Cycle Indicators, Risk Metrics, & Portfolio Positioning

Week Ending June 28, 2024

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Astoria's Portfolio Management Process

What are we trying to accomplish in our ETF portfolios?

- Astoria Uses Business Cycle, Earnings/Valuations, and Sentiment & Risk to Dictate our Asset Allocation/Portfolio Positioning. We incorporate a Dynamic Overlay depending on the 3 inputs above.
- Target OW assets that have earnings that are growing, cheaper than market, poor sentiment, and have a catalyst for upside
- Target UW assets that are expensive, earnings are slowing, strong sentiment, that lack a catalyst for upside
- Diversify our factor exposures
- Utilize liquid alternatives to hedge downside risk

Business Cycle Indicators

- May **PCE** suggests continued **disinflation** theme, with **all measures cooling** slightly from the prior month. Though services and food prices increased, goods prices declined & offset. Both May **CPI and PPI** also came in **softer** than expected **across the board**

- In recent weeks, **Initial Jobless Claims** have **trended higher** and remain **elevated.** Apr **JOLTS Job Openings** printed **lowest since Feb 2021** while **May ADP Private Payrolls** missed estimates and **declined** from prior month. However, May **Nonfarm Payrolls came in much hotter**

- May **ISM Manufacturing PMI** declined lower into **contractionary** territory, while June **Markit Manufacturing PMI** (prelim) **increased** on the back of strengthened employment and lower prices

- May **ISM Services PMI** came in well ahead of expectations and **up largely** from Apr. June **Markit Services PMI** (prelim) notched **highest level since Apr 2022**

- **US Real GDP** for **Q1 2024** printed **1.4% per the final estimate**, **softening** from **Q4 2023's 3.4%.** GDPNow expects **Q2 2024** GDP to be **3.0%**, **down** from the initial **3.9% estimate**

- May **Conference Board LEI** fell more than expected, marking its **3rd consecutive decrease**. Print signals **softer economic conditions** ahead

- May **Retail Sales missed** consensus and Apr's print was **revised downwards**. Print adds growing **skepticism on consumer resilience story**

- June **NAHB HMI** sank deeper into **contractionary** territory, and Apr **Pending Home Sales** printed at the **lowest pace** since **Apr 2020**, signaling housing market struggles

Earnings/Valuation Indicators

- **Q1 2024**: **98%** reported, **78%** beat, companies are reporting earnings that are **7.4% above estimates**. Earnings growth for the quarter came in **strong at 5.9%** vs. Mar-end **estimate of 3.4%**

- The **S&P 500's current P/E ratio of 22.0x** is **one standard deviation above** the **median**, suggesting valuations are **expensive**

- Despite **expensive valuation**, when **excluding the top-7** companies of the S&P 500, it is trading **in line** with historical averages

- S&P 500 **Equity Risk Premium** is at **20-year lows**

- The **2s10s Treasury yield curve inversion deepened** earlier this year amid **hotter inflation prints**, and **slightly uninverted / moved sideways** afterwards given **weaker / more volatile** economic data

- The **US** and **Japan (hedged)** maintain **strong estimate revisions** and **growth estimates**. **Estimate revisions** are now **positive** in **EM, Europe, China**, and **Eurozone**. **China** and **Europe (hedged)** remain **cheap**

- **Earnings growth** for the **Mag 7** has been impressive, but it's **expected to slow after Q1 2024**. Meanwhile, forecasts show earnings growth for **493 outpacing** that of the 7 towards **2024 end**

Sentiment/Flows/Risk Indicators

- Jun **Michigan Consumer Sentiment Index** (final) revised up from the prelim but **fell from May,** signaling **caution in inflation expectations**
- Jun **Conference Board Consumer Confidence Index** slightly beat estimates but **declined** from May. Print noted **mixed consumer feelings** with **slight improvement** in **labor market** sentiment
- **NAAIM Exposure Index** is now at **85.44, up** from recent weeks
- The **Fear and Greed Index** is back to **neutral** territory after dropping to **fear last week**
- The spike in the **Fed's balance sheet** that occurred during the banking crisis earlier in 2023 has now been **completely undone**, and the **Fed's assets** continue to **decrease**
- As evidenced by the ratio between the **equal & cap weighted S&P, breadth improved** in the **end of 2023** & **deteriorated** in the beginning of **2024, moving notably lower recently**
- History implies that **equal weighted outperforms market-cap weighted** when **the economy** comes out of a **downturn** as breadth increases on the back of **improved economic conditions**

Portfolio Positioning

Tactical Models

- Renaissance:
  - OW Quality; tilt away from concentration risk using EW strategies
  - Established a position in Growth; large-cap tech companies less vulnerable to macro / rates / cycles
    - OW tech (AI productivity gains baked into EPS)
  - Established a position in min vol and utilities as economy beings to weaken / macro data volatile
  - Established a position in international developed (hedged); Outright positions in Europe/Japan (hedged)
  - OW industrials (sector with best combo of improving fundamentals); EW energy and materials
- MARS:
  - OW Quality; tilt away from concentration risk using EW strategies
  - Established a position in Growth; large-cap tech companies less vulnerable to macro / rates / cycles
  - Established a position in min vol as economy beings to weaken / macro data volatile
  - OW the US but maintain a position in international developed (hedged)
  - OW inflation sensitive sectors (energy, industrials, materials)
  - Decreased inversely correlated alts as various macro data still healthy / Fed has rate cuts in back pocket
  - UW duration vs the benchmark as inflation remains elevated / less cuts priced in

Strategic Models

- OW to US, UW to Europe/Developed Markets
- OW Quality, Mix Value & Growth (changed from last year); Tilt away from concentration risk using EW strategies
- Established a position in Growth; Now EW most tech-like sectors
- OW inflation sensitive sectors (energy, industrials, materials)
- EW/slightly UW duration vs the benchmark
- Decreased inversely correlated alts as various macro data still healthy / Fed has rate cuts in back pocket

