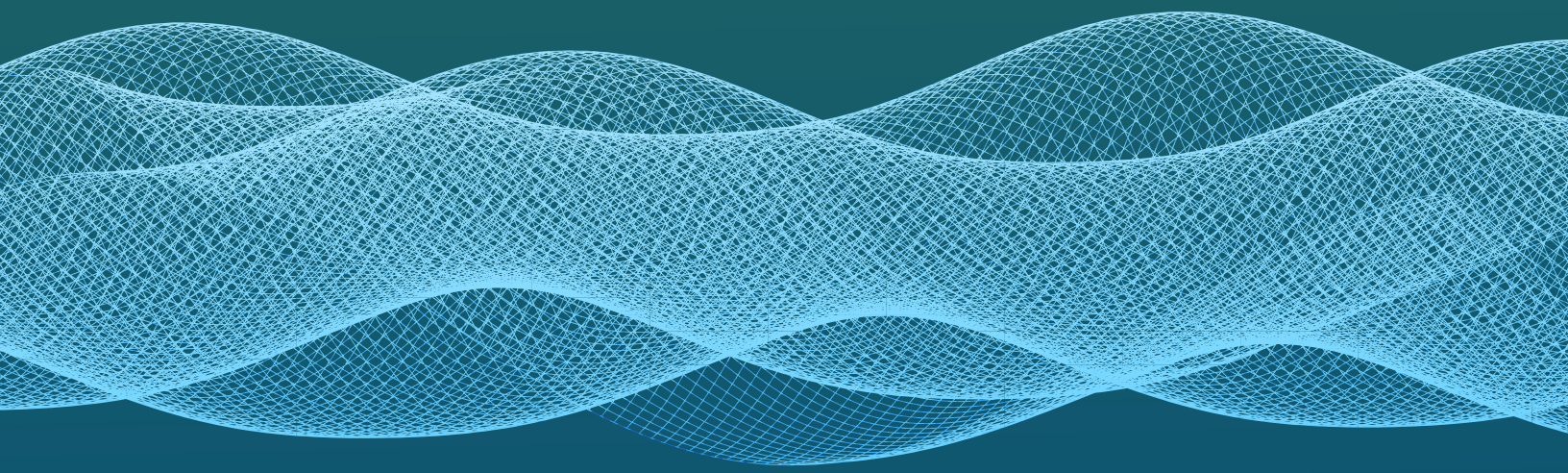
5 Ways to

Fight Inflation with ETFs

BUILDING A RESILIENT PORTFOLIO



John Davi

Portfolio Manager, AXS Astoria Inflation Sensitive ETF (PPI)

A PORTFOLIO TOOLKIT

When investing, risk is ever present but in different forms

Sometimes it's volatility, other times a bear market and other times a recession. Today, **inflation** has reasserted itself as a key risk and concern for investors. How can you seek to hedge your portfolio from inflation? Or even benefit from inflation?

In this guide, we will explore various ways to potentially hedge your portfolio with user-friendly, cost-effective and tax-efficient ETFs for inflationary times. Our exploration will cover a broad range of options, as well as their strengths and potential risks.

John Davi

Portfolio Manager, AXS Astoria Inflation Sensitive ETF (PPI)

Mr. Davi is the CEO, CIO and Founder of Astoria Portfolio Advisors, a leading investment management firm and ETF Strategist, specializing in research driven, multi-asset ETF and thematic equity portfolio construction. He is an award-winning research strategist and has over 20 years of experience as an ETF industry leader and innovator.

axs INVESTMENTS

Spikeflation or Persistent Inflation: Time to Restructure Your Portfolio?

What is Inflation?

Inflation is the persistent increase in the general price level of goods and services in the economy. As prices rise, the purchasing power of your money declines. You need more money to buy the same goods and services. Your money buys fewer goods and services than before. Our experience at the gas pump is illustrative. In 1989, a gallon of gasoline cost $1. Today, it costs more than $4.[1]

Inflation silently erodes the value of hard-earned cash and capital, income and savings. Due to its corrosive effects, inflation can provoke a keen response. One American president even called inflation "public enemy number one" in a historic speech before Congress.[2]

As an advisor or investor, it's crucial to understand inflation and its implications. In this chapter, we will delve into the concept of inflation, and why it poses a challenge for investors. Additionally, we'll highlight how Exchange Traded Funds (ETFs) can offer a diverse range of strategies to help against inflation's effects.

Inflation: A Problem for Investors

Inflation presents a significant challenge for investors because it erodes the real value of their investments. When the rate of return on investments fails to outpace the inflation rate, the purchasing power of the investment declines over time. Investors may find that what seemed like a sizable nest egg years ago may not be adequate to maintain their standard of living in the face of rising prices.

Investment returns must outpace inflation to achieve real growth. When inflation accelerates, investors require higher returns just to maintain their purchasing power, which may be difficult to achieve. Without real returns, inflation undermines the value of investor savings and future income.

It's crucial to understand inflation and its implications. You must understand the different challenges posed by the two key types of inflation	TWO KEY TYPES OF INFLATION	
	1 SHORT-TERM INFLATION SHOCKS	2 LONG-TERM PERSISTENT INFLATION

We will explore how these inflationary forces can negatively impact your portfolio and discuss the need for inflation strategies to achieve long-term investment success.

1. Short-Term: Inflation Shocks and Surprises – "Spikeflation"

Short-term inflation shocks, also known as "spikeflation," refer to sudden and unexpected increases in inflation that catch investors and economies off guard. These spikes can create uncertainty, financial market volatility and economic dislocation. Catalysts include supply chain disruptions, geopolitical events or other unforeseen factors. These sudden increases may also trigger a sharp drop in financial asset values as investors adjust their expectations.

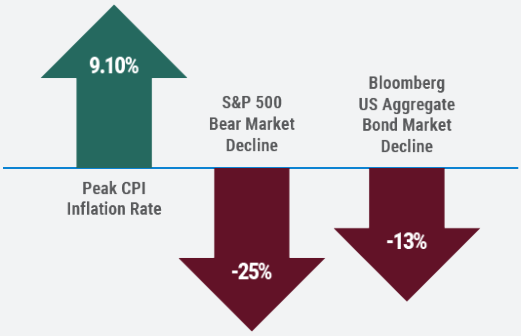
"Spikeflation" can also negatively impact economic activity, disrupting consumer and business activity and investment, typically compelling policymakers and government to intervene. Interventions may include raising interest rates in an effort to tame inflation, which can cause further economic dislocation.

Including inflation-sensitive assets in a portfolio may serve as a hedge against future "spikeflation." A diversified approach is prudent, as the responsiveness and effectiveness of inflation hedges will vary across time periods.

1. Carly Hallman, "Gas Prices Through History," TitleMax.
2. Presenting to the 93rd Congress on October 8, 1974, Gerald Ford declared inflation to be "public enemy number one." Congress established the National Commission on Inflation.

"SPIKEFLATION" AND FINANCIAL MARKET DECLINES

Over the past 50 years, the U.S. witnessed a number of inflation spikes[3] despite a downtrend in inflation from 1982 to 2020. Financial market declines accompanied many of these spikes.

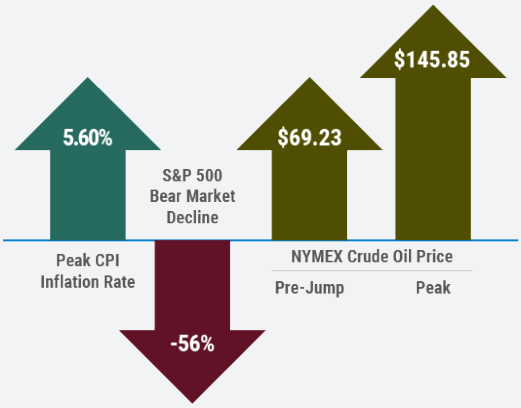


2022: POST-COVID

In 2022, the U.S. witnessed a peak inflation rate of 9.10%, the highest level in over 40 years. The inflation spike was driven by pandemic-related dynamics, from supply chain disruptions to fiscal and monetary stimulus by governments worldwide to stop a COVID-driven recession.

The result: a double-digit decline for stocks and bonds.

Source: US Inflation Calculator, Forbes.com, Creative Planning/Bilello Blog

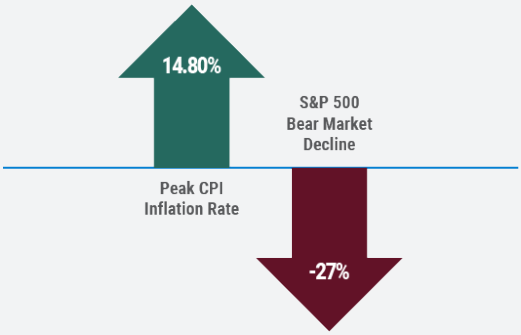


2008: OIL PRICE SKYROCKETS

In 2008, the CPI rose above 5 percent for two months due to skyrocketing gas prices. The price of a barrel of oil doubled from $69.23 to $145.85 compared to a year earlier. This inflation spike may have contributed to the equity market decline of the Great Financial Crisis.

