



# Synthetic vs. Strategy Replication

## USBRIF is Not a Synthetic Index Replication Fund

### The Replication Misconception

Investors hear “replication” and think of the synthetic hedge fund index replication strategies that failed in the financial crisis—mathematical models that mimicked hedge fund returns but collapsed under pressure. These strategies reverse-engineered historical risk and return profiles without capturing the underlying investment strategy. When markets turned, they didn’t behave as expected.

The Third Wire / Morningstar PitchBook US Buyout Replication Index Fund (USBRIF) is different. It doesn’t approximate the Index returns—it directly replicates the actual securities in the Index.

### Understanding the Difference

#### What USBRIF Doesn't Do

- No synthetic derivatives, swaps, or statistical back-solving.
- No models reverse-engineering past returns.
- Not designed to mathematically approximate private equity strategies.

#### What USBRIF Does

- A direct 1:1 equity replication of the Index.
- Holds the same companies the Index identifies as take-private targets.
- Follows the private equity ‘playbook’, not modeled on past performance.

### How Does our Buyout Replication Index Fund Work?

Morningstar’s AI-driven model identifies public stocks that match private equity buyout targets. The Index holds these companies directly—no approximations, no proxies. Third Wire replicates the Index 1:1, holding the same companies at the same weights and rebalancing when they do.

#### Direct Ownership

The fund holds actual equities, not swaps, derivatives, or statistical approximations.

#### Strategy-Driven

Companies selected based on PE ‘playbook’, not by reverse-engineering historical returns.

#### 1:1 Replication

The same stocks at the same weightings as Morningstar’s Index, rebalancing in lockstep.

\*The index is the exclusive property of Morningstar, Inc., which does not sponsor, endorse, or promote this fund.

## Important Disclosures and Risk Considerations

This document is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities. This document complies with Rule 506(c) of Regulation D, which permits general solicitation; however, any investment is available only to verified accredited investors. Verification of accredited investor status is required prior to any investment.

Any offer to invest in the Third Wire / Morningstar PitchBook US Buyout Replication Index Fund (USBRIFF) (the "Fund") is made exclusively through the Fund's private placement memorandum or other authorized offering documents. The Fund is a private offering and is not registered under the Investment Company Act of 1940 or the Securities Act of 1933. As such, it is not subject to the same regulatory requirements as registered investment vehicles. The offering is conducted in accordance with Rule 506(c) of Regulation D, and investments in the Fund are limited to verified accredited investors, as defined by the U.S. Securities and Exchange Commission (SEC).

The Fund seeks to replicate key investment characteristics of private equity buyout strategies, such as sector exposure, leverage adjustments, and other factors, but there is no guarantee that the Fund will achieve similar performance or outcomes. Past performance is not indicative of future results. All investments involve risk, including the possible loss of principal, and there is no assurance that the Fund will achieve its investment objectives or generate positive returns.

Investments are subject to risks, including market volatility, economic uncertainty, and potential deviations from the Fund's intended strategy. Investments in public equities may involve significant risks, and the Fund's use of certain strategies, including leverage, may amplify losses in adverse market conditions. Fees and expenses associated with the Fund will reduce overall performance and may have a material impact on returns. Prospective investors should carefully review the private placement memorandum for a detailed description of all fees, expenses, and other costs.

The Fund uses the Morningstar PitchBook US Buyout Replication Index, which is the exclusive property of Morningstar, Inc. Morningstar, Inc., its affiliates and subsidiaries, its direct and indirect information providers, and any other third party involved in, or related to, compiling, computing, or creating any Morningstar Index (collectively, "Morningstar Parties") do not guarantee the accuracy, completeness, and/or timeliness of the Morningstar Index or any data included therein and shall have no liability for any errors, omissions, or interruptions therein. None of the Morningstar Parties make any representation or warranty, express or implied, as to the results to be obtained from the use of the Morningstar Index or any data included therein.

The Index uses advanced AI methodologies, including Long Short-Term Memory (LSTM) neural networks, to guide security selection and leverage adjustments. These methodologies involve complex algorithms and assumptions that may not account for all market factors. Their effectiveness is not guaranteed and is subject to significant risks, including model limitations and unforeseen market conditions.

This document may contain forward-looking statements regarding the Fund's strategy, objectives, or expected performance. These statements are inherently speculative, based on assumptions that may prove to be inaccurate, and are subject to risks and uncertainties that could cause actual results to differ materially. Prospective investors should not rely on forward-looking statements as guarantees of performance.

For further information, please refer to the Fund's private placement memorandum or contact a representative of Third Wire Asset Management.



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