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Aiming to make cash work harder for investors

Howard Chan and Dominique Tersin discuss investor challenges in today's landscape and the thinking behind the Enhanced Short Maturity Strategy, designed to help investors optimize and strengthen their cash investments.

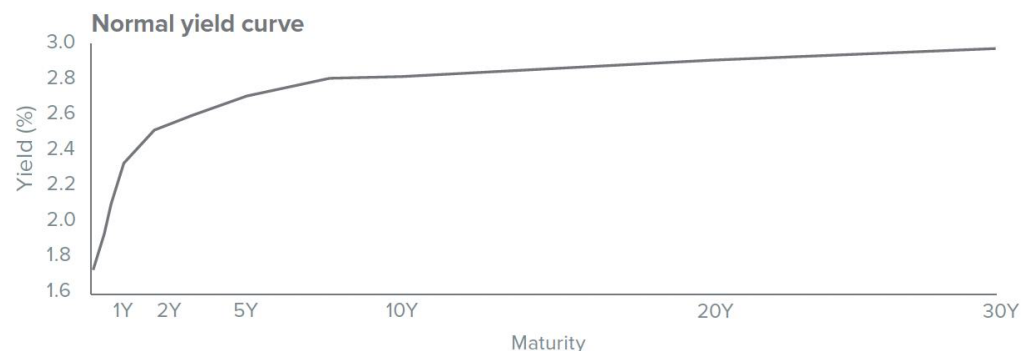
What is the Enhanced Short Maturity Strategy?

Kurv Enhanced Short Maturity ETF seeks to generate enhanced monthly income by harvesting diversified sources of risk premia. The strategy is designed to help clients manage portfolio liquidity but with the potential of higher yields relative to traditional cash investments by taking modest incremental risks.

What challenges do traditional cash investments face?

Traditional cash investments generally generate enhanced yield relative to the base rate (e.g., the fed funds rate) by harvesting term and credit risk premia.

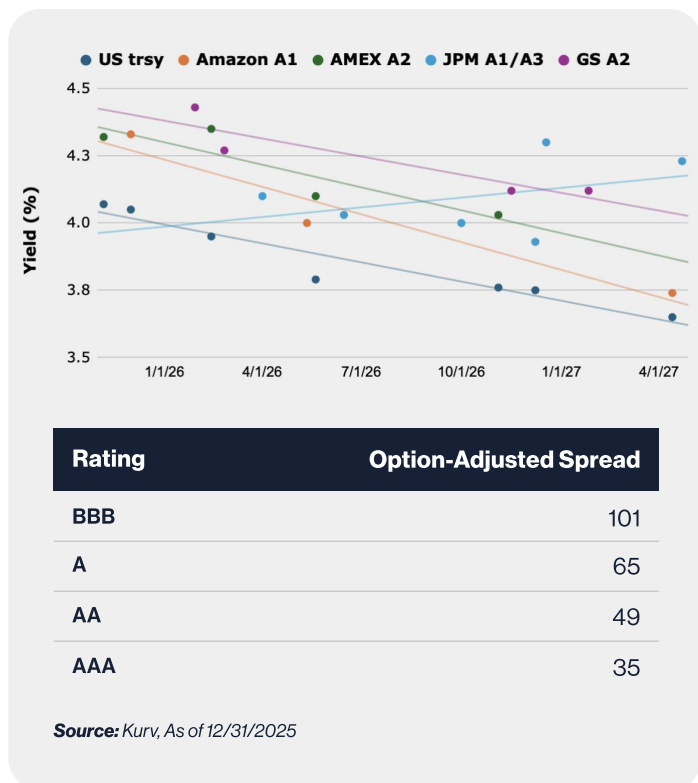
In a normal market environment, the yield curve is upward-sloping, reflecting a positive and increasing term premium. One theory, among many others, believes that the higher yields compensate investors for taking on increased risk from longer-duration bond holdings relative to treasury bills.



Source: Federal Reserve

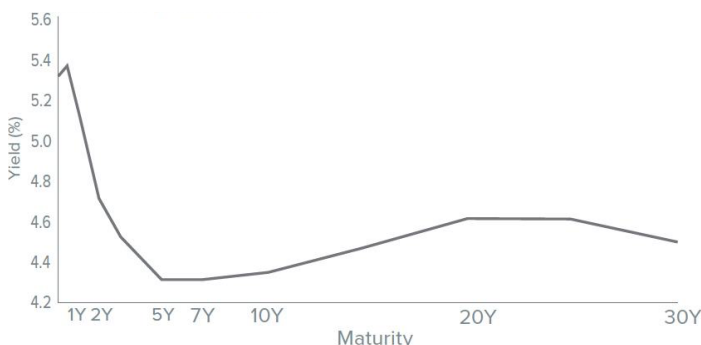
Current Credit Premia in the Market

Incremental yield from corporate issuers.



