



# CHANGE FINANCE

## 2023 Q4 COMMENTARY

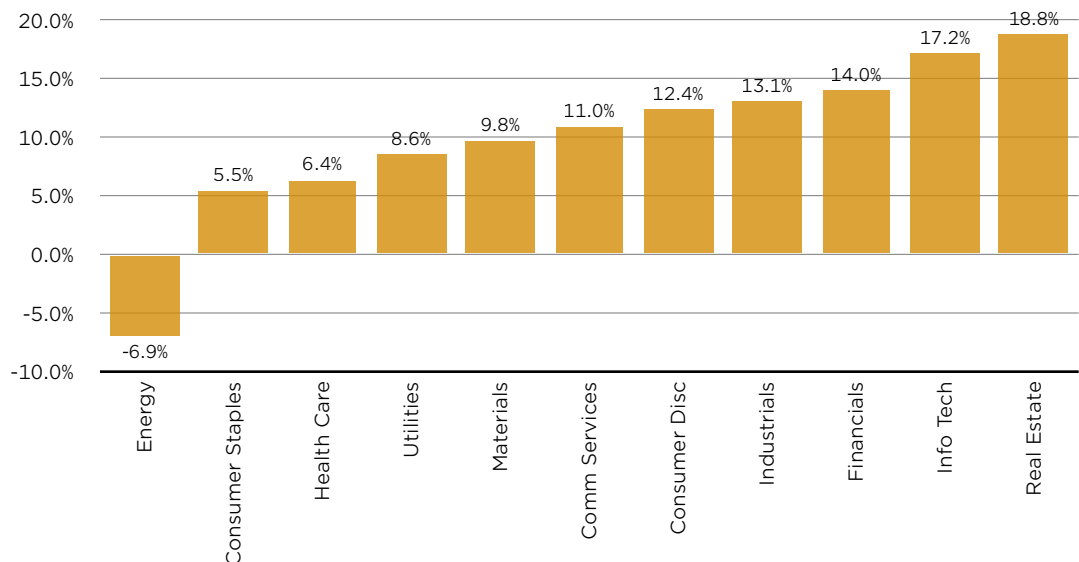


**ECONOMY & MARKETS:** 2023 started grimly, with declining stocks and bonds as interest rates rose. In a welcome reversal, the year ended positively, with the S&P 500 gaining 26.29%, its best annual return since 2021. This turnaround was largely due to the Federal Reserve's policy shift and improving economic indicators.

In Q4, the S&P 500 experienced a significant upturn, supported by a continuous decrease in the year-over-year Consumer Price Index, coupled with strong GDP growth in the third quarter, driven by consumer spending and inventory investment.

Equity capital markets saw increased activity in 2023, with a 70% rise in IPOs, follow-ons, blocks, and converts compared to 2022. This boost in Q4 was driven by slowing inflation and expectations of Fed rate cuts in 2024, setting an optimistic tone for the upcoming year

### Q4 Performance of US Sectors



\* SOURCE: S&P Dow Jones Indices LLC and/or its affiliates. Data as of December 30, 2023. Past performance is no guarantee of future results. You may not invest directly in an index.

PERFORMANCE	AVERAGE ANNUALIZED					
	Quarter	YTD	1 Year	3 Year	5 Year	Since Inception (10/9/17)
<b>CHGX NAV</b>	<b>13.29</b>	<b>23.69%</b>	<b>23.69%</b>	<b>5.91%</b>	<b>14.33%</b>	<b>11.34%</b>
<b>CHGX Market Price</b>	<b>13.29</b>	<b>23.75%</b>	<b>23.65%</b>	<b>5.88%</b>	<b>14.41%</b>	<b>11.33%</b>
<b>S&amp;P 500</b>	<b>11.69%</b>	<b>26.29%</b>	<b>26.29%</b>	<b>10.00%</b>	<b>15.69%</b>	<b>12.57%</b>

