Strategies in Focus

Our Approach

The Stone Ridge Diversified Alternatives Fund (SRDAX) packages multiple diversifying, hard-to-access strategies with attractive return potential into a single, easy-to-access, daily-liquid mutual fund. Each strategy has historically exhibited a low correlation to traditional markets — and to each other — helping SRDAX achieve **equity-like returns**, **bond-like volatility**, and **near zero correlation** to traditional assets.[1] The strategies in SRDAX fall into three investment categories: insurance-like, alternative cash flow, and quantitative.

Insurance-like Strategies

Investment Thesis

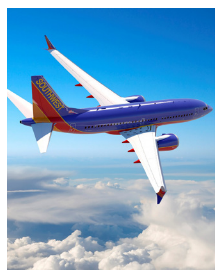
1. Insurance is sold at an expected profit. If you have purchased an insurance policy for your home or automobile, you understand this well. When writing a premium check, you know that the insurer expects to make money on your policy over time.
2. These strategies provide exposure to a unique source of investment returns that are intuitive to understand and have historically been diversifying from stocks and bonds.
3. The insurance-like strategies in SRDAX have been underrepresented in investor portfolios, in part because historically it has been difficult to access these type of investments — until now.

Reinsurance

Description: Provide insurance against natural catastrophes such as hurricanes, earthquakes, and wildfires.

Implementation: Primarily catastrophe bonds, a large (~$38B) and liquid market.[2] Exposure diversified across 20+ peril regions.

Expertise: Stone Ridge manages ~$1.6B in the first and only catastrophe bond mutual fund.[3]



Market Risk Transfer

Description: Act as the "insurer" against price movements in a diversified portfolio of 20+ financial and commodity assets. For example, airlines insure against oil price increases, and farmers insure against decreases in crop prices.

Implementation: Primarily exchange listed options

Expertise: Stone Ridge has traded over $2.7T notional in relevant assets.

Bitcoin Put-Write

Description: Collect premiums as the "insurer" against large (~20%) price declines in bitcoin over short periods of time (~1 month). Selling put options may reduce the volatility of bitcoin exposure.

Implementation: Exchange listed options on bitcoin futures

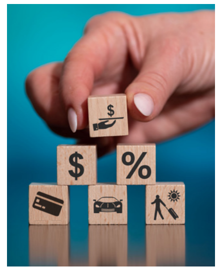
Expertise: NYDIG, a Stone Ridge affiliate, has executed ~$37B in digital currency spot and derivatives trades.[4]

Strategies in Focus

Alternative Cash Flow Strategies

Investment Thesis

1. Many investors' existing fixed income exposure is concentrated in just two areas: corporate and government credit.
2. SRDAX strategies provide exposure to cash flows from sources that are typically under-represented in existing investment portfolios.
3. Consistent cash flows from multiple sources helps to increase diversification and can moderate overall portfolio risk.



Alternative Lending

Description: Earn interest on loans to high quality consumer borrowers. Consumer credit represents a new and diversifying exposure with relatively higher yields and lower interest rate risk.

Implementation: Whole loans and loan backed securities

Expertise: Stone Ridge's alternative lending franchise manages ~$8B and has purchased over 4 million individual loans.[5]

Single Family Rental

Description: Gain exposure to the rental yields associated with a diverse collection of single-family homes. Rents have historically been steady and non-cyclical, thus providing a potentially valuable offset to stock and bond market volatility.

Implementation: Debt securities backed by the underlying single-family homes

Expertise: Stone Ridge's single family rental franchise has a mandate for ~$4B of capital.

Quantitative Strategies

Investment Thesis

1. Systematic and economically intuitive methods of investing that have the potential to produce positive returns in both rising and falling markets.
2. Balanced allocation across three styles (value, carry, momentum) can yield more consistent returns and reduce fund volatility.

Style Premia

Description: Invest across multiple asset classes through a long/short strategy. The fund buys/sells assets that appear under/over-valued (value style), buys/sells assets with futures prices that trade a discount/premium to the underlying asset price (carry style), and seeks to identify assets that will continue their current price movement trends (momentum style).