Portfolio Positioning

		Aggressive UW/OW	Growth & Inc UW/OW	MARS UW/OW	RMDI UW/OW	Renaissance UW/OW
Asset Allocation	Equity	2%	1%	1%	0%	-2%
	US Equity	3%	2%	5%	3%	12%
	Non-US Equity	-1%	-2%	-4%	-2%	-14%
	Fixed Income	-6%	-4%	-5%	-4%	1%
	Alternative	4%	3%	4%	3%	1%
Equity Sectors	Basic Materials	2%	2%	2%	2%	0%
	Communication Services	-1%	-1%	-1%	-2%	0%
	Consumer Cyclical	1%	1%	1%	0%	1%
	Consumer Defensive	0%	0%	0%	0%	1%
	Energy	2%	2%	2%	3%	0%
	Financial Services	-6%	-6%	-7%	-6%	-6%
	Healthcare	0%	0%	0%	1%	0%
	Industrials	3%	3%	3%	5%	2%
	Real Estate	-1%	-1%	-1%	-1%	-1%
	Technology	0%	0%	1%	-1%	4%
	Utilities	-1%	-1%	-1%	-1%	1%
Equity Style Box	Large	-17%	-18%	-12%	-21%	-3%
	Large Value	-3%	-4%	-4%	-2%	-2%
	Large Blend	-5%	-5%	-3%	-5%	2%
	Large Growth	-9%	-9%	-5%	-14%	-3%
	Mid	16%	17%	11%	20%	6%
	Mid Value	8%	8%	5%	10%	3%
	Mid Blend	7%	7%	5%	9%	3%
	Mid Growth	1%	1%	1%	1%	0%
	Small	1%	1%	1%	1%	-2%
	Small Value	0%	0%	0%	0%	-1%
	Small Blend	1%	1%	0%	1%	-1%
	Small Growth	0%	0%	0%	0%	-1%

Source: BlackRock 360 Evaluator, Astoria Portfolio Advisors. Data as of June 28, 2024.

Portfolio Positioning

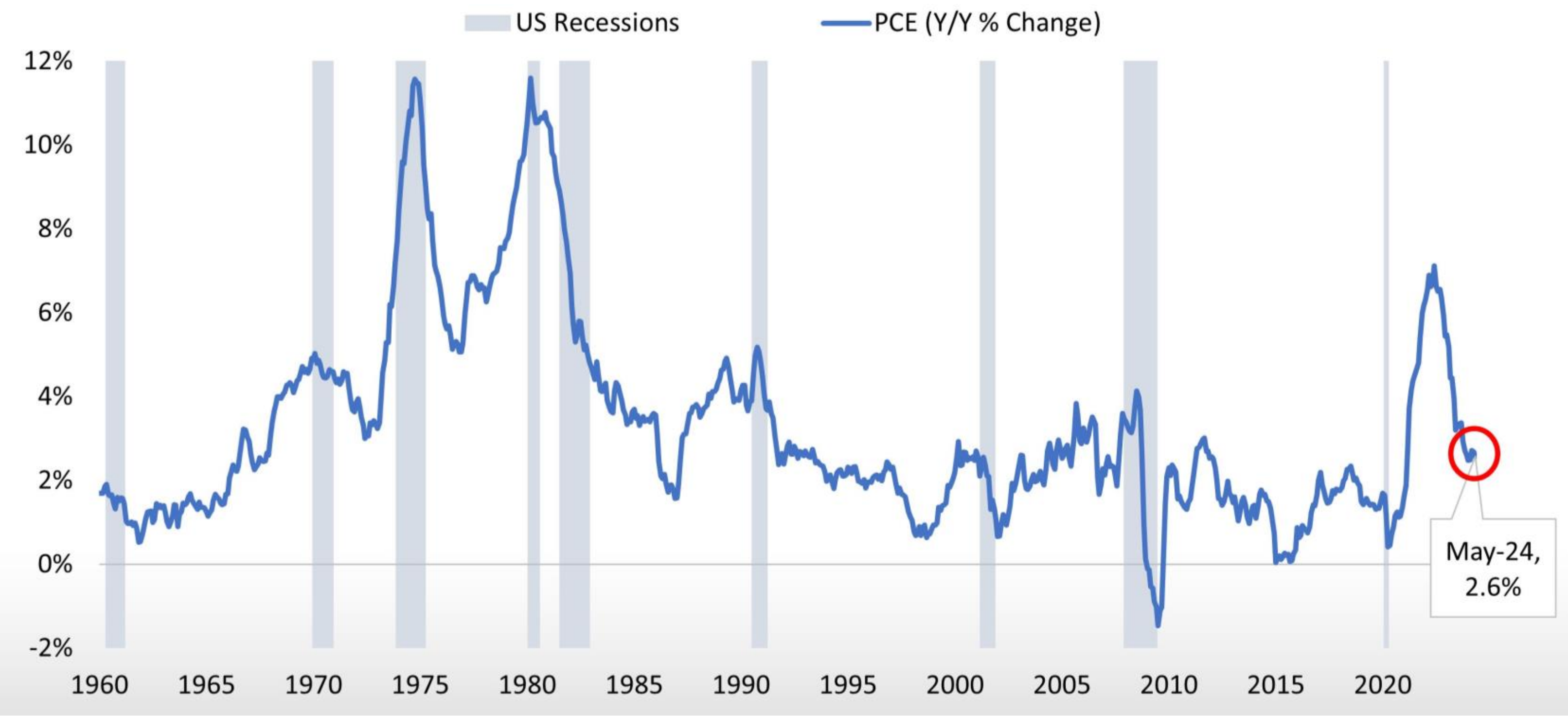
		Aggressive UW/OW	Growth & Inc UW/OW	MARS UW/OW	RMDI UW/OW	Renaissance UW/OW
Other Attrib	Standard Deviation	0.1%	-0.1%	-0.4%	-0.3%	0.0%
	Avg. Effective Duration	-0.5	-0.2	-2.0	0.0	—
	12 Month Trailing Yield	-0.5%	-0.3%	-0.2%	-0.1%	-0.6%
Fixed Income Sectors	Government	5%	3%	2%	-5%	—
	Municipal	0%	0%	0%	17%	—
	Corporate	11%	13%	12%	3%	—
	Securitized	-17%	-17%	-14%	-17%	—
	Cash & Equivs.	1%	1%	1%	1%	—
Credit Quality	AAA	2%	-1%	0%	-6%	—
	Inv. Grade	-3%	1%	0%	6%	—
	High Yield	0%	0%	0%	0%	—
	Not Rated	0%	0%	0%	0%	—

Source: BlackRock 360 Evaluator, Astoria Portfolio Advisors. Data as of June 28, 2024.

