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Cash-Based Profitability by Size

Statement of Additional Information

TICKER	ISSUER	LISTING	CUSIP
FCBP	ETF Foundry Research (hypothetical)	Not listed (hypothetical)	Not applicable (hypothetical model portfolio)

DRAFT DRAFT — HYPOTHETICAL MODEL PORTFOLIO — NOT A REGISTERED FUND, NOT AN OFFER TO SELL SECURITIES, NOT INVESTMENT ADVICE.

01 Fund History

This Statement of Additional Information relates to Cash-Based Profitability by Size (FCBP), a hypothetical model portfolio in the Hypothetical Model Portfolio Series (not a registered trust). It is not part of any registration statement because none exists; it is provided for research transparency only.

02 Investment Policies and Restrictions

The model applies the rules described under Portfolio Construction Methodology and holds only the stocks they select. It uses no leverage, short sales, options, or borrowing. There are no fundamental investment restrictions because the Fund is not a registered investment company and holds no assets.

03 Portfolio Construction Methodology

The hypothetical Fund seeks to track a rules-based model that ranks stocks on one signal, cash-based operating profitability, and rebuilds its portfolio monthly. The stocks are U.S. common stocks listed on the NYSE, NASDAQ or NYSE American, with a share price of at least $5 and a market value of at least $50 million.

Each month every signal is signed so that higher values are the ones the model buys, and turned into a percentile among the eligible stocks that have a value for it.

Stocks are sorted the Fama-French 2×3 way on cash-based operating profitability. Each month stocks are split at the median market value of the NYSE stocks among them into small and big companies and, independently, at the 30th and 70th NYSE percentiles of the score into low, middle and high (all eligible stocks set the breakpoints when fewer than 20 are on the NYSE). The long side is half small-high and half big-high. A month is used only when each of the four corner groups has at least 5 stocks. The bucket setting does not apply.

Within each corner group, stocks are weighted toward low market beta: each stock's beta is estimated from its last 36 monthly returns (at least 24 needed), and only the stocks whose beta ranks below the average rank among them get weight, the lowest-beta stocks the most. A stock that gets no weight under this rule is not held.

The model is long-only: it holds the long side alone, and its returns in this document are measured in excess of the 1-month U.S. Treasury bill rate. The portfolio is rebuilt at the end of every month from data known at that date and held through the following month.

The model uses point-in-time Sharadar fundamentals and split- and dividend-adjusted total-return prices. It is a research backtest, not a live trading record.

Because this is a hypothetical model portfolio and not a registered investment company, the Fund does not actually hold securities, accept investments, or transact; all figures are illustrative.

SETTING	VALUE
Signals	Cash-based operating profitability (100%)
Combined	Size-balanced 2×3
Stocks	U.S. common stocks on the NYSE, NASDAQ or NYSE American
Screens	Price $5+; market value $50M+
Sectors	All
Industry adjustment	None
Long side	Top 30% by the signal, half small and half big companies
Short side	None (long-only)
Weighting	Low beta
Largest position	No cap
Rebalance	Monthly
Overlay	None

04 Disclosure of Portfolio Holdings

Because the model is fully transparent and reconstitutes monthly, the complete hypothetical holdings are published on the accompanying Daily Holdings file. No selective disclosure policy applies.

05 Management and Governance

Investment Adviser (hypothetical): ETF Foundry Research (hypothetical). There is no board of trustees, officer, custodian, or transfer agent because no assets are held; any such roles are illustrative placeholders.

06 Control Persons and Principal Holders of Securities

None. No shares are issued or outstanding, so there are no control persons or record/beneficial holders.

07 Investment Advisory and Other Services

If the Fund were real, the Adviser would provide investment management for a unitary fee of 0.35%. No advisory, administrative, custody, audit, or legal services are actually provided or paid for.

08 Brokerage Allocation and Other Practices

Not applicable. No brokerage is placed and no commissions are paid because the model does not trade.

09 Capital Structure

Not applicable. The Fund has no authorized or outstanding shares, no share classes, and no net asset value.

10 Purchase, Redemption, and Pricing of Shares

Not applicable. There are no Creation Units, Authorized Participant agreements, or net-asset-value calculations because the Fund is hypothetical.

11 Taxation

Not applicable. The Fund is not a regulated investment company, holds no assets, and makes no distributions, so it has no tax status or consequences.

12 Hypothetical Performance Detail

Backtest metrics (hypothetical, gross of expenses and costs):

METRIC	VALUE
Full-period Sharpe (long-only, over T-bills)	0.78
Annualized return (long-only, over T-bills)	11.91%
Annualized volatility	15.28%
Maximum drawdown	-46.18%
Sharpe ratio, 2019-26 window	0.53
FF5 alpha, 2019-26 window (annualized)	-0.51%
FF5 alpha t-statistic, 2019-26 window	-0.24
Average monthly turnover (long side, by name)	9.90%
Average number of long positions	473
Months in sample	335