AXS ASTORIA INFLATION SENSITIVE ETF

TICKER: PPI

.

Quarterly Performance Overview

The AXS Astoria Inflation Sensitive ETF (PPI) returned 14.54% during Q1 2022, while its benchmark (70% MSCI All Country World Index, 20% Bloomberg Commodity Index, and 10% Bloomberg US TIPS 1-3 Y) Index returned 0.98%. The ETF was incepted on 12/30/2021.

The S&P 500 Index returned -4.60% during Q1 2022, and the MSCI All Country World Index fell -5.36%. Q1 saw a notable rotation into inflation sensitive assets. The Bloomberg Commodity Index was up 25.55%, the United States Oil Fund LP (USO) increased by 36.4%, and the Energy Select SPDR Fund (XLE) rose 39%.

Longer duration assets such as the growth heavy NASDAQ-100 Index fell 8.9% while the iShares 20+ Year Treasury Bond ETF (TLT) declined 10.6%. The bond market fell as interest rates rose with the Bloomberg Barclays US Aggregate Bond Index falling 5.9%. The yield on the US 10-year Treasury increased from 1.51% on 12/31/2021, to 2.32% on 3/31/2022, and the iShares iBoxx $ Investment Grade Corporate Bond ETF (LQD) was down 8.4%. The iShares MSCI Brazil ETF (EWZ) was up 34.7% and the Brazilian Real was the best performing Emerging Market currency, which was up 17.6% versus the US Dollar. The VIX index rose 19.4% in Q1 amidst concerns of higher inflation, tighter monetary policy, and the Russia-Ukraine conflict.

Higher inflation readings and rising interest rates were key drivers for the rotation out of growth stocks and into inflation sensitive assets. The CPI (Consumer Price Index) rose 7.9% year over year in February, in line with estimates and topping January’s increase of 7.5%. Month over month, February CPI rose by 0.8%, surpassing the expected 0.7% gain and above January’s 0.6% rise.

The PPI (Producer Price Index) rose 10% year over year in February, in line with consensus and up from January’s gain of 9.7%. Month over month, February PPI rose 0.8%, coming in softer than the expected 0.9% increase and below January's rise of 1%.

The Federal Reserve has been communicating an ever increasingly hawkish message since December 2021 as they attempt to rein in the highest inflation seen in the US since the early 1980s. This has led to a notable repricing in rate hike expectations. At the FOMC meeting on Wednesday, March 16th, the Fed raised short-term interest rates by a quarter of a percentage point. This was first interest rate hike since December 2018, and it is anticipated to be the first of many in 2022 as the committee indicated there would be additional hikes at each of the six remaining meetings this year. Given the tighter monetary policy the Fed has laid out, officials have estimated that the US will experience slower economic growth this year as rates increase and inflation remains elevated.

Yield spreads have fallen sharply in 2022 and parts of the curve have either already inverted or are close to inverting. Yield curve inversions are thought to be indicators of impending economic downturns. They also make operations of banks more challenging as they usually borrow at short-term rates and lend at long-term rates.

PERFORMANCE AS OF 3/31/2022

(%)	Q1 2022	YTD	SINCE INCEPTION
NAV	13.82	13.82	14.14
Market Price	14.54	14.54	14.82
Blended Benchmark*	0.98	0.98	0.88

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 visit www.axsinvestments.com or call 833.AXS.ALTS. One cannot invest in an index. Inception date is 12/30/2021.

** Benchmark represents 70% MSCI All Country World Index, 20% Bloomberg Commodity Total Return Index and 10% Bloomberg US TIPS 1-3 Year Index.*

PERFORMANCE ANALYSIS

Cyclicals

PPI’s positive performance was mostly driven by its stock selection process. Equities positively contributed to the lion share of the ETF’s returns while commodities contributed marginally. Meanwhile, our fixed income positions slightly detracted from the ETF’s return.

Below are the largest contributors and detractors to Fund performance from equities. Marathon Oil Corporation gained 53.44% for the period overall and accounted for 1.44% of the ETF’s performance.

LARGEST CONTRIBUTORS	Contribution
Marathon Oil Corporation	1.44%
APA Corp.	1.39%
Woodside Petroleum Ltd	1.29%
United States Steel Corporation	1.16%
Canadian Natural Resources Limited	1.08%

The largest detractor was Western Alliance Bancorp, which fell 22.78% for the period overall and detracted 0.59% of the ETF's performance.

