

AXS MARKET NEUTRAL FUND

Institutional: COGIX Investor: COGMX



Quarterly Overview



COGNIOS[®] CAPITAL

The AXS Market Neutral Fund ("the MN Fund") declined 0.77% during the fourth quarter and underperformed the Morningstar Market Neutral Category by 2.01%. For the year 2023, the MN Fund declined 0.28%, underperforming the Morningstar Market Neutral Category by 5.37%. The underperformance can be explained by the negative performance of the valuation factor during the quarter and year. As discussed below, valuation is one of the primary factors used to construct the portfolio model for the Fund.

Additionally, stocks with highly volatile prices performed better than those with low price volatility. The Fund's short portfolio tends to have positions in stocks with higher price volatility than the long portfolio.

The Fund utilizes our proprietary *ROTA/ROME*[®] investment selection and portfolio construction methodology, which focuses on a company's **Return on Total Assets ("ROTA")** and **Return on Market Value of Equity ("ROME")**. This model identifies companies whose per share intrinsic value has diverged significantly from the current market price of its stock. We believe that companies that exhibit sustainable long-term high ROTA are higher quality companies that most likely have a competitive advantage within the marketplace. ROME is a measure of profit yield, and like a yield on a bond, the higher the ROME, the cheaper the stock. Conversely, low ROME indicates that a stock is inexpensive.

OVERALL MARKET

The S&P 500 gained 11.69% in the fourth quarter of 2023 and gained 26.29% for the year, both on a total return basis. A handful of mega-cap companies powered approximately half the gains of S&P 500 in 2023. As an example, the Invesco S&P 500 Equal Weight ETF, which weights all constituents of the S&P 500 equally, gained 13.70% in 2023, while the SPDR S&P 500 ETF, which market weights the constituents of S&P 500, gained 26.18% in 2023.

The Cyclically Adjusted Price-to-Earnings ("CAPE") multiple is an interesting very long-term valuation indicator for the S&P 500 that we follow. The chart below shows that the CAPE multiple of the S&P 500 at the beginning of period has been a useful guide in the past when estimating index returns over the following 10 years. The CAPE multiple as of December 31, 2023, is 31.7x which is up from the revised CAPE multiple of 30.8x from our last quarterly commentary.

