

# Rule One Partners, LLC

## Firm Brochure -Form ADV Part 2A

### Item 1: Cover Page

*This brochure provides information about the qualifications and business practices of Rule One Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (855) 687-7853 or by email at: [ahariton@ruleonepartners.com](mailto:ahariton@ruleonepartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Rule One Partners, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Rule One Partners, LLC's CRD number is: 166341*

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*Registration does not imply a certain level of skill or training.*

Version Date: 3/14/23

## **Item 2: Material Changes**

This brochure was updated to reflect current AUM as of December 31, 2022.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Rule One Partners, LLC (hereinafter “ROP”) is a Limited Liability Company formed in June of 2013 and organized in the state of Wyoming. The principal owner is Philip Bradley Town, who serves as Managing Member of ROP.

### **B. Types of Advisory Services**

Rule One Partners, LLC offers investment advisory services to Rule One Capital, LP (“ROC”) and the Rule One Fund (“ROF”). For each type of client, the services offered to each are discussed individually.

#### Rule One Capital

ROP is the General Partner of and provides investment services for ROC. ROC is a Delaware limited partnership organized to invest and trade primarily in publicly-traded equities and related options and selected private offerings although other securities may be utilized.

The investment strategy is centered on an event-driven, deep-value approach. The principal objective is capital appreciation over a multi-year term by focusing on investing in deep “value” publicly traded equities while using certain option trading strategies. ROP believes the best hedge against market fluctuations is to invest in companies with durable competitive advantages at a discount of over fifty percent (50%) to their intrinsic value (that is, “deep value”) and then to drive down the cost basis in the investment to well below tangible book value as quickly as possible with additional, lower-cost purchases, an approach ROP refers to as “stockpiling”. In addition, ROP uses combination derivative strategies, dividends and buy-backs to attempt reduce ROC’s cost basis in particular positions and generate positive returns during market downturns. If ROP believes that stock prices and the corresponding market capitalizations of companies are at unsustainably high levels above their values, ROP intends to sell positions in those stocks owed by ROC. ROP’s deep-value strategy in managing ROC relies on market fluctuations.

The investment objectives and policies may change at the sole discretion of ROP. No assurance can be made that ROP will be able to allocate assets in the manner anticipated or that ROP will be successful in selecting investments that yield consistent, or above average, risk adjusted returns.

#### Rule One Fund

ROP will provide investment supervisory services to the Rule One Fund (“ROF”), an investment company (also referred to as a “mutual fund”), a series of the World Funds Trust (the “Trust”), a Delaware Statutory Trust registered under the Investment Company Act of 1940 (the “1940 Act”). With regard to the Rule One Fund, under the terms of its management contract with the Fund, ROP acts as investment adviser and, subject to the supervision of the Trust’s Board of

Trustees, has overall responsibility for directing the investments of the Rule One Fund in accordance with its investment objective, policies and restrictions as provided in its registration statement filed with the SEC. Rule One or certain unaffiliated service providers provide all necessary office facilities and personnel for servicing the Rule One Fund's investments.

The Rule One Fund is event-driven multi-alternative fund that offers investors exposure to positive absolute returns with capital preservation during market downturns as a secondary goal. The Rule One Fund pursues its objective by aiming to provide exposure to multiple separate and combined investment strategies including: non-diversified focused, deep-value, contrarian, event-driven, macro-technical momentum, volatility and derivatives.

Under normal circumstances, to achieve ROF's investment objective by investing in a concentrated portfolio (i.e., a portfolio consisting of a relatively small number of holdings) of equity securities and options on equity securities. The fund's investments in equity securities, exchange-traded funds ("ETFs") that focus their investments in equity securities, depositary receipts evidencing ownership of common stocks, and securities convertible into common stocks. The fund may invest in foreign equity securities (including equity securities from emerging markets). Complete details concerning the Rule One Fund can be found in its prospectus and statement of additional information.

#### **C. Client Tailored Services and Client Imposed Restrictions**

For ROC, this fund will be managed in accordance to the partnership agreement and other governing documents. The Rule One Fund will be managed in accordance to its prospectus. Accordingly, they are tailored to their needs and objectives.

#### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. ROP does not participate in any wrap fee programs.

#### **E. Amounts Under Management**

As of December 31, 2022, ROP has assets under management of approximately \$ 154,526,137, all of which are managed on a discretionary basis.

## Item 5: Fees and Compensation

### A. Fee Schedule

Lower fees for comparable services may be available from other sources.

