

# AXS GREEN ALPHA ETF

TICKER: NXTE



## Quarterly Performance Overview

The AXS Green Alpha ETF (NXTE) seeks capital appreciation by investing in companies identified by Green Alpha Investments using its Next Economy Select investment methodology. This commentary reviews the methodology and performance over the last quarter.

### INVESTMENT PHILOSOPHY

Today's economy realizes its most significant growth from innovative, high-performing businesses that actively develop and expedite solutions addressing critical systemic issues such as the climate crisis, resource degradation, inequality and diseases. These companies represent the most promising investment opportunities for safeguarding and increasing clients' capital.

Green Alpha adheres to a straightforward philosophy: we actively seek out companies pioneering scalable and rapidly evolving, economically competitive solutions.

Our investments seek to de-risk the global economy (which in turn reduces clients' long-term investment risks) by focusing on sectors and industries growing faster than underlying GDP.



### Why Invest in the AXS Green Alpha ETF?

- Active research, stock selection and portfolio management
- Very low minimum purchase of 1 ETF share provides democratized access to institutional-quality investing
- Seeks long-term capital growth to preserve and grow purchasing power
- 45-65 global market-leading companies developing solutions to core economic and environmental risks

### Research

Across our portfolios, we seek companies meeting the following criteria:

- They offer products and/or services that mitigate the risk profile of the global economy by providing solutions to pressing economic and environmental challenges.
- Companies allocating a significant portion of revenue to R&D, CapEx, and possessing more IP than their peers.
- Those led by shareholder-aligned, effective, and diverse executive teams and BODs with a record of increasing revenues and expanding profit margins, which in turn drives earnings growth.
- Companies with prudent capital allocation priorities and strong balance sheets.
- Those with shares trading at attractive valuations relative to proven and anticipated growth prospects.

### Portfolio Construction

The objective is to seek long-term capital appreciation via investing in a diverse set of high-conviction, marketing-leading Next Economy™ companies that have competitive moats protecting and growing market share.

The AXS Green Alpha ETF's portfolio provides democratized, low-minimum investment access to institutional-quality, innovation-focused investing.

### FUND PERFORMANCE AS OF 3/31/2024

(%)	3 MO	YTD	1 YR	SINCE INCEPTION
NAV	0.21	0.21	4.15	7.16
Market Price	-0.33	-0.33	3.86	7.12
MSCI ACWI IMI	7.72	7.72	22.45	26.52

*Inception date is 9/27/2022. Total gross annual fund operating expense is 1.00%. 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).*

## Largest Positions

Below are the top 10 holdings in the AXS Green Alpha ETF as of 3/31/2024, followed by commentary on the largest.

COMPANY NAME	WEIGHT
Taiwan Semiconductor Manufacturing	7.70%
Applied Materials Inc	5.16%
ASML Holding NV	5.07%
CRISPR Therapeutics AG	5.00%
Vestas Wind Systems A/S	4.73%
International Business Machines Corp	4.54%
Lam Research Corp	4.47%
QUALCOMM Inc	3.71%
Infineon Technologies AG	2.57%
Digital Realty Trust Inc	2.55%
<b>Total Weight</b>	<b>45.51%</b>

*Holdings are subject to change at any time and are not a recommendation to buy or sell any security.*

### TAIWAN SEMICONDUCTOR

*Sector: Tech, Industry: Semiconductors*

- Taiwan Semiconductor Manufacturing Co (“TSMC”) is the world’s largest semiconductor foundry, providing advanced chip manufacturing and fabrication services to companies on a made-to-order basis. TSMC maintains a clear dominance where their specialized factories manufacture advanced custom chips for companies like Apple, NVIDIA, and Qualcomm.
- TSMC stands alone as the one foundry already operating at the 2nm node, the most advanced chip manufacturing process available anywhere in the world currently. No other competing fab comes close in leading-edge capability and capacity. Early adoption of pioneering techniques like extreme ultraviolet lithography (EUV) underpins this leadership.
- We believe that TSMC stands as the most important company in all of technology due to their vital role as an enabler to virtually every semiconductor innovator pushing the performance envelope—those firms critically depend on TSMC to transform their chip visions into scaled reality.
- Key to Innovation: Many of the world’s biggest tech companies rely on TSMC to turn their cutting-edge chip designs into reality. This makes TSMC an integral part of global technological innovation.
- With over 90% of advanced global foundry market share, an unparalleled focus on sustaining the most capable fab infrastructure, and customers heavily reliant on their new node introduction cadence, TSMC’s name goes nearly synonymous with “state of the art” among computing architects. Their operational prowess dominates the leading edge of possibility, and their work arguably underpins the entire modern economy.

### APPLIED MATERIALS

*Sector: Technology, Industry: Semiconductors*

- Applied Materials is a vital player in the global semiconductor supply chain, providing the manufacturing essential for creating the chips and displays that power our connected world.