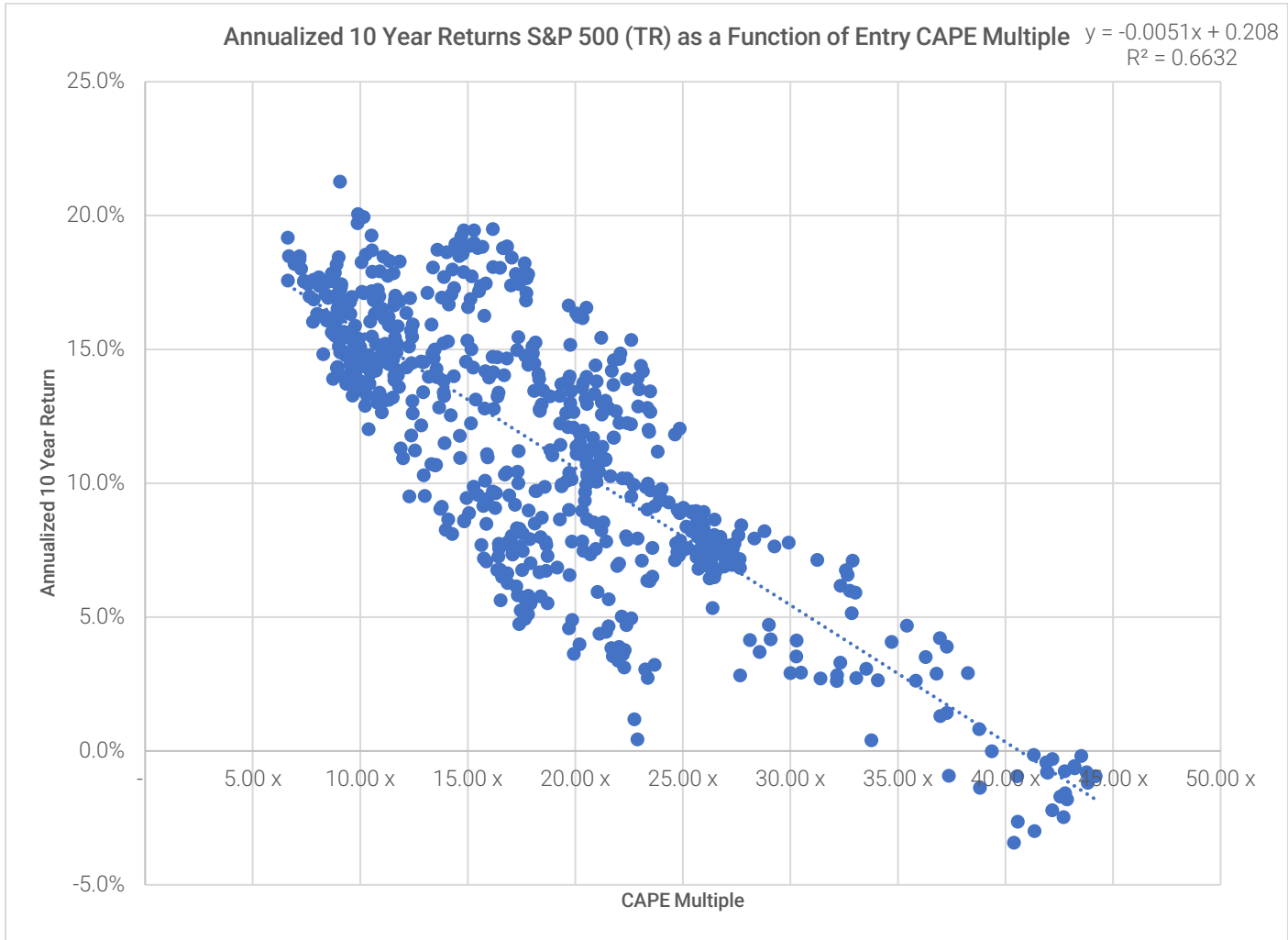
The CAPE model correlates a CAPE multiple at the start of an historical 10-year period with the total return over the following 10 historical years. In the past, a CAPE multiple of 31.7x correlated with a subsequent annualized 10-year return of 4.6% for the S&P 500, which is below the long-run S&P 500 average return. This conclusion is confirmed by the December 31, 2023 ROME of the S&P 500 as a whole of approximately 5.2%. Both the CAPE and ROME level indicate an expensive stock market in our view, even as additional headwinds such as lower than trend economic growth and rising interest rates add further pressure to stock market returns. The significant potential danger that concerns us is if market participants become careless with risk in an effort to chase higher returns. Those types of manias can exacerbate market crashes.

Fund Performance as of 12/31/2023

ANNUALIZED RATES OF RETURN						
	3 MO	YTD	1 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION
(%)						
COGIX	-0.77	-0.28	-0.28	3.08	3.60	3.73
COGMX	-0.92	-0.59	-0.59	2.82	3.36	3.48

Fund inception date is 12/31/2012. The Gross/Net Expense Ratio for the Institutional Class is 4.40%/3.63% and for the Investor Class is 4.65%/3.88%. The Fund's investment advisor has contractually agreed to reduce its fees and/or absorb certain expenses of the Fund, to ensure that the Fund's total annual operating expenses do not exceed on an annual basis **1.45% for the Institutional class and 1.70% for the Investor class** of the Fund's average daily net assets, effective until 1/31/2024.