#### Rule One Capital

Total Assets	Annual Management Fee	Annual Performance-Based Fee
All Assets	0%	20%

ROP charges ROC a performance-based fee. ROP does not receive a management fee in addition to the performance-based fee. Specifically, ROP will receive compensation for investment management and general partner services based on capital appreciation. If the portfolio rises in value in a given quarter, then the client will pay a 20% fee on that increase in value, but if the portfolio drops in value, then the client will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits. This is generally known as a “high water mark”. These fees are paid quarterly in arrears. Please also see Item 6 (Performance-Based Fees and Side-By-Side Management), which provides greater detail on the performance-based fees. Investors in ROC should also be aware that ROP, as general partner of the hedge fund, has discretion to cause the fund to repay to ROP all organizational expenses (in not less than 60 equal monthly installments from the commencement of the hedge fund) as further disclosed in the hedge fund’s limited partnership agreement.

#### Rule One Fund

The management fee arrangements with the Rule One Fund (“Fund”) is a fee stated in the prospectus of the fund multiplied by the assets of the Rule One Fund.

The fee rate takes into account the relative costs of executing the Rule One Fund’s individual fund’s investment strategy and other factors. Like all investment companies registered under the 1940 Act, the advisory contract between the Rule One Fund and ROP is subject to approval by the Board of Trustees of the Trust, including trustees who are not interested persons (as defined in the 1940 Act) (“Independent Trustees”) of the Trust. ROP’s fee for providing services are negotiated on an individual basis.

The investment advisory agreement between the Rule One Fund and ROP will terminate within two years of the effective date of the investment advisory agreement unless renewed by the Rule One Fund in a manner permitted by Section 15 of the 1940 Act. The agreement shall also terminate upon assignment or upon sixty (60) days’ advance written notice by any party to the agreement.

ROP has contractually agreed to reduce its fees and/or absorb expenses of the Rule One Fund, until a date specified in Rule One Fund’s prospectus to ensure that total annual fund operating expenses after fee waiver and/or reimbursement (exclusive of any front- end or contingent

deferred loads, taxes, brokerage fees and commissions, borrowing costs (such as interest and dividend expense on securities sold short), acquired fund fees and expenses, fees and, expenses associated with investments in other collective investment vehicles or derivative instruments (including for example option and swap fees and expenses), or extraordinary expenses such as litigation (which may include indemnification of Fund officers and Trustees, contractual indemnification of Fund service providers (other than the ROP) will not exceed a specified total expense ratio specified in the Fund's prospectus. Advisory fees waived or reimbursed are subject to possible recoupment by ROP from the Fund in future years on a rolling three-year basis (within the three years after the fees have been waived or reimbursed) if such recoupment can be achieved within the foregoing expense limits. Fee waiver and reimbursement arrangements can decrease the Fund's expenses and boost its performance.

## **B. Payment of Fees**

For advisory services provided to ROC, pursuant to written agreement with the investor (i.e. client) in the fund, the performance fee will be deducted from the account(s) of Rule One Capital on a quarterly basis in arrears.

As compensation for all services rendered, facilities provided and expenses paid or assumed by ROP under this Agreement, the Rule One Fund pays ROP on the last day of each month a fee calculated by applying a monthly rate, based on an annual percentage rate, to the Fund's average daily net assets for the month. As further discussed in the prospectus, these expenses are ultimately borne by the investor in the Rule One Fund.

## **C. Clients Are Responsible For Third Party Fees**

The client is responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). These fees are separate and distinct from the fees and expenses charged by ROP. Please see Item 12 of this brochure regarding the broker-dealer/custodian.

Third party fees incurred by Rule One Capital LP (the hedge fund) will be part of the expense ratio of the fund and ultimately born by investors in the fund.

For investors in the Rule One Fund, they will be subject to annual fund operating expenses in addition to any sales charge, if applicable.

## **D. Prepayment of Fees**

ROP collects its fees in arrears. It does not collect fees in advance. Accordingly, ROP does not offer any refunds.

## **E. Outside Compensation For the Sale of Securities to Clients**

Jeffrey Clinton Town, in his role as a licensed insurance agent, can accept compensation for the sale of insurance products to ROP clients.

This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which the supervised persons receives compensation, they will document the conflict of interest in the client file and inform the client of the conflict of interest.

Clients have the option purchase insurance products recommended through an insurance agency or insurance agent not affiliated or associated with ROP. Advisory fees are not charged on the value of any insurance product nor are advisory fees reduced on other assets managed by ROP for the amount of commission received for the sale and servicing of an insurance product.



## Item 6: Performance-Based Fees and Side-By-Side Management

The sole client for whom performance-based fees (a share of capital gains on or capital appreciation of the assets of a client) are charged is Rule One Capital (“ROC”). ROP does not offer performance-based accounts and pricing to any other client.

