

## Colby QUANT Leveraged IRA

### Disclosures

June 28, 2024

Robert W. Colby Asset Management, Inc.

[www.ColbyAssetManagement.com](http://www.ColbyAssetManagement.com)

Before you invest, you want to review these disclosures which contain more information about the program and its risks.

### Investment Objective:

The Colby QUANT Leveraged IRA (*QUANT Leveraged*) seeks profits from trading leveraged ETFs based on a short-term quantitative model. The strategy seeks “absolute returns” regardless of the direction of the stock market.

### Principal Investment Strategies:

*QUANT Leveraged* is based on Robert W. Colby's proprietary research and over 50 years of trading and system development. *QUANT Leveraged* looks for trading opportunities in the short-term based on intra-day and daily price movements. *QUANT Leveraged* can trade with the trend, against the trend, or it can stay in cash.

### Portfolio:

*QUANT Leveraged* has high volatility, and it will trade a short- to medium-term *long or short* position in *Leveraged Exchange Traded Funds (ETFs)* that track the performance of 3 times the daily change in the S&P 500, or it will hold cash or cash equivalents. *QUANT Leveraged* is currently trading ProShares UltraPro S&P500 (ticker symbol: UPRO). (<https://www.proshares.com/funds/upro.html>) We may trade other leveraged ETFs and inverse ETFs (instead of selling short), if other leveraged ETFs offer trading advantages. The *QUANT Leveraged* algorithm is very selective, and the portfolio is historically in cash over 50% of the time, waiting for high probability opportunities.

### Portfolio Turnover Is High:

The Colby QUANT Leveraged IRA tracks short-term trading data and at times of high price volatility can make frequent trades, often daily. Clients pay transaction costs, including commissions, slippage and SEC fees. A high portfolio turnover may result in short-term capital gains, which are taxed at ordinary income tax rates. Transaction costs are reflected in our performance data, but taxes are not. We recommend clients implement *QUANT Leveraged* in a Roth or Traditional IRA account to avoid capital gains or wash sales due to high turnover.

**Timing:** Colby reserves the right to begin investing clients' funds gradually, or immediately, depending on the current state of the markets.

### Principal Investment Risks:

The principal risks of investing in *QUANT Leveraged* are summarized below. As with any investment, there is a risk that you could lose all or a portion of your investment in the program. Some or all of these risks may adversely affect the program's total return and/or ability to meet its objective. Although Colby will work to prudently manage risks, there can be no guarantee that Colby will be able to manage risks that may be beyond Colby's ability to predict and control.

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The principal risks are presented in alphabetical order to facilitate finding particular risks and comparing them with those of other programs. Each risk summarized below is considered a “principal risk” of investing in the program, regardless of the order in which they appear.

- **Associated Risks of Short-Term Signals.** Because *QUANT Leveraged* changes its exposure based on short-term market data, (i) *QUANT Leveraged*'s exposure is not predictive of the future performance of an asset and (ii) changes to *QUANT Leveraged*'s exposure may lead or lag a change in an asset's price direction (up or down). Variable leads and lags between an asset's performance and changes to *QUANT Leveraged*'s exposure may result in significant underperformance (loss).
- **Cybersecurity Risk.** With the increased use of technologies such as the Internet to conduct business, *QUANT Leveraged* is susceptible to operational, information security, and related risks. Cyber incidents affecting *QUANT Leveraged* or its service providers may cause disruptions to normal business operations, potentially resulting in impediments to trading, inability to transact business, and financial losses.
- **General Market Risk.** Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the probability that events or conditions in one country or region may adversely impact markets or issuers in other countries or regions. Securities in *QUANT Leveraged*'s portfolio may underperform in comparison to securities in the general financial markets, a particular financial market, or other asset classes, due to a number of factors, including inflation (or expectations for inflation), interest rates, global demand for particular products or resources, natural and man-made disasters or events, pandemic diseases, terrorism, regulatory events, and government controls.
- **High Portfolio Turnover Risk.** *QUANT Leveraged* may actively and frequently trade all of the securities in its portfolio. A high portfolio turnover rate increases transaction costs for clients. Frequent trading may also cause adverse tax consequences for investors in *QUANT Leveraged* due to an increase in short-term capital gains, losses, or wash sales—for this reason, we recommend clients implement *QUANT Leveraged* in a Roth or Traditional IRA account.
- **Management Risk.** *QUANT Leveraged* is actively-managed and may not meet its investment objective due to unforeseen changes in market behavior that are not captured by the Adviser's quantitative model or due to the Adviser's inability to implement investment strategies.
- **New Trading Program Risk.** *QUANT Leveraged* has been actively traded since January, 2024, and has a short operating history. As a result, prospective investors do not have a significant track record or history on which to base their investment decisions. Furthermore, actual past trading results are not necessarily indicative of future results. No representation is being made that any account will or is likely to achieve profit or losses similar to actual trading results. All trading and investing involve risk of significant loss.
- **Non-Diversification Risk.** Because *QUANT Leveraged* is “non-diversified,” it may invest a greater percentage of its assets in the securities of a single issuer or a smaller number of issuers than if it was a diversified trading program. As a result, a decline in the value of an investment in a single issuer or a