However, cash fund managers have been trying to generate additional yield with one arm tied behind their backs since the 2023 fed rate hiking cycle. The yield curve is currently inverted, meaning the term premia is negative. More specifically, the front end of the curve (1-month to 1-year) is primarily flat. Investors receive no compensation for taking on additional risks. This leaves managers with credit risk as one of the few significant levers left in their arsenal.

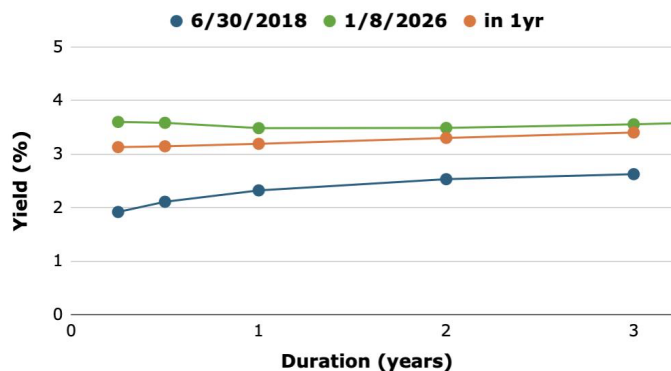
Inverted Yield Curve



Source: Federal Reserve,

Treasury Yield Curve

June 2018 vs today's and expected in one year.



Source: Federal Reserve, Kurv, As of 12/31/2025

How do you actively manage the ETF?

Kurv's strategy seeks to utilize traditional sources, such as term and credit risk premia, as well as alternative sources, such as volatility risk premia, to generate additional yields over the risk-free rate. By leveraging all or some combination of these risk premia, we believe we can increase the potential of harvesting yields through different market environments.

How do you harvest the volatility risk premia?

Volatility risk premium is the difference between the volatility expected by the market (implied volatility) and the realized volatility. The strategy implements various option strategies to capture the volatility premia. In the current environment, we look to implement monthly short option strangles (selling both out-of-the-money call and put options) on U.S. treasury futures and secured overnight financing rate (SOFR) rates with tail-risk hedging (buying an even further out-of-the-money put option). The options sales generate option premiums that increase the yield potential of the portfolio, while the tail-risk-hedging can limit potential downside from an extreme changing-rate environment.

Forecasts, projections, and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.

For every option strategy in the portfolio, we look at its behavior in different market environments. For the short-strangle strategy, we take a look at various scenarios to calculate and bound potential fund losses:

Assumption:

- Base rate: 5%
- Portfolio duration: 1 year
- Sold 100% notional in a 2yr treasury option (monthly premium of 0.2%)

Base case Scenario

If rates were to move as the market expects, the gain would be around 62bps.

Scenario 1: A sudden 50 bps increase

With the assumed duration, the portfolio would expect to lose 130bps (50bps from the rate change, 80bps from the option strategy). With the base rate now at 5.5%, the fund can reinvest at a higher rate and recover the loss in 3 months.

Scenario 2: A sudden 50 bps decrease

The portfolio would expect to lose 30bps (positive 50bps from the rate change, negative 80bps from the option strategy assuming no tail hedge). With the base rate now at 4.5%, the loss would be recovered in one month.

How would investors use a strategy like this in their portfolios?

True cash is typically a portfolio performance drag but is necessary to meet liquidity needs. Many investors look to reduce this drag by tiering their cash allocation to meet liquidity needs.

Operation liquidity (0-3 months): To meet expected and unexpected daily cash flow, a portion of the cash should remain in extremely liquid solutions like cash, treasuries, and money market funds.

The scenarios are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated, actual events, results or performance may differ materially from those reflected or contemplated. There is no guarantee the investment objective and strategy will be successful.

Structural liquidity (3-6 months): Certain cash needs are planned but not immediate (e.g. capital calls for private funds, pension distributions). Investors can leverage the time horizon to take a little more risk to gain additional yield without sacrificing liquidity and capital preservation.

Long-term liquidity (6+ months): Longer-term cash can take on more risk to generate yield. Traditional short-term bond funds often act as liquidity solutions in this tier.