Managing performance and non-performance based fee accounts at the same time presents a conflict of interest because ROP and its supervised persons have an incentive to favor recommending ROC as an investment, for which ROP and its supervised persons receive a performance-based fee. ROP addresses the conflicts by ensuring that clients who have performance based accounts do not receive preferential treatment. ROP provides best execution practices and upholds its fiduciary duty for all clients.

*For **California** clients, performance fees will only be charged to qualified clients in accordance with the provisions of California Code of Regulations Section 260.234. “Qualified Client” means:*

- (i) A natural person who or a company that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;*
- (ii) A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either: (a) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,000,000 (excluding the value of the client’s primary residence) at the time the contract is entered into; or (b) Is a qualified purchases as defined in section 2(a)(51)(AA) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(51)(A)) at the time the contract is entered into; or*
- (iii) A natural person who immediately prior to entering into the contract is: (a) An executive officer, director, trustee, general partner or person serving in similar capacity, of the investment adviser; or (b) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.*

*For **Utah** clients, ROP will comply with R164-2-1 of the Utah Administrative Code concerning performance-based fees. Among other requirements, this means that:*

### *Client requirements*

- (1) The client entering into the contract must be:*
  - (a) a natural person or a company who, immediately after entering into the contract, has at least \$750,000 under the management of the investment adviser;*

*(b) a person who the investment adviser and its investment adviser representatives reasonably believe, immediately before entering into the contract, is a natural person or a company whose net worth, at the time the contract is entered into, exceeds \$1,500,000. The net worth of a natural person may include assets held jointly with that person's spouse;*

*(c) a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into; or*

*(d) a natural person who immediately prior to entering into the contract is:*

*(1)(d)(i) An executive officer, director, trustee, general partner, or person serving in a similar capacity of the investment adviser; or*

*(1)(d)(ii) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participated in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.*

#### Compensation formula

*(1) The compensation paid to the investment adviser with respect to the performance of any securities over a given period must be based on a formula with the following characteristics:*

*(a) In the case of securities for which market quotations are readily available within the meaning of Rule 2a-4(a)(1) under the Investment Company Act of 1940, 17 C.F.R. 270.2a-4(a)(1) (1999) which is adopted and incorporated by reference and available from the Division, the formula will include the realized capital losses and unrealized capital depreciation of the securities over the period;*

*(b) In the case of securities for which market quotations are not readily available within the meaning of Rule 2a-4(a)(1) under the Investment Company Act of 1940 the formula will include:*

*(b)(i) the realized capital losses of securities over the period, and*

*(b)(ii) if the unrealized capital appreciation of the securities over the period is included, the unrealized capital depreciation of the securities over the period; and,*

*(c) the formula will provide that any compensation paid to the investment adviser under this rule is based on the gains less the losses, computed in accordance with subparagraphs (a) and (b) of this subparagraph, in the client's account for a period of not less than one year.*

Additional disclosure requirements

(1) *Before entering into the advisory contract, ROP will disclose in writing to the client all material information concerning the proposed advisory arrangement, including the following:*

(a) *That the fee arrangement may create an incentive for the investment adviser to make investments which are riskier or more speculative than would be the case in the absence of a performance fee;*

(b) *Where relevant, that the investment adviser may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account;*

(c) *The periods that will be used to measure investment performance throughout the contract and their significance in the computation of the fee;*

(d) *The nature of any index which will be used as a comparative measure of investment performance, the significance of the index, and the reason the investment adviser believes that the index is appropriate; and,*

(e) *Where the investment adviser's compensation is based in part on the unrealized appreciation of securities for which market quotations are not readily available within the meaning of Rule 2a-4(a)(1) under the Investment Company Act of 1940 how the securities will be valued and the extent to which the valuation will be independently determined.*

*Clients that are paying a performance-based fee should be aware that investment advisors have an incentive to invest in riskier investments when paid a performance based fee due to the higher risk/higher reward attributes.*

## **Item 7: Types of Clients**

ROP generally provides management supervisory services to the following types of clients: pooled investment vehicle (Rule One Capital) and a mutual fund (Rule One Fund).

For ROC, the initial minimum investment is \$100,000, although ROP reserves the right to waive this requirement. The minimum subsequent investment is \$50,000 for an existing investor.

For Rule One Fund, the initial minimum investment is \$20,000, while the minimum subsequent investment amount is \$5,000. Rule One Fund and ROP reserves the right to waive these minimum amounts.

## **Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

#### Methods of Analysis

ROP employs both fundamental and technical analysis methods in developing investment strategies for all clients. 1) Fundamental analysis is a method of evaluation that attempts to measure the value of a security by examining economic, industry, and company condition. Fundamental analysis typically focuses on key statistics in a company's financial statements to determine the valuation of a security. Common tools used in fundamental analysis are the review of financial ratios and financial statements. 2) Technical analysis is a method of evaluation seeks to identify where the prices of securities are headed. Technical analysis attempts to understand the market sentiment behind price trends rather than analyzing a security's fundamental attributes.

