



# Issuer Spotlight: Q&A Formidable Funds



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**Further information:**

Please visit us at [formidablefunds.com](http://formidablefunds.com)

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## Q1. Why did you launch the Formidable Fund?

Formidable was founded in 2013 as a wealth management firm. Our CEO and founder, Will Brown, wanted to bring a differentiated, active approach to the RIA space. When developing client portfolios, we were unsatisfied with solutions we saw in the market, especially in the alternatives space.

We liked the tax and operational efficiency associated with exchanged-traded funds (ETFs), so we decided to wrap the alternatives solution we built into the Formidable Fund (NYSE: FORH).

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## Q2. How is the Fund constructed?

It is designed to be a single-fund alternatives solution that provides broad exposure to a variety of what we consider uncorrelated portfolio sleeves, e.g., royalties, REITs, inflation-sensitive assets. We start with a tactical, top-down component that assigns a neutral target for each sleeve and dynamically shifts among sleeves based on our process, which considers the level and direction of inflation, growth, Fed policy, yield curves, credit spreads, and valuations.

Unlike many other funds, which invest in other ETFs, we implement each sleeve using an active, fundamentally driven stock selection approach. Additionally, to help protect in down markets, we apply a tail-risk hedging approach, the costs of which may be offset by opportunistic call writing on our equity positions.

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## Q3. Why is downside protection important?

We are long-time students of behavioral finance and believe that investors are hardwired to make emotional, and often rash, decisions. Research from JP Morgan shows the underperformance of the average investor versus the broad markets. From 2012 through 2021, the average investor has annualized performance of around 8.7% versus almost 17% for the S&P 500 and over 11% for a 60/40 portfolio. This gap is behavioral in nature. If we can keep investors from panicking during times of market distress, which are more common than many believe, we think they may be more likely to achieve their long-term objectives.

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## Q4. How do investors use the Fund?

We see three primary uses. One, which is the way we tend to use it for our high-net-worth clients, is as part of a core/satellite approach, with FORH serving as the client's alternative allocation. Second, given the Fund's categorization as all cap by Lipper, some use it as more of a core equity allocation. The third way we see it used is as an alternative income solution. Although bond yields have increased, the Fund's dividend yield of 3.7% provides meaningful income, which is a function of the dividend orientation that is integral to our fundamental analysis.

## Note from NYSE Arca:

NYSE Arca presents this Issuer Spotlight Q&A for illustrative, informational and/or educational purposes only and makes no recommendation as to possible benefits from any securities, investments, or trading strategies. Investors should undertake their own due diligence regarding their securities and investment practices. No representation or warranty is made regarding any of the content provided herein.

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## Note from Formidable Funds:

*Before investing, carefully consider the Funds investment objectives, risks, charges and expenses. This and other information is in the prospectus and a summary prospectus, copies of which may be obtained by visiting calling (833) 600-5704. Read the prospectus carefully before you invest.*

Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. 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. Brokerage commissions will reduce returns.

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## Fund Principal Risks

Non-Diversification Risk: The Fund is an actively managed and non-diversified, meaning that it is permitted to invest a larger percentage of its assets in fewer issuers than diversified funds. Thus, the Fund may be more susceptible to adverse developments affecting any single issuer held in its portfolio and may be more susceptible to greater losses. Investment Strategy Risk: The Fund's investments in securities that the Adviser believes will perform well in a certain macroeconomic environment may not perform as expected. Derivatives Risk: The Fund may use derivative instruments such as put and call options on stocks and certain volatility-linked exchange-traded products. There is no guarantee that the use of these instruments by the Fund will work. The Fund's use of derivatives may magnify losses for the Fund. Mid and Small Capitalization Stock Risk: The value of mid and small capitalization company stocks or ETFs that invest in stocks of mid and small capitalization companies may be subject to more abrupt or erratic market movements. Foreign Securities Risk: To the extent the Fund invests in foreign securities, it may be subject to additional risks not typically associated with investments in domestic securities. These risks are greater for emerging markets. SPAC Risk: The Fund may invest in stock of, warrants to purchase stock of, and other interests in SPACs or similar special purposes entities; are subject to a variety of risks beyond those associated with other equity securities. A SPAC is a publicly traded company that raises investment capital for the purpose of acquiring or merging with an existing company. SPACs do not have any operating history or ongoing business other than seeking acquisitions, and the value of their securities is particularly dependent on the ability of the SPAC's management to identify a merger target and complete an acquisition. REITs Risk: Investing in real estate investment trusts ("REITs") involves unique risks. New Fund Risk: The Fund is a new ETF and has only recently commenced operations. New Adviser Risk: The Adviser has not previously managed an ETF.

Formidable Asset Management is the advisor to the Formidable Funds; all of which are distributed by Foreside Fund Services, LLC.