

AXS GREEN ALPHA ETF

TICKER: NXTE



Green Alpha[®] INVESTMENTS

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

The greatest growth drivers of today's economy are high-functioning, inventive companies creating and accelerating solutions to system-level risks—the climate crisis, resource degradation, widening inequality, and human disease burdens. Those companies are our best investment opportunity to preserve and grow clients' capital.

Green Alpha's philosophy is simple: seek enterprises creating scalable and rapidly evolving, economically-competitive solutions, rigorously evaluate their fundamentals, and acquire them at reasonable valuations.

Our investments seek to de-risk the global economy (which in turn reduces clients' long-term investment risks) while striving to grow 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:

- With products and/or services lowering the global economy's risk profile by creating solutions to our most pressing economic and environmental risks
- Committing more capital to R&D and owning more intellectual property than their peers
- Run by effective, diverse executive teams and boards of directors with track records of increasing revenues and expanding margins, leading to earnings growth
- Exhibiting sound financial fundamentals
- Trading at compelling valuations relative to proven and anticipated growth, within acceptable levels of risk

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 3/31/2023

(%)	3 MO	YTD	SINCE INCEPTION
NAV	9.16	9.16	5.62
Market Price	9.25	9.25	6.80
MSCI ACWI IMI	6.95	6.95	16.40

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.

Largest Positions

Below are the top 10 holdings in the AXS Green Alpha ETF as of 3/31/2023, followed by commentary on the five largest.

COMPANY NAME	WEIGHT
Taiwan Semiconductor Manufacturing Co Ltd	5.21%
Vestas Wind Systems A/S	4.99%
Applied Materials Inc	4.17%
Brookfield Renewable Corp	4.02%
Moderna Inc	3.61%
ASML Holding NV	3.43%
International Business Machines Corp	3.33%
CRISPR Therapeutics AG	3.20%
Infineon Technologies AG	3.03%
Lam Research Corp	3.00%
Total Weight	38.00%

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 Company Limited (TSMC) is a Taiwanese multinational semiconductor contract manufacturing and design company. It is the world's most valuable semiconductor company, the world's largest dedicated independent (pure-play) semiconductor foundry.
- TSMC is a contract manufacturer, which means that it does not design or sell its own chips. Instead, it manufactures chips for other companies, including Apple, Qualcomm, and NVIDIA. TSMC's customers include some of the world's largest technology companies, and the company's chips are used in a wide range of products, including smartphones, computers, and cars.
- TSMC is by far the largest semiconductor foundry in the world with 54% market share overall and 92%+ market share of the world's most advanced chips. It is one of two companies capable of producing advanced 3-nanometer tech, and ahead on the next generation as it prepares to produce 2-nanometer chips in 2023.
- The company relies solely on internally generated funds to finance organic growth, capacity expansion, and R&D; it only invests in practical growth, never engaging in share buybacks.
- The company features strong fundamentals, including a fortress-like balance sheet and outstandingly high credit ratings.
- Their new Arizona plant will make advanced 3-and-5-nanometer transistors. The factory is expected to be operational by 2024, and it will be TSMC's first fab in the United States.
- TSMC's executive team includes several women in positions of high authority, including the President of TSMC Europe.

VESTAS WIND SYSTEMS

Sector: Energy, Industry: Renewable Energy

- A front runner in the global energy transition, Vestas is the world's most advanced wind turbine manufacturer, and the global leader in onshore, offshore, and grid-connected

installations. Vestas is also a leading service contract provider, furnishing the company with meaningful higher-margin recurring revenue.

- Vestas' order backlog is over 50 billion Euros and service order backlog is over 5 billion Euros. New order intake has accelerated into 2023, with 3.022 GW in new orders in Q1 alone, and the service segment continues to gain momentum.
- They have 141+ GW under service contracts, with 125+ GW located offshore. The average service contract duration is 10 years, providing a long runway of revenue transparency.
- Key goals are carbon neutral operations – without use of carbon offsets—by 2030 and zero-waste wind turbines by 2040.
- Vestas' board is comprised of five women (42%). Of the 12 members, eight were elected by shareholders and four were elected by Denmark-based employees. Women serve on all committees and comprise half of the Nomination & Compensation Committee.

APPLIED MATERIALS

Sector: Technology, Industry: Semiconductors

- Applied Materials is an American corporation that supplies equipment, services, and software for the manufacture of semiconductor chips for electronics, flat panel displays for computers, smartphones, televisions, and solar products.
- They are a leading supplier of semiconductor manufacturing equipment, and its products are used by some of the world's largest semiconductor companies, including Intel, Samsung, and TSMC. Their equipment is used in the fabrication of integrated circuits, which are the building blocks of electronic devices. AMAT is a global leader in materials-engineering solutions used to produce virtually every new chip and all advanced displays worldwide.
- The company has a strong intellectual property portfolio, with over 57,000 patents granted or pending worldwide. The company's patents cover a wide range of technologies, including semiconductor manufacturing, flat panel display manufacturing, and solar cell manufacturing.
- Applied Materials is targeting 100% renewable energy use by 2030, with an interim goal of 100% renewable energy use in the U.S. by the end of fiscal 2022.
- Their board of directors is comprised 30% of women, including the chairs of the Audit Committee and the Governance and Nominating Committee.