ROP, in utilizing fundamental analysis, to establish a reasonable value (i.e., intrinsic value) for securities of companies that appear to be temporarily undervalued by the market but have a favorable outlook for long-term growth. ROP focuses on the underlying financial condition and growth prospects of individual companies, including future earnings, free cash flow, and dividends. Various other factors, including financial strength, economic condition, competitive advantage, quality of the business franchise, and the reputation, experience, and competence of a company's management are included in the valuation when ROP evaluates securities

In utilizing technical analysis, ROP may seek to invest in companies or security that have experienced an event that has caused the security price to decline well below ROP's intrinsic value for such company or security. In these situations, ROP expects the securities of a company/security to appreciate over time due to specific developments rather than general business conditions or market events. The value of these companies/securities may not be discounted in the market except when there are unexpected events that create uncertainty about the security, company, the industry, and/or the economy. ROP may sell a security when its investment analysis indicates that the security is priced near or above its intrinsic value or better investment opportunities are available.

#### Investment Strategies

##### Rule One Capital

The investment strategy is centered on an event-driven, deep-value approach. The principal objective is capital appreciation over a multi-year term by focusing on investing in deep "value" publicly traded equities while using certain option trading strategies. ROP believes the best hedge against market fluctuations is to invest in companies with durable competitive advantages at a discount of over fifty percent (50%) to their intrinsic value (that is, "deep value") and then to drive down the cost basis in the investment to well below tangible book value as quickly as possible with additional, lower-cost purchases, an approach ROP refers to as "stockpiling". In addition, ROP uses combination derivative strategies, dividends and buy-backs to attempt reduce ROC's cost basis in particular positions and generate positive returns during market downturns. If ROP

believes that stock prices and the corresponding market capitalizations of companies are at unsustainably high levels above their values, ROP intends to sell positions in those stocks owed by ROC. ROP's deep-value strategy in managing ROC relies on market fluctuations.

### Rule One Fund

The Rule One Fund is event-driven multi-alternative fund that offers investors exposure to positive absolute returns with capital preservation during market downturns as a secondary goal. The Rule One Fund pursues its objective by aiming to provide exposure to multiple separate and combined investment strategies including: non-diversified focused, deep-value, contrarian, event-driven, macro-technical momentum, volatility and derivatives.

Under normal circumstances, to achieve the fund's investment objective by investing in a concentrated portfolio (i.e., a portfolio consisting of a relatively small number of holdings) of equity securities and options on equity securities. The fund's investments in equity securities ("Equity Securities") include common stocks, preferred stocks, exchange-traded funds ("ETFs") that focus their investments in equity securities, depositary receipts evidencing ownership of common stocks, and securities convertible into common stocks. The fund may invest in foreign equity securities (including equity securities from emerging markets).

**Investing in securities involves risk of loss that clients should be prepared to bear.**

## **B. Material Risks Involved**

### Methods of Analysis

The risk with technical analysis is that markets do not always follow patterns and relying solely on this method may not work long-term. The risk assumed with fundamental analysis is that the market will fail to reach expectations of perceived value.

### Investment Strategies

In executing various strategies, material risks may be present with the strategies. In seeking "deep value" securities, there is the potential that a security has decreased in value but will continue to decrease in value beyond the entry point by ROP. This may be the result of market fluctuations, company or security specific events, or other reasons. In seeking event-driven moments as to when to invest in a security, there is the possibility that the security may experience minimal movement in price over a protracted period. Due to market, political, or other security specific events, there may be limited volatility in a security thus potentially resulting in smaller gains and/or losses.

The investment strategies employed by ROP may involve the frequent trading of securities. This can investment performance by increasing brokerage costs thus causing the client to pay more in brokerage expenses and resulting in higher expenses for ROC and Rule One Fund. Investors in ROC ultimately bear these higher expenses while investors in the Rule One Fund would bear these additional expenses, if not for expense agreement that limits expenses of the mutual fund.

### C. Risks of Specific Securities Utilized

ROP generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize short sales and options writing. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies. The following list provides details on various risks that are applicable to the products and strategies utilized by ROP.

**Exchange-Traded Funds** - Exchange-traded funds (“ETF”) will not be able to replicate exactly the performance of the indices they track because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities. This may result in a loss. Certain securities comprising the indices tracked by the ETFs may, from time to time, temporarily be unavailable, which may further impede the ETFs’ ability to track their applicable indices. ETFs are subject to investment advisory and other expenses.