Business Cycle Indicators

May PCE suggests continued disinflation theme, with all measures cooling slightly from the prior month. Though services and food prices increased, goods prices declined & offset

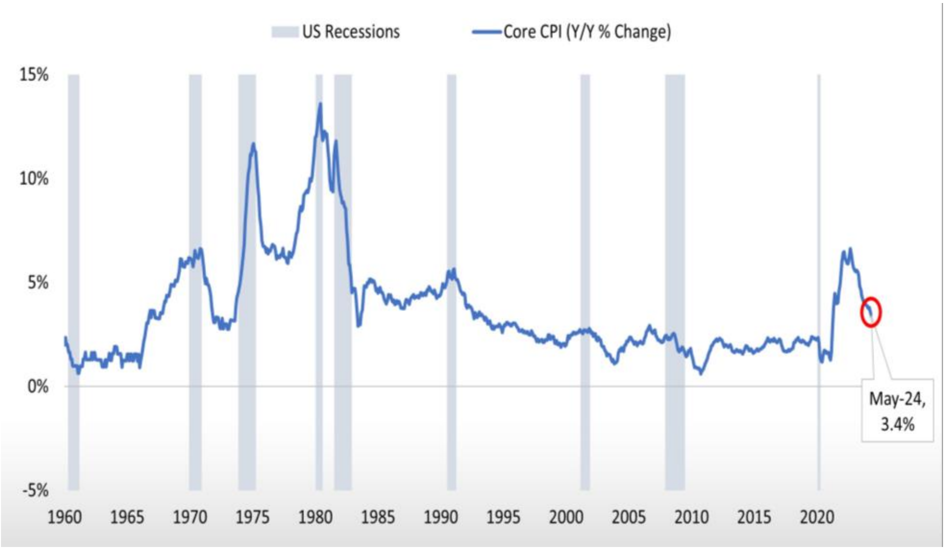
Core Personal Consumption Expenditures (PCE) Price Index



Source: FactSet, BEA – US Bureau of Economic Analysis, Astoria Portfolio Advisors. Data as of June 28, 2024

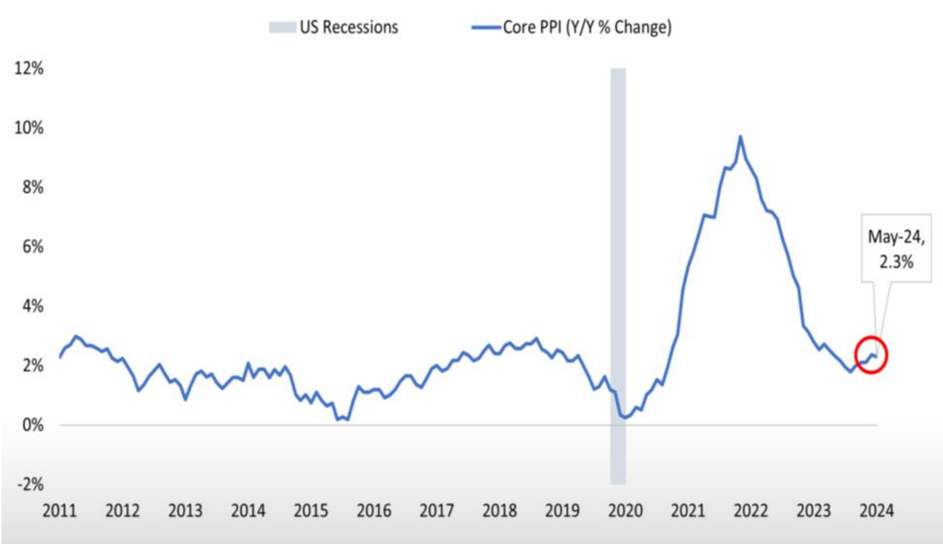
Both May CPI and PPI also came in softer than expected across the board. All prints eased from the prior month supporting the disinflation narrative

Core Consumer Price Index



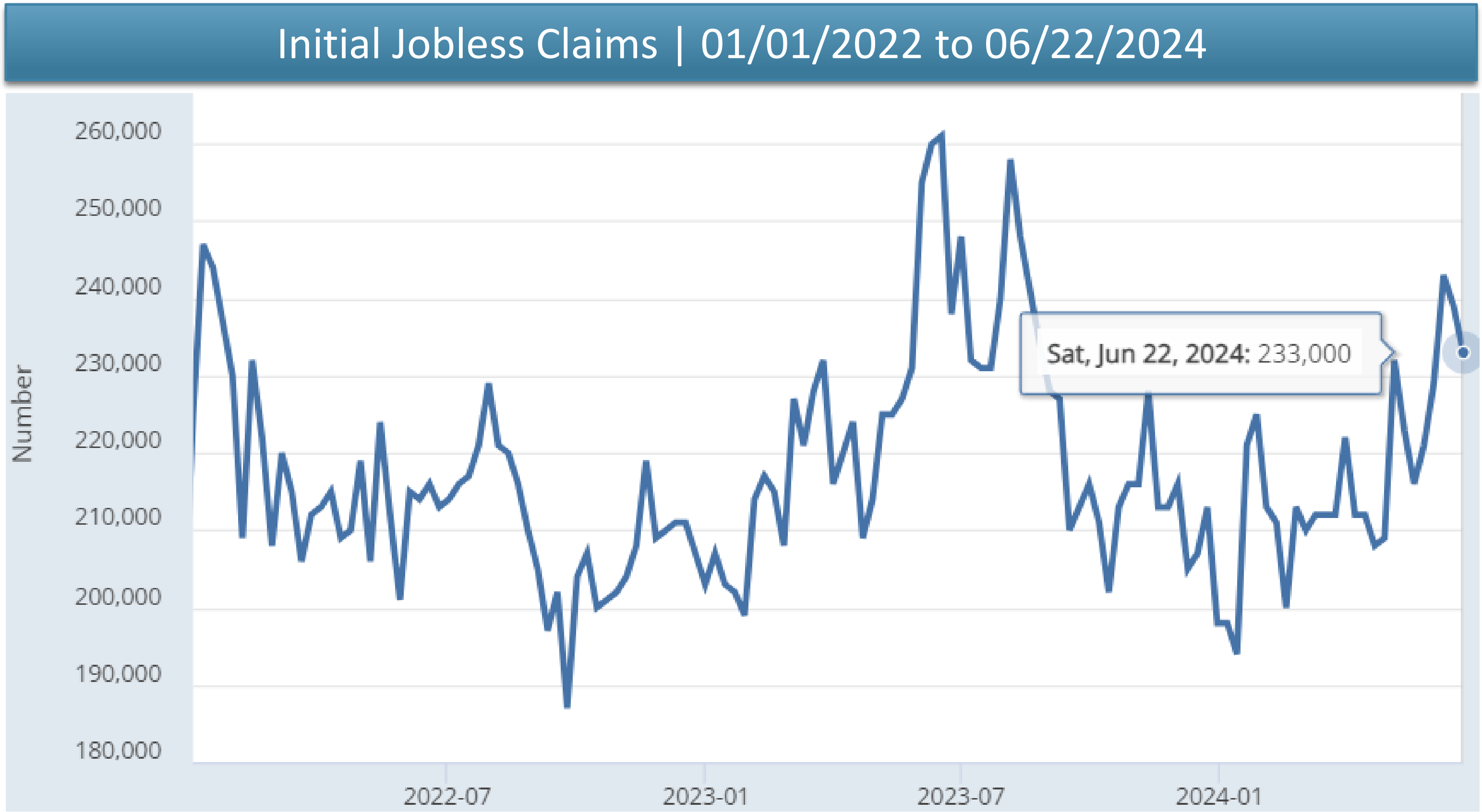
Source: FactSet, U.S. Department of Labor, Astoria Portfolio Advisors. Core CPI (Consumer Price Index) excludes the prices of food and energy. Data as of June 12, 2024.

