

AXS MARKET NEUTRAL FUND

Institutional: COGIX Investor: COGMX



Quarterly Overview



COGNIOS[®] CAPITAL

The AXS Market Neutral Fund lost 0.30% in the first quarter of 2021 and underperformed the Morningstar Market Neutral Index by 0.31%. The underperformance was due to a strong rally in companies that our model identified as poor quality, but that did exhibit attractive valuation. The Fund invests in high quality companies that trade at an attractive valuation relative to the broader market and sells short poor quality companies, which historically also trade at unattractive valuations. While the Fund underperformed during the last quarter, the Fund's long-term track record suggests that the methodology employed is superior over time.

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")** in order to identify 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 more likely that shares in the company can be purchased at a better valuation compared to a company with a lower ROME.

After a slow start to the year, equity markets finished higher in the first quarter of 2021. The S&P 500 gained 6.17% during the quarter, largely due to economic recovery and enormous amounts of fiscal and monetary stimulus. Valuation for the broad market continues to appear stretched; however, there were some developments that appeared interesting. The Russell 1000 Value Index meaningfully outperformed the Russell 1000 Growth Index during the quarter. The Russell 1000 Value Index gained 11.26%, while the Russell 1000 Growth Index could only muster a 0.94% gain.

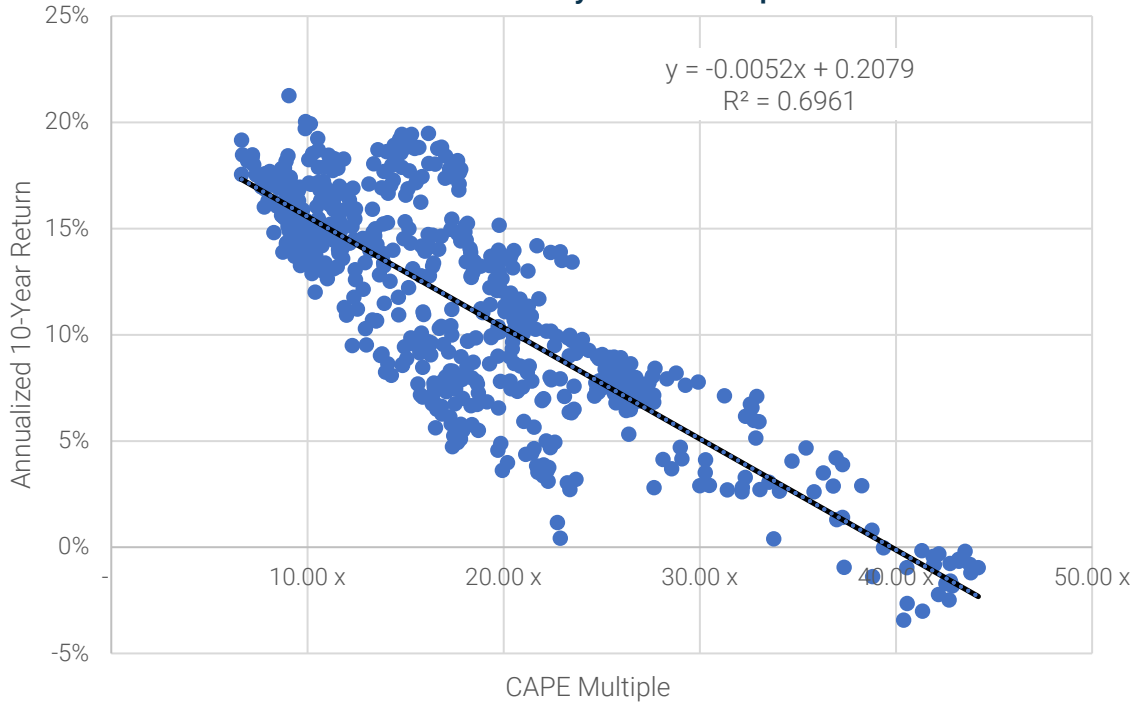
Fund Performance as of 3/31/2021

(%)	ANNUALIZED RETURNS					
	Q1 2021	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
COGIX	-0.30	-0.30	-2.65	-1.12	-0.69	2.42
COGMX	-0.31	-0.31	-2.80	-1.33	-0.92	2.18
Morningstar Market Neutral Category	2.50	2.50	4.71	0.05	0.79	0.89
S&P 500[®] Total Return Index	6.17	6.17	56.35	16.78	16.29	15.53

Fund inception date is 12/31/2012. The Gross/Net Expense Ratio for the Institutional Class is 4.44%/4.10% and for the Investor Class is 4.69%/4.35%. The Fund's investment advisor has contractually agreed to reduce its fees and/or absorb 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 March 5, 2023.

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

Annualized 10-Year Returns S&P 500 (TR) as a Function of Entry CAPE Multiple



Source: S&P Capital IQ, Robert J. Shiller: <http://www.econ.yale.edu/~shiller/>

VALUATIONS

Our favorite valuation indicator that we follow, the **Cyclically Adjusted Price-to-Earnings ("CAPE") Ratio** for the S&P 500, continues to expand. The chart above 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 for the S&P 500 was 35.19x as of 3/31/2021, up from 33.73X as of 12/31/2020.

Using CAPE multiple history as a guide, investors purchasing an S&P 500 Index fund today should not expect robust returns should they hold that fund for the next 10 years. According to the model, the annualized return for S&P 500 Index investors today could be 3% to 4% annualized over the next 10 years.

OUTLOOK

Fortunately, we still do see some areas of the stock market that provide opportunity. We believe value-based investment strategies are an option and the rotation into more value-oriented stocks that was witnessed in the first quarter 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 about 7.1% as of 3/31/21. The average ROME of the bottom half of the S&P 500 (the most expensive 250 stocks) was about 0.1% if we include companies with negative cash flow, and 2.3% when those companies are excluded.

Additionally, the spread between the high and low ROMEs – that is, the valuation spread between cheap and expensive stocks – still remains as wide as it has been over the last 10 years. Our conclusion is that while the stock market as a whole is expensive, there is increasingly a group of extremely expensive stocks and an oasis of very reasonably priced 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 measure used to identify companies that generate positive returns on book value and trade at otherwise low valuations.

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.

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.

Market Turbulence Resulting from COVID-19. The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

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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