Expense Ratio: 0.49%

As of 12/30/23

**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 Fund adopted the performance of the Predecessor Fund following the Reorganization of the Predecessor Fund which occurred on March 21, 2022. The Predecessor Fund has substantially similar investment objectives, strategies and policies, portfolio management team and contractual arrangements, including the same contractual fees and expenses, as the Fund as of the date of the Reorganization. The quoted performance data includes the performance of the Prior Account for periods before the fund's registration became effective.**

**CHGX:** CHGX capped off 2023 with impressive performance, surpassing the benchmark. During the huge rise in the fourth quarter, CHGX posted a significant 13.49% return, a 1.79% margin over the S&P 500 index. This remarkable achievement was driven by strong performance in Consumer Discretionary, Consumer Staples, and Information Technology sectors. Notably, the energy sector, excluded from our portfolio, experienced a Q4 decline of 6.93% – losses our fossil-free strategy avoided. While CHGX underperformed the benchmark for the year, it generated positive returns of 24.29%.

Looking forward into 2024, we are encouraged to see that solar power is anticipated to be the leading source of growth in electricity generation in both 2024 and 2025. Energy demand is anticipated to rise at a much slower rate than in 2022 and 2023, potentially impacting supplies as U.S. production continues at a strong pace. And we are hopeful that the signs in Q4 of a soft landing come to fruition.

## IMPACT AND ADVOCACY:

As we turn the page on 2023, we're excited to share a sneak peek into our upcoming Impact & Advocacy Report. This document will serve as a powerful testament to our unwavering commitment as responsible stewards, wielding our influence to drive positive change within the ESG landscape.

Three Focus Areas:

**1. Privacy as a Priority:** We champion robust data protection measures, empowering individuals to reclaim control over their digital footprints. We envision a future where personal information is respected, not exploited – and that’s the path we’re actively paving.

**2. Political Transparency Under the Microscope:** We strive to hold our portfolio companies accountable by illuminating potential conflicts of interest through increased transparency in political donations. By advocating for responsible governance, we empower investors to align their portfolios with their values and ensure companies stay true to their own.

**3. Supply Chain Integrity:** In Q4, we initiated engagement with three portfolio companies to shed light on their supply chains and potential links to Uyghur forced labor. Integrity and ethical sourcing are pillars of our approach, and we remain resolute in holding our portfolio companies accountable when necessary.

This preview provides just a taste of the comprehensive report to come. It will showcase the full breadth of our initiatives and the collective impact we’re driving. Together, along with our collaborators, we’re building bridges of progress and generating a ripple effect of positive change that extends across the global landscape.

AXS CHANGE FINANCE ESG ETF	
Fossil Fuel Exposure	0%
Carbon Intensity	129% Lower than S&P 500**
Weapons Exposure	0%

As of 12/30/23

PORTFOLIO CARBON FOOTPRINT CO2 PER 1 MILLION INVESTED***	7.9 TONNES
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TOTAL CARBON SEQUESTERED\*\*\* **2,075**  
As of 12/18/23

\* SOURCE: Grassroots Carbon <https://buildgrassroots.com/>

\*\* SPY is used as a proxy for the S&P 500 because VettaFi does not calculate Carbon Intensity for indices.

\*\*\*Total Carbon Sequestered as part of Carbon Neutral Certification. Carbon Certification as of 12/18/2023. Portfolio Carbon Footprint is calculated as of the AUM of \$123,268,506 and represented



## SUSTAINABILITY & ESG:

Navigating the intricate world of Environmental, Social, and Governance (ESG) standards can be daunting. Investors and businesses grapple with varied metrics and frameworks, hindering their ability to make informed decisions. However, the beginning of a huge shift is imminent: with standardized ESG metrics legislation. This should start to reshape the landscape, paving the way for more transparent, comparable, and impactful assessments.

Investors stand to benefit immensely. Standardized metrics will decode some of the complexities of sustainable investments, allowing for clear comparisons and informed choices. This is crucial given the growing investor interest in sustainability and the demand for transparent data.