**Mutual Funds** - Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** - This generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. Equity security prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the price of equities may fluctuate drastically from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility and the potential that a stock that it may decrease in value and the investment may incur a loss.

**Derivatives** - Exposure to derivative instruments may involve risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. These risks include (i) the risk that the counterparty to a derivative transaction may not fulfill its contractual obligations; (ii) risk of mispricing or improper valuation; and (iii) the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. Derivative prices are highly volatile and may fluctuate substantially during a short period of time. Such prices are influenced by numerous factors that affect the markets, including, but not limited to prices of underlying securities; changes in volatility; corporate dividend policies; interest rates; time; changing supply and demand relationships; government programs and policies; national and international political and economic events, changes in interest rates, inflation and deflation and changes in supply and demand relationships. Trading derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities.

**Call and Put Options** - There are risks associated with the sale and purchase of call and put options. As a seller (writer) of a put option, the client may lose money if the value of the reference

index or security falls below the strike price. As the seller (writer) of a call option, the client may experience lower returns if the value of the reference index or security rises above the strike price.

**Cash and Cash Equivalents** - To the extent that large positions in cash or cash equivalents are held by a client, there is a risk of lower returns and potential lost opportunities to participate in overall market appreciation.

**Treasury Inflation Protected/Inflation Linked Bond** - The risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** - These securities are an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Real Estate Funds** – Real estate funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk and interest rate risk are just some of the factors that can influence the gain or loss that is passed on to the investor. Liquidity and market risk tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the amount of dividend income that is paid by income-oriented funds.

**Hedge Funds** – Hedge funds are not suitable for all investors and involve a high degree of risk due to several factors that may contribute to above average gains or significant losses. Such factors include leveraging or other speculative investment practices, commodity trading, complex tax structures, a lack of transparency in the underlying investments, and generally the absence of a secondary market.

**REITs** – These have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Private Company/Placement Investments** - Any investments in the stocks of privately held companies involve greater risks than investments in stocks of companies that have traded publicly on an exchange for extended time periods. There is significantly less information available about these companies' business models, quality of management, earnings growth potential, and other criteria that are normally considered when evaluating the investment prospects of a company. Private placements and other restricted securities held by the Fund are generally considered to be illiquid and are difficult to value since there are no market prices and less overall financial information available. ROP evaluates a variety of factors when assigning a value to these holdings, but the determination involves some degree of subjectivity and the value assigned may differ from the value assigned by other mutual funds holding the same security.

**Emerging Markets** - The risks of investing in foreign securities are magnified in emerging markets. Emerging-market countries may experience higher inflation, interest rates, and unemployment and greater social, economic, and political uncertainties than more developed countries.



**Foreign Investment Risk** - Since investments may include foreign equity securities, the client is subject to risks beyond those associated with investing in domestic securities. Foreign companies are generally not subject to the same regulatory requirements of U.S. companies thereby resulting in less publicly

**Market Risk** - Overall market risks may also affect the value of the client's holdings. Factors such as domestic economic growth and market conditions, interest rate levels and political events affect the securities markets.

**Sector Risk** – A client may have exposure to a limited number of issuers conducting business in the same sector or group of sectors. Market conditions, interest rates, and economic, regulatory, or financial developments could significantly affect a single sector or a group of sectors, and the securities of companies in that sector or group of sectors could react similarly to these or other developments.

**Small and Medium Capitalization Stocks** - The earnings and prospects of small and medium sized companies are more volatile than larger companies and may experience higher failure rates than larger companies. Small and medium sized companies normally have a lower trading volume than larger companies, which may tend to make their market price fall more disproportionately than larger companies in response to selling pressures and may have limited markets, product lines, or financial resources and lack management experience.

**Credit Risk** - An issuer or guarantor of a debt security may be unable or unwilling to make scheduled payments of interest and principal. Actual or perceived deterioration in an issuer's or guarantor's financial condition may affect a security's value

**Interest-Rate Risk** - Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Inflation Risk** - When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk** - Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk** - This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Business Risk** - These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Short Sale Risk** - The Fund may take a short position. A short position is the commitment to buy or sell a security at a specified price at a specified time in the future. Any short selling involves the risk of a theoretically unlimited increase in the value of the underlying instrument. Therefore, short selling subjects the client to the potential for unlimited losses.

**Long term trading** – This type of trading is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** – Short term trading risks include liquidity, economic stability and inflation.