Implementation: Futures and forward contracts

Expertise: Stone Ridge has traded ~$1T notional in relevant assets.

End Notes

Stone Ridge data as of 12/31/2022 unless otherwise noted.
Diversification does not assure a profit or protect against a loss in a declining market.

1 Source: Bloomberg as of 1/31/2023 since SRDAX inception (04/30/2020). Long term excess return for S&P 500 Index was 7% (since earliest available (1/31/1978)), whereas Fund annualized excess return since inception was also ~7%. Fund daily realized volatility since inception was 6.0%. Daily realized volatility for the US Aggregate Bond Index (LBUSTRUU) over the same period was 5.4%. Weekly correlation to S&P 500 Index was 0.08 and 0.04 to US Aggregate Bond Index.
2 Source: Artemis, December 2022.
3 Stone Ridge High Yield Reinsurance Risk Premium (SHRIX): $1.6B AUM as of 12/31/2022.
4 Source: NYDIG as of 12/31/2022.
5 Total AUM of all Stone Ridge Alternative Lending funds was $8.6B as of 12/31/2022.

Glossary

Correlation: A measure of the tendency for assets or asset classes to move together. If both asset class returns move together in lockstep, the correlation would be +1. If the asset class returns moved in opposite directions consistently, the correlation would be -1. If the asset class returns had no relationship to one another, the correlation would be 0.

Put Options: A put option is an option contract that provides the buyer the right but not the obligation to sell a specific asset at a specific price on or before a specific date.

Put-Write strategy: A strategy in which an investor sells (writes) a put option on an underlying asset. In exchange for receiving a premium, the seller of the put option agrees to buy the underlying asset at a pre-determined price (the strike price) on or before a pre-determined date (the expiration date). Certain options may be cash-settled. In such cases, instead of buying the underlying asset, the option seller may settle its obligation by paying an amount equal to the difference between the strike price and the underlying asset price at expiration.

Risk Disclosures

Investors should carefully consider the Stone Ridge Diversified Alternatives Fund's (the "Fund") risks and investment objectives, as an investment in the Fund may not be appropriate for all investors and the Fund is not designed to be a complete investment program. There can be no assurance that the Fund will achieve its investment objectives. An investment in the Fund involves a high degree of risk. It is possible that investing in the Fund may result in a loss of some or all of the amount invested. Before making an investment/allocation decision, investors should (i) consider the suitability of this investment with respect to an investor's or a client's investment objectives and individual situation and (ii) consider factors such as an investor's or a client's net worth, income, age and risk tolerance. Investment should be avoided where an investor/client has a short-term investing horizon and/or cannot bear the loss of some or all of the investment. Before investing in a Fund, an investor should read the discussion of the risks of investing in the Fund in the relevant prospectus.

Holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.

Investing in funds involves risks. Principal loss is possible.

The Fund may invest in a variety of derivatives, including put and call options, futures contracts, options on futures contracts, swaps, swaptions, and other exchange-traded and over-the-counter derivatives contracts. The Fund may invest in derivatives to generate income from premiums, for investment purposes, and for hedging and risk management purposes. The Fund's use of derivatives as part of its principal investment strategy to sell protection against the volatility of various underlying references involves the risk that, if the volatility of the underlying references is greater than expected, the Fund will bear losses to the extent of its obligations under the relevant derivative contracts, which may not be outweighed by the amount of any premiums received for the sale of such derivative instruments. The use of derivatives involves risks that are in addition to, and potentially greater than, the risks of investing directly in securities and other more traditional assets. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, and credit risk.

The equity securities of smaller, less seasoned companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk. The equity securities of large-capitalization companies can perform differently from other segments of the equity market or the equity market as a whole, and they may be less flexible in evolving markets or unable to implement changes as quickly as their smaller counterparts.

Direct or indirect investments in securities of foreign issuers involve risks not ordinarily associated with exposure to securities and instruments of U.S. issuers, including differences in accounting, auditing and financial standards; less government supervision and regulation; currency risk; risks of expropriation, confiscatory taxation, political or social instability or diplomatic developments; less publicly available information; less volume in foreign markets; and increased costs of transacting in foreign markets. These risks are heightened in emerging markets.