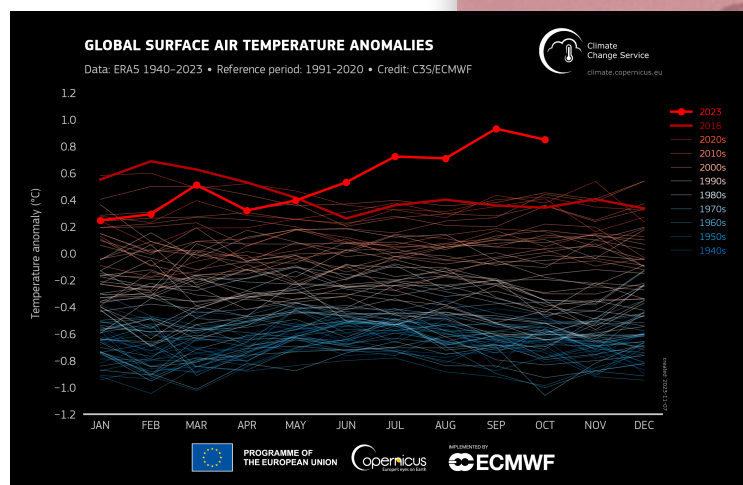
Businesses, too, will find some relief. Standardized metrics mean simplified reporting, reducing administrative burdens, and allowing a sharper focus on progress. Clear benchmarks built on these metrics can enhance a company's reputation and financial performance.

However, embracing simplicity requires acknowledging the risks. Oversimplification may mask nuances, potentially overlooking crucial ESG areas or hindering innovation. Standardization could be vulnerable to industry influence, such as lobbying, skewing metrics, and undermining progress.

So, the path forward demands a nuanced approach. We must embrace standardized metrics as a starting point, not a finish line. Careful attention to data granularity, inclusion of diverse voices, and robust safeguards against lobbying are crucial. Only then can we unlock the true power of ESG – not just through data clarity, but by fostering qualitative assessments and innovative solutions. We hope this will start the shift to build a future where responsible investments not only shine with measurable impact, but also contribute to a brighter, more sustainable tomorrow.

## LOOKING FORWARD:

The record-breaking heat of 2023 casts a long shadow on 2024. Climate predictions are beginning to shout the same warnings. It's time to move beyond whispers. We must act, and not just for the planet, but for our portfolios. Studies show that over the long term ESG investing can yield greater returns. ESG is data not politics. Change Finance exists to align profit and planet. Our fossil-free approach supports renewable energy and regenerative agriculture, not fast fossil fuel returns. Our planet isn't a gamble – it's the stage for our shared future. In 2024 we hope you make sure your investments play a role in its bright, sustainable next act. We think it is time for investors to take a closer look in their portfolios to ensure alignment with their goals. Invest in green, not in greed. 2024 is the year to turn whispers into action. Every choice you make toward sustainability is a standing ovation for a healthier Earth, which benefits us all.





## IMPORTANT RISK DISCLOSURE

**ETFs involve risk including possible loss of principal. There is no assurance that the Fund will achieve its investment objective. Fund holdings are subject to risk and should not be considered recommendations to buy or sell any security.**

The 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. **Market and Equity Risk:** The value and market price of an equity security may decline due to general market conditions that may or may not be specifically related to a particular company or industry. **Passive investment risk:** The Fund invests in securities included in the Index regardless of investment merit. It is not actively managed and generally will not attempt to take defensive positions in declining markets. **ESG Investing Risk:** The Fund's ESG policy could cause it to make or avoid investments that could result in the portfolio underperforming similar funds that do not have such policies. **Market Cap Risks:** Companies with larger capitalization may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion. The securities of mid-capitalization companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger, more established companies. **Real Estate Risk:** Investments in Real Estate Investment Trusts (REITs) involve risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments.