Core Producer Price Index



Source: FactSet, U.S. Department of Labor, Astoria Portfolio Advisors. Core PPI (Producer Price Index) excludes the prices of food and energy. Data as of June 13, 2024.

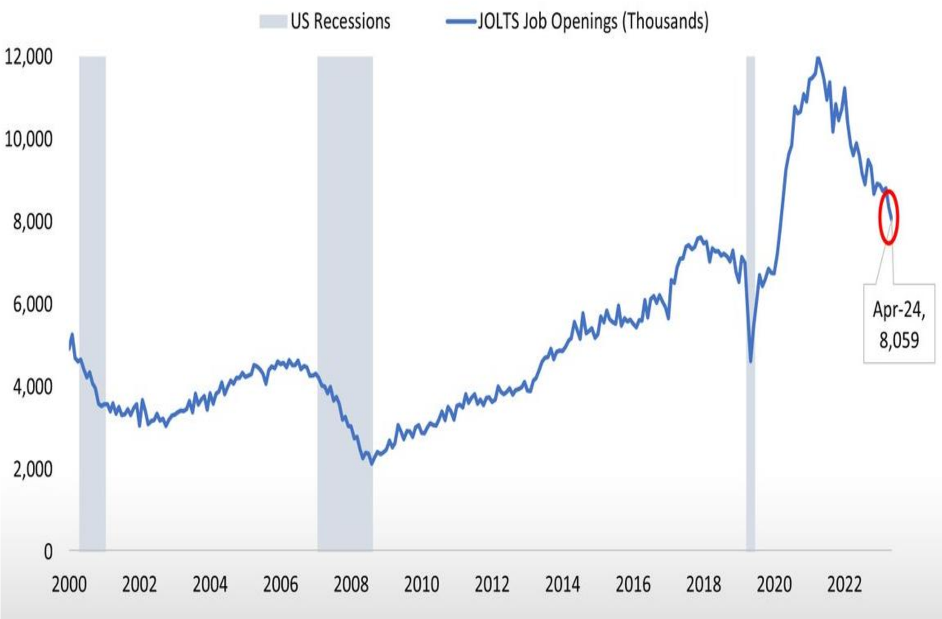
In recent weeks, Initial Jobless Claims have trended higher and remain elevated



Source: FRED. Data as of June 27, 2024.

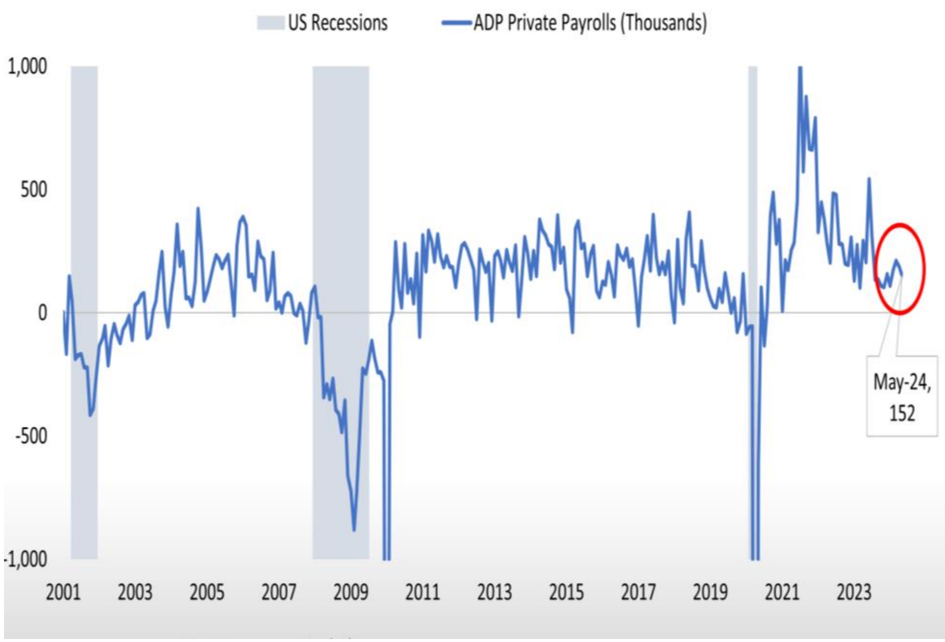
Apr JOLTS Job Openings printed lowest since Feb 2021 while May ADP Private Payrolls missed estimates and declined from prior month