The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance, please call 833.AXS.ALTS or visit the Fund's website at www.axsinvestments.com



Data from 3/31/1936 – 12/31/2023. Source: S&P Capital IQ, Robert J. Shiller: <http://www.econ.yale.edu/~shiller/>

STRATEGY OUTLOOK

In general, equity markets continue to look overvalued as we begin 2024. This coupled with credit data such as record credit card debt, thirty-year highs in auto loans sixty days delinquent, interest expense for the Federal debt reach \$659 billion in Fiscal 2023 or 2.5% of GDP, etc. should give investors caution. In previous commentaries, we noted that low grade credit and equity securities gained in 2023 as inflation fell and expectations for future interest rate cuts grew. However, inflation continues above Federal Reserve targets and interest rate decreases do not cure the high absolute debt levels. There are only two solutions for high debt levels in real terms, painful austerity, or painful inflation.

Fortunately, we still do see some areas of the stock market that provide opportunity even though the market as a whole appears expensive. We believe Value-Based investment strategies like the one employed in the Funds are an option and we believe the rotation into more value-oriented stocks that was witnessed during 2022 will continue.

From a ROME perspective, which is the primary valuation metric that drives our quantitative investment process, the average ROME of the top half of the S&P 500 (the cheapest 250 stocks) was approximately

8.6% as of 9/30/23. The average ROME of the bottom half of the S&P 500 (the most expensive 250 stocks) was approximately 1.7%. We view the 8.6% as generally a fair price to pay (bordering on inexpensive) for stocks in today's market, but the 1.7% to be extremely expensive. The cheap stocks are cheap and the expensive stocks are very expensive.

Additionally, the spread between the high and low ROMEs — that is, the valuation spread between the cheap and the expensive stocks — is wide thereby providing an attractive opportunity to distinguish between cheap and expensive stocks. Our conclusion is that while the stock market as a whole is not particularly attractive in light of current conditions, there is increasingly a group of extremely expensive stocks and an oasis of very reasonably priced (if not inexpensive) stocks providing an opportunity for both long-only, value-oriented investors and those investors interested in the arbitrage opportunity between these cheap and expensive stocks in a long-short/market-neutral fashion.

Commentary provided by Cognios Capital, who serves as the Sub-Adviser for AXS Market Neutral Fund and is not affiliated with AXS Investments. Past performance does not guarantee future results.



DEFINITIONS OF TERMS

Cyclically-Adjusted Price-to-Earnings ("CAPE") ratio is a valuation measure that uses real earnings per share over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle.

Return on Market Value of Equity (ROME) is a comparative valuation measure used to determine whether a particular stock price is more or less expensive than another stock price.

Return on Total Assets (ROTA) is an unlevered metric of a company's profits divided by its tangible assets.

Russell 1000 Index represents the 1,000 top companies by market capitalization in the US. The **Russell 1000 Growth Index** include firms whose share prices have higher price-to-book ratios and higher expected earnings growth rates, while the **Russell 1000 Value Index** includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

R-squared (R2) is a statistical measure expressed as the percentage of a fund's movements that can be explained by movements in a benchmark index.

S&P 500® Total Return Index is an index representing the investment return received each year, including dividends, when holding the S&P 500 index, a market-capitalization-weighted index of the 500 largest publicly traded companies in the U.S.

IMPORTANT RISK DISCLOSURE

Mutual funds involve risk including possible loss of principal. There is no assurance that the Fund will achieve its investment objective.

The value of the Fund's assets will fluctuate as the equity market fluctuates, although the beta-adjusted market neutral focus of the Fund should reduce the effect of general market fluctuations on the valuation of the Fund as a whole. Utilization of leverage, such as borrowings and shorting positions, involves certain risks to the Fund's shareholders, including potential for higher volatility of the net asset value ("NAV") of the Fund's shares and the relatively greater effect of portfolio holdings on the NAV of the shares. The Fund may not always be able to close out a short position on favorable terms. Short sales involve the risk that the Fund will incur a loss by subsequently buying a security at a higher price than the price at which it sold the security short.

Investors should carefully consider the investment objectives, risks, charges and expenses of AXS Market Value Fund. This and other important information about the Fund is contained in the Prospectus, which can be obtained by calling 833.AXS.ALTS (833.297.2587). The Prospectus should be read carefully before investing.

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