LARGEST DETRACTORS	Contribution
Western Alliance Bancorp	-0.59%
iShares U.S. Home Construction ETF (ITB)	-0.49%
Builders FirstSource, Inc.	-0.43%
Sika AG	-0.41%
Jefferies Financial Group Inc.	-0.38%

Commodities

For the period, the Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF (PDBC) was up 25.46% for the period and contributed 0.68% to the ETF's performance. The Aberdeen Bloomberg All Commodity Strategy K-1 Free ETF (BCI) rose 24.92% and contributed 0.66% to the ETF return.

TIPS (Treasury Inflation-Protected Securities)

As interest rates rose, bond prices fell. TIPS were negatively impacted as both the Schwab US TIPS ETF (SCHP) and the Vanguard Short-Term Inflation-Protected Securities ETF (VTIP) were down for the period (-3.09% and -0.37%, respectively), negatively contributing to the ETF's performance (-0.10% and -0.01%, respectively).

PORTFOLIO CHANGES

On February 8, 2022, we swapped out of the Schwab US TIPS ETF (SCHP) and into the iShares 0-5 Year TIPS Bond ETF (STIP) as STIP has a lower duration which Astoria believes is a better fit for the current rising interest rate environment.

On March 21, 2022, we marginally reduced our Oil & Gas Production industry exposure by trimming Devon Energy Corporation, EOG Resources, Inc., and ConocoPhillips. With the proceeds from the sales, we increased the weightings of fundamentally attractive stocks already found within PPI among different sectors and industries. These stocks were Nucor Corporation, Steel Dynamics, Inc., Builders FirstSource, Inc., United States Steel Corporation, and Cleveland-Cliffs Inc.

On March 24, 2022, we swapped out of the iShares U.S. Home Construction ETF (ITB) and into gold via the SPDR Gold MiniShares Trust (GLDM). We think recession odds have marginally increased and wanted to further diversify our commodity exposure.

On March 29, 2022, we sold completely out of Sika AG and used the proceeds to purchase AGCO Corporation. Sika's quantitative ranking score fell significantly in March while AGCO ranked well. Our stock selection process will be reviewed again in June. As PPI is actively managed, we do reserve the right to adjust our holdings outside of our scheduled rebalancing if conditions warrant.

CURRENT AND PROSPECTIVE ECONOMIC OUTLOOK

Whereas 2021 was characterized by easy money, peak economic growth, and peak corporate profits, 2022 appears to be the opposite. Money is being taken out of the system, and the economy likely won't repeat the robust economic and earnings growth from last year.

We believe that the current weakness in the equity and bond market can be attributed to a growth scare and not a full-blown pending recession. Admittedly, we have seen pockets of acute weakness in sectors such as long dated nominal bonds, unprofitable technology, and hyper growth stocks. However, our base case is that this extreme weakness does not spread more broadly to all US equity sectors. **As demonstrated above, inflation sensitive assets avoided the acute weakness and relatively outperformed in Q1.**

Our view is that the Fed has been slow to react to the high growth of inflation and will lean on aggressive rate hikes to tame the stubbornly high levels of inflation. We estimate that the Fed Funds effective rate could reach as high as 3% before this tightening cycle is over. From our perch, despite a large year-to-date rally in inflation sensitive assets, such assets may still provide a level of portfolio protection and may have the potential to further benefit from higher levels of inflation. Inflation was notably lower over the past decade as interest rates fell and the overall cost of capital was cheap. Our view is that these dynamics spurred the growth of the technology sector which resulted in lower prices for goods and services and dampened inflation. Those forces are now working in reverse as interest rates and inflation are rising.

As a result of the deflationary forces over the past decade, inflation sensitive assets were largely ignored as capital was allocated to deflationary sectors such as technology, consumer staples, and utilities, as well as nominal bonds. These asset classes performed well on a risk-adjusted basis which enforced the concept of reflexivity. The better these asset classes performed, the more capital flowed into them. However, our view is that we are entering into a paradigm shift where interest rates are on the rise and could remain structurally higher in the years to come. Under this new paradigm shift, assets that performed well when the discount rate was low may not produce the same level of risk-adjusted performance as interest rates rise.

Many inflation sensitive assets are still trading at a discount compared to the broader US large-cap core index and growth indices. For instance, the S&P 500 Energy sector trades at an 11.5 Price-to-Earnings ratio based on 2022 estimates while the S&P 500 and NASDAQ1-00 index trade at a 20.2 and a 26.4 Price-to-Earnings ratio, respectively, based on 2022 estimates.

Admittedly, inflation sensitive assets have seen strong returns over the past 12-18 months. That does not imply that the upside is limited, but we acknowledge that the rate of change could slow in the future.

As the inflation outlook remains heightened, investors will likely be paying strong attention to March US CPI levels, which will be released on Tuesday, April 12th. Moreover, the next FOMC Meeting is scheduled for May 3rd – May 4th. Market participants will likely focus on the possibility of any inter-meeting rate hikes, which could cause heightened levels of volatility if unanticipated. The size of the next increase, whether the hike is 25bps or 50bps, is also likely to be debated by the market in the coming weeks.