The ensuing recession reversed the energy price rise.

Source: US Inflation Calculator, Forbes.com, New York Times

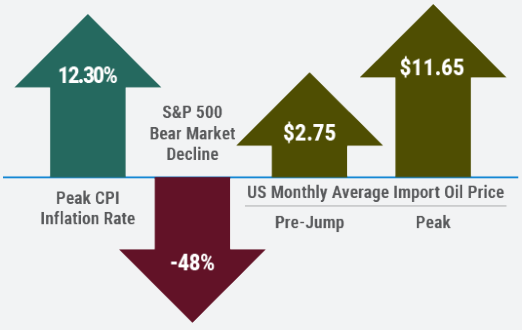


1980 TO 1982: THE BATTLE AGAINST THE GREAT INFLATION

Persistent inflation was the dominant force in the U.S. economy from 1965 to 1982. When Paul Volker became Chairman of the U.S. Federal Reserve in 1979, year-over-year inflation peaked at 14.80%. U.S. equities fell 27% as Volker raised rates repeatedly to fight double-digit inflation. A recession and bear market ensued. The Dow Jones Industrial Average posted a low of 776.92 in August 1982.

A long period of sustained growth and subdued inflation followed.

Source: US Inflation Calculator, Forbes.com



1973 TO 1974: OPEC OIL EMBARGO

With the first OPEC oil embargo, the price of oil quadrupled at the end of 1973, and inflation more than doubled from under 6% in 1973 to over 12% in 1974. A dollar currency crisis precipitated by the end of the gold standard and political turmoil were additional inflation drivers. A bear market in equities spread worldwide and the Dow Jones Industrial Average fell 48%.

Another oil price shock followed in 1978 and 1979.

Source: US Inflation Calculator, Forbes.com, Federal Reserve Bank of Chicago, Federal Reserve History

The S&P 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the US. The Bloomberg US Aggregate Bond Index is a broad bond market index that measures the performance of US investment grade fixed income securities. The NYMEX Crude Oil Price represents the average price of futures contracts for crude oil on the New York Mercantile Exchange. The US Monthly Average Import Oil price is an average of oil prices published by the US Federal Reserve. Investors cannot invest directly in indexes or averages.

3. Chair Cecilia Rouse, Jeffery Zhang and Ernie Tedeschi, "Historical Parallels to Today's Inflationary Episode," The White House Counsel of Economic Advisors, July 6, 2021.

2. Long-Term: Persistent Inflation

With long-term persistent inflation, inflation isn't a surprise, it's an ongoing phenomenon, persistently eroding purchasing power. Money saved today becomes less valuable tomorrow.

Persistent inflation, a sustained increase in inflation over an extended period, can be driven by various factors. Drivers include lax monetary policy and excessive money supply growth, as well as sustained fiscal stimulus. Raw material shortages can elevate commodity prices. Labor costs can steadily rise, as workers seek higher wages to meet future price increases. Structural changes in consumer demand and supply dynamics can further fuel inflation. Even the expectation of inflation can drive inflation! Contributing factors to persistent inflation are many, which is why inflation can become entrenched and resistant to policymakers' attempts at relief.

Persistent inflation steadily erodes the value of money. While less shocking than "spikeflation," this type of inflation can have a profound impact on investment portfolios, especially for retirees or any other investor with a long time horizon.

Persistent inflation may make certain asset classes less or more attractive. For example, conventional fixed income securities may suffer, as inflation decreases the purchasing power of future cash flows. In contrast, real assets may benefit, as investments like commodities may increase in value.

Inflation Protection, Long-Term Investment Success and ETFs

To achieve long-term investment success, investors need to buttress their portfolios from the effects of inflation. Being prepared is half the battle won.

Exchange Traded Funds (ETFs) can play an important role, offering a broad range of strategies to mitigate or even profit from inflation. ETFs have become increasingly popular among investors for their diversification, low costs, tax advantages and ease of trading.

Investors can consider multiple types of ETFs when constructing an inflation-resilient portfolio. These ETFs represent a broad array of asset classes and investment strategies, each with a different approach, risk/return characteristics and sensitivity to inflation.

In this guide, we will explore 5 key types of inflation-sensitive ETFs. We will conclude with asset allocation "how to" illustrations showing how to use these ETFs to help you better balance your portfolio. We will also present the key investment risks every ETF investor should know.

5 KEY ETF CATEGORIES FOR INFLATION RESILIENCE

1. Inflation-Sensitive Equity ETFs	2. Commodity ETFs	3. Gold and Precious Metal ETPs	4. Treasury Inflation-Linked Bonds ETFs	5. Multi-Asset Inflation ETFs
Equities have achieved long-term rates of return above inflation, demonstrating their effectiveness in preserving purchasing power. Some equity sectors have been more effective as an inflation hedge.	Historically, commodity prices have risen with inflation, and different commodities exhibit varying levels of inflation sensitivity Commodity-based ETFs provide efficient access to this asset class.	Since ancient times, gold and precious metals have been considered an enduring store of value. Exchange Traded products now offer a popular and user-friendly way to access these assets.	TIPS ETFs invest in bonds whose principal and interest payments adjust with inflation, providing a hedge against rising prices.	Multiple assets are needed to effectively hedge against inflation. Multi-asset inflation ETFs provide an all-in-one strategy for investors seeking to hedge against inflation risk or profit from inflation.

6 KEY INFLATION STATISTICS DECODED

A variety of statistics and economic indicators help investors track and understand inflation. The acronyms have become part of our financial language. What does each acronym mean? Which ones matter? Understanding these statistics is essential to making informed investment decisions.

Published by the Bureau of Labor Statistics (BLS), a division of the U.S. Department of Labor.

"Headline" CPI: Consumer Price Index	Measures the overall change in prices for a representative basket of goods and services, including food and energy. Most widely used inflation index. Also known as "headline" CPI. Based on 80,000 prices collected monthly.[4]
Core CPI: Core Consumer Price Index, excluding Food and Energy	Excludes the volatile food and energy components of the CPI to provide a more stable inflation measure.
CPI-U: Urban Consumer CPI	Version of CPI selected by the US Treasury to calculate the inflation adjustment for TIPS: non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers.
PPI: Producer Price Index	Measures changes in wholesale prices, reflecting cost pressures for manufacturers and producers.

Published by the Bureau of Economic Analysis (BEA), a division of the U.S. Department of Commerce.

PCE: Personal Consumption Expenditures Price Index	Measures spending on goods and services in the U.S. The PCE captures changes in prices as well as consumer behavior. A preferred inflation measure for the Federal Reserve.
GDP Deflator: Gross Domestic Product Price Deflator	Measures the average change in the prices of all goods and services produced in the U.S. Includes exports but not imports. Used by some firms to adjust contract payments.

4. "Consumer Price Index Frequently Asked Questions," U.S. Bureau of Labor Statistics, retrieved August 3, 2023.

CHAPTER II

Stocks as an Inflation Hedge

In this chapter, we will explore the role of stocks as an inflation hedge and which equity ETFs to consider when building an inflation-sensitive portfolio. Equities have historically demonstrated their ability to outperform inflation over the long term. We will discuss which types of stocks have tended to outperform during inflationary periods and which ones do not. Additionally, we'll explore the benefits of considering international stocks and highlight some equity ETFs that can be valuable components of your inflation-sensitive portfolio.

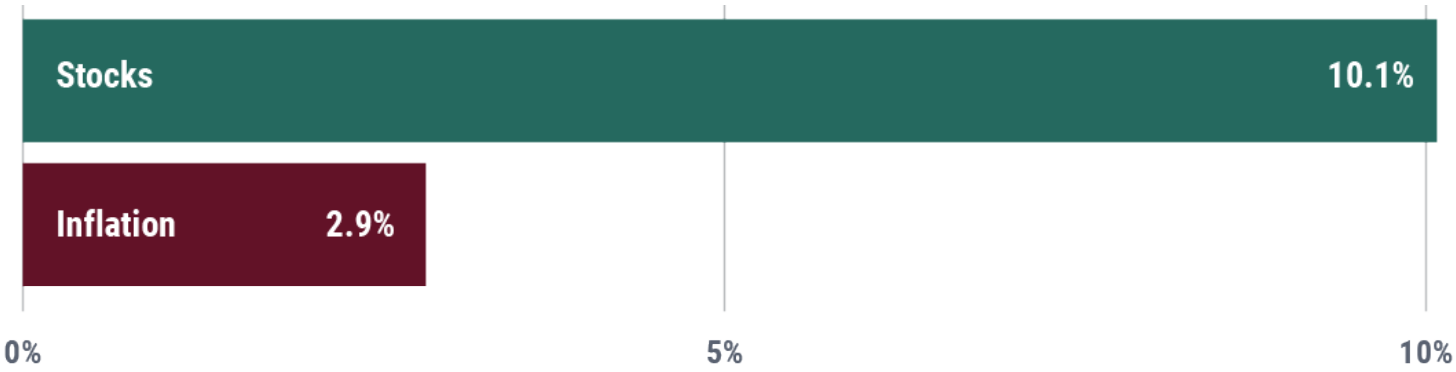
Long-Term Outperformance of Equities vs. Inflation

Historically, U.S. equities have outperformed inflation over extended periods. Despite short-term fluctuations, the stock market's overall trajectory has surpassed the inflation rate, making stocks an attractive asset class for investors seeking to preserve the real value of their investments.