- The company’s technology leadership and broad portfolio uniquely position them to capitalize on the growth of AI, cloud computing, and the expanding semiconductor market. Their solutions span chip fabrication, display production, and advanced materials engineering.
- They drive innovation with substantial R&D investments, resulting in a robust intellectual property portfolio of over 17,300 patents. This reinforces their competitive advantage and technological prowess.
- The company demonstrates a commitment to sustainability with its RE100 membership and progress towards 100% renewable energy use. As members of RE100, they are targeting 100% renewable energy use globally by 2030 (currently at 70+%), and in 2022 they reached their interim goal of 100% renewable energy use in the U.S.

### ASML HOLDING

*Sector: Technology, Industry: Semiconductors*

- ASML is the world’s only manufacturer of EUV lithography machines. These complex systems are absolutely essential for producing the most advanced semiconductor chips found in cutting-edge smartphones, AI systems, and high-performance computing.
- Extreme Precision Mirrors: The heart of an EUV system is a series of meticulously crafted mirrors that reflect and focus the extreme ultraviolet light. These mirrors are so smooth that if one was the size of Germany, the highest “bump” would be less than a millimeter tall!

### IBM

*Sector: Technology, Industry: Software & Tech Services*

- IBM is a global technology leader driving innovation to tackle the world’s most pressing challenges. After its strategic divestiture, the company focuses on areas with significant future growth potential.
- Hybrid Cloud: IBM offers advanced hybrid cloud solutions, including hardware, software, and services, empowering businesses to manage their complex IT environments across public, private, and on-premises clouds.
- AI & Automation: A pioneer in artificial intelligence, IBM’s Watson platform and other AI solutions optimize decision-making, improve customer experiences, and enhance operations across industries.
- Cybersecurity & Blockchain: IBM prioritizes data protection with leading-edge cybersecurity offerings. It also explores the transformative potential of blockchain technology for secure and transparent transactions.
- Quantum Computing: IBM is at the forefront of quantum innovation. Their IBM Quantum platform and Qiskit open-source SDK democratize access to quantum computing, driving exploration and discovery for researchers and businesses alike.
- Commitment to Progress: IBM believes its technologies will “exponentially alter the speed and scale” of problem-solving, aligning with its mission of accelerated discovery.
- Diversity & Inclusion Focus: While IBM still has room for improvement, the company demonstrates awareness and efforts through strong pay equity initiatives and female representation in several key senior leadership roles (23%). Importantly, both the management team and board of directors have a 20-year age spread.



## Macroeconomic Commentary

The first quarter of 2024 revealed a more-persistent-than-hoped picture of inflation. While showing significant deceleration compared to 2023 peaks, inflation rates remained stubbornly above central bank targets. This defied earlier expectations of a rapid return to price stability, forcing a retrenchment in interest rate expectations. The Federal Reserve, and its global counterparts, signaled that rates will likely stay higher for longer than previously anticipated. Stock markets, with their fixation on immediate, and even incorrect but narrative-promoted results, entered a realm of extreme short-termism. Share prices became increasingly volatile, exhibiting rapid reactions to the smallest shifts in inflation data or monetary policy announcements. The focus on short-term fluctuations often overshadowed longer-term trends during the period; therefore, overlooked potential growth opportunities.

Disruptive sectors like electric vehicles (EVs) and renewable energy faced misleading criticisms in Q1. Despite visible growth and advancements, narratives emerged suggesting a slowdown in EV demand and the failure of the renewable energy transition. These narratives circulated primarily among market commentators, who focused on short-term share price dips. This underscores a dangerous disconnect between on-the-ground business results and their corresponding stock performance.

### SOME KEY OBSERVATIONS AND THEMES FROM THE QUARTER

- **Resilient, but Weakening Consumer:** Consumer spending, a prime driver of the economy, showed signs of strain due to high prices and borrowing costs. Yet, household balance sheets remained strong, providing a buffer for consumption.
- **The Labor Market Paradox:** Job reports continued to defy expectations with low unemployment and robust job growth. This, however, increased wages and contributed to the sticky inflation. It raised concerns about a potential wage-price spiral.
- **Geopolitical Volatility:** Renewed geopolitical tensions impacted energy prices and global supply chains, creating further hurdles for policymakers trying to tame inflation.

### EVS AND THE GREEN TRANSITION: A REALITY CHECK

The skepticism directed towards EVs and renewable energy in Q1 stems from a misunderstanding of long-term transformational trends. While short-term fluctuations in demand or input costs exist, the broader trajectory remains undeniably clear:

- **EV Adoption is Accelerating:** Sales of EVs continued their upward trend. Major automakers ramped up production to meet demand. Charging infrastructure steadily expanded, further driving adoption. China's leading EV makers are producing compelling cars at extremely competitive prices relative to internal combustion engine automobiles.
- **Renewable Energy Installations are Soaring:** Deployment of wind and solar grew significantly, driven by falling costs and favorable policy support. Storage technologies continued to improve, addressing intermittent supply concerns.