We expect heightening volatility to be one of the main stories for the balance of 2022. There is a direct linkage between easy money and lower levels of volatility. This reflexive concept is apparent when looking at the size of the Fed balance sheet, equity prices and implied volatility.

Moreover, the spread between the 2-year US Treasury and the 10-year US Treasury is close to inverting. This has historically sent an ominous signal to the marketplace. What does this mean for overall portfolio construction? We believe broadly owning a portfolio of diversified sets of asset classes, as well as owning multiple factors, inflation hedges, and alternatives will be paramount in 2022.

In summary, we believe there are three notable risks that the economy faces: 1) the Fed is behind the curve 2) the Fed is looking to unwind its balance sheet at the same time it's hiking interest rates 3) inflation continues to remain high. Will the economy be able to withstand these risks without going into a recession? Only time will tell, and we plan on addressing these risks in our next quarterly commentary.

Commentary provided by Astoria Portfolio Advisors, who serves as the Sub-Adviser for AXS Astoria Inflation Sensitive ETF and is not affiliated with AXS Investments. As of the time of this publication, Astoria Portfolio Advisors held positions in SPY, XLE, QQQ, SPAB, and LQD on behalf of its clients for its sub-advisory business. Holdings are subject to change and should not be considered investment advice.

DEFINITIONS OF TERMS AND INDICES

Bloomberg Commodity Total Return Index (BCOM) is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM.

Bloomberg U.S. TIPS 1-3 Year (USD) Index measures the performance of the U.S. Treasury inflation-linked bond market.

CPI (Consumer Price Index) measures the average change in prices over time that consumers pay for a basket of goods and services.

ETF (exchange traded fund) is a type of security that tracks an index, sector, commodity, or other asset, but which can be purchased or sold on a stock exchange the same way a regular stock can.

Market Price is the current price at which shares are bought and sold. Market returns are based upon the last trade price.

MSCI All Country World Index (ACWI) is a stock index that tracks nearly 3,000 stocks in 48 developed and emerging market countries.

NAV (net asset value) is the dollar value of a single share, based on the value of the underlying assets of the fund minus its liabilities, divided by the number of shares outstanding. Calculated at the end of each business day.

PPI (Producer Price Index) is a group of indexes published by the Bureau of Labor Statistics that calculates and represents the average movement in selling prices from domestic production over time.

TIPS (Treasury Inflation-Protected Securities) is a Treasury bond that is indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money.

IMPORTANT RISK DISCLOSURE

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

There is no guarantee the sectors or asset classes the advisor identifies will benefit from inflation. Fund may invest a larger portion of its assets in one or more sectors than many other funds, and thus will be more susceptible to negative events affecting those sectors.

Equity Securities Risk: Equity securities may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase. Equity securities may decline significantly in price over short or extended periods of time, and such declines may occur in the equity market as a whole, or in only a particular country, company, industry or sector of the market.

Commodities Risk: Commodity prices can have significant volatility, and exposure to commodities can cause the value of the Fund's shares to decline or fluctuate in a rapid and unpredictable manner. The values of commodities may be affected by changes in overall market movements, real or perceived inflationary trends, commodity index volatility, changes in interest rates or currency exchange rates, population growth and changing demographics, international economic, political and regulatory developments, and factors affecting a particular region, industry or commodity.

Futures Contracts Risk: The Fund expects that certain of the Underlying ETFs in which it invests will utilize futures contracts for its commodities investments. The risk of a position in a futures contract may be very large compared to the relatively low level of margin the underlying ETF is required to deposit. In many cases, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investor relative to the size of a required margin deposit. The prices of futures contracts may not correlate perfectly with movements in the securities or index underlying them.

TIPS Risk: Principal payments for Treasury Inflation-Protection Securities are adjusted according to changes in the Consumer Price Index (CPI). While this may provide a hedge against inflation, the returns may be relatively lower than those of other securities. Similar to other issuers, changes to the financial condition or credit rating of the U.S. government may cause the value of the Fund's exposure to U.S. Treasury obligations to decline.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns. NAVs are calculated using prices as of 4:00 PM Eastern Time. The closing price is the midpoint between the bid and ask price as of the close of exchange. Closing price returns do not represent the returns you would receive if you traded shares at other times.

Investors should carefully consider the investment objectives, risks, charges and expenses of AXS Astoria Inflation Sensitive ETF. This and other important information about the Fund is contained in the Prospectus, which can be obtained by visiting www.axsinvestments.com. The Prospectus should be read carefully before investing.

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