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# Investor Letter Q4 2020: Long/Short Equity ETF (CBLS) Sustainable Equity ETF (CBSE)

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**Performance Table**
**December 31, 2020**

| Fund Name | Symbol | Total Return % 1 Month | Total Return % Since Inception |
|---|---|---|---|
| Changebridge Capital Sustainable Equity ETF (NAV) | CBSE | 11.62% | 19.10% |
| Changebridge Capital Sustainable Equity ETF (MKT) | CBSE | 11.76% | 19.20% |
| S&P 500 Index | SPX | 3.84% | 6.42% |
| Changebridge Capital Long/Short Equity ETF (NAV) | CBLS | 10.29% | 16.30% |
| Changebridge Capital Long/Short Equity ETF (MKT) | CBLS | 10.38% | 16.42% |
| Wilshire Liquid Alternative Equity Hedge Index | WLIQAEH | 0.28% | 1.75% |

***Performance data shown above represents past performance and is no guarantee of, and not necessarily indicative of future results. Total return and value will vary, and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. Returns include changes in share price and reinvestment of dividends and capital gains, if any. Please go to https://changebridgefunds.com/long-short-equity-cbls/ and https://changebridgefunds.com/sustainable-equity-cbse/ for full performance.***

In a year marked by unusually high volatility, market dips consistently proved to be buying opportunities. The market's fourth quarter version of a "pullback" (just over 7% from 10/12 to 10/30) was not as precipitous as the ~30% declines observed in the first quarter, or even the ~10% decline in September, but equities rallied one last time into year-end, with most indices finishing 2020 at, or near, all-time highs.

Changebridge launched our first two funds, CBLS and CBSE, on November 13, amid market strength. At that point, the S&P 500 was already up 4.8% for the quarter-to-date, and it would rally another 4.98% into year-end. The Wilshire Liquid Alternative Equity Hedge Index was up 1.76% for the quarter at the time of launch, and it would rally another 1.75% by year's end. Our long/short equity ETF (CBLS) was up 16.3% from Nov 13 to Dec 31, and our long-only sustainable equity ETF (CBSE), was up 19.1% during that time. Both funds outperformed their benchmarks and peers for the period from inception to the end of Q4.

While 7 weeks is a small sample size (especially for our longer investment time horizons) we are pleased with the smooth launch for the two funds, both operationally and from a performance perspective. In December, CBLS outperformed its Wilshire Liquid Alternative benchmark by 10.01%, and it outperformed its benchmark by 14.5% since inception. CBSE outperformed its S&P 500 Index benchmark by 7.78% for the month of December, and 12.68% since inception. Both strategies took advantage of material differences between market valuations and our own intrinsic valuation estimates for a number of securities. For instance, one of our top 10 holdings, Magnite Inc, was highlighted by multiple sell-side analysts during the quarter for its envious position as Disney's primary AVOD (advertising video on demand) provider. We held a similar view, which was a catalyst for including Magnite in both portfolios at launch. We will highlight the thesis for this position (and others) in the section of this letter dedicated to contributors/detractors.

The team at Changebridge also observed a mismatch in valuations between small and large capitalization companies, which has been exacerbated over the last few years. As the opportunity set to find misunderstood securities with positive risk/reward prospects had skewed in favor of smaller cap companies, our portfolio reflected this disconnect. With vaccinations underway, prospects for continued fiscal stimulus, and supportive monetary policy, it seems likely that 2021 will reflect above average GDP growth across industries, an environment that tends to be supportive of smaller cap securities

With 10 Year Treasuries yielding about 1% currently, it is easier to defend equity prices, even at elevated levels. The S&P 500 Index is forecasted to have an aggregate EPS (Earnings Per Share) of $169 in 2021. At a price of $3,700, that equates to an earnings yield of about 4.6%: low by historical standards, but quite reasonable relative to treasuries. An Equity Risk Premium (excess returns in the stock market relative to a risk-free rate) of 3.6% is somewhat low, but within historical ranges. This implies that while the market is broadly on the expensive end of the historical spectrum, it is not excessive. We will continue to monitor market conditions closely, as we are keenly aware of the risks ahead in 2021.

