February 2022 Market Commentary

STRATEGIES FOR TODAY'S MARKETS

AXS Investments manages an array of alternative strategies designed to help investors stay on track as economic and financial market conditions shift. Here we address three timely investment themes and strategies that may fit your needs.

Rising Inflation and Interest Rates – Impact on Energy, Financial & Value Stocks

The Fed pivoted in late November, finally admitting what everybody already knew: **inflation is not transitory**. Fed policy going forward is likely to be focused on fighting inflation. It is debatable how much of an impact they are going to have and how much market turmoil they are willing to tolerate as they raise rates.

Energy has been the top performing sector for the past 3, 6, and 12 months. It does not show any signs of slowing down, and we expect energy to still be a strong sector for 2022. **Financial** stocks tend to benefit from a rising rate environment. After a good start to the year, financial stocks struggled with the broader market, but they have recently restarted their uptrend. We see financials as second to energy among this year's leading sectors. **Value** stocks have been outperforming growth stocks. We would expect this to continue in a rising rate environment as valuations matter again.

Relevant strategy:

AXS Astoria Inflation Sensitive ETF (PPI)
Combines in a single ticker inflation-sensitive investments that mitigate inflation's harmful effects and investments that potentially benefit from rising prices. Fact Sheet

WHY PPI NOW?

- **Diversified inflation strategy:** Investors would benefit from allocating to inflation-sensitive assets. While historically investors allocated to single-asset class exposures -- such as commodities-only, TIPS-only and cyclical stocks-only investments -- the PPI ETF offers investors the single-ticker solution to allocate simultaneously to each of these asset classes. Together, these can hedge against the woes of inflation and also benefit in price-rising environments.
- **Energy, financial and value stocks:** PPI has significant overweights to energy (29.14%) and financials (21.93%), with significant exposure to the value factor.
- **We are in the cycle for cyclicals.** Cyclicals have the lowest exposure to the S&P 500 Index in nearly 100 years! PPI's actively managed allocation to inflation-sensitive cyclical stocks (currently at 85% of the portfolio) can be a desirable hedge against the growth/defensive bias in most multi-asset portfolios.

Increased Volatility

Volatility is the market driver *du jour*, as investors reacted to the post-FOMC comments from Powell, which were more hawkish than many investors anticipated. In digesting the latest FOMC view that "there's quite a bit of room to raise interest rates without threatening the labor market," investors braced for potentially more rate hikes, and each to a greater extent, than previously baked into investor considerations.

In addition to inflation and a possibly more aggressive Fed in raising rates in 2022 causing uncertainty and fear among investors, other factors driving a likely highly volatile February include the U.S. political environment (e.g., uncertainty surrounding the 2022 mid-term election cycle), increasing global geopolitical tensions (e.g., Russia's threat to Ukraine), and a potentially still overblown equity market (stocks still hovering near all-time highs).

Relevant strategies:

AXS Multi-Strategy Alternatives Fund (KCMTX)
A core alternative strategy that invests long and short across global asset classes to participate in equity market upside while cushioning portfolios in big S&P drawdowns. Fact Sheet

AXS Chesapeake Strategy Fund (EQCHX)
A long-term trend following strategy run by legendary investor Jerry Parker that invests in up to 100 global managed futures markets. Fact Sheet

Tradeable Bounce in Tech Stocks and Opportunities in Venture Capital

Technology stocks have been weak since the Fed pivot in late November. Currently they are at an extremely oversold level. Earnings for most of the major tech companies have been constructive. Sentiment in tech has shifted, at least for the time being. When the market has a bounce, which it should at some point, we believe it will be led by tech.

Despite the drop in publicly traded tech stocks, venture capital, the growth engine for lots of innovation, continues to be an explosive area for investing. Private company dealmaking eclipsed $1T worldwide in 2021 and set several new high-water marks. In the U.S. alone, $330 billion was invested across 17,054 deals. All this occurred despite numerous headwinds, including COVID, inflation, higher interest rates and a more challenging regulatory environment. We think VC is poised for another year of very strong gains.

Relevant strategy:

AXS Thomson Reuters Venture Capital Return Tracker Fund (LDVIX)
The only mutual fund designed to give investors exposure to venture capital returns in a daily liquid transparent vehicle. Fact Sheet

TAKE ACTION

Please visit www.axsinvestments.com for more details and literature. You may contact AXS Investments at info@axsinvestments.com or 833.AXS.ALTS to learn how to get started.

There are risks involved with investing including the possible loss of principal. Diversification does not guarantee investment returns or eliminate the risk of loss. Past performance does not guarantee future results.

Investors should carefully consider the investment objectives, risks, charges and expenses of AXS funds. 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.

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