Examining shorter time periods, equities are most likely to outperform when inflation is below 3%, according to one study. During periods of high inflation, stocks outperformed inflation approximately half of the time—a coin toss.[5]

STOCKS BEAT INFLATION FOR THE LONG TERM

Compound Annual Returns 1926-2022



Source: Morningstar, Financial Fitness Group, Ibbotson SBBI, "Stocks, Bonds, Bills and Inflation 1926-2022", 2023

For illustrative purposes only and not indicative of any investment. Large stocks are represented by the Ibbotson Large Company Stock Index. Inflation is represented by the Consumer Price Index. Underlying data is from the Stocks, Bonds, Bills, and Inflation® (SBBI®) Yearbook, by Roger G. Ibbotson and Rex Sinquefield, updated annually. An investment cannot be made directly in an index. Past performance is no guarantee of future results. Data assumes reinvestment of all income and does not account for taxes or transaction costs. The average return represents a compound annual return. Stocks are not guaranteed and have been more volatile than the other asset classes. ©2023 Morningstar, Inc.

Understanding the Potential of Stocks as an Inflation Hedge

Stocks have the potential to exhibit resilience during inflationary environments. As businesses adjust their prices to keep pace with rising costs, corporate earnings can increase, leading to potential stock price appreciation. Stocks can serve as an inflation hedge for multiple reasons:

EARNINGS GROWTH POTENTIAL:

Inflation can lead to increased prices, which may boost a company's revenues and profits.

Certain sectors, such as energy and materials, benefit directly from rising prices, contributing to potential earnings growth.

REAL ASSETS AND TANGIBLE VALUE:

Stocks represent ownership in real companies with tangible assets and value.

As the value of these assets rises with inflation, the underlying stocks can reflect this appreciation.

CORPORATE RESPONSIVENESS AND FLEXIBILITY:

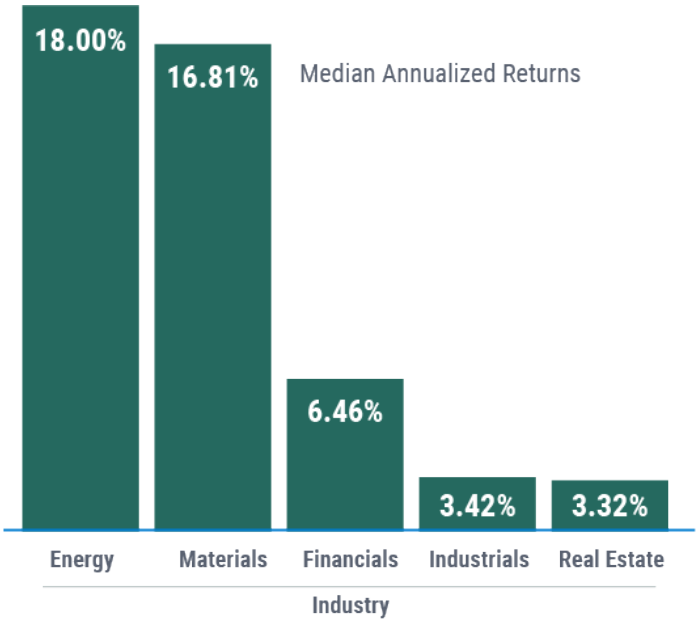
By owning stocks, investors are shareholders in companies that can respond to inflationary pressures by adjusting their business strategies and operations.

This flexibility can lead to increased resilience during inflationary periods for certain industries and firms.

5. Duncan Lamont, CFA, "Which Equity Sectors Can Combat Higher Inflation?" Hartford Funds, 2023.

WINNING U.S. EQUITY SECTORS DURING INFLATION SPIKES

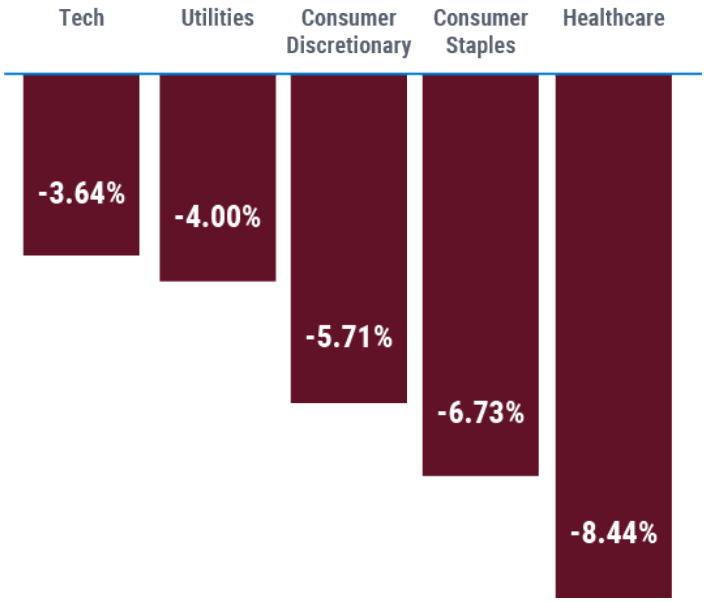
March 1973-May 1975, April 1978-September 1980, February 2021-March 2022



Source: Wall Street Journal, Derek Horstmeyer, George Washington University

LOSING U.S. EQUITY SECTORS DURING INFLATION SPIKES

March 1973-May 1975, April 1978-September 1980, February 2021-March 2022



Source: Wall Street Journal, Derek Horstmeyer, George Washington University

For illustrative purposes only and not indicative of any investment. Past performance is no guarantee of future results. Data based on calculations by Derek Horstmeyer, George Mason University, author of the *Wall Street Journal* article. Data is based on the returns for all stocks listed on the New York Stock Exchange or Nasdaq over the past 50 years. Three inflation spike periods were determined based on when the consumer price index inflation rate doubled in less than 24 months: March 1973 to May 1975, April 1978 to September 1980, and February 2021 to March 2022. Company data was divided into 10 industries by the author of the article. Sector data reflects the median stock returns in each industry during each of three periods of surging inflation.

Which Sectors May Outperform During Inflation?

Certain equity sectors have demonstrated the ability to outperform during inflationary environments.[6] These inflation-resilient sectors can provide potential opportunities for investors.

Energy and Materials	Companies operating in the energy and materials sectors tend to benefit from higher prices during inflationary periods.
Rising Rate Beneficiaries	Industries such as financials may benefit from rising interest rates during inflation, which can positively impact their earnings
Businesses with Pricing Power	Companies with the ability to adjust prices in response to inflation can possibly protect their profit margins.
Quality and Value	High-quality and value-oriented companies, with strong financial positions and steady cash flows, are often well-positioned to weather inflationary pressures. Furthermore, current earnings, which drive valuations for value stocks, become more valuable in a high inflation environment.

Which Sectors May Suffer During Inflation?

While certain sectors may prosper during inflation, many others may face challenges.[7] It's essential to be aware of stocks that may be vulnerable during inflationary periods.

Consumer-Related	Consumer-related businesses might experience a decline in demand as consumers adjust their spending habits in response to rising prices, and may face a decline in profits as costs rise. However, some consumer-related companies are able to increase prices and pass on higher expenses.
Businesses Without Pricing Flexibility	Companies that lack the ability to pass on increased costs to customers may experience margin pressures.
Technology	The technology sector, especially growth-oriented stocks, may face headwinds during inflation, since future earnings become less valuable. Technology stocks endured a significant decline in the "spikeflation" episode of 2022.