**Liquidity tiering:
Optimize yield & reduce cash drag based on needs**

Liquidity Tiers	Holding Period	Potential Solutions
Operational Liquidity	0–3 months	Cash, treasuries, money market funds
Structural Liquidity	3–6 months	LQID
Long-Term Liquidity	6–12+ months	Short-term bond funds

For illustrative purposes only.

We believe an approach like LQID may be appropriate for 3-6 month liquidity needs. The strategy aims to generate higher yields without sacrificing the importance of capital preservation over the period.

Lastly, this kind of strategy could potentially be used more counter-cyclically than traditional cash solutions. Investors often flee to cash during market sell-offs and elevated market uncertainty; A time when implied volatility typically jumps, which could allow the strategy to harvest incremental volatility premium in a time of stress.

An investor should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. To obtain a prospectus containing this and other information, please call 1-888-719-KURV (5878) or visit www.kurvinvest.com. Read the prospectus carefully before investing.

The Fund is new with a limited operating history.

Fund Objective: The Fund seeks to provide monthly income. Kurv seeks to fulfill the Fund's investment objective by using two income strategies: (1) an interest income strategy and (2) an income-generating option strategy on fixed income instruments

The Fund primarily invests in U.S. dollar-denominated investment grade debt securities and may invest, without limitation, in futures contracts, swaps, or forward contracts, subject to applicable law and any other restrictions described in the Fund's prospectus or Statement of Additional Information. In addition, the Fund may invest, without limitation, in mortgage or asset-backed securities. To generate additional income, the Fund employs an exchange-traded and over-the-counter ("OTC") option writing strategy.

An investment in the Fund entails risk, including the loss of principal. The Fund is not a complete investment program and investors should review the risks associated with the Fund before investing. The Fund is an actively managed portfolio, and the portfolio managers will apply investment techniques and risk analyses that may not produce the desired result. There can be no guarantee that the Fund will meet its investment objective.

As an ETF, the Fund is exposed to the additional risks, including: (1) concentration risk associated with Authorized Participants, market makers, and liquidity providers. Such concentration could negatively impact liquidity; (2) costs risks associated with frequent trading; (3) market prices may differ than the Fund's net asset value; and (4) liquidity risk due to a potential lack of trading volume.

Fund Risks: The Fund is subject to the risk that fixed income securities will fluctuate in value because of a change in interest rates; a fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration. The Fund could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the principal invested. Mortgage-related and other asset-backed securities may be sensitive to changes in interest rates, extension risk, prepayment risk and credit risk. The Fund may invest in foreign securities which may result in the Fund experiencing more rapid and extreme changes in value due to smaller markets, differing reporting, accounting and auditing standards, increased risk of delayed settlement of portfolio transactions or loss of certificates of portfolio securities, and unfavorable foreign government actions.

New Fund Risk: The Fund is a new fund, with limited operating history.

Risk Premia: The extra return investors earn for taking on specific types of risk (beyond holding risk-free assets). Common examples include credit risk, term risk, volatility risk, and equity risk. Strategies can seek to "harvest" these premiums systematically over time.

Term Risk (Term Premium): The additional yield investors demand for holding longer-term bonds instead of rolling over short-term debt. It compensates for uncertainty around future interest rates, inflation, and economic conditions over time.

Credit Risk: The risk that a borrower (such as a corporation or government) will fail to meet its debt obligations. Investors are typically compensated with higher yields when taking on lower-credit-quality securities.

Yield Curve: A line that plots interest rates (yields) of bonds with equal credit quality but different maturities. A "normal" yield curve slopes upward (longer maturities yield more), while inversions or flattening can signal shifting economic expectations.

Volatility Risk: The risk associated with changes in the magnitude or frequency of price movements in an asset. Higher volatility generally means greater uncertainty, and investors may demand compensation for bearing it.

Short Options Strangles: An options strategy that involves selling both a call option and a put option on the same underlying asset, typically out-of-the-money. The goal is to earn premium income while betting that the asset stays within a certain price range. It carries risk if the asset moves sharply in either direction.

SOFR (Secured Overnight Financing Rate): A broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. SOFR has largely replaced LIBOR as the benchmark short-term interest rate in U.S. markets and is closely tied to risk-free or near risk-free cash yields.

The Kurv Enhanced Short maturity ETF is distributed by Foreside Fund Services LLC, Member FINRA/SIPC. Parallel Distributors is not affiliated with Kurv Investment Management.