Market participants enter the New Year optimistically. After unprecedented upheaval in 2020, there is an expectation that conditions will settle into a sweet spot; above average economic growth, inflation in-check, and a supportive Federal Reserve. While that "Goldilocks" scenario is plausible, we remain cognizant of the potential for growth to be slower than expected, or for recent stimulus to result in an overheated economy - potentially forcing the Fed to become less accommodative. It is hard to imagine markets broadly rallying in either of those conditions. At Changebridge, we remain optimistic about the return profile for equities, yet acutely aware that shifting tides may lead to continued volatility. We view this volatility as an opportunity for active managers and long-term investors.

## Contributors & Detractors:

We would like to highlight securities that meaningfully contributed or detracted from performance in the two funds. We believe investors deserve transparency into these performance drivers. We have highlighted contributors and detractors amongst the following; long contributor/detractor in CBSE, long contributor/detractor in CBLS, short contributor/detractor in CBLS. With a view towards transparency, we have also provided the complete list of portfolio attribution by security in the appendix.

### *Largest long contributors: CBSE & CBLS*

**Magnite Inc (MGNI)**: Magnite is finally receiving the credit we would argue it has long deserved. This is a programmatic advertising model that thrives outside of the walled gardens of Google and Facebook. Their primary customers are publishers with advertising inventory to sell, who are looking to optimize their monetization of this inventory. There is a meaningful network effect in play, as inventory begets buyers, which beget more inventory. During the most recently reported quarter, MGNI's growing OTT (Over The Top) business was displayed in full force, growing over 50% annually in the face of a difficult advertising market. We are in the early innings of a transition to full OTT streaming, and it seems highly likely that advertising will play a meaningful role in this transition. At Disney's investor day, they highlighted their programmatic advertising efforts at both Hulu and Disney's core business. Magnite, through an acquisition, is the primary provider of programmatic advertising for Hulu, and it is now widely recognized that they will be in a strong position to expand within Disney as well. While this information was evident to the team at Changebridge, it took some time for markets to effectively price in this development. We believe similar opportunities remain prevalent in both CBLS and CBSE today.

**Redfin (RDFN)**: Redfin is a disruptive force in the real estate industry. Their model effectively cuts sales commissions in half by digitizing a large part of the real estate sales process. They also offer sellers an opportunity to avoid the traditional sale process altogether with a direct offer from Redfin, and recently began to provide Trust and Mortgage services under one roof. The most recent quarter showed accelerating market share and impressive incremental operating margins in their core business. Redfin's digital platform was showcased during the remote conditions brought on by Covid-19, and it did not disappoint. As RDFN capitalizes on their recent momentum, they have an opportunity to build brand loyalty in a business marked by meaningful scale advantages. With a large and fragmented market that is transforming to digital, Redfin appears to be in an ideal position to continue to gain share and cross sell its new services.

**Transmedics Group Inc (TMDX)**: Transmedics is a medical device company that is attempting to revolutionize the way organ transplants are stored and transported. Their proprietary Organ Care System (OCS) replicates the physiological conditions within a human body - in a portable box. The three initial target organs are lung, liver, and heart, of which lung is currently FDA approved and heart will face an FDA panel in the future. Recent data out of the liver trial has been promising, leading to improving investor sentiment and anticipation of an upcoming heart review. The market for organ transplantation is unique from many other medical device markets because it is highly concentrated among a few hospital systems. In the US, 55 centers have an estimated 70% market share, creating an opportunity for TMDX to grow rapidly if their devices are FDA approved. With an estimated $8B total addressable market, this $500m market cap company appears to have a long runway ahead.

