EARLY ROUNDS IN THE INFLATION FIGHT
3 Reasons You May Not Have Missed the Trade

Is it too late for inflation-sensitive investing?

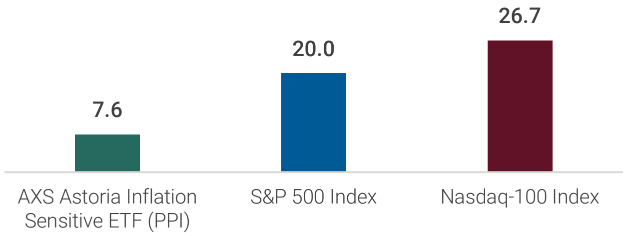
The Consumer Price Index (CPI) and Producer Price Index (PPI) hit staggering levels of 8.3% and 11%, respectively for the last 12 months as of April 2022. Some investors may think rates may have peaked and worry they missed the boat on the “inflation trade.” **Economic and market data tell a different story.**

Below are three indicators that inflation may persist for some time. We believe shoring up portfolios to hedge against, and even gain from, a rising price environment could be a smart move in 2022. We designed the **AXS Astoria Inflation Sensitive ETF (NYSEArca: PPI)** as a one-ticker strategy for diversified exposure to cyclicals, commodities and bonds that may help investors benefit from inflation.

#1 The Inflation Trade’s P/E Ratio Remains Low

Even with the equity market downturn, the Price-to-Earnings ratios for the S&P 500 and Nasdaq-100 indexes are still high around 20 and above. In contrast, the P/E for the AXS Astoria Inflation Sensitive ETF is at a relatively subdued 7.6. That means there is still ample room for appreciation among inflation-sensitive assets.

Price-to-Earnings Ratio



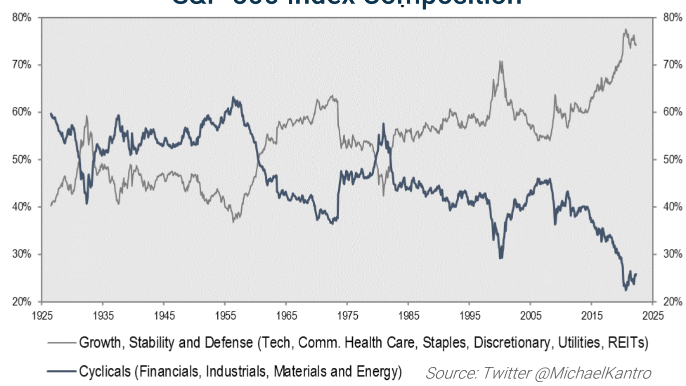
Source: FactSet, Vanguard. Data as of 5/31/2022.

#2 Cyclicals at 100-Year Lows

Within the S&P 500, cyclicals are at 100-year lows compared to growth stocks. See the huge dispersion in the chart to the right.

The PPI ETF invested 83% in cyclical stocks (48% US and 35% Non-US) as of 5/31/2022, giving investors access to companies with the potential to outperform in inflationary conditions.

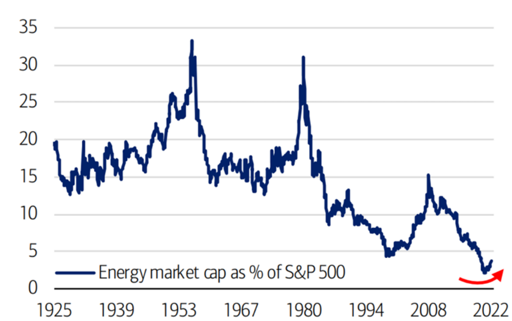
S&P 500 Index Composition



Source: Twitter @MichaelKantro

#3 Energy Underrepresented in S&P 500

Back in 2008, the energy sector filled 15% of the S&P 500 index. Since then, it has receded significantly, even as energy stocks have been some of the best assets to hold in 2022. Check out the energy weight in the S&P 500 Index (SPX). It was approximately 3.5% in the first quarter of 2022, while in the 1970s, it reached over 30%. Now with upward pressure on oil and gas prices sparked in part by the Russia-Ukraine war, energy prices will likely remain high. The PPI ETF held 36% in the energy sector as of 5/31/2022.



Source: SPX. Bank of America Research Investment Committee, Global Financial Data

BOTTOM LINE: We believe you haven’t missed the trade.

The inflation trade is not over when inflation peaks. Remember that the CPI was above 5% for 10 years in the 1970s. Unfortunately as consumers, it may be a while before we can declare this inflationary period over. As investors, we can take advantage of it now.

DESCRIPTIONS OF TERMS AND INDEXES

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.

Nasdaq-100 Index is a basket of the 100 largest, most actively traded U.S companies listed on the Nasdaq stock exchange.

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.

S&P 500 Index (SPX) is a market-capitalization-weighted index of the 500 largest publicly-traded U.S. companies. Also known as the Standard & Poor's 500 Index.

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.