Issuer Spotlight:
Q&A with Beacon Capital Management

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Q. What do you believe investors should know about the management approach behind Beacon Tactical Risk (BTR)?

We believe the greatest risk posed to investor portfolios are catastrophic losses due to severe market volatility. Our innovative portfolio management solutions work to capture gains while limiting losses in order to deliver consistent returns in today's volatile market conditions.

The first line of defense is strong diversification through equal sector allocation. Strong diversification is the foundation of effective risk management. No one knows which way the market will go, and overexposure or underexposure to any market sector can dramatically impact the overall performance of a portfolio. We believe the best approach is to weight all 11 sectors of the market equally.

The second line of defense is mechanical stop-loss measures. Losses can be more powerful than gains. We believe effective risk management attempts to limit portfolio losses before they become too catastrophic. For the unsystematic risk that cannot be controlled through diversification, we include mechanical stop-loss triggers in our portfolios to automatically sell positions when the Vantage 2.0 Benchmark Index, our proprietary index, drops by a predetermined amount.

Q. Why does BTR include stop-loss measures?

We consider persistent market volatility to be the new normal and have designed our funds to excel in these conditions—by working to capture gains while limiting losses. The S&P 500® Index has declined by more than 2% in a single day nearly twice as many times within the last two decades as in the five decades prior*. It's simply the reality today.

Not only are such declines in daily market value becoming much more frequent, they're becoming more concentrated, and these losses are also much more powerful than gains. For example, a 50% loss in an investor's portfolio value would require a 100% gain just to get back to even. The average investor simply does not have the time often required just to get back to where they started. This is why we designed our investment strategy to have mechanical stop-loss measures—to limit losses before they become too catastrophic.

Q. When does BTR exit equity positions?

We believe effective risk management reduces the impact of human emotion on the investment equation. Investing is a science, not a state of mind. Through our mechanical portfolio management approach, we maintain our discipline and react to changing markets only when our predetermined rules dictate. Utilizing the Vantage 2.0 Benchmark Index, we determine when traditional diversification may not be enough to protect investors from persistent market downturns. This approach automatically directs that we withdraw investors' portfolio assets from equity positions to provide a safety valve helping minimize losses during volatile market periods, moving all equities into fixed-income holdings when triggered. We then use the same proprietary index to automatically trigger buyback into equity positions; the longer it takes for the index to find its bottom, the more confidence we need to buy back in.

Q. You also have created a second fund, Beacon Selective Risk (BSR). What do you think are the key differences between BSR and BTR, and how are they similar?

When fully invested in equities, the two funds look identical; both use equal sector allocation and mechanical stop-loss measures. However, how they respond to volatility differs; meaning the funds can work well together as a complementary duo.

The **Beacon Tactical Risk (BTR)** fund mirrors Beacon's signature flagship Vantage 2.0 Model Portfolios. When the stop-loss is triggered, equity positions are sold and repositioned into fixed income. The BTR fund has been designed to deliver on its core objectives in both bear and bull market conditions.

On the other hand, **Beacon Selective Risk (BSR)** operates with targeted loss-reduction protections at the sector level. BSR was designed as a supplement to BTR to help capture gains in sideways market conditions. By utilizing both funds together, with BTR typically as the primary holding, investors can add an additional layer of risk management style diversification to their portfolio.

* Source: S&P Dow Jones Indices LLC. Data measured from January 1, 1950 through December 31, 2022, demonstrating that the S&P 500® Index has lost more than 2% of its daily value for 272 days since the year 2000, as compared to only 160 days between years 1950 and 1999.

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All investing involves risk, and asset allocation and diversification do not guarantee a profit or protection against a loss. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, might be worth more or less than their original cost. ETFs are subject to risks similar to those of stocks, as well as other risks specific to the particular ETF.

ETF shares are traded on exchanges, and are traded and priced throughout the trading day. ETFs permit an investor to purchase a selling interest in a portfolio of stocks throughout the trading day. Because ETFs trade on an exchange, ETF shares are bought and sold at market price (not NAV). The prices of ETFs may sometimes vary significantly from the NAVs of a ETFs' underlying securities. Brokerage commissions will reduce returns.

Carefully consider the investment objectives, risks, charges, and expenses. This and other important information can be found in each of the Beacon ETF prospectuses, which should be read carefully before investing and can be obtained by calling 866.439.9093.

Benchmark indices provide the standards against which investment performance is measured. The Beacon ETFs' investment objectives and strategies differs substantially from the benchmark indices. The S&P 500® Index is a market-capitalization-weighted equity index tracking the performance of the 500 largest U.S.-traded stocks (by market value), which represent about 80% of all U.S incorporated equity securities. The Vantage 2.0 Benchmark Index is a custom blended index developed by Beacon Capital Management, Inc. and is composed of the following 11 Vanguard sector ETFs, each equally weighted at 9.09% (Percentages may not total to 100% due to rounding): Energy ETF (VDE), Materials ETF (VAW), Industrials EFT (VIS), Consumer Discretionary ETF (VCR), Consumer Staples ETF (VDC), Health Care ETF (VHT), Financials ETF (VFH), Information Technology ETF (VGT), Communication Services ETF (VOX), Utilities ETF (VPU), and Real Estate ETF (VNQ). Benchmark indices are neither managed, nor accessible through direct investment, nor subject to advisory fees, transaction costs or other expenses; it is assumed distributions are reinvested back into the index.

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