*Largest long detractors: CBSE & CBLS*

**Sprout Social Inc (SPT)**: Sprout provides a software that enables corporations to better manage their brand on social media. Their subscription service allows brands to monitor mentions, analyze the efficacy of their communications, and listen to the feedback provided by customers. As digital marketing evolves, we believe ad budgets will continue to shift towards social media, where there is one clear leader in providing analytics: Sprout Social. In their most recently reported quarter, organic ARR (annual recurring revenue) grew 35%, showing no signs of slowing down. After a stellar 2020, it appears that some investors have taken profits. We maintain high conviction in the growing relevance of social media and believe SPT can continue to gain share in this evolving market.

**Best Buy Co (BBY)**: Best Buy is a retailer of consumer electronics, home office products, and entertainment equipment. One of the most well-defined trends to come out of the global pandemic is an increasing emphasis on one's home. As the way Americans work has likely fundamentally changed, Changebridge believes that the home will continue to gain wallet share. Best Buy has proven to have a best-in-class offering of both products and services to match changing consumer demands. Further, we believe that Covid-19 has forced brick and mortar retailers to evolve faster than they previously would have. BBY is no exception, and their enhanced e-commerce offering has increased to 35% of revenue in the most recent quarter, from 15% in the prior year. After rallying throughout 2020, some investors have taken profits. Changebridge views this as an opportunity and recently added to this position.

**Home Depot Inc (HD)**: Home Depot is a best-in-class home improvement retailer. Following a similar narrative to Best Buy, there has been a well-defined trend in the last year emphasizing the importance of one's home. With less time spent in traditional office settings, we believe it's likely that this trend continues into the future. While the transition from brick and mortar to e-commerce is a little less straightforward for home improvement products, HD has done a stellar job navigating 2020's ever-changing environment. We continue to believe that recent success is an indication of a long-term trend, and favorably view HD's duopoly in an industry that has proven resilient to Amazon and other e-commerce retailers.

*Largest short contributors: CBLS*

**Beyond Meat Inc (BYND)**: Beyond Meat reported a quarter that missed analyst estimates across the board. While promotions were up in the quarter, sell-through at groceries decelerated meaningfully. Thus, gross margins suffered, and growth slowed. Further, McDonald's announced they are introducing their own plant-based burger. Rumors are swirling about BYND's involvement in this new product, though the McDonald's press release explicitly states the product is crafted "for McDonald's, by McDonald's." The stock had rebounded somewhat since the quarter was reported but has since settled back down. The situation to us feels like the early days of alternative milks: Initially, a few brands launched the category and saw early success. Private label soon flooded the shelves at lower price points and eroded the excess margin and share earned by the early entrants. In the last twelve months, we have seen new launches from Trader Joes, Kroger, Aldi, Albertsons, Gardein, Nestle, Lightlife and Sysco. Without evidence that comps are inflecting positively, this remains an expensive stock with declining growth prospects and increasing competition.

**Dish Network Corp (DISH)**: Dish is a satellite cable provider with an ongoing effort to transition into offering a network of 5G connectivity. As content costs have grown for networks, they have been in perpetual conflict with Dish and its peers, leading to blackouts and/or increased content costs for consumers. This in turn has led to a gradual decline in Dish subscribers over the last few years that has not been impeded by Covid-19. Further, competitor AT&T has been trying to sell DirecTV for a year, with recent headlines suggesting a valuation of over $15B, which would value DISH at less than $12B based on total subscribers. Dish is currently valued at a $28B EV.

**Dorman Products Inc (DORM)**: Dorman is a manufacturer of automotive products. Largely focused on aftermarket parts, Dorman benefits from increased reliance on used vehicles, a trend that has seen strength in recent years. Despite this, organic revenue growth has been in the low single digits. Further, we estimate that nearly half of Dorman's revenues are involved in combustion engines. As electric vehicles likely continue to gain share, this creates a long-term headwind for the business. Interestingly, there is a lag effect occurring: replacement parts are often needed around 3 years after a new car is sold. Thus, while EV's have only started gaining share in the last 2-3 years, they have not yet had an impact on Dorman's business. As EV's continue to gain share, the impact on Dorman's revenues is likely to become more meaningful. While we acknowledge Dorman is a well-run business, this appears to be a material headwind.