6. Derek Horstmeyer, George Washington University, "Which Stocks Do Best During High Inflation? A look at past inflationary periods offers clues on where to invest," Wall Street Journal, June 5, 2022.
7. Horstmeyer, "Which Stocks Do Best"

International Stocks and Inflation

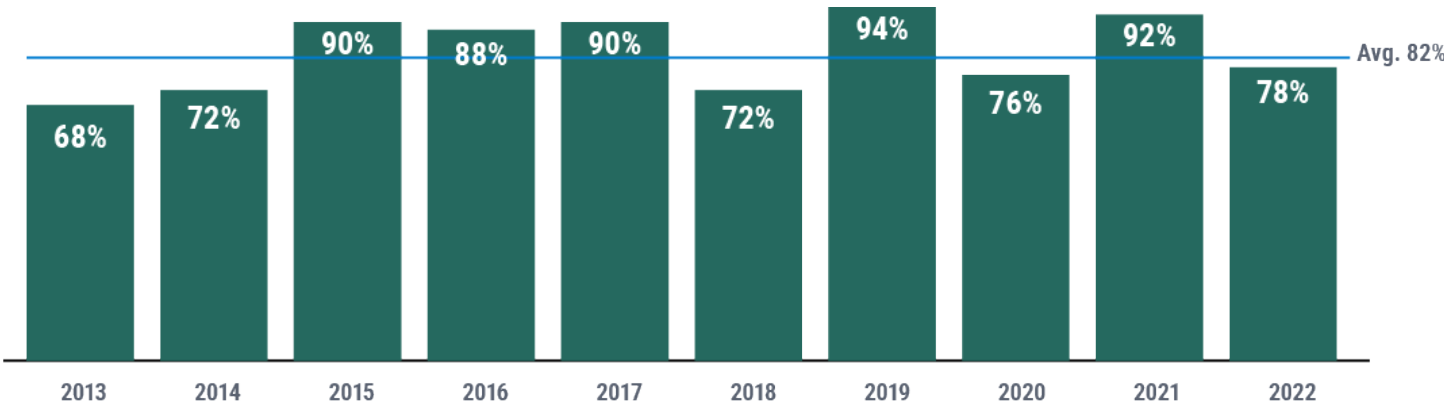
International stocks may help hedge against inflation risks for multiple reasons

1. Diversification: International markets may experience different economic conditions than the U.S., offering potential diversification benefits.

2. Sector Tilt: International equity markets and indices have greater weights in sectors that historically outperform during inflation, such as financials, energy and materials.[8]

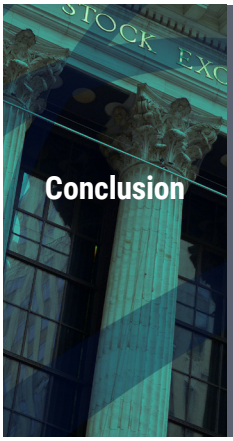
3. Value Tilt: International equity indices have a greater value-style tilt than U.S. markets.[9] Current earnings, which drive valuations for value stocks, can be perceived as more valuable than future earnings amidst high inflation.

STOCKS ON FOREIGN SHORES: *PERCENT OF WORLD'S TOP 50 STOCKS THAT WERE NON-US*



Source: Hartford Funds, FactSet, 1/23. Based on the annual calendar year returns of the 50 highest-performing stocks of the MSCI ACWI Index.

The MSCI ACWI Index is a free float-adjusted market capitalization index that measures equity market performance in the global developed and emerging markets, comprised of the stocks of nearly 3,000 companies in nearly 50 countries. The index is unmanaged. Index performance reflects the reinvestment of dividends but not the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in an index. Equity market investing involves risk, including possible loss of principal. Foreign investments may be more volatile, risky and less liquid than US investments.



Equities for Inflation

Stocks have the potential to serve as effective inflation hedges due to their earnings growth potential, ownership in real assets and historical performance during some inflationary periods. When included as part of a diversified and well-structured inflation-sensitive portfolio, stocks may contribute to overall resilience and growth potential.

As with any investment, individual risk tolerance, time horizon and long-term investment objectives should guide the allocation decisions. By thoughtfully incorporating stock ETFs with inflation-hedging potential, investors may be able to bolster their portfolios and position themselves to navigate inflationary environments.

See pages 22-23 for more information about risk.

8. Jared Leonard, "A Whole New World? Why International Stocks May Finally Shine," Hartford Funds, 2023.
9. Leonard, "Whole New World"

Commodities as an Inflation Hedge

Inflation can erode the purchasing power of savings over time, making it essential for investors to seek to hedge their portfolios against its effects. One potentially effective way to hedge against inflation is by incorporating commodities into an investment strategy. In fact, one team of researchers found that commodities generated positive real returns in all major U.S. inflationary episodes since 1926, although results varied by commodity and returns were low in non-inflationary periods.[10]

In this chapter, we will explore the link between commodities and inflation, understand how commodities act as a hedge, analyze the performance of various commodity types during inflationary periods, and examine different commodity ETF structures for building an inflation-sensitive portfolio.

The Link Between Commodities and Inflation

Commodities, which include natural resources such as energy, metals and agricultural products, have historically shown a strong relationship with inflation. As inflation rises, the prices of goods and services increase, driving up the costs of production and distribution. This, in turn, leads to higher prices for raw materials and commodities. Sometimes, the commodity itself is rising in price and driving inflation. Investors often turn to commodities during inflationary periods to preserve their wealth and maintain purchasing power.

REAL RETURNS OF COMMODITIES: US INFLATION REGIMES SINCE WORLD WAR II

Inflation Period	End of World War II	Korean War	Ending of Bretton Woods	OPEC Oil Embargo	Iranian Revolution	Reagan's Boom	China Demand Boom
Years	1946-47	1950-51	1966-70	1972-74	1977-80	1987-90	2007-08
Length/Months	13	7	48	30	38	46	11
Total Price Level Change	21%	7%	19%	24%	37%	20%	6%
Real Return	**12%**	**6%**	**26%**	**85%**	**38%**	**84%**	**21%**

Notes: Real Returns are returns above inflation. Commodity returns reflect the monthly average of six commodity groups: industrial metals, precious metals, agriculture, softs, livestock, and energy. Returns are based on fully funded futures contracts and include the risk-free rate. Past performance is not a guarantee of future results.

How Commodities Can Act as a Hedge Against Inflation

Commodities offer several attributes that make them attractive as an inflation hedge

Intrinsic Value: Unlike financial assets, commodities possess tangible value due to their use in the production of goods and services, which supports their prices during inflationary times.

Diversification: Adding commodities to a portfolio can reduce overall risk because they often have a low correlation with traditional assets like stocks and bonds. This means that when inflation impacts financial markets, commodities may behave differently, potentially offsetting losses in other areas of the portfolio. As noted above, commodities have historically outperformed during inflation spikes. Diversification is a strategy designed to mitigate risk, but does not ensure a profit or protect against loss.

Limited Supply: Many commodities have finite supply levels, which means that increased demand can lead to supply shortages and higher prices.

Global Demand: As economies grow, the demand for commodities tends to rise, especially in emerging markets. This increased demand can further support commodity prices during inflationary periods. (Note however, that rising prices may increase supply and subsequently reduce commodity prices. Moreover, improved extraction technology can drive down prices.)

10. Henry Neville et al., "The Best Strategies for Inflationary Times," Man Group, May 25, 2021, pages 1, 4, 13-15.

Overview of Commodity Types and Their Historical Performance in Inflationary Periods

Various commodity types have demonstrated differing degrees of sensitivity to inflation. Understanding their historical performance can aid in constructing an inflation-sensitive portfolio. Here are some key commodity types and their characteristics

Energy: Energy commodities, such as crude oil and natural gas, are highly influenced by inflation or can even drive inflation due to their critical role in powering economies and transportation. We saw this occur in 1973 and 2008.

Precious Metals: Precious metals, like gold and silver, have long been considered refuge assets during times of inflation and economic uncertainty. Their limited supply and status as stores of value can lead to increased demand during inflationary environments, driving up their prices.

Industrial Metals: Industrial metals, such as copper and aluminum, have a strong correlation with economic growth. As industries expand, the demand for industrial metals increases, causing inflationary price increases.

"Ags" & "Softs": The "Ags" category encompasses agricultural commodities like corn, soybeans and wheat. "Softs" include products like coffee, cocoa and cotton. These commodities tend to respond positively to inflation, as higher prices for agricultural products are often passed on to consumers.

Commodity ETF Structures

When considering commodity investments through ETFs, investors have access to multiple structures. Since these structures are varied, some prefer to call them exchange traded products or ETPs. While some commodity ETPs may hold physical stockpiles, most gain exposure through futures or derivatives. ETPs holding physical assets are a smaller part of the commodity ETP population, and are limited primarily to precious metals, due to storage challenges for other types of commodities. Precious metals commodities are typically structured as trusts.[11]

Investors in futures-based commodity ETFs must be aware of the differences between spot and futures prices for a given commodity, as those differences can contribute significantly to risks and tracking errors, as well as profit opportunities. Some futures-based commodity ETFs seek to profit from the roll yield that may result when "rolling" near-term spot futures to longer-term contracts (although the roll yield may also be negative).

Among futures-based ETFs, there are two primary ETF structures to choose from: K-1 products and "K-1 Free" structures. Each has its advantages and disadvantages:

K-1 Structures

Commodity ETFs that issue an annual K-1 tax form to investors are generally commodity pools regulated by the Commodities Futures Trading Commission. As pass-through entities for tax purposes, they report annual partnership income and losses. While investors generally prefer not to receive a K-1, this structure receives potentially favorable tax treatment under the "60/40 Rule," as investors receive 60% long-term capital gains treatment and 40% short-term gains treatment no matter how long they hold the ETP, an advantage for short holding periods and a disadvantage for longer holding periods.

