AXS ASTORIA INFLATION SENSITIVE ETF

TICKER: PPI

Quarterly Performance Overview

The AXS Astoria Inflation Sensitive ETF (PPI) returned 7.41% during Q4 2023, while its benchmark (70% MSCI All Country World Index, 20% Bloomberg Commodity Index, and 10% Bloomberg US TIPS 1-3 Year) Index returned 7.00%.

RELEVANT INDICATORS

- The S&P 500 Index returned 11.69% during Q4 2023 and the MSCI All Country World Index gained 11.03%.
- While the Bloomberg Composite Crude Oil Index fell 15.39%, the S&P Energy Select Sector Index decreased by 6.35% and the Bloomberg Commodity Index was down 4.63%.
- Longer duration assets such as the growth heavy NASDAQ-100 Index was up 14.60% while the S&P U.S. Government Bond 20+ Year Index rose 13.36%.
- The bond market was up as interest rates declined with the Bloomberg US Aggregate Bond Index gaining 6.82%.
- The yield on the US 10-year Treasury decreased from 4.57% on 9/30/2023, to 3.88% on 12/31/2023, and the Bloomberg US Corporate Investment Grade Index was up 8.50%.
- The VIX Index fell 28.94% in Q4 amid declining inflation, increasing probabilities of a soft landing, and the Federal Reserve signaling rate cuts ahead.
- The CPI (Consumer Price Index) was up 3.1% year over year in November, printing in line with the consensus and down slightly from October's 3.2% increase. Month over month, November CPI rose by 0.1%, just exceeding the 0.0% forecast and increasing from the prior month's flat reading.
- Core CPI (excluding food and energy) rose 4.0% year over year in November, level with both the expectation and October's print. Month over month, the November figure was up 0.3%, matching the estimate and slightly upwards of the previous month's 0.2% gain.
- The Personal Consumption Expenditure Index (commonly referred to as "PCE") increased 2.6% year over year in November, softer than the 2.8% consensus and declining from October's 2.9% measure. Month over month, November PCE fell 0.1%, just below the 0.0% forecast and down from the prior month's flat reading.
- Core PCE (excluding food and energy) was up 3.2% year over year in November, cooler than the expected 3.4% and easing from October's 3.4% measure. The November number rose 0.1% month over month, shy of both the estimate and previous month's 0.2%.

FED ACTIONS

The Federal Reserve kept interest rates unchanged at the December FOMC meeting, leaving the fed funds rate at the 5.25–5.50% range. Despite the recent sharp fall in bond yields, Fed Chairman Jerome Powell did not contend with the idea of easing monetary policy in the near future.

More interestingly, he stated that the Fed discussed the timing of rate cuts, and their updated dot plot projections reveal that officials see 75 bps of cuts for 2024. Powell indicated that restrictive monetary policy is putting downward pressure on economic activity as seen by weakness in the housing market, less major borrowing by businesses, and slowing but still elevated wage growth. "Inflation has eased from its highs and this has come without the significant increase in unemployment. That's very good news," he said, suggesting that achieving a soft landing may be more plausible.

Calling to mind the dual mandate of the Fed, which is price stability and max employment, Powell expressed the Fed is at or near the point where both goals are important given the progress that has been made. Markets welcomed the dovish tone, and approximately six 25 bps rate cuts are priced in for 2024.

FUND PERFORMANCE AS OF 12/31/2023

(%)	3 MO	YTD	1 YR	SINCE INCEPTION
NAV	7.35	11.77	11.77	7.84
Market Price	7.41	11.32	11.32	7.66
Blended Benchmark[2]	7.00	14.05	14.05	0.97

The Total Annual Fund Operating Expenses for the Fund are 0.76%. The performance data quoted represents past performance and is not a 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 12/29/2021.

1 Since Inception returns are annualized.

2 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

The Fund produced a positive return for the quarter. Equities positively contributed to the lion's share of the ETF's return, and both commodities and our fixed income positions marginally increased the ETF's performance.

Equities

Below are the largest contributors and detractors to Fund performance from equities. Disco Corporation (3.93% of PPI as of 12/31/2023) gained 34.25% for the period overall and accounted for 1.04% of the ETF's performance.

LARGEST CONTRIBUTORS	Contribution	% of PPI
Disco Corporation	1.04%	3.93%
Builders FirstSource, Inc.	1.04%	3.81%
Rheinmetall AG	0.75%	3.79%
Fortescue Ltd	0.75%	2.20%
United Rentals, Inc.	0.72%	2.93%

The largest detractor was Inpex Corporation (2.88% of PPI as of 12/31/2023), which fell 8.93% for the period overall and detracted 0.31% of the ETF's performance.

LARGEST DETRACTORS	Contribution	% of PPI
Inpex Corporation	-0.31%	2.88%
Chevron Corporation	-0.29%	2.27%
Tourmaline Oil Corp.	-0.24%	2.26%
Valero Energy Corporation	-0.20%	2.30%
Nutrien Ltd.	-0.18%	1.95%

Commodities

For the period, the SPDR Gold MiniShares Trust (GLDM; 4.74% of PPI as of 12/31/2023) was up 11.59% and contributed 0.53% to the ETF's performance. Additionally, the Aberdeen Physical Precious Metals Basket Shares ETF (GLTR; 3.01% of PPI as of 12/31/2023) increased by 8.16%, adding 0.24% to the ETF's return.