JOLTS Job Openings



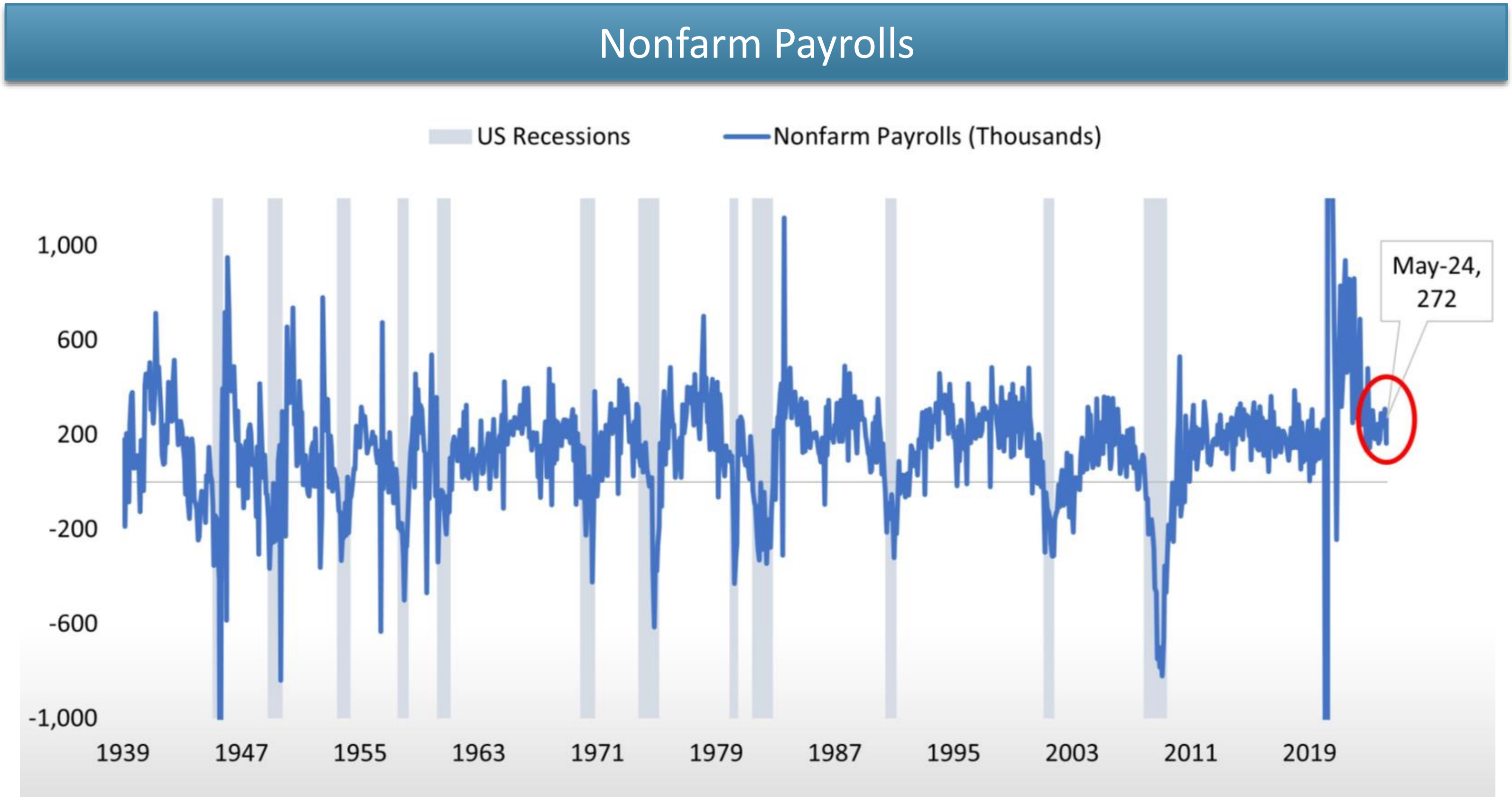
Source: FactSet, US Department of Labor, Astoria Portfolio Advisors. Data as of June 4, 2024.

ADP Private Payrolls



Source: FactSet, BEA – US Bureau of Economic Analysis, Astoria Portfolio Advisors. Data as of June 5, 2024

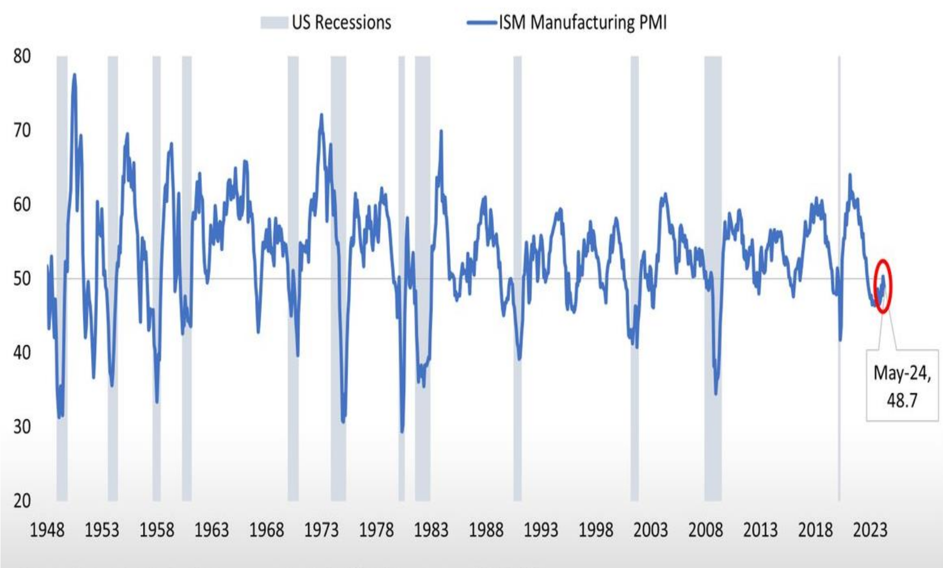
May Nonfarm Payrolls came in much hotter than expected, with the unemployment rate also ticking higher



Source: FactSet, US Department of Labor, Astoria Portfolio Advisors. Data as of June 7, 2024.