BROOKFIELD RENEWABLE

Sector: Utilities, Industry: Electric Utilities

- Brookfield Renewable is a leading renewable power company that owns and operates a portfolio of solar, wind, and hydroelectric power generation and storage facilities in North America, South America, Europe, and Asia.
- Brookfield is one of the largest renewable power companies in the world, with a portfolio of over 24,000 megawatts of generating capacity. The company's mission is to provide sustainable energy solutions that help people and businesses thrive. They are committed to developing and operating renewable energy projects that are environmentally responsible, socially beneficial, and economically viable.
- Brookfield is conservatively managed, continually looking for acquisitions at favorable prices and organic development to grow generation capacity, and has revenues largely backed by long-term power purchase agreements (PPAs). Brookfield is



inflation resilient and may benefit from an inflationary environment, because their generating costs are fixed but their PPAs are indexed to inflation.

- Women comprise 30% of board directors (including the Audit Committee Chair), 25% of overall workforce, and 26% of the exec team. The exec team has a robustly above-average age spread of 48 years, as does the board at 38 years.

MODERNA

Sector: Health Care, Industry: Biotech & Pharma

- Moderna is a biotechnology company specializing in developing messenger RNA (mRNA) therapeutics and vaccines.
- Their mRNA technology platform is designed to enable the development of personalized cancer vaccines, as well as vaccines against infectious diseases such as COVID-19, influenza, HIV, CMV, and Zika. Unlike traditional vaccines, which use weakened or inactivated forms of viruses to stimulate an immune response, mRNA vaccines work by instructing cells to produce a specific protein that triggers an immune response against the targeted virus.
- Moderna is not just pioneering new medicines, but new categories of medicines, potentially transforming the field of medicine overall.
- The Q4 2022 announcement of a partnership with Merck to develop personalized cancer vaccines is a positive indication of a potential forward revenue driver. In addition, Moderna is running 31 development programs, including 26 in the clinic, showing both broad and deep product potential.
- Moderna's executive team exhibits good diversity, with four female Chief-level officers making up 39% of the group. In addition, the board includes three women, two of whom chair the Audit and Product Development Committees.

Macroeconomic Commentary

In the first quarter of 2023, the global economy continued to be characterized by the key challenges of 2022, including the ongoing COVID-19 pandemic, the war in Ukraine, rising inflation, and interest rate hikes. These challenges have had a significant impact on economic growth, trade, and investment, which has led to continued high market volatility.

For Green Alpha strategies, January 2023 provided double-digit performance gains as some of the above-listed concerns seemed to be easing, and then tougher markets in February and March as some issues seemed to reassert themselves, capped off by a positive rally at quarter-end as markets reverted to a more January-like dynamic. And yet, in context, inflation, interest rate concerns, and even geopolitical conflicts have historically been short-to-medium term sources of market volatility. As always, we endeavor to think about the longer term, and position our portfolios to preserve and grow our clients' purchasing power over multi-cycle periods.

And yes, the global economy is also facing long-term challenges, such as the climate crisis, inequality, and technological change. These challenges will require governments, businesses, and individuals to work together to find solutions, and, in overcoming them, the world will make significant—it is not an exaggeration to say unprecedented—investments in the best of these solutions. The patient, forward-looking investor therefore stands to benefit. To illustrate, let's look at a couple of sectors that saw big changes in Q1.

CAREFULLY NAVIGATING TECH'S RAPIDLY EVOLVING LANDSCAPE

The way we understand the tech economy is changing dramatically. Large language models (LLM) are exponentially improving, seemingly by the week, and traditional search and ad serving businesses are looking less like the indefinite cash cows that they did just last year. The codes for these models are improving so fast, in part, because the models themselves are becoming partially self-recursive in that they produce content not only in natural language but in code itself, meaning software engineers now have very capable "co-pilots" to help them develop the next LLM iteration faster than the last (this is part of why we don't buy the general argument that productivity gains have flatlined). Ultimately, these models will be capable of generating ever-improving versions of themselves without direct human intervention and will be limited only by the capabilities of their underlying hardware.

Speaking of which, we can't let this subject pass without acknowledging a key vulnerability to the global economy: utter dependence on the Taiwan Semiconductor Manufacturing Company (TSMC). According to recent reporting in Wired, TSMC is home to "the world's biggest logic chip manufacturing capacity and produces, by one analysis, a staggering 92 percent of the world's most avant-garde chips...Perhaps more to the point, TSMC makes a third of all the world's silicon chips, notably the ones in iPhones and Macs. Every six months, just one of TSMC's 13 foundries—the redoubtable Fab 18 in Tainan—carves and etches a quintillion transistors for Apple. In the form of these miniature masterpieces, which sit atop microchips, the semiconductor industry churns out more objects in a year than have ever been produced in all the other factories in all the other industries in the history of the world." Unfortunately, this stunning and so far, singular capability resides on one island whose government believes it is a sovereign nation, but that is also claimed as territory by China.

