

**AXS ALTERNATIVE VALUE FUND**

Institutional: COGVX Investor: COGLX



**Quarterly Overview**



**COGNIOS<sup>®</sup>  
CAPITAL**

The AXS Alternative Value Fund gained 8.73% in the first quarter of 2021 and underperformed the Russell 1000 Value Index by 2.53%. The underperformance was due to a strong rally in companies that our model identified as poor in quality, albeit trading at attractive valuations (i.e., Low ROTA, High ROME). In general, the Fund invests in high quality companies that trade at attractive valuations relative to the broader market (i.e., High ROTA, High ROME). While the Fund underperformed during the last quarter, the Fund's long-term track record suggests that the methodology employed generates attractive returns over time.

The Fund utilizes our proprietary *ROTA/ROME*<sup>®</sup> investment selection and portfolio construction process, 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 an economic recovery fueled by 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.



In the Morningstar large value category, based on risk-adjusted returns as of 3/31/2021, COGVX received an overall rating of 4 stars and a 3-year rating of 4 stars out of 1,138 funds. COGLX received an overall rating of 3 stars and a 3-year rating of 3 stars.

**Fund Performance as of 3/31/2021**

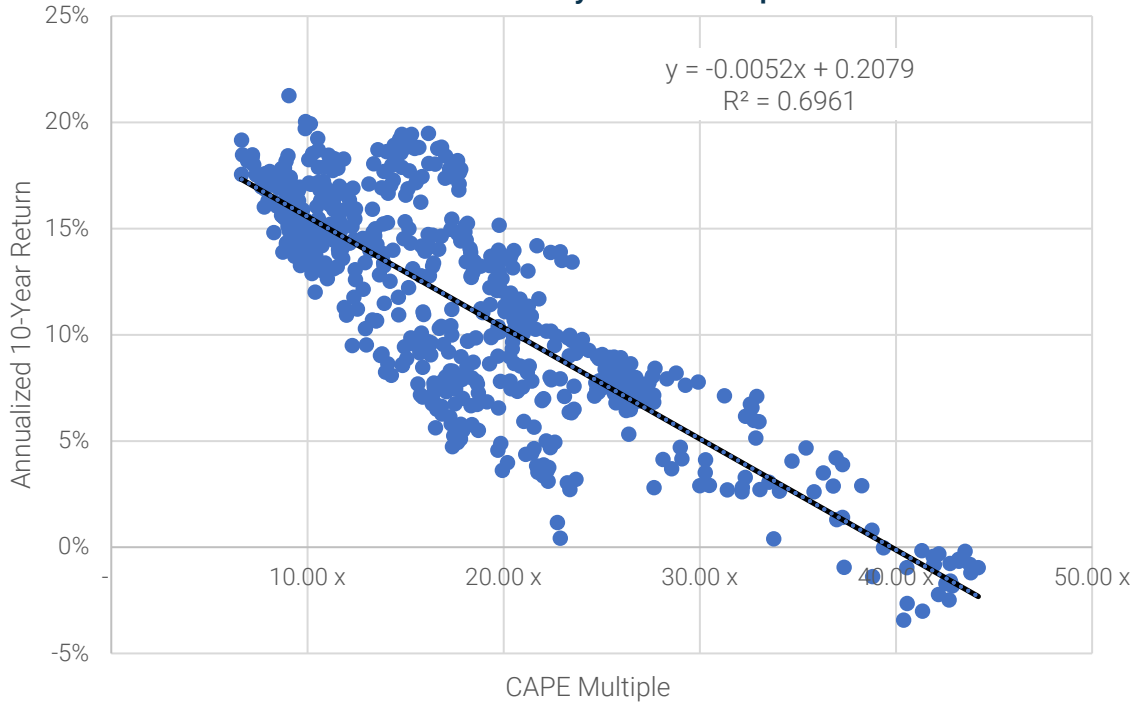
(%)	ANNUALIZED RETURNS				
	Q1 2021	YTD	1 YEAR	3 YEAR	SINCE INCEPTION
<b>COGVX</b>	8.73	8.73	63.68	13.60	13.24
<b>COGLX</b>	8.49	8.49	62.99	13.43	13.05
<b>S&amp;P 500<sup>®</sup> Total Return Index</b>	6.17	6.17	56.35	16.78	16.76
<b>Russell 1000 Value Index</b>	11.37	11.37	55.78	10.12	11.20

*Fund inception date is 10/3/2016. The Gross/Net Expense Ratio for the Institutional Class is 2.40%/1.77% and for the Investor Class is 2.65%/2.02%. 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 0.85% for Class I and 1.10% for Class A 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](http://www.axsinvestments.com).*

The Morningstar Rating<sup>™</sup> for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar Rating is for the I share classes; other classes may have different performance characteristics. © 2021 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

### 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

An interesting very long-term valuation indicator for the S&P 500 that we follow, the **Cyclically Adjusted Price-to-Earnings ("CAPE") Ratio**, continues to imply very low single-digit returns for the S&P 500 going forward, for the stock market as a whole. This conclusion is confirmed by the ROME of the S&P 500 as a whole of 3.6% as of 3/31/2021, which is low (that is, expensive) on an historical basis.

The CAPE Ratio to Future S&P 500 Returns chart above shows that the CAPE Ratio of the S&P 500 at the beginning of a period has been a useful guide in the past when estimating index returns over the following 10 years. As of 3/31/2021, the CAPE increased to 35.2x, up from an already very high level of 33.7x, which was discussed in the Q4 2020 commentary.

#### 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 Alternative Value 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.

## 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. Different investment styles tend to shift in and out of favor depending upon market and economic conditions, as well as investor sentiment. A fund may outperform or underperform other funds that employ a different investment style, and the stocks selected by the fund manager may not increase in value as predicted. Value investing is subject to the risk that the market will not recognize a security's inherent value for a long time or at all, or that a stock judged to be undervalued may actually be appropriately priced or overvalued. The prices of foreign securities may be more volatile than the prices of securities of U.S. issuers because of economic and social conditions abroad, political developments and changes in the regulatory environments of foreign countries.

**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 Alternative 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.*

Distributed by IMST Distributors, LLC, which is not affiliated with AXS.