**Margin Risk** – Securities may be held that are subject to collateral requirements at various executing brokers. These collateral requirements may change at the discretion of the brokers, the exchanges through which the securities are traded or through regulatory requirements. Changes to collateral requirements, especially emergency adjustments that are done in response to market volatility, may force ROP to sell certain securities on short notice for non-investment related reasons. If ROP is forced to sell securities over a short period of time it may result in unfavorable execution prices and unfavorable investment results.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

**With respect to the Rule One Fund, more detailed information relating to the risks of investing in the Fund are set forth in that Fund's Prospectus and registration statement filed with the SEC or other applicable offering or account guideline documents.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither ROP nor its representatives are registered as or have pending applications to become a broker/ dealer or as representatives of a broker/ dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither ROP nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Managing Member Philip Bradley Town is the Manager of Rule One Capital LP, a hedge fund for whom ROP serves as general partner and provides investment management services. ROP is the fund's general partner. Philip Bradley Town is also the Portfolio Manager for the Rule One Fund. ROP manages assets for all clients based on the same investment strategies as detailed in Item 8.

ROP may recommend an investment in ROC or Rule One Fund. This presents a conflict of interest as ROP or its related persons may receive more compensation by recommending a client invest in the Rule One Fund or ROC. The client should be aware that ROP will receive substantially more income in percentage terms if the value of investments held through ROC appreciates materially as ROP earns a performance fee. ROP acts in the best interest of the client consistent with its fiduciary duties.

Philip Bradley Town is the Chief Executive Officer of Rule One Investing, LLC, an investing education company. Jeffrey Clinton Town and Andrew Hariton are teachers with Rule One Investing, LLC. Rule One Investing, LLC does not provide investment advice and clients of Rule One Investing, LLC are not solicited to become clients of ROP or investors in the Rule One Fund. However, ROP may make such students aware of Philip Bradley Town's affiliation with ROP, Rule One Capital, or the Rule One Fund. Students of Rule One Investing, LLC are not required to utilize the services of ROP or invest in the Rule One Fund or Rule One Capital and, similarly, clients of ROP are not required to become students of Rule One Investing, LLC. ROP always seeks to act in the best interest of the client.

Jeffrey Clinton Town is a licensed insurance agent but does not actively engage in the sale of insurance products at this time. The sale of insurance products could potentially cause a conflict interest as he could sale an insurance product based on compensation received as opposed to the client's best interest. To address this, he will not offer such products to clients of Rule One Partners, LLC, will not sell insurance products in jurisdictions where he is not authorized to do so, and is required to follow firm policies in serving as a fiduciary to act in the best interest of clients.

All material conflicts of interest under California Code of Regulations Section 260.238(k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

**D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

ROP does not utilize nor select other investment advisers or third-party managers. All assets are managed by ROP.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

ROP has adopted a written Code of Ethics describing its high standard of business conduct, and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, restrictions on initial public offerings, and personal securities trading procedures, among other topics. Our Code of Ethics is available free upon request to any client or prospective client.

From time to time, in connection with its business including the management of the Rule One Fund, ROP may obtain material non-public information that is usually not available to other investors or the general public including information about the Rule One Fund, the shares of which are publicly offered. In compliance with applicable laws, ROP has adopted a comprehensive set of policies and procedures that prohibit the use of material non-public information by investment professionals or any other employees.

The Rule One Fund as part of the Trust also has a code of ethics and insider trading policies and procedures.

### **B. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of ROP will buy or sell securities for themselves that they also select for the portfolio of Rule One Capital or Rule One Fund. This could provide an opportunity for representatives of ROP to buy or sell the same securities before or after recommending the same securities to the client resulting in representatives profiting off the recommendations they provide. Such transactions may create a conflict of interest. ROP has adopted policies and pre-clearance requirements for transactions of material size to minimize this conflict so that a client may not be disadvantaged in terms of pricing and best execution. ROP will monitor all such transactions to assure there are no improprieties.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

In selecting a broker-dealer, ROP will seek the best combination of brokerage expenses and execution quality while providing quality operational services. In evaluating “execution quality,” historical net prices (after mark-ups, markdowns or other transaction-related compensation) on other transactions will be a factor but other factors will also be relevant, including the following: the execution, clearance, and settlement and error correction capabilities of the broker-dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the willingness of the broker-dealer to commit capital; reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security.

ROP uses Interactive Brokers LLC (CRD# 36418) for Rule One Capital and Rule One Fund for trade entry and execution services. ROP will never charge a premium or commission on transactions, beyond the actual cost imposed by the custodian. Fifth Third Bank is the custodian for the Rule One Fund while Interactive Brokers is the custodian for Rule One Capital.

#### **1. Research and Other Soft Dollar Benefits**

ROP, in its discretion, may enter into soft dollar arrangements.