ADVANTAGES	DISADVANTAGES
1. Direct exposure to commodity futures contracts, which can enhance performance during inflationary periods.	1. Lack of some securities law protections, since these structures are not registered under the '40 Act.
2. Potential tax benefits, as certain K-1 ETFs may offer tax deductions related to commodity-related losses.	2. Additional tax reporting and complexity with K-1s, which are burdensome for investors.
3. Favorable tax treatment for short-term trades under the "60/40 Rule," which characterizes gains as 60% long-term and 40% short-term regardless of holding period.	3. Unintended tax consequences, as investors may face unrelated business taxable income (UBTI) in certain retirement accounts.
	4. Unfavorable tax treatment for long-term trades under the 60/40 Rule.

"K-1 Free" Structures

"K-1 Free" commodity ETFs are registered as open-end investment companies, just like mutual funds. They allocate 25% of their assets through a corporate subsidiary for exposure to futures and keep the balance of the portfolio in high-quality fixed income which serves as collateral for the futures contracts.

ADVANTAGES	DISADVANTAGES
1. Simplicity, as "K-1 Free" ETFs function similarly to traditional ETFs, with straightforward tax reporting via Form 1099.	1. Indirect exposure to commodities through various structures, which may limit performance compared to direct commodity futures exposure.
2. Avoidance of UBTI for retirement account investors.	
3. Long-term capital gains treatment for longer holding periods.	

Commodity ETPs with K-1s can provide tax advantages for short-term traders, while "K-1 Free" ETPs may be more suitable for long-term investors.

11. The ETF Institute. www.theetfinstitute.com

Physical Commodities, Commodities Futures and Commodities ETPs

Commodities are integral to economic activity. Participants in the commodities markets encompass four broad groups:

1. ***Businesses and manufacturers*** that rely on essential materials for their business
2. ***Producers*** such as miners and farmers
3. ***Speculators*** seeking a profit
4. ***Investors*** seeking longer-term exposure to commodities or to hedge against inflation

Investors may implement their commodity investing through physical commodities, commodities futures, or Exchange Traded Products (ETPs). ETPs offer convenient and cost-effective access to both.

Physical Commodities

Physical commodities are the real thing, such as a bar of gold. Industries often have specific delivery guidelines for physical commodities. The standard gold bar held by central banks and traded among bullion dealers is 400 troy ounces, equal to 438.86 regular or "avoirdupois" ounces, 27.43 pounds, or 12.44-kilograms. A 1-troy-ounce bar of gold is popular among collectors but may cost 2% to 10% to buy or sell.

A consumer may be able to buy pork in a small package at a local grocery. In contrast, a Lean Hog futures contract on the Chicago Mercantile Exchange represents 40,000 pounds of meat. Such commodities are easier to trade as a futures contract.

Commodities Futures

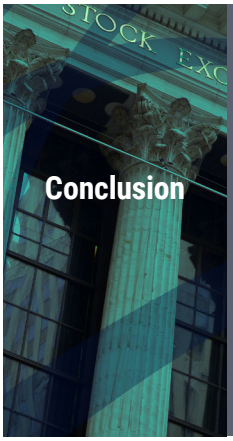
According to the U.S. Commodities Futures Trading Commission (CFTC), "A commodity futures contract is an agreement to buy or sell a particular commodity at a future date. The price and the amount of the commodity are fixed at the time of the agreement."[12]

Most futures contracts contemplate that the agreement will be fulfilled by actual delivery of the commodity. Nevertheless, some contracts allow cash settlement in lieu of delivery and most contracts are liquidated before the delivery date

With limited exceptions, commodity futures must be traded through an exchange by persons and firms who are registered with the CFTC.

Commodity ETPs

Commodity ETPs offer an efficient way to invest in or trade commodities with the simplicity of trading a stock – without the complexities and co sts of moving or storing physical commodities, and without the complexities, margin requirements, or risks of futures contracts.



A Long History of Inflation Protection

Commodities have historically served as an effective hedge against inflation, offering intrinsic value, diversification benefits and limited supply during inflationary periods.

Investors seeking to build an inflation-sensitive portfolio can consider different commodity types and ETF structures to enhance their exposure to this asset class. Investors must understand the idiosyncrasies of their commodity-related investments as well as the underlying instruments and delivery structures.

Careful selection and diversification within the commodity segment can potentially help investors protect their wealth and preserve purchasing power during inflationary times.

See pages 22-23 for more information about risk.

12. "Basics of Futures Trading," Commodities Futures Trading Commission, retrieved August 11, 2023.

Gold and Precious Metals ETFs: an Enduring Inflation Hedge?

Since ancient times, investors have looked to gold and precious metals as a store of value and an inflation hedge. This widely shared belief has made Exchange Traded products (ETPs) based on gold among the largest and most popular in the commodity ETP universe, based on Morningstar Direct. In this chapter, we will explore the role of gold and precious metals ETFs as potential inflation hedges in an investment portfolio. We will discuss:

1. ***The unique characteristics that make gold and precious metals attractive during inflationary environments***
2. ***Historical performance during periods of rising prices***
3. ***Considerations for effectively incorporating these ETPs into an inflation-sensitive portfolio***

Additionally, we will highlight some representative gold and precious metals ETFs that investors may consider for inflation hedging.

Understanding the Role of Gold and Precious Metals ETFs as Inflation Hedges

Gold and precious metals – such as silver, platinum and palladium – have a longstanding reputation as stores of value. Their tangible nature and limited supply make them attractive during times of economic uncertainty and inflationary pressures. Let's explore the key reasons why gold and precious metals ETFs can act as effective inflation hedges.

Stores of Value

Historically, gold and precious metals have been favored in times of inflation and volatility.

Their perceived store of value can help protect wealth and purchasing power during periods of rising prices.

Hedge Against Currency Depreciation

Inflation can erode the value of fiat currencies, making gold and precious metals an appealing hedge against currency depreciation.

As the value of these metals may rise with inflation, they may help preserve wealth.

Limited Supply and Global Demand

Gold and precious metals have limited supply, and global demand for these assets remains strong.

This supply-demand dynamic can support their prices during inflationary periods.

Historical Performance of Gold and Precious Metals During Inflationary Periods

Historically, gold and precious metals have demonstrated their ability to perform well in a variety of inflationary environments. As investors seek inflation-sensitive assets and stores of value, the demand for gold and precious metals tends to rise, driving their prices higher. However, some observers have noted that gold may be more effective as a long-term inflation hedge; over shorter periods, the price of gold can fluctuate dramatically. During the Great Inflation of the 1970s, gold posted double-digit annual returns well ahead of inflation. However, between 1988 and 1991, gold fell in value while inflation rose to nearly 5% annually.[13] In 2022, gold retained its value and was nearly flat as the leading stock and bond indices endured significant losses.

REAL RETURNS OF GOLD: U.S. INFLATION REGIMES SINCE END OF GOLD STANDARD, 1971[14]

Inflation Period	OPEC Oil Embargo	Iranian Revolution	Reagan's Boom	China Demand Boom
Years	1972-74	1977-80	1987-90	2007-2008
Length/Months	30	38	46	11
Total Price Level Change	24%	37%	20%	6%
Real Return	**166%**	**154%**	**-18%**	**27%**

Source: Man Group

Returns for gold are calculated by the Man Group study authors and assume investment in commodity futures plus a cash return to create a funded investment, except for the OPEC oil embargo period, which reflects spot returns from the World Gold Council website.

13. Wayne Duggan, "Is Gold An Inflation Hedge?" Forbes Advisor, Updated May 4, 2023.
14. Henry Neville et al., "The Best Strategies for Inflationary Times," Man Group, May 25, 2021, p. 4.

Considerations for Effectively Incorporating Gold and Precious Metals ETPs

When considering the inclusion of gold and precious metals ETFs in an inflation-sensitive portfolio, investors should keep the following considerations in mind:

Diversification

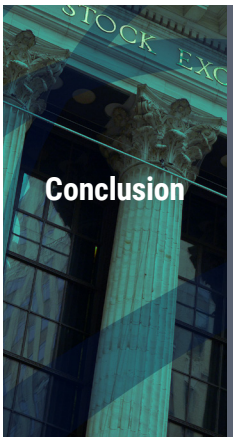
While gold and precious metals can be effective inflation hedges, they can be highly volatile and should be part of a diversified portfolio. Diversification helps spread risk and enhance the overall resilience of the portfolio, though cannot ensure a profit or protect against loss in a declining market.

Allocation Size

The size of the allocation to gold and precious metals ETFs will depend on an investor's risk tolerance and investment objectives. The allocation should align with individual financial goals and the potential impact on the overall portfolio.

Gold and precious metals ETPs offer the opportunity to own the asset without the hassles, storage expenses or high costs of buying and selling the physical asset. These ETPs can also offer a high degree of liquidity. Precious metals ETPs are typically structured as grantor trusts that hold a fixed amount of the underlying asset. Since the trust does not trade the asset, the trust itself does not generate taxable income or tax reporting.