Let's face facts: the wonders we see from the LLMs don't occur in isolation. OpenAI, Microsoft, Google, Nvidia, Apple, and many more tech titans are utterly dependent on this one island with its N-of-One capabilities. The complex code that gives us ChatGPT and its kin have been made possible by the technological achievements at TSMC that brings forth the hardware capable of running these monster programs.

To run ChatGPT and others, Microsoft Azure says they leverage up to "thousands of NVIDIA H100 GPUs interconnected by NVIDIA Quantum-2 InfiniBand networking," all made at TSMC. We're not big on fossil fuel analogies here at Green Alpha but imagine a world where Saudi Arabia has 92% of the world's oil reserves and is at the same time struggling to maintain its independence from a determined world superpower. This overwhelming dependency on TSMC means the world's economy is far more vulnerable to disruption than is generally assumed, and of course also means that TSMC is a significant holding in many Green Alpha investment strategies. Challenge and opportunity, hand-in-hand, as always.

VOLATILITY IS UNLOCKING OPPORTUNITIES: INVESTING IN REITS

Tech isn't the only place where the challenge/opportunity dynamic exists. We can also see it in the more prosaic field of real estate. Real Estate Investment Trusts (REITs) have had a tough time in 2022 and Q1 2023 in the face of unprecedented Federal Reserve rate hikes and the ongoing phenomenon of work-from-home catalyzed by COVID-19. This pair of headwinds has caused even some of the highest quality REITs to be down more than 70% in the trailing year at the end of Q1 '23, and, clearly with some justification. Looking more closely, though, we can see that not all REITs are, by any means, equal. While many mid-tier and lower quality office REITs are reporting occupancy levels not much better than 50%, the highest quality office REITs, with AAA



space, great sustainability profiles, and in desirable markets, are more than 90% occupied with relatively strong lease pricing power.

Moreover, specialty REITs like those providing lab space for biotechnology are actively growing. The predilection of traders and algorithms to bid down the entire sector is basically a scorched earth approach that has resulted in some amazing value opportunities among the gems in the space. Benefitting from these low entry points requires patience, but is not, in our opinion, particularly risky for the long-term investor. It's all about waiting for markets to appreciate that not all REITs are created equal, and the quality names have been oversold. Meanwhile, REITs compensate us for this patience with returns in the form of a dividend while we wait. This approach isn't new in investing, it is a straightforward example of time-arbitrage; while we can't be sure if it is or is not too soon to enter the highest-quality REIT space, we know for sure it is not too late. At some point, it will be.

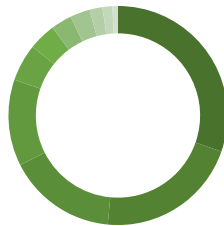
REMAIN FOCUSED

Tech and REIT stocks are not often particularly correlated. As we've seen, they have very different dynamics, dependencies, and fundamentals; holding both is generally considered wise diversification. And yet, we have seen the global leaders in both industries lose share price value recently, even sometimes when their business results were good and improving.

The best thing an investor can do in volatile environments like these is maintain thesis conviction and convert the nearer term challenges into long-term opportunities via a carefully curated basket of securities. Near-term challenges create volatility, long-term challenges show us where to look for growth.

Sectors

- Technology 30%
- Energy 21%
- Health Care 16%
- Real Estate 13%
- Consumer Discretionary 5%
- Utilities 4%
- Industrials 3%
- Consumer Staples 3%
- Financials 2%
- Communications 1%
- Materials 1%



BEST PERFORMING SECTORS

The strategy's best performing sectors were Technology and Energy.

Within **Technology**, the semiconductor value chain contributed the most to returns, including gains from front-end capital equipment makers, chip designers, and foundry manufacturing. Catalysts for Semis in the quarter included early implementation of the CHIPS Act, growing recognition of the importance of semis to the global economy, and multiple announcements related to expansion of global production capacity. Within the technology hardware industry, communications equipment contributed modest gains. Gains were also provided by exposure to security software.

In the **Energy** sector, returns were derived from renewable energy equipment, with solar equipment representing the lion's share of upside contribution. Specifically, the world's leading thin-film solar PV maker had an outstanding quarter, as it announced benefits from the Inflation Reduction Act ("IRA"), and capacity expansion plans. Other renewable contributions were from traditional C-Si PV makers. From wind energy, America's leading advanced composite materials maker for turbine blades also contributed positively.

DETRACTING SECTORS

The sectors detracting the most from the strategy's returns in the quarter were Real Estate and Financials.

Within **Real Estate**, losses in office Real Estate Investment Trusts ("REITs") were partially offset by gains in data center REITs and a renewable energy/efficiency financing REIT. Office REITs were under pressure given the interest rate environment and the narrative around work-from-home. However, we believe the highest-quality office REITs have been oversold vs. industry peers, and currently present attractive long-term buying opportunities.

In **Financials**, the strategy benefited from lack of exposure to banking, outperforming the benchmark significantly in this sector. The Financials exposure in the strategy is related to an innovation-oriented venture debt financing firm, which effectively had unchanged performance for the quarter.

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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