Fixed Income

TIPS (Treasury Inflation-Protected Securities) produced positive returns as both the Schwab US TIPS ETF (SCHP; 2.45% of PPI as of 12/31/2023) and the iShares 0-5 Year TIPS Bond ETF (STIP; 3.66% of PPI as of 12/31/2023) were up for the period (+4.62% and +2.54%, respectively), positively contributing to the ETF's performance (adding 0.12% and 0.10%, respectively).

Current and Prospective Economic Outlook

1). The rate of change for future rate hikes has materially changed. The market is pricing in a higher probability of rate cuts compared to an incremental rate hike. This inherently translates into a new market cycle and hence a different portfolio construct.

2). The US earnings recession is now over. Year over year earnings growth for Q3 2023 was 4.9%, well ahead of the -0.3% estimate as of September 30, 2023. As the prior three quarters saw declines, this marks the first quarter of positive growth since Q3 2022.

3) Investors seem to have thrown in the towel on the recession call. Q3 2023 GDP printed a 4.9% handle per the final estimate. In fact, we had an economic expansion amid an earnings recession in 2023. This is quite rare.

Because of items 1, 2, and 3, investors should consider moving beyond T-Bills, rolling, and waiting an entire year to accrue approximately 5%. We believe this won't cut it in the new cycle. While those T-Bill yields were attractive, just remember there is an opportunity cost of missing out on larger potential equity gains/fixed income price appreciation if the underlying macro picture continues to improve in 2024. Moreover, investors should ask themselves if it's prudent to keep buying seven US stocks while ignoring the rest of the world. A broadening out of the market is likely to continue as we transition to a new cycle

We've had the fastest rate hiking cycle in nearly half a century, but we've had an economic expansion in 2023. Sure, it's possible that tightening effects materialize in 2024 and the US experiences worse than expected growth, or even negative growth. But what's going to happen to growth and inflation if the Fed cuts rates in the mid to later part of next year? Stocks are forward looking, and after two years of subdued returns for the average stock globally, it seems risks would be skewed towards the upside in this scenario.

We think six rate cuts is far too aggressive and is likely the market getting ahead of itself. With that said, even the potential end of Fed rate hikes is enough for stock market investors to cheer – see the 16.2% rally in the S&P 500 Index from the October 27, 2023 lows through December 29, 2023.

Markets typically trade on the margin, and the rate of change tends to drives risk assets. Stocks are discounting instruments and are rallying because six rate cuts are currently priced in for 2024, the US earnings recession is over, and the overall risk environment has materially improved.

While the profits recession may be over, corporates are not yet in the clear. With wage growth expected to decline and hiring to be sluggish, earnings and fundamentals may be of focus when it comes to selecting stocks. Stock-specific risk has increased in 2023, and we believe it should rise further in 2024 as macro variables become of less importance while corporate earnings take center stage.

The biggest risk we see is that lower rates shift back demand curves and re-ignite the inflation trade, leading to incremental rate hikes once again. This is a key reason why we are saying investors should always carry inflation protection.

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. Holdings are subject to change and should not be considered investment advice.

DEFINITIONS INDICES

One cannot invest directly in an index

Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

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

Bloomberg Composite Crude Oil Index, formerly known as Dow Jones-UBS Composite Crude Oil Subindex (DJUBSCR), the index is composed of futures contracts on WTI and Brent Crude Oil.

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

Bloomberg US Corporate Investment Grade Index measures the performance of the long-dated, investment grade U.S. corporate bond market. Only bonds that have a maturity of more than ten years are included. Securities must be fixed rate, U.S. dollar denominated, taxable and rated investment grade as defined by the Index methodology.

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

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

NASDAQ-100 Index is a basket of the 100 largest, most actively traded U.S companies listed on the Nasdaq stock exchange. The index includes companies from various industries except for the financial industry, like commercial and investment banks.

Producer Price Index (PPI) 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.

Personal Consumption Expenditure Index (PCE) is a measure of the prices that people pay for goods and services. The index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

S&P 500 Index is an unmanaged, capitalization-weighted index designed to measure the performance of the broad US economy through changes in the aggregate market value of 500 stocks representing all major industries.

S&P Energy Select Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

S&P U.S. Government Bond 20+ Year Index is designed to measure the performance of U.S. Treasury bonds maturing in 20 or more years.

VIX Index measures the market's expectation of future volatility and is based on options of the S&P 500 Index. It is used as a barometer for market uncertainty, providing market participants and observers with a measure of constant, 30-day expected volatility of the broad U.S. stock market.

DEFINITIONS OF TERMS

Basis points (bps) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market.

Closed-End Fund (CEF) is a type of mutual fund that issues a fixed number of shares through a single initial public offering to raise capital for its initial investments.

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.

FOMC (Federal Open Market Committee) refers to the branch of the Federal Reserve System that determines the direction of monetary policy in the United States by directing open market operations.

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

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.

Real Estate Investment Trust (REIT) is a company that owns, operates or finances income-generating real estate.

Sharpe Ratio is a risk-adjusted measure calculated using annualized standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance.

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.

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