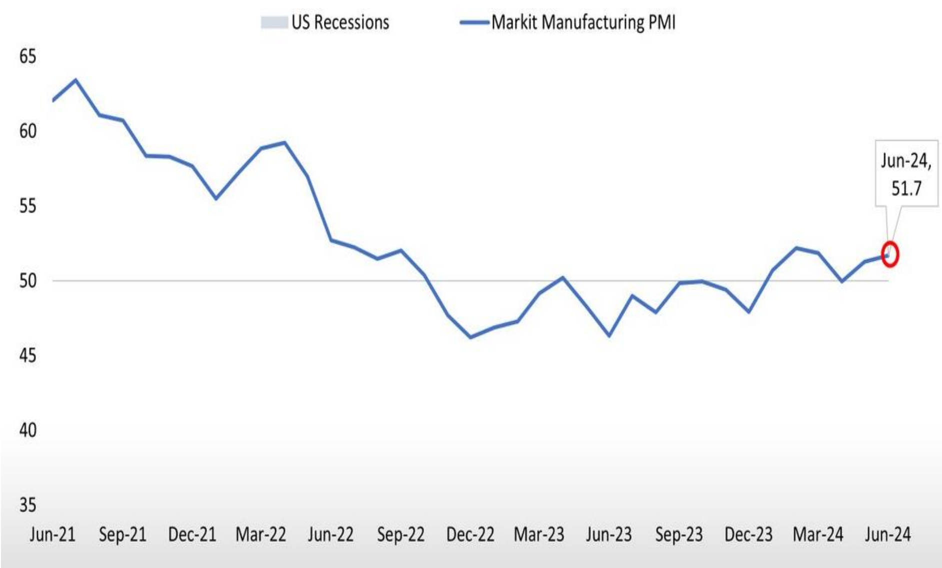
May ISM Manufacturing PMI declined lower into contractionary territory, while June Markit Manufacturing PMI (prelim) increased on the back of strengthened employment and lower prices

ISM Manufacturing PMI



Source: FactSet, ISM - Institute for Supply Management, Astoria Portfolio Advisors. Data as of June 3, 2024.

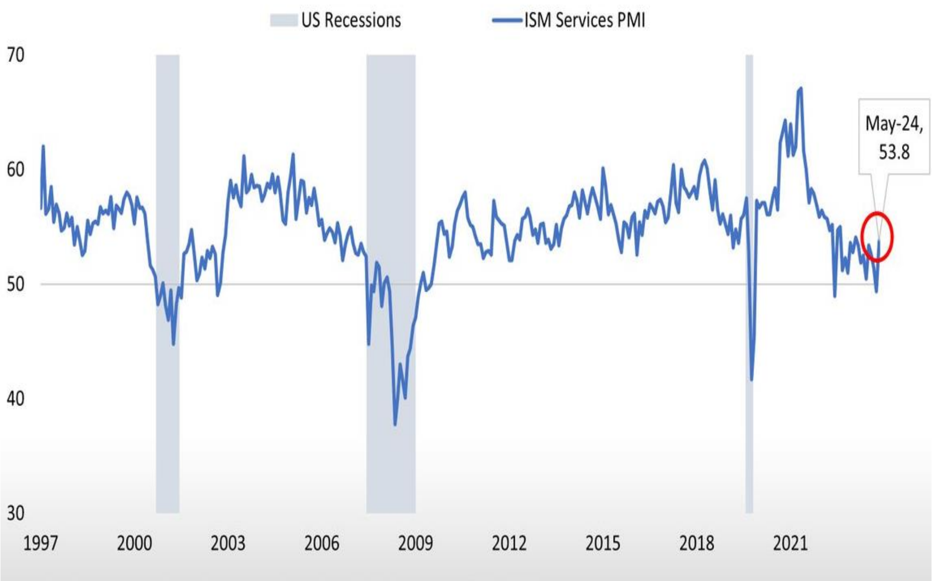
Markit Manufacturing PMI



Source: FactSet, Markit Economics (NTC), Astoria Portfolio Advisors. Data as of June 21, 2024

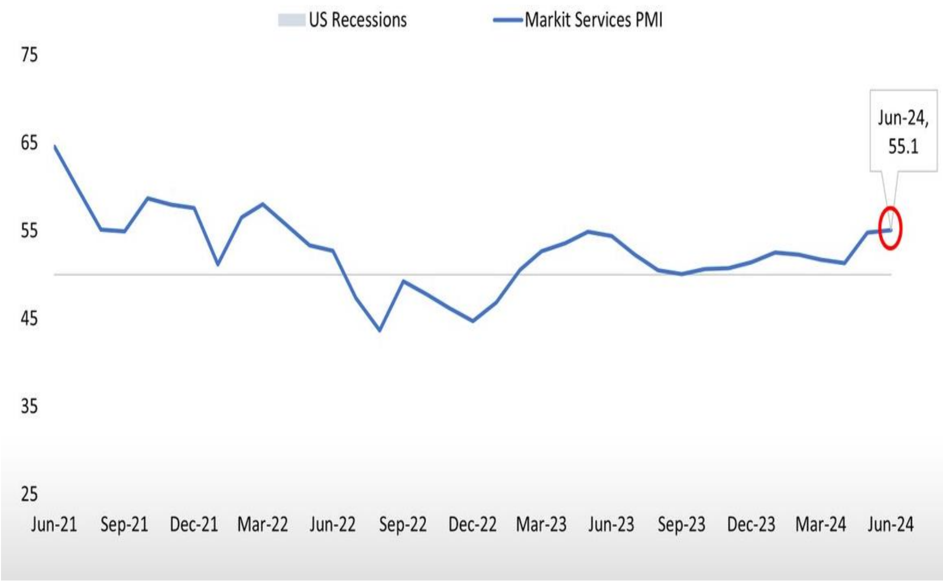
May ISM Services PMI came in well ahead of expectations and up largely from Apr. June Markit Service PMI (prelim) notched highest level since Apr 2022

ISM Services PMI



Source: FactSet, ISM - Institute for Supply Management, Astoria Portfolio Advisors. Data as June 5, 2024.