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 Change Finance ESG ETF. This and other important information about the Fund is contained in the Prospectus, which can be obtained by visiting [www.axsinvestments.com](http://www.axsinvestments.com). The Prospectus should be read carefully before investing.**

**Carbon Neutral Certification:** Ethos performs an independent analysis of a fund's carbon footprint and carbon credits (offsets) to verify whether the fund is carbon neutral during a specified period. The carbon footprint consists of verified Scope 1 and Scope 2 emissions of every holding of the fund. Ethos defines the carbon footprint of a fund as the total tons of Scope 1 and Scope 2 CO<sub>2</sub> emissions of its holdings multiplied by the fund's percentage ownership of those holdings. Percentage ownership is based on the market value of the fund's shares divided by the total market value of the holdings.

While Ethos researches and models Scope 3 emissions for every fund holding, the company does not consider Scope 3 for fund-level certification. This is due to limitations with Scope 3 data, including: lack of standardized reporting methodology by companies; low coverage of companies reporting Scope 3 emissions; and, likely overlap of Scope 3 emissions across company value chains.

As part of the Carbon Neutral Certification, Ethos requires funds to submit proof of purchase of carbon credits from a list of approved providers of carbon credits. When information is not available the following modeling formula used is: Expected emissions = peer-average carbon intensity (CO<sub>2</sub> per \$M revenue) \* \$M revenue calculated as AUM as of 6/30/23.

EthosESG audits this estimation and will address discrepancies should they arise. Emissions data is limited by the voluntary disclosure by individual companies and is not independently audited. Change Finance and EthosESG make every effort to ensure data is accurate but cannot guarantee absolute carbon neutrality.

**S&P 500 Index:** A market-capitalization-weighted index of the 500 largest publicly traded companies in the U.S.

**Carbon Sequestration:** Change Finance utilizes Grassroots Carbon to purchase Carbon Sequestration Credits for its Carbon Neutral Certification. Carbon sequestration numbers are updated quarterly and reflect carbon offset credits purchased year to date. Verity analyzes the funds carbon footprint quarterly and that analysis is used to purchase credits. Grassroots Carbon certifies and audits carbon capture by taking measurements performed by an unaffiliated third party based on actual 3 feet deep measurements conducted after rigorous stratification in accordance with Verra VMD0021. More information available from [buildgrassroots.com](http://buildgrassroots.com)

**Environmental, Social and Governance (ESG):** Environmental criteria considers how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

**Fossil Fuels Exposure:** Fossil Fuel Exposure is calculated at least quarterly by Fossil Free Funds and measures the percentage of a fund's net assets invested in companies which own, extract, process, or burn fossil fuels for electricity generation as determined by inclusion in the Carbon Underground 200; the Macroeconomy 30; Morningstar industry classifications Thermal Coal, Coking Coal, Oil and Gas Drilling, Oil and Gas Extraction, Oil and Gas Production, Oil and Gas Equipment and Services, Oil and Gas Integrated, Oil and Gas Midstream, Oil and Gas Refining and Marketing; the Global Coal Exit List marked as Mining or Services for the Coal Industry Sector or Power for the Coal Industry Sector; or the Global Oil/Gas Exit List upstream and midstream companies. More information available from [fossilfreefunds.com](http://fossilfreefunds.com)

**Carbon Intensity:** Carbon Intensity measures an ETF's exposure to carbon intensive companies. The figure is the sum of security weight (normalized for corporate positions only) multiplied by the security Carbon Intensity. Carbon Intensity measures a funds exposure to carbon intensive companies in terms of CO<sub>2</sub> emissions per \$ million in sales. Data provided by VettaFi, more information available from [etfdb.com](http://etfdb.com). SPY is used as a proxy for the S&P 500 because VettaFi does not calculate Carbon Intensity for indices.

**Weapon Exposure:** Weapon Exposure is calculated at least quarterly by Weapon Free Funds and Gun Free Funds and measures the percentage of a fund's net assets invested in companies that manufacture or sell civilian firearms, manufacture or service nuclear weapons, manufacture cluster munitions or land mines, or are among the 100 largest military contractors using data from the Stockholm International Peace Research Institute Arms Industry Database; PAX; and Gun Free Funds's lists of the largest firearms manufacturers and retailers. More information available from [weaponfreefunds.org](http://weaponfreefunds.org) and [gunfreefunds.org](http://gunfreefunds.org).

