CAOS
Alpha Architect Tail Risk ETF

Fund Description

CAOS combines an options overlay strategy and protective options on the S&P 500 index with managing the funds fixed income collateral. The fund seeks income and capital appreciation.

FactSet Analyst Report

CAOS seeks to actively earn positive returns during periods of significant US equity drawdowns while minimizing the return drag of collateral. The fund allocates up to 20% of assets in long and/or short SPX Index options, depending on market status. Between 1-10% is allocated to protective options positioned to appreciate in value when the index declines by more than 25%, which is considered to be a tail risk event. If a tail risk event does not occur, the cost of the protective positions will reduce returns. The remaining 70-80% of the portfolio is collateral consisting of US T-bills, box spreads, and money market instruments. Up to 100% of the collateral may be placed with the BOXX ETF that uses box spreads to provide the exposure of 1-3 month T-bills. The strategy involves frequent trading which increases costs and turnover rate, both having negative impacts on the fund. CAOS operated as a mutual fund until its conversion into an ETF, starting with $126 million in net assets.