*Largest short detractors: CBLS*

**8x8 Inc (EGHT)**: 8x8 is a provider of Voice over Internet Protocol (VOIP) platforms. In December, they announced a management change, replacing their former CEO with Dave Sipes, COO of RingCentral. RingCentral has been taking share from anyone that offers a unified communication service, including EGHT. In the blink of an eye, EGHT was transformed from a business with declining prospects and questionable management vision to one with below peer valuations and a formidable CEO who built the growth engine of its toughest competitor. When the facts change, we must evolve. The prevailing thesis of continued share losses, excessive reliance on low margin indirect sales channels, and loss of market share as Ring partners with legacy communications providers was instantly debased. Prudence wins out over stubbornness, and CBLS covered the position completely in December.

**Simply Good Foods Co (SMPL)**: SMPL the owner of Atkins and Quest branded products. The Atkins brand features low carb nutrition bars that benefited from the popularity of the Keto diet in the last few years. Quest was a recent acquisition that sells protein bars, shakes, and snacks. The core Atkins brand decelerated through 2019 and is now shrinking in 2020 as on-the-go eating has suffered. Quest brand, however, has held up well and is currently carrying the larger company. In December, SMPL was added to the S&P 600 Small Cap Index, which triggered a wave of indiscriminate buying by passive funds. We do not view this as a driver of fundamental performance but are closely watching for changes in both comps and investor sentiment.

**Digimarc Corp (DMRC)**: Digimarc is attempting to change the way plastic bottles are recycled. Their technology is currently being used to mark US currency, and they are hoping to transition into both retail use cases and a new plan to track plastic CPG products to improve recycling outcomes. While admirable, this is a project year in the making without anything tangible to show for it. The only notable event in December from our perspective has been insider selling by the CEO, CTO, and three directors. That said, retail investors have been caught up in the momentum, and are bidding the stock price up aggressively. In the face of excess market liquidity and a willingness to discount out decades into the future, Changebridge applied its risk management parameters to limit potential losses. We continue to monitor the situation closely.

To conclude our December letter, we are proud to introduce and steward two actively managed ETF's (CBLS and CBSE) into the markets, and we strive to achieve positive outcomes for all our stakeholders. Please feel free to reach out to us via our website, [www.changebridgefunds.com](www.changebridgefunds.com), follow us on LinkedIn (Changebridge Capital), and on Twitter (@changebridgecap).

