed - that punishes sensible long-short strategies - created a survivorship bias towards concentrated / less risk-conscious portfolios constructs
- Investors have to be careful not to take "an aggressive portfolio construct in a bull market" for a "distinctive ability to select good investments“
- A long-aggressive portfolio will suffer during a strong market decline. The market correction in early 2020 highlights this aspect of the long-aggressive construct

(*) charts purposely from a simulation (vs. actuals) to clearly show the impact of selected portfolio construction adjustments; simulated performance shown should not be seeing as an indicative of future performance