While Gold ETPs are the largest in the marketplace, other ETPs provide exposure to silver, platinum, palladium and even exotic metals. Some speculative ETFs even offer leveraged or short exposure to these assets. Another way to gain exposure to gold and precious metals is through ETFs that invest in mining companies.



A Traditional Inflation Hedge

Gold and precious metals ETFs can serve as effective inflation hedges due to their reputation as stores of value, potential to hedge against currency depreciation, and limited supply. As integral components of an inflation-sensitive portfolio, gold and precious metals provide diversification and potential protection during periods of rising prices. However, gold and precious metals can exhibit high volatility.

Investors should carefully assess their risk tolerance, long-term investment goals and the impact of adding gold and precious metals ETFs to their portfolios. By thoughtfully incorporating these assets, investors may be able to enhance the resilience and effectiveness of their inflation-sensitive investment strategies.

See pages 22-23 for more information about risk.

Treasury Inflation-Protected Securities (TIPS) as an Inflation Hedge

5 Facts About TIPS

1. What are TIPS?

TIPS are U.S. Treasury securities designed to protect investors from inflation. Unlike conventional bonds, the principal value of TIPS adjusts with changes in the Consumer Price Index for All Urban Consumers (CPI-U), a widely followed inflation indicator.

As inflation rises, the principal value increases, providing investors with higher returns.

2. History of TIPS

TIPS were introduced by the U.S. Treasury in 1997 to address inflation concerns and provide a reliable inflation hedge for investors.

Since then, they have become a popular choice among investors seeking protection against the erosion of purchasing power caused by inflation.

3. Mechanics of TIPS and CPI-U

TIPS are issued with a fixed coupon rate, and their principal value adjusts based on changes in inflation. This means that the interest payments (coupons) increase with inflation, while the principal value rises or falls to maintain the purchasing power of the investment.

The U.S. Treasury selected a specific version of the Consumer Price Index to calculate the inflation adjustment for TIPS: the CPI-U, or Urban Consumer CPI, the "non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers." The CPI-U is published by the U.S. Bureau of Labor Statistics.

10-Year TIPS: Hypothetical Illustration[15]

The table below provides a hypothetical illustration of the growth of principal and interest payments for a TIPS security based on a 1% coupon rate and a constant 3% inflation rate.

HYPOTHETICAL GROWTH OF ADJUSTED PRINCIPAL AND ANNUAL COUPON

TIPS: 1% Coupon, 3% Annual Inflation

	Adjusted Principal	Annual Coupon
At Purchase	$1,000.00	$10.00
Year 10	$1,323.93	$13.44

Source: Schwab Center for Financial Research. The annual coupon payment equals the fixed coupon rate multiplied by the adjusted principal value. For this illustration, the initial TIPS principal value is $1,000. Note that TIPS coupon payments are paid semiannually, not annually as illustrated.

Hypothetical, for illustration only.

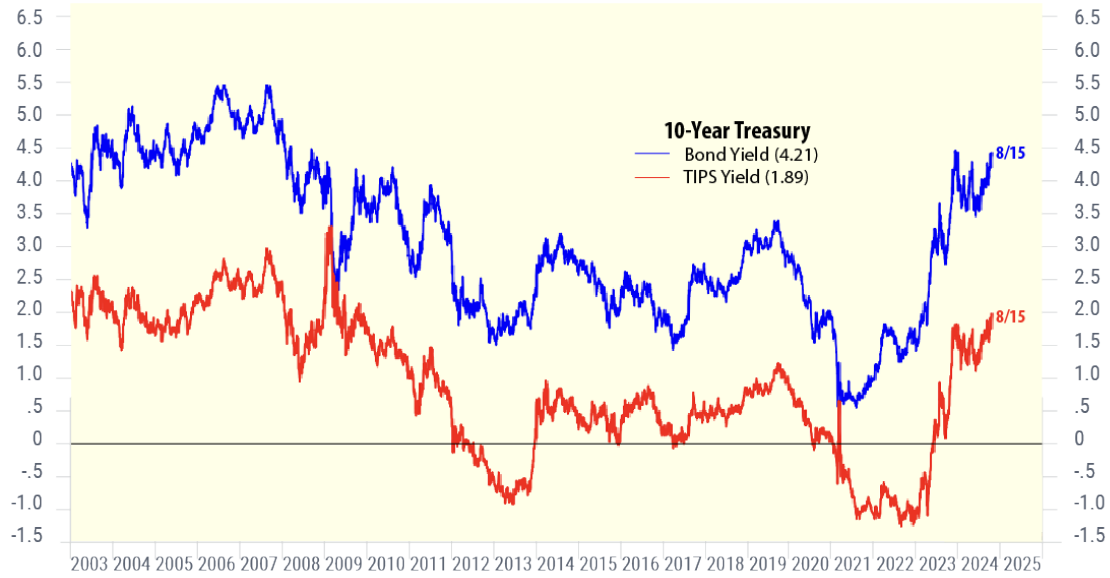
15. Charles Schwab, "Treasury Inflation-Protected Securities: FAQs about TIPS," December 6, 2021

4. TIPS vs. Nominal Bonds and the Breakeven Inflation Rate

Nominal bonds offer a fixed interest rate, making them susceptible to the erosive effects of inflation over time. The Breakeven Inflation Rate represents the difference between the yield on TIPS and the yield on nominal bonds of the same maturity. The Breakeven Inflation Rate provides an indication of the market's evolving inflation expectations over time. Long-term inflation expectations fell in 2020 during the pandemic but rose in 2022 when inflation spiked.

10-YEAR U.S. TREASURY YIELDS VERSUS TIPS YIELDS[16]

Breakeven Inflation Rate 2.32%, 8/15/23



Source: Federal Reserve Board, Yardeni.com. Past performance is not a guarantee of future results.

The Breakeven Inflation Rate provides an indication of the market's evolving inflation expectations over time. Long-term inflation expectations fell in 2020 during the pandemic but rose in 2022 when inflation spiked.

TIPS 10-YEAR BREAKEVEN INFLATION RATE[17]

Rate 2.32% 8/15/23

Source: Federal Reserve Bank of St. Louis

5. Risk of TIPS

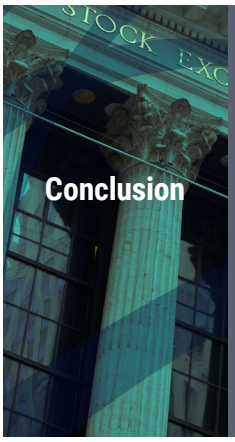
Although TIPS offer inflation protection, they are not without risks. One of the primary risks is interest rate risk, which can impact the prices of TIPS in a rising interest rate environment. Additionally, changes in CPI-U calculations or unexpected deflation can also affect TIPS returns.

16. Dr. Edward Yardeni et al., "Market Briefing: Nominal & Real Yields & Inflationary Expectations," Yardeni Research, Inc., August 16, 2023.
17. Economic Research, Federal Reserve Bank of St. Louis, "10-Year Breakeven Inflation Rate," FRED Economic Data, retrieved August 16, 2023.

Which TIPS Are Most Effective for Inflation Hedging?

1. Long-Duration TIPS and Bond Market Volatility: Long-duration TIPS, with maturities of 10 years or more, provide enduring inflation protection due to their extended time horizon. However, they are also more sensitive to changes in interest rates, making them susceptible to bond market volatility.

2. Short-Duration TIPS and Inflation Sensitivity: Short-duration TIPS, with maturities of five years or less, offer less interest rate risk compared to long-duration TIPS. They are more responsive to changes in inflation expectations, making them attractive for investors seeking inflation protection without taking on significant interest rate or duration risk.



A Mainstay for Inflation-Sensitive Investors

Treasury Inflation-Protected Securities (TIPS) serve as a valuable tool for investors seeking to hedge against inflation and preserve their purchasing power. Understanding the mechanics and risks of TIPS, as well as comparing them to nominal bonds, can help investors make informed decisions.

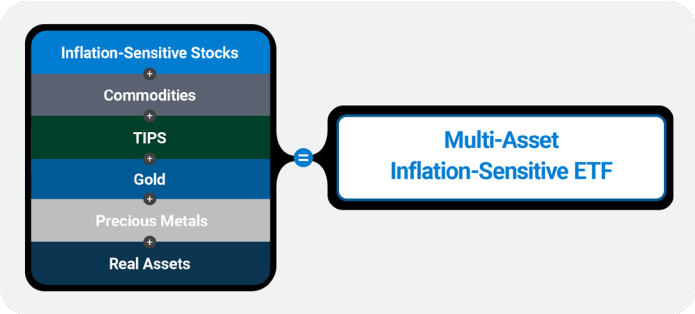
Depending on their risk tolerance and investment goals, investors can choose between long- and short-duration TIPS as they construct an inflation-sensitive portfolio. For those looking for the benefits of TIPS in a convenient and diversified manner, TIPS ETFs can offer a compelling strategy to navigate inflationary environments.