##### Soft Dollar Benefits Within Safe Harbor

For soft dollar benefits that meet the ‘safe harbor’ requirements of Section 28(e) of the Securities Exchange Act of 1934, as interpreted by the SEC (most recently in an SEC Interpretive Release effective on July 24, 2006) (the “Soft Dollar Safe Harbor”), ROP is protected from breach of fiduciary duty claims by its advisory clients, even if the brokerage commissions paid are higher than the lowest available.

If the brokerage and research services and products are provided by a broker-dealer, ROP, in good faith, after determining the product or service meets the eligibility criteria of Soft Dollar Safe Harbor and provides lawful and appropriate assistance in the performance of relevant responsibilities of ROP, ROP may conclude that the commissions paid are reasonable in relation to the value of the research and brokerage products and services provided by the broker-dealer. While ROP generally will select the broker-dealer ROP believes can provide its clients with “best execution,”

ROP may select that broker-dealer from which ROP or its clients will receive brokerage services or research eligible for the Soft Dollar Safe Harbor that has substantive content, beyond transaction execution. The amount of compensation a client pays such a broker-dealer may be higher than what another, equally capable broker-dealer might charge. Because many of those services or products could benefit ROP, ROP may have a conflict of interest in allocating brokerage business, including an incentive to cause the Rule One Fund or Rule One Capital to effect more transactions than it might otherwise do in order to obtain those benefits. The extent

of that conflict depends in large part on the nature and uses of the services and products acquired with soft dollars.

Under the Soft Dollar Safe Harbor, eligible “research” services and products means services or products used to provide lawful and appropriate assistance to ROP in making investment decisions for its clients. And eligible “brokerage” services and products means services or products used to execute trades. To qualify for the Soft Dollar Safe Harbor, ROP must, among other things, determine that commissions paid are reasonable in light of the value of both the “brokerage” and “research” services and products acquired. The Soft Dollar Safe Harbor protects the use of ROC soft dollars even when the research acquired is used in making investment decisions for clients other than ROC. The types of research and brokerage services and products ROP may acquire include: traditional research reports analyzing a particular company’s performance or securities; market and economic data and data services; specialized, trade and technical publications; portfolio analysis software; financial database software and services; certain order entry services; analytical software; quotation equipment and other computer hardware for use in running software used in investment decision making and securities trading transactions; and other products or services that may enhance ROP’s investment decision making and trading transactions.

ROC may use brokerage compensation (as well as interest the broker-dealer receives on the ROC’s cash balances, margin borrowings, and borrowings of securities to maintain short positions) to pay the broker-dealer for record keeping, custodial, and related services provided to the Partnership and may also pay its accounting and other, similar expenses using soft dollars. ROC, and not ROP, would otherwise be obligated to bear these expenses and ROP therefore does not believe it has a meaningful conflict of interest in using soft dollars to pay them, although the use of soft dollars to pay these expenses is not within the Soft Dollar Safe Harbor.

#### Soft Dollar Benefits Outside of Safe Harbor

If soft dollars are used to acquire services and products that provide benefits to ROP that may not qualify as research or brokerage services or products, or to pay expenses otherwise payable by the General Partner used in ROP’s administrative activities, then these expenses may not be within the Soft Dollar Safe Harbor. Specifically, a portion of the commissions generated on ROC brokerage transactions may generate “soft dollar” credits that the General Partner (ROP) is authorized to use to pay for research and other non-research related services and products used by the General Partner, including costs otherwise treated as General Partner expenses.

ROP may or may not use other clients’ soft dollars to pay such expenses and, if it does, such use may not be directly proportionate to the benefits to the Partnership and such other clients. Accordingly, other services or products as well as expenses ROP would otherwise pay that may be paid through the use of the ROC’s soft dollars could include ROP operating costs and expenses, including supplies, salaries, employee benefits, other employee compensation, telephone (including cellular telephones), postage, transportation, travel, meals and entertainment, placement fees and other marketing costs, hardware, software, cables, monitors and other computer-related equipment and accessories, used in administrative activities, other office equipment, news wire and data processing charges, legal and accounting fees, office rent



and electricity, quotation services and periodical subscription fees and all other trading related expenses. These soft dollar payments may be received in connection with transactions in which the ROC does not participate.

The availability of these other benefits may influence ROP to select one broker- dealer rather than another to perform services for the ROC. Nevertheless, ROP will attempt to assure either that the fees and costs for services provided to the ROC by broker-dealers offering these benefits are not materially greater than they would be if the services were performed by equally capable broker-dealers not offering such services or that ROC also will benefit from the services.