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smaller number of issuers could cause *QUANT Leveraged's* overall value to decline to a greater degree than if *QUANT Leveraged* held a more diversified portfolio.

• **Market Events Risk.** U.S. and international markets may experience unpredictable and unusual volatility due to unforeseen economic, political, and global macro risks. For example, coronavirus (COVID-19) caused an unforeseen global pandemic, which resulted in a public health crisis, depressed economic performance, layoffs, unemployment, changed travel and social behaviors, and reduced consumer spending. The effects unpredictable disruptions to the global economy can be uncertain and could last for an extended period of time, negatively impacting the normal operations of financial markets.

**Performance:** Performance for *QUANT Leveraged* will be updated monthly on our website. All of our published performance data for *QUANT Leveraged* include all accounts that are fully funded in the program, and are net of all management fees, trading commissions, and any other fees assessed by Interactive Brokers.

## Cumulative Benchmark Comparison

2024-01-01 to 2024-06-29



### Colby QUANT Leveraged IRA Returns Data from Actual Trading:

	<u>YTD Through June 28, 2024</u>	<u>Monthly Std. Dev.</u>	<u>Total Return Since Inception</u>
Colby QUANT Leveraged IRA	21.86 %	3.49	21.86 %
S&P 500 Total Return	15.29 %	3.48	15.29 %

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## **Fees and Expenses of *QUANT Leveraged*:**

Robert W. Colby Asset Management, Inc. (*Colby*) charges *QUANT Leveraged* accounts a fixed investment management fee based on the value of assets in the account: 1.0% per year (assessed quarterly at 0.25% per quarter) for margin accounts held at our recommended custodian, Interactive Brokers. Trading costs and fees are specified on the Interactive Brokers website. All fees are included in our performance numbers.

## **Management:**

*Investment Adviser:*

Robert W. Colby, CMT, serves as investment adviser to *QUANT Leveraged*.

*Portfolio Manager:*

William K. Anderson is responsible for the day-to-day management of *QUANT Leveraged* and has been the portfolio manager of *QUANT Leveraged* since its inception in January, 2024.

## **Account Requirements:**

Traditional or Roth IRA Account with Margin at Interactive Brokers.

Account must have extended hours trading.

Account must be accessible to Robert W. Colby Asset Management, Inc. for trading only.

## **Minimum Investment:**

Minimum investment: \$5,000.

## **Tax Information:**

*QUANT Leveraged* gains/losses are generally short-term, and would be taxed as ordinary income, but this is not an issue for IRA accounts.

## **Financial Advisor Compensation:**

If you are working with a financial advisor who is a solicitor of Robert W. Colby Asset Management, Inc., Colby may pay the advisor for certain activities related to *QUANT Leveraged*, including participation in activities that are designed to make advisors more knowledgeable about Colby's trading strategies, or for other activities, such as marketing, educational training, or other initiatives related to the promotion of *QUANT Leveraged*. These payments may create a conflict of interest by influencing the advisor to recommend *QUANT Leveraged* over another investment. Any such arrangements do not result in increased *QUANT Leveraged* fees to the client, however. Your advisor should disclose any such relationship with Colby, and a list of Colby's solicitors is contained in our Firm Brochure.

## **Additional Information:**

If you have additional questions or need more information, please contact us at 646-652-6879 or [info@colbyassetmanagement.com](mailto:info@colbyassetmanagement.com) to set up a call with a member of our firm.