The reinsurance industry relies on risk modeling to analyze potential risks in a single transaction and in a portfolio of transactions. The models are based on probabilistic simulations that generate thousands or millions of potential events based on historical data, scientific and meteorological principles and extensive data on current insured properties. Sponsors of reinsurance-related securities typically provide risk analytics and statistics at the time of issuance that typically include model results.

Event-linked bonds, catastrophe bonds and other reinsurance-related securities carry large uncertainties and major risk exposures to adverse conditions. If a trigger event, as defined within the terms of the bond, involves losses or other metrics exceeding a specific magnitude in the geographic region and time period specified therein, the Fund may lose a portion or all of its investment in such security. Such losses may be substantial. The reinsurance-related securities in which the Fund invests are considered "high yield" or "junk bonds."

The Fund may invest in reinsurance-related securities issued by foreign sovereigns and foreign entities that are corporations, partnerships, trusts or other types of business entities. Because the majority of reinsurance-related security issuers are domiciled outside the United States, the Fund will normally invest significant amounts of its assets in non-U.S. entities. Accordingly, the Fund may invest without limitation in securities issued by non-U.S. entities, including those in emerging market countries. Foreign issuers could be affected by factors not present in the U.S., including expropriation, confiscatory taxation, lack of uniform accounting and auditing standards, less publicly available financial and other information, potential difficulties in enforcing contractual obligations, and increased costs to enforce applicable contractual obligations outside the U.S. These risks are greater in emerging markets.

The Fund is subject to both the risk that bitcoin decreases in value and the risk that the Fund's strategy of gaining exposure to bitcoin by selling put options on bitcoin futures underperforms a direct investment in an equivalent amount of bitcoin. Bitcoin has generally exhibited tremendous price volatility relative to more traditional asset classes. The price of bitcoin has historically been highly volatile due to speculation regarding potential future appreciation in value. Further, political or economic crises may motivate large-scale sales of bitcoin, which could result in a rapid reduction in the price of bitcoin, which would adversely affect the Fund's bitcoin strategy.

The further development of the Bitcoin network, which is part of a new and rapidly changing industry, is subject to a variety of factors that are difficult to evaluate. For example, bitcoin faces significant obstacles to increasing the usage of bitcoin without resulting in higher fees or slower transaction settlement times, and attempts to increase the volume of transactions may not be effective. The slowing, stopping or reversing of the development or acceptance of the Bitcoin network may adversely affect the price of bitcoin and therefore cause the Fund's bitcoin strategy to suffer losses.
Various foreign jurisdictions have adopted, and may continue to adopt in the near future, laws, regulations or directives that affect bitcoin, particularly with respect to bitcoin exchanges, trading venues and service providers that fall within such jurisdictions' regulatory scope. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of bitcoin

by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the bitcoin economy in these jurisdictions as well as in the United States and elsewhere, or otherwise negatively affect the value of bitcoin and, in turn, the performance of the Fund's bitcoin strategy
When compared to derivatives on other commodities and assets, the prices at which bitcoin derivatives trade have, historically, been more volatile. This volatility may adversely impact the Fund's returns, particularly where the Fund's potential losses on a derivative instrument are not limited to its initial premium. Continued volatility may also result in the Fund being required to post comparatively large initial or ongoing margin amounts with counterparties and may require that the Fund post additional margin on short time frames, potentially requiring the Fund to sell other assets at inopportune times and/or to close positions prematurely. As a general matter, derivative instruments referencing bitcoin are limited (e.g., by available underlying reference, derivative instrument type and notional size), and as a result the Fund may be unable to efficiently pursue its investment objective. In addition, certain derivative contract markets may impose "circuit breaker" rules or otherwise halt trading in times of high volatility, which may prevent the Fund from executing trades it would otherwise have made and may result in a material adverse effect on the Fund.