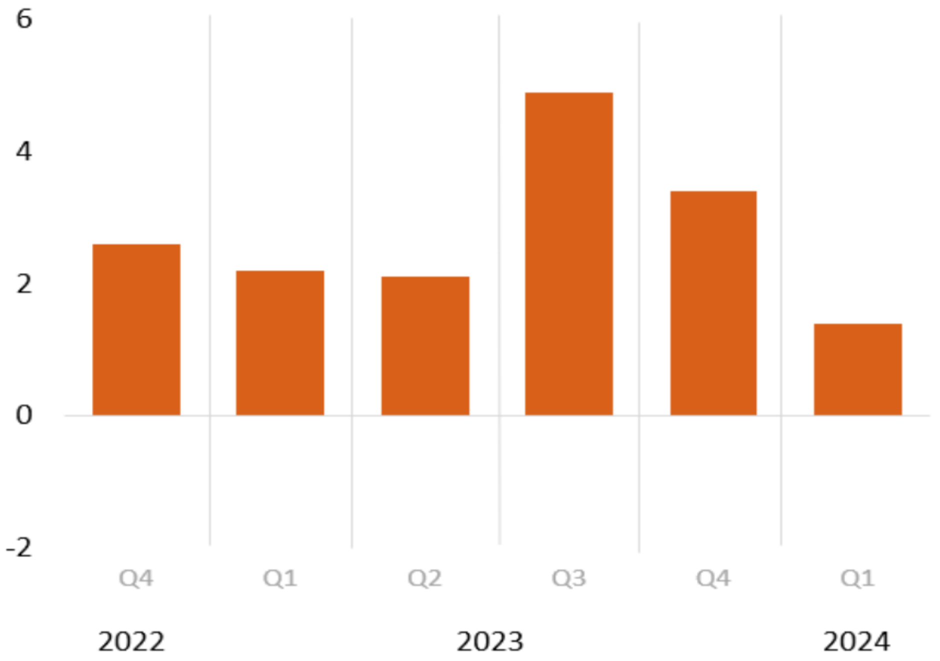
Markit Services PMI



Source: FactSet, Markit Economics (NTC), Astoria Portfolio Advisors. Data as of June 5, 2024.

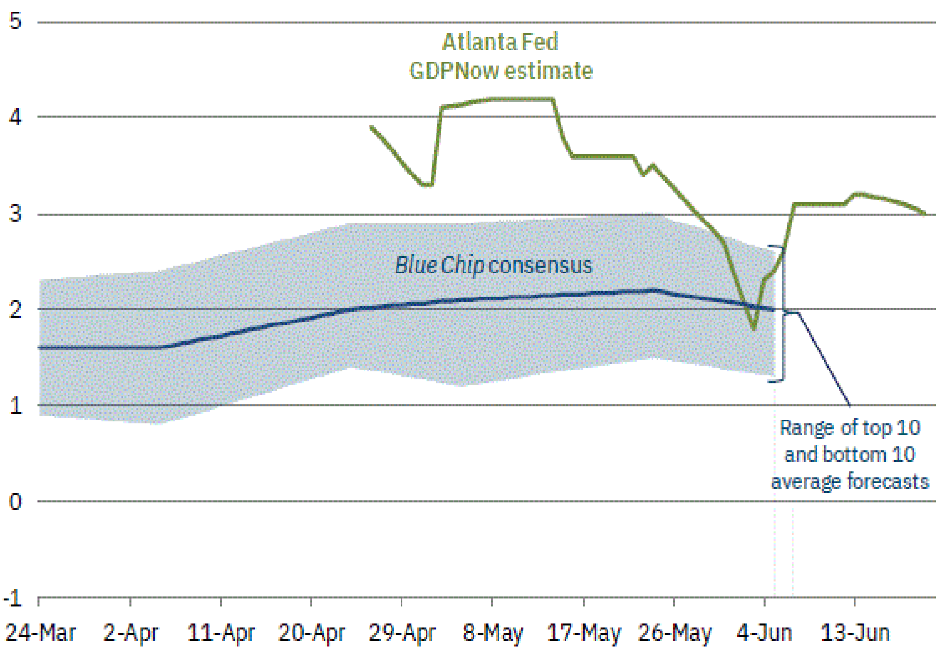
US Real GDP for Q1 2024 printed 1.4% per the final estimate, softening from Q4 2023's 3.4%. GDPNow expects Q2 2024 GDP to be 3.0%, down from the initial 3.9% estimate

US Real GDP YoY % Change through Q1 2024



Source: U.S. Bureau of Economic Analysis. Data as of June 27, 2024.