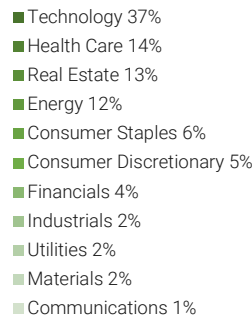
## THE STOCK MARKET DISCONNECT

The negative narratives around promising sectors contrasted starkly with their business fundamentals. Many EV manufacturers reported record production and sales in Q1, with strong growth projections. Renewable energy companies announced major capacity expansions. This performance was decoupled from stock valuations, suggesting that the market remains fixated on immediate returns, missing the potential of future growth.

## CONCLUSION

Q1 2024 demonstrated that taming inflation would be a more arduous task than many had hoped. It also highlighted a market environment where short-term noise reigns, threatening to overshadow promising long-term economic shifts. Discerning investors can navigate this landscape by grounding their decisions on verifiable data—as opposed to on narrative—and a recognition of the transformational forces at play in the global economy.

## NXTE Sectors



## BEST PERFORMING SECTORS

The strategy's best performing sectors were Technology and Consumer Staples

**Technology** was by far the best performing sector, led by semiconductors, primarily upstream manufacturing equipment and foundry services, followed by technology services. Mobile communications hardware and components also contributed. These gains were partially offset by losses from a leader in silicon carbide semiconductors, consumer electronics security related software.

In **Consumer Staples**, gains were led by consumer retailers and products, including natural and organic food and beverage makers, and the retail locations that distribute them. This is a relatively small exposure set for the portfolio, with approximately 4% weighting in the quarter, so its appearance as second most contributing sector can primarily be attributed to strong stock selection.

## DETRACTING SECTORS

The sectors detracting the most from the strategy's returns were Energy and Consumer Discretionary

Within the **Energy Sector**, underperformance versus the benchmark was the result of the portfolio's overweight exposure to renewable energy—specifically wind turbine manufacturing, solar PV manufacturing, U.S.-based residential solar installation, energy storage, and many balance-of-systems providers such as inverter makers, and cabling and distributed system providers. With the renewable energy landscape, the only bright spot in Q1 was exposure



to a pure-play Chinese polysilicon supplier. Interestingly, the business results for many renewable energy companies were quite strong in the quarter, revealing a continuing disconnect between markets and reality, which we believe is the result of a prevailing negative news narrative.

In **Consumer Discretionary**, the underperforming stocks were virtually all associated with electric and/or autonomous vehicles and advanced batteries. Here again, these industries overall showed continuing growth and demand profiles, but the prevailing narrative has inappropriately spooked investors. EV market share gains are continuing to advance. From an all-time high of 20% market share globally in 2023, Q1 saw EV sales around the world accelerate further, with most EV makers posting double-digit year-on-year sales gains from Q1 2023 to Q1 2024. In a Consumer Discretionary bright spot, losses from EVs were partially offset by gains in sustainable home and office flooring products.

## Next Economy Select

### CHARACTERISTICS

- **Highest conviction stocks, two investment vehicles:** democratizing access to leading Next Economy companies via a mutual fund and separately managed accounts, providing clients of all shapes and sizes with institutional-quality options

- **Fundamentals-driven:** the underlying quality of companies and the price paid for their shares are key drivers of LT returns
  - **High growth:** indicated by Sales Growth, and a decrease from Current P/E to Forward P/E as revenue and earnings grow
  - **Compelling valuation:** demonstrated by Price/Sales and Price/Book metrics relative to growth expectations
  - **Strong balance sheet and management execution:** conveyed by capital stewardship, LT Debt/Equity, and Current Ratio
- **Fossil fuel free since inception:** we have never invested in companies that prospect, extract, refine or transport fossil fuels, nor in fossil-fired utilities or internal combustion engine manufacturers
- **Diversified – we seek solutions wherever we can find them:** across the globe, in companies of all sizes, and every industry
- **Public equities, long-only:** most investors' largest asset class; largest opportunity for impact

*Commentary provided by Green Alpha Investments, who serves as the Sub-Adviser for AXS Green Alpha ETF and is not affiliated with AXS Investments*

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

### IMPORTANT RISK DISCLOSURE

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

**Environmental Investing Risk:** The universe of acceptable investments for the Fund may be limited due to the Sub-Advisor's proprietary research process, which may affect the Fund's exposure to certain companies or industries and may adversely impact the Fund's performance.

**Small-Cap and Mid-Cap Company Risk:** The securities of small- and 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 or market averages in general.

**Foreign Investment Risk:** The prices of foreign securities may be more volatile than the prices of securities of U.S. issuers because of economic and social conditions abroad, political developments and changes in the regulatory environments of foreign countries.

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 Green Alpha ETF. 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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