Thanks for your trust,

Ross & Vince

## Appendix A: Holdings & Attribution for CBSE:

| | Average Weighting 11/30/20 - 12/31/20 | Weighting as of 12/31/20 | Contribution (%) 11/30/20 - 12/31/20 |
|---|---|---|---|
| MAGNITE INC | 3.82% | 2.95% | 2.14% |
| REDFIN CORP | 3.72% | 2.85% | 1.54% |
| TRANSMEDICS GROUP INC | 3.19% | 3.58% | 1.00% |
| LIVERAMP HOLDINGS INC | 4.08% | 3.69% | 0.98% |
| SEMLER SCIENTIFIC INC | 3.15% | 3.39% | 0.86% |
| PROGYNY INC | 4.36% | 4.10% | 0.83% |
| SHARPS COMPLIANCE CORP | 2.94% | 2.98% | 0.53% |
| CRISPR THERAPEUTICS AG | 2.14% | 1.89% | 0.48% |
| INTERACTIVE BROKERS GRO-CL A | 2.93% | 2.97% | 0.44% |
| OPORTUN FINANCIAL CORP | 3.09% | 3.31% | 0.44% |
| STERLING CONSTRUCTION CO | 2.76% | 2.73% | 0.44% |
| SONY CORP-SPONSORED ADR | 4.30% | 4.33% | 0.36% |
| FIRST REPUBLIC BANK/CA | 2.50% | 2.60% | 0.33% |
| BRIGHTVIEW HOLDINGS INC | 2.67% | 2.70% | 0.29% |
| PURPLE INNOVATION INC | 2.79% | 2.97% | 0.28% |
| LUXFER HOLDINGS PLC | 2.76% | 3.03% | 0.27% |
| CRITEO SA-SPON ADR | 1.09% | 2.86% | 0.25% |
| ESTEE LAUDER COMPANIES-CL A | 2.31% | 2.42% | 0.19% |
| MANCHESTER UNITED PLC-CL A | 2.11% | 2.06% | 0.17% |
| PLANET FITNESS INC - CL A | 2.48% | 2.77% | 0.17% |
| JOINT CORP/THE | 3.16% | 3.03% | 0.16% |
| EXPEDIA GROUP INC | 2.56% | 3.11% | 0.13% |
| LCI INDUSTRIES | 2.65% | 2.50% | 0.11% |
| ICF INTERNATIONAL INC | 2.36% | 2.22% | 0.08% |
| BRIGHT HORIZONS FAMILY SOLUT | 2.65% | 2.61% | 0.04% |
| SERVICE CORP INTERNATIONAL | 1.83% | 1.86% | 0.03% |
| SKYLINE CHAMPION CORP | 3.78% | 3.60% | 0.03% |
| SILVER SPIKE ACQUISITION CORP | 0.00% | 2.01% | 0.00% |
| LIBERTY LATIN AMERIC-CL C | 2.41% | 2.35% | -0.05% |
| ATLAS AIR WORLDWIDE HOLDINGS | 2.83% | 2.66% | -0.07% |
| HOME DEPOT INC | 2.60% | 2.45% | -0.11% |
| BEST BUY CO INC | 2.48% | 2.61% | -0.22% |
| SPROUT SOCIAL INC - CLASS A | 2.66% | 2.29% | -0.32% |
| CASH | 8.85% | 6.52% | 0.00% |