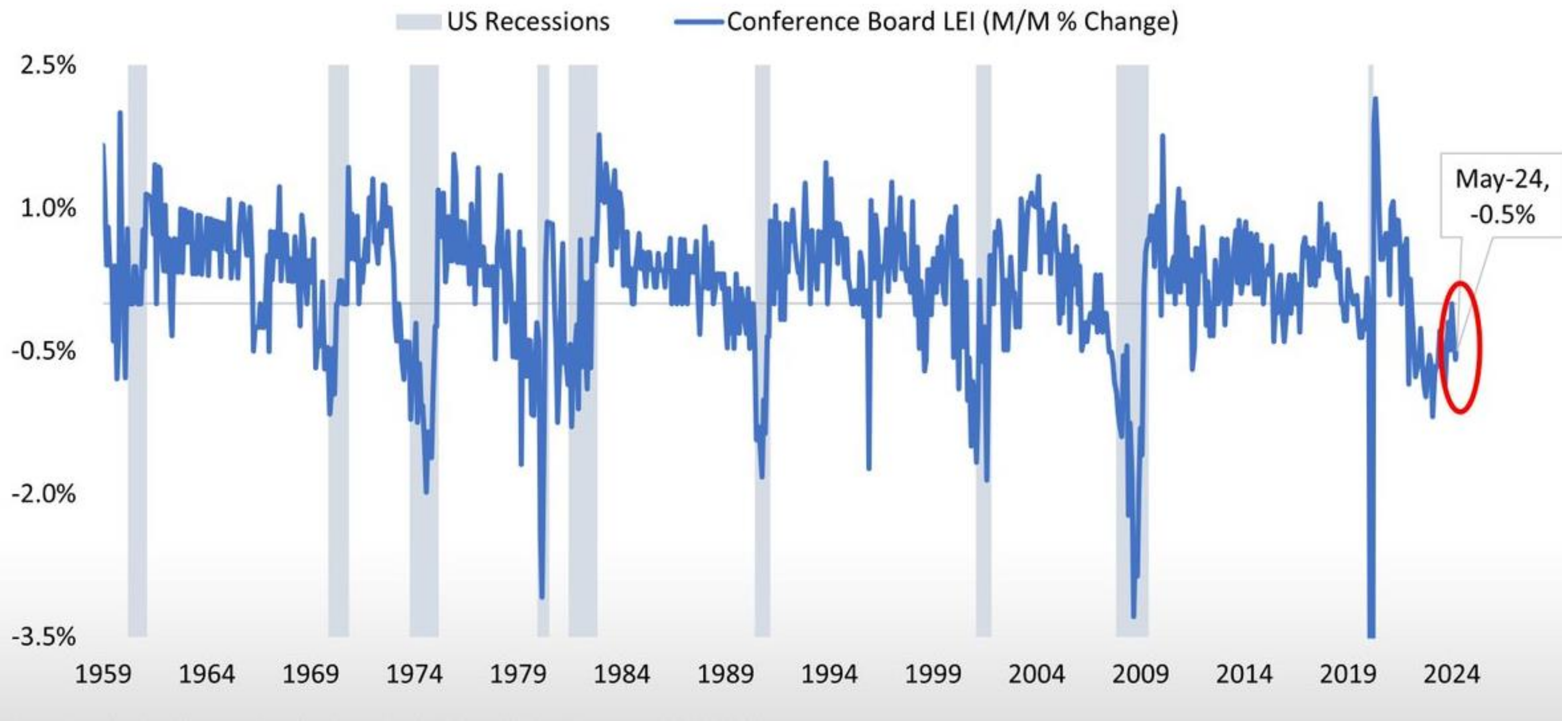
Atlanta Fed GDPNow Q2 2024 Real GDP Est.



Source: Blue Chip Economic Indicators and Blue Chip Financial Forecasts. Data as of June 20, 2024.

May Conference Board LEI fell more than expected, marking its 3rd consecutive decrease. Print signals softer economic conditions ahead

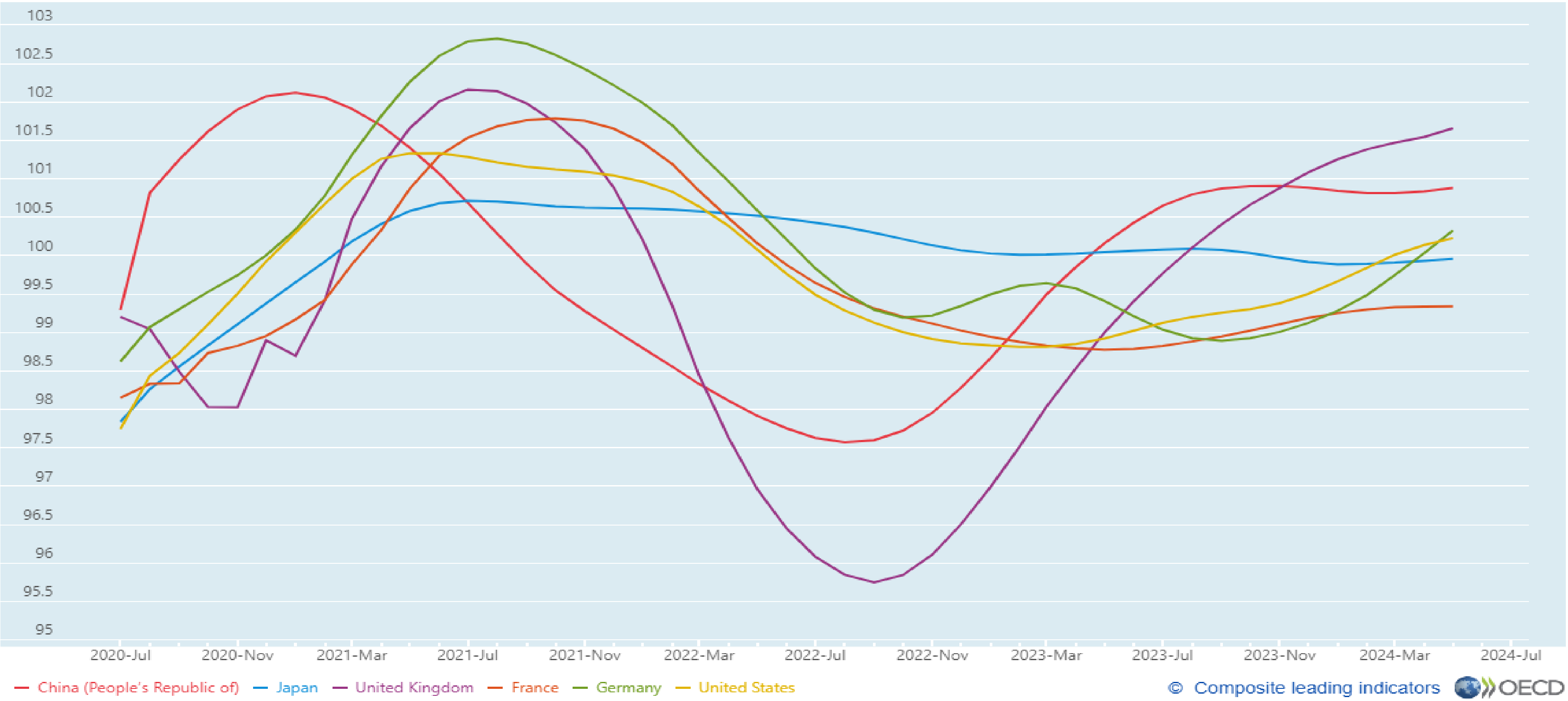
Conference Board Leading Economic Index



Source: Conference Board, Astoria Portfolio Advisors. Data as of June 21, 2024.

Leading Indicators are mostly improving across the board, with the UK (purple) and Germany (green) having high positive rate of change. Otherwise, France (orange) seems flat (100 = hist. median)