The use of soft dollars to obtain investment research services and to pay for the administrative costs and expenses of ROP creates a conflict of interest between ROP and ROC, because ROC pays for such products and services that are not exclusively for ROC's benefit and that may be primarily or exclusively for ROP's benefit. To the extent that ROP is able to acquire these products and services without expending its own resources, ROP's use of "soft dollars" would tend to increase ROP's profitability. In addition, the availability of these nonmonetary benefits may influence ROP to select one broker-dealer rather than another to perform services for ROC. ROP intends to engage in these practices to the fullest extent permitted by law.

## **2. Brokerage for Client Referrals**

ROP receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## **3. Clients Directing Which Broker/Dealer/Custodian to Use**

ROP uses Interactive Brokers as the custodian for Rule One Capital. ROP uses Fifth Third Bank as custodian for the Rule One Fund and Interactive Brokers as the broker-dealer. ROP does not allow clients to direct which broker/ dealer/custodian will be used.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

ROP maintains the ability to block trade purchases across accounts. Block trading may benefit clients by providing ROP the ability to purchase larger blocks resulting in smaller transaction costs to the clients. Declining to block trade can cause more expensive trades for the clients.

A block trade executed with a particular broker is generally allocated pro-rata among the accounts that are participating in the block trade until any account has been filled. After any account has been filled, the trade is allocated pro-rata among any remaining accounts. Each broker's execution of a bunched order may be at a price different than another broker's block order execution price for the same security.

ROP has established allocation policies for their various accounts and securities types to ensure allocations are appropriate given clients' differing investment objectives and other considerations.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

The hedge fund, Rule One Capital, will be reviewed on an ongoing basis including periodic reviews of transactions by the Chief Compliance Officer.

The Trustees of the Trust review at least annually the activities of the Rule One Fund's portfolio manager, and review on a regular basis the performance of the Rule One Fund. The Trustees of the Trust are supplied periodic reports providing, among other items, comparative performance data, sales and redemptions of shares information, and certain brokerage commission reports. The Chief Compliance Officer will also monitor activity of Rule One Fund for compliance with applicable law on a daily basis.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in the fund's financial situation.

### **C. Content and Frequency of Regular Reports Provided to Client**

ROC investors receive reports that are defined in the fund's offering documents. Included in these reports are at least annual audited accounting reports that are sent to each member of the fund. Rule One Fund shareholders receive periodic reports as required by the 1940 Act, which will be available on the Rule One Fund's website.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Other than soft dollar benefits discussed in Item 12 above, ROP does not receive any economic benefit, directly or indirectly from any third party for advice rendered to ROP clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

ROP does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

ROP does not serve as a qualified custodian as all client assets are maintained with a qualified custodian. Investors in the Rule One Fund will receive quarterly account statements from the transfer agent. ROP urges you to carefully review such statements.

As the general partner of Rule One Capital ROP is deemed to have custody of the fund's assets. ROP will assure that all custody safekeeping procedures are followed, including: 1) a qualified custodian sends account statements at least quarterly to the investors in the fund; 2) an independent public accountant audits annually the fund and the audited financial statements are distributed to investors. At this time, Spicer Jeffries is the fund's independent public accountant. As required by the 1940 Act, assets of the Rule One Fund are held at a bank or other permissible custodian type permissible under rules of the 1940 Act.

## **Item 16: Investment Discretion**

ROP will have written discretionary authority over the selection and management of all assets managed by ROP with respect to securities to be bought or sold and the amount of securities to be bought or sold. ROP will also have discretionary authority to determine the broker dealer to be used for a purchase or sale of securities for a client's account. Details of this relationship are fully disclosed to each client before any advisory relationship has commenced.

ROP exercises its discretionary authority on behalf of the Rule One Fund pursuant to an advisory contract. The contract has been entered into in accordance with Section 15 of the 1940 Act, and approved and renewed by the Fund's Board of Trustees, including the Independent Trustees. In approving the contract, the Board of Trustees authorizes by resolution ROP's ability to exercise discretionary authority, and the contract contain the terms and limitations, if any, with regard to the authority granted.

## **Item 17: Voting Client Securities (Proxy Voting)**

ROP will vote proxies on behalf of the Rule One Fund and Rule One Capital. ROP does not maintain preapproved voting guidelines but relies on the investment committee to determine the appropriate course of action in voting portfolio securities that is in the best interest of the client. A client may obtain the voting record of ROP on securities by contacting ROP at phone number or e-mail address listed on the cover page of this brochure. Shareholders of the Rule One Fund may obtain a copy of the Fund's proxy voting procedures and annual voting record by visiting the Fund's website.

## **Item 18: Financial Information**

### **A. Balance Sheet**

ROP does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither ROP nor its management has any financial conditions which are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

ROP has not been the subject of a bankruptcy petition in the last ten years.