## Appendix B: Holdings & Attribution for CBLS:

| | Average Weighting 11/30/20 - 12/31/20 | Weighting as of 12/31/20 | Contribution (%) 11/30/20 - 12/31/20 |
|---|---|---|---|
| MAGNITE INC | 3.91% | 2.95% | 2.17% |
| REDFIN CORP | 3.81% | 2.85% | 1.58% |
| TRANSMEDICS GROUP INC | 3.26% | 3.66% | 1.01% |
| LIVERAMP HOLDINGS INC | 4.18% | 3.80% | 1.00% |
| SEMLER SCIENTIFIC INC | 3.23% | 3.48% | 0.88% |
| PROGYNY INC | 3.92% | 3.63% | 0.74% |
| SHARPS COMPLIANCE CORP | 3.01% | 3.05% | 0.55% |
| CRISPR THERAPEUTICS AG | 2.18% | 1.92% | 0.48% |
| STERLING CONSTRUCTION CO | 2.82% | 2.79% | 0.46% |
| INTERACTIVE BROKERS GRO-CL A | 3.00% | 3.04% | 0.45% |
| OPORTUN FINANCIAL CORP | 2.96% | 3.18% | 0.42% |
| SONY CORP-SPONSORED ADR | 4.62% | 4.65% | 0.39% |
| FLUTTER ENTERTAINM-UNSP ADR | 3.03% | 3.00% | 0.38% |
| BEYOND MEAT INC | -3.11% | -2.70% | 0.34% |
| FIRST REPUBLIC BANK/CA | 2.56% | 2.66% | 0.34% |
| DISH NETWORK CORP-A | -2.85% | -2.59% | 0.32% |
| SCIENTIFIC GAMES CORP | 2.65% | 2.62% | 0.30% |
| PURPLE INNOVATION INC | 2.85% | 3.05% | 0.29% |
| LUXFER HOLDINGS PLC | 2.83% | 3.09% | 0.27% |
| BRIGHTVIEW HOLDINGS INC | 2.41% | 2.44% | 0.26% |
| CRITEO SA-SPON ADR | 1.09% | 2.85% | 0.25% |
| MADISON SQUARE GARDEN SPORTS | 2.09% | 2.06% | 0.18% |
| MANCHESTER UNITED PLC-CL A | 2.16% | 2.11% | 0.18% |
| JOINT CORP/THE | 3.24% | 3.10% | 0.16% |
| PLANET FITNESS INC - CL A | 2.41% | 2.70% | 0.16% |
| DORMAN PRODUCTS INC | -2.54% | -2.24% | 0.15% |
| EXPEDIA GROUP INC | 2.64% | 3.21% | 0.14% |
| HARLEY-DAVIDSON INC | -1.29% | -1.56% | 0.13% |
| LCI INDUSTRIES | 2.72% | 2.56% | 0.11% |
| ICF INTERNATIONAL INC | 2.42% | 2.27% | 0.08% |
| EDGEWELL PERSONAL CARE CO | -1.36% | -1.61% | 0.04% |
| BRIGHT HORIZONS FAMILY SOLUT | 2.26% | 2.23% | 0.03% |
| SKYLINE CHAMPION CORP | 3.87% | 3.68% | 0.03% |
| SERVICE CORP INTERNATIONAL | 1.43% | 1.48% | 0.02% |
| TESLA INC | -0.17% | 0.00% | 0.01% |
| SILVER SPIKE ACQUISITION-A | 0.00% | 2.01% | 0.00% |
| CAMPBELL SOUP CO | -1.11% | -1.67% | -0.04% |
| LIBERTY LATIN AMERIC-CL C | 2.46% | 2.40% | -0.05% |
| INTL BUSINESS MACHINES CORP | -2.84% | -2.72% | -0.06% |
| ATLAS AIR WORLDWIDE HOLDINGS | 2.90% | 2.72% | -0.07% |
| BOSTON BEER COMPANY INC-A | -0.98% | -0.95% | -0.07% |
| SMITH & WESSON BRANDS INC | -1.15% | -0.98% | -0.07% |
| TRANSACT TECHNOLOGIES INC | 0.43% | 0.40% | -0.07% |
| HOME DEPOT INC | 2.18% | 2.06% | -0.09% |
| INTEL CORP | -3.80% | -3.65% | -0.12% |
| BEST BUY CO INC | 2.39% | 2.53% | -0.21% |
| FOOT LOCKER INC | -2.91% | -2.75% | -0.24% |
| SPROUT SOCIAL INC - CLASS A | 2.72% | 2.35% | -0.32% |
| DIGIMARC CORP | -1.76% | -1.46% | -0.37% |
| SIMPLY GOOD FOODS CO/THE | -1.88% | -2.16% | -0.73% |
| 8X8 INC | -1.18% | 0.00% | -1.47% |
| CASH | 32.28% | 28.44% | 0.00% |

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Investors should consider the investment objectives, risks, charges, and expenses of the funds carefully before investing. This and other information are contained in the Fund's prospectus, which may be obtained by visiting www.changebridgefunds.com or by calling 617-717-2912. Please read the prospectus carefully before you invest.

Investing involves risk. Principal loss is possible. As an ETF, the fund may trade at a premium or discount to NAV. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. The equity securities held in the Fund's portfolio may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect securities markets generally or factors affecting specific issuers, industries, or sectors in which the Fund invests. The Fund is considered to be non-diversified, which means that it may invest more of its assets in the securities of a single issuer or a smaller number of issuers than if it were a diversified fund. As a result, the Fund may be more exposed to the risks associated with and developments affecting an individual issuer or a smaller number of issuers than a fund that invests more widely. This may increase the Fund's volatility and cause the performance of a relatively smaller number of issuers to have a greater impact on the Fund's performance. Applying ESG criteria to the investment process may exclude securities of certain issuers for non-investment reasons and therefore the Fund may forgo some market opportunities available to funds that do not use ESG criteria,

The Fund is new with a limited operating history.

Alpha is defined as the excess return of an investment relative to the return of a benchmark index

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