See pages 22-23 for more information about risk.

CHAPTER VI

Multi-Asset Inflation ETFs

In this chapter, we will explore multi-asset inflation ETFs, which provide investors with an all-in-one strategy to hedge against inflation risk. We will discuss why multiple assets are needed to effectively hedge against inflation, the benefits of diversification across inflation hedges and the advantages of professional oversight and active risk management. Additionally, we will examine the different types of multi-asset inflation ETFs, including actively managed options, and highlight "all-in-one" ETFs specifically designed for inflation hedging.



All-in-One Strategy: Why Multiple Assets Are Needed to Hedge Against Inflation Risk

Financial market history tells us which assets have performed well versus inflation, but history also tells us these results vary and are not always positive. A multi-asset inflation-sensitive ETF may serve as an inflation-sensitive strategy for three important reasons:

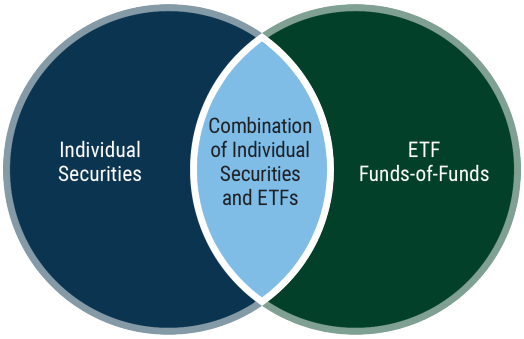
Diversification Across Inflation Hedges: No singular inflation-sensitive asset is likely to outperform others consistently over the course of an inflation cycle. Inflation-sensitive portfolios benefit from diversification, as different assets may perform better during different inflationary environments. By combining various inflation hedges, investors can increase the likelihood of relatively positive returns across changing market conditions and economic cycles.

Professional Oversight: Multi-asset inflation ETFs are typically managed by experienced investment professionals who actively allocate and adjust the portfolio based on changing market conditions. This active management can enhance the effectiveness of the inflation hedge and adapt to evolving inflationary trends.

Active Risk Management: Inflation can be a complex and dynamic risk to manage. Active risk management within multi-asset inflation ETFs can help control downside risks while seeking opportunities for growth.

Types of Multi-Asset Inflation ETFs

Active management is the hallmark of multi-asset ETFs designed to navigate inflation's challenges. Such funds are run by portfolio managers who make investment decisions based on market analysis, fundamental or quantitative security selection and economic forecasts. Some of these ETFs offer focused mandates and allocation bands; others have wide and flexible mandates. Portfolio implementation can include the following approaches:



Individual Securities

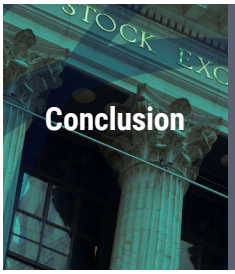
Some multi-asset ETFs may invest directly in individual inflation-sensitive securities, such as select equities, natural resource stocks or TIPS.

ETF Funds-of-Funds

Other ETFs may allocate their assets across various existing ETFs that focus on different inflation hedges, creating a fund-of-funds structure.

Combination of Individual Securities and ETFs

Some ETFs blend individual securities and ETFs to construct a diversified multi-asset inflation-sensitive portfolio.



Multi-Asset ETF Strategies

Multi-asset inflation ETFs offer investors a convenient and diversified strategy to hedge against inflation risk. By combining various inflation hedges and leveraging professional oversight and active risk management, these ETFs aim to provide effective protection and potential growth during inflationary periods. Investors seeking a comprehensive approach to inflation-sensitive investing may consider "all-in-one" ETFs to simplify their investment strategy while navigating inflationary environments. As always, investors should carefully evaluate their risk tolerance and investment objectives before making any investment decisions.

See pages 22-23 for more information about risk.

How to Allocate to Inflation-Sensitive ETFs

In this chapter, we will explore how to allocate to inflation-sensitive ETFs to build a well-balanced portfolio. We will identify key considerations when updating your asset allocation for inflation, examine how to determine the right allocation to inflation hedges, and reiterate the importance of individual risk tolerance and investment horizons.

Additionally, we will look at enhancing the traditional 60/40 stock/bond balanced portfolio with inflation hedges, review the limitations of the 60/40 portfolio in an inflationary environment, and analyze the potential risk and return statistics of different allocation scenarios.

Updating Your Asset Allocation for Inflation

When allocating to inflation-sensitive ETFs, your process should include multiple perspectives:

1. **The Nature of Inflation-Sensitive Investments:** Understand the specific inflation hedges or inflation-oriented investments available, their historical performance and risk/return during inflationary periods, and how they interact with other assets in your portfolio.
2. **Finding the Right Allocation to Inflation-Sensitive Investments:** Optimizing portfolios for inflation-sensitivity encompasses multiple steps. Consider quantitative and qualitative approaches when blending traditional and inflation-sensitive assets. The allocation should be adjusted for your inflation expectations or the potential for inflation surprises. Diversify to mitigate risk. The goal is to find a new efficient frontier and the balance of risk and return that is inflation resilient.
3. **The Importance of Individual Risk Tolerance and Investment Horizons:** Every investor's situation is unique, and their ability to take on risk and withstand market fluctuations varies. Consider your goals, risk tolerance and investment time horizon when determining your allocation to inflation-sensitive assets.

Enhancing the Traditional Portfolio with Inflation Hedges

1. **The Limitations of 60/40 in an Inflationary Environment:** The traditional 60/40 portfolio, consisting of 60% stocks and 40% bonds, may face challenges during periods of rising inflation. Stocks may experience volatility, while bonds may face the risk of declining values in response to rising interest rates. The markets of 2022 provided a vivid example.
2. **How Much of a 60/40 Portfolio Should Be Allocated to Inflation Hedges:** Investors may consider adding a portion of inflation-sensitive assets to their existing 60/40 portfolio to enhance its resilience to inflationary pressures. Of course, the allocation depends on individual risk profiles.

Hypothetical Balanced Portfolio with Inflation Hedges

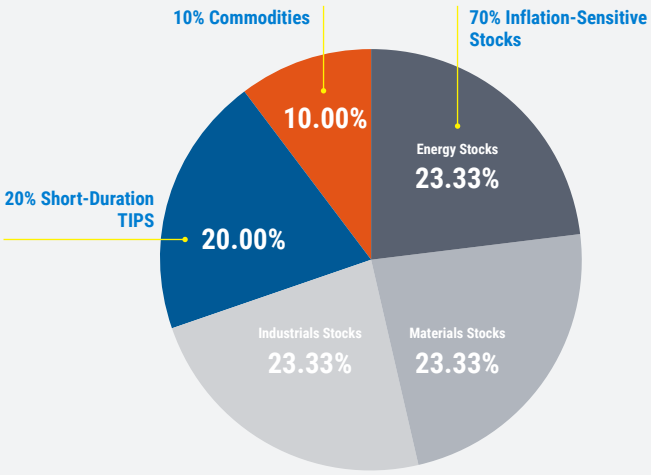
The hypothetical illustration to the right shows how adding a diversified basket of inflation-sensitive assets can provide inflation resilience for a traditional, balanced, 60/40 stock/bond portfolio.

For this illustration, the inflation sleeve is based on an allocation of:

70% Inflation-Sensitive Global Stocks

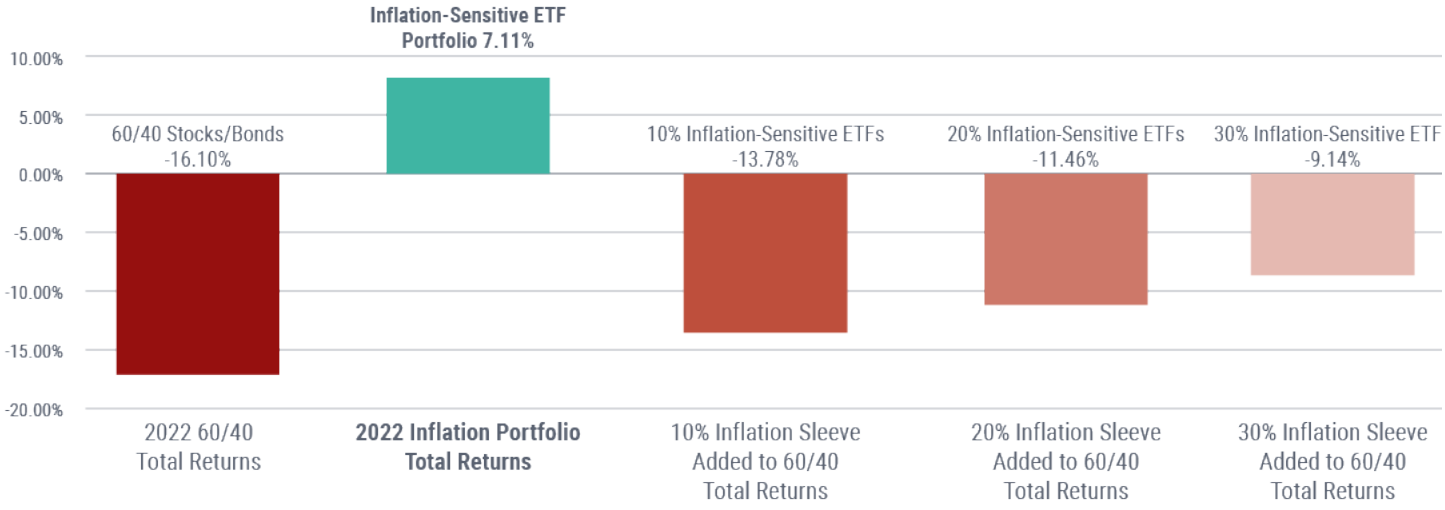
20% Short-Duration TIPS

10% Commodities



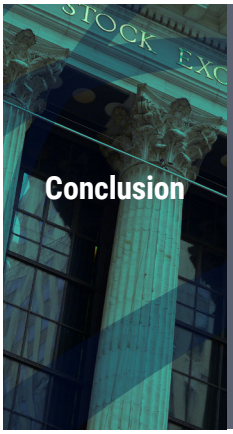
In 2022, inflation spiked to a 40-year high of 9.2%. Stocks, bonds, and a balanced 60/40 portfolio all endured double-digit negative returns. Despite cross currents and market volatility, the inflation-sensitive ETF portfolio achieved positive returns overall. If an investor dedicated a sleeve of their balanced portfolio to inflation-sensitive ETFs, they would have mitigated the downside. The hypothetical illustration below highlights the impact of a 10%, 20%, and 30% allocation to inflation-sensitive ETFs, drawing proportionately from stocks and bonds within a 60/40 balanced portfolio:

HYPOTHETICAL IMPACT OF ADDING INFLATION-SENSITIVE ETFS TO 60/40 PORTFOLIO: 2022



Calculations for the chart above use the 2022 total returns, with dividends and income reinvested, of the following index and sector ETFs: The performance for "60/40 Stocks/Bonds" portfolio reflects the total returns of a 60% allocation to the SPDR S&P 500 ETF (SPY) and a 40% allocation to the iShares Core Aggregate Bond ETF (AGG). The returns for the "Inflation Sensitive ETF Portfolio" reflect the total returns of a 23.33% allocation to each of the iShares Global Energy ETF (IXC), the iShares Global Materials ETF (MXI), and the iShares Global Industrial ETF (EXI); a 20% allocation to the Vanguard Short-Term Inflation-Protected Securities ETF (VTIP); and a 10% allocation to the abrdn Bloomberg All Commodities ETF (BCI). Performance is hypothetical and does not reflect the performance of any actual portfolio. Performance does not reflect any trading, custodial, or management fees or expenses external to the performance of the ETFs. Source for data: Morningstar Direct.

SPY seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Stock Market Index. AGG ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. IXC seeks to track the investment results of an index composed of global equities in the energy sector. MXI seeks to track the investment results of an index composed of global equities in the materials sector. EXI seeks to track the investment results of an index composed of global equities in the industrials sector. VTIP seeks to track the performance of a benchmark index that measures the investment return of inflation-protected public obligations of the U.S. Treasury with remaining maturities of less than five years. BCI seeks to provide investment results that closely correspond, before fees and expenses, to the performance of the Bloomberg Commodity Index Total Return.



Finding a New Balance for Inflationary Environments

Allocating to inflation-sensitive investments is a crucial step in building an inflation-resilient portfolio with ETFs. Understanding your risk tolerance, investment objectives and the potential performance of different inflation hedges can help you make informed decisions about your asset allocation. Enhancing a traditional 60/40 portfolio with inflation hedges can provide an extra layer of protection during inflationary environments. Whether inflation strikes suddenly or makes a long-term impact, it is essential to find a balance between inflation-sensitive assets and other investments. Adding an inflation-sensitive sleeve to your portfolio can help reduce risk while providing new potential avenues for growth. Nevertheless, investors should remember that all investments carry risks, and careful consideration of individual circumstances is essential when determining the right allocation to inflation-sensitive assets. Diversification and a long-term perspective remain critical for building a well-balanced and effective inflation-sensitive portfolio.

See pages 22-23 for more information about risk.

CHAPTER VIII

Risks of Inflation-Sensitive Investments

In this chapter, we will examine the potential downside and risks associated with inflation-sensitive investments. Understanding these risks is crucial when constructing a well-balanced inflation-sensitive portfolio with ETFs. We will discuss the key risks related to equity, fixed income, commodities, derivatives and ETFs. Additionally, we will explore strategies to manage these risks while navigating through inflationary environments.

Understand the Downside: Risks Associated with Inflation-Sensitive Investments

Investing in inflation-sensitive assets can offer some protection against rising prices, but it is essential to recognize the potential risks that come with these investments. It is crucial to evaluate the risk characteristics for each position or portfolio candidate and how they may impact your portfolio during inflationary periods.

Key Risks

Equity Risk: Equity investments can be volatile. During inflationary environments, market uncertainty may lead to heightened fluctuations in stock prices. Economic conditions and consumer behavior can influence the performance of individual companies and sectors.

Fixed Income Risk: Fixed income risks are generally divided into four key areas.

a. Duration Risk: Changes in interest rates can impact the value of fixed income securities. Longer-duration bonds are more sensitive to interest rate movements, and rising rates can lead to price declines.
b. Credit Risk: Investing in lower-rated or riskier bonds may expose investors to credit risk and losses. Inflation can also erode the purchasing power of fixed coupon payments.
c. Interest Rate Risk: Changes in interest rates can affect bond prices inversely. Rising interest rates can lead to declining bond prices.
d. Reinvestment Risk: Interest rates may be volatile during inflationary periods. Reinvestments of interest and principal may occur at lower rates than anticipated.

Commodities Risk: Commodities can be affected by supply and demand dynamics, geopolitical factors and global economic conditions. The prices of individual commodities can be highly volatile, impacting overall performance.

Derivatives Risk: Some inflation-sensitive investments, including certain commodity ETFs and some liquid alternatives, may use derivatives to implement their strategies. Derivatives introduce additional risks, including counterparty risk and potential leverage, which can amplify gains or losses.

ETF Risk: Investing in ETFs involves risks similar to investing in individual securities as well as the particular risks of the ETF structure. ETFs are subject to market volatility, liquidity risk, trading risks, tracking errors and tax risks.

Mitigating Risk When Constructing an Inflation-Sensitive Portfolio

Inflation-sensitive assets offer varying risk/return characteristics. They also may respond differently to long-term inflation compared to a sudden rise in inflation. Results for any asset may be unpredictable based on exogenous forces or market dynamics. Thus, careful analysis and risk mitigation is key. Key types of risk management include:

Diversification

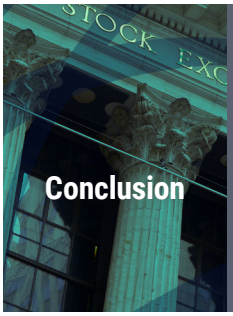
Diversifying across multiple asset classes can help reduce the impact of risk on the overall portfolio. Diversification allows investors to potentially achieve more stable returns. “Diversification is the only guaranteed free lunch,” is a saying attributed to Nobel laureate and economist Harry Markowitz. However, diversification is not a guarantee against losses.

Active Management

Choosing actively managed ETFs or mutual funds can provide the benefit of professional oversight and risk management. Active managers can adjust their portfolio based on changing market and inflationary conditions.

Hedging

Some strategies and ETFs may include hedging instruments designed to offset declines in markets or different assets. However, the effectiveness of hedging may vary, or even produce unwanted negative results.



Reviewing the Risks to Achieve the Benefits

Inflation-sensitive investments can provide valuable protection in inflationary environments, but they are not without risks. Understanding and managing these risks are critical for constructing a resilient and effective inflation-sensitive portfolio with ETFs. Diversification, active management and ongoing risk assessment can help investors strike a new balance for their portfolios and navigate an inflationary environment more confidently. By carefully managing risk and maintaining a well-structured portfolio, investors can position their assets to withstand inflationary pressures and achieve their long-term investment objectives.

AXS Astoria Inflation Sensitive ETF (PPI)

To learn more about an all-in-one strategy to combat inflation, visit our website:
AXS Astoria Inflation Sensitive ETF (PPI)

AXS Investments

AXS Investments is a leading alternative investment manager providing a diversified family of alternative investments for growth, income and diversification. The firm empowers investors to diversify their portfolios with investments previously available only to the largest institutional and high-net-worth investors. The investor-friendly AXS funds are time-tested, liquid, transparent and managed by high pedigreed portfolio managers with long and strong track records. For more information, visit www.axsinvestments.com.

IMPORTANT RISK DISCLOSURE ABOUT THE AXS INFLATION SENSITIVE ETF (PPI)

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.

Distributed by ALPS Distributors, Inc, which is not affiliated with AXS Investments. AXI000290