The value of the Fund's investments in whole loans and other alternative lending-related securities is entirely dependent on the borrowers' continued and timely payments. If a borrower is unable or fails to make payments on a loan for any reason, the Fund may be greatly limited in its ability to recover any outstanding principal or interest due, as (among other reasons) the Fund may not have direct recourse against the borrower or may otherwise be limited in its ability to directly enforce its rights under the loan, whether through the borrower or the platform through which such loan was originated, the loan may be unsecured or under-collateralized and/or it may be impracticable to commence a legal proceeding against the defaulting borrower. Even if a loan in which the Fund has investment exposure is secured, there can be no assurance that the collateral will, when recovered and liquidated, generate sufficient (or any) funds to offset any losses associated with the defaulting loan. The default history for alternative lending borrowing arrangements is limited and future defaults may be higher than historical defaults.

In general, the value of a debt security is likely to fall as interest rates rise. The Fund may invest in below-investment grade securities, which are often referred to as "junk," or in securities that are unrated but that have similar characteristics to junk bonds. Such instruments have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be difficult to value and illiquid. The Fund's investments in securitization vehicles or other special purpose entities that hold securities (asset-backed securities) may involve risks that differ from or are greater than risks associated with other types of investments. The risks and returns for investors like the Fund in asset-backed securities depend on the tranche in which the investor holds an interest, and the value of an investment in the Fund may be more volatile and other risks tend to be compounded if and to the extent that the Fund is exposed to asset-backed securities directly or indirectly.

The Fund's single family rental investments are subject to risks typically associated with real estate, including: changes in global, national, regional or local economic, demographic or capital market conditions; future adverse national real estate trends, including increasing vacancy rates, declining rental rates and general deterioration of market conditions; changes in supply of or demand for similar properties in a given market or metropolitan area; reliance on tenants, managers and real estate operators that the Fund works with in acquiring and managing assets to operate their businesses in an appropriate manner and in compliance with their contractual arrangements with the Fund; changes in governmental rules, regulations and fiscal policies; bad acts of third parties; and unforeseeable events such as social unrest, civil disturbances, terrorism, earthquakes, hurricanes and other natural disasters. Many of these factors are beyond the control of the Fund. Any negative changes in these factors could affect the Fund's performance and its ability to meet its obligations and make distributions to shareholders.

The Fund (or its subsidiaries) may obtain financing to make investments and may obtain leverage through derivative instruments that afford the Fund economic leverage. Therefore, the Fund is subject to leverage risk. Leverage magnifies the Fund's exposure to declines in the value of one or more underlying reference instruments or creates investment risk with respect to a larger pool of assets than the Fund would otherwise have and may be considered a speculative technique. The value of an investment in the Fund will be more volatile and other risks tend to be compounded if and to the extent the Fund borrows or uses derivatives or other investments that have embedded leverage. In particular, reinsurance-related securities can quickly lose all or much of their value if a triggering event occurs. Thus, to the extent assets subject to a triggering event are leveraged, the losses could substantially outweigh the Fund's investment and result in significant losses to the Fund.

The Fund may invest in illiquid or restricted securities, which may be difficult or impossible to sell at a time that the Fund would like without significantly changing the market value of the security.
The Fund intends to qualify for treatment as a regulated investment company ("RIC") under the Internal Revenue Code. The Fund's investment strategy will potentially be limited by its intention to qualify for treatment as a RIC. The tax treatment of certain of the Fund's investments under one or more of the qualification or distribution tests applicable to RICs is not certain. An adverse determination or future guidance by the IRS might affect the Fund's ability to qualify for such treatment.

If, in any year, the Fund were to fail to qualify for treatment as a RIC under the Internal Revenue Code for any reason, and were unable to cure such failure, the Fund would be subject to tax on its taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net tax-exempt income and net long-term capital gains, would be taxable to shareholders as ordinary income.

For additional risks, please refer to the prospectus and statement of additional information.
The information provided herein should not be construed in any way as tax, capital, accounting, legal or regulatory advice. Investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision. Opinions expressed are subject to change at any time and are not guaranteed and should not be considered investment advice.

Must be preceded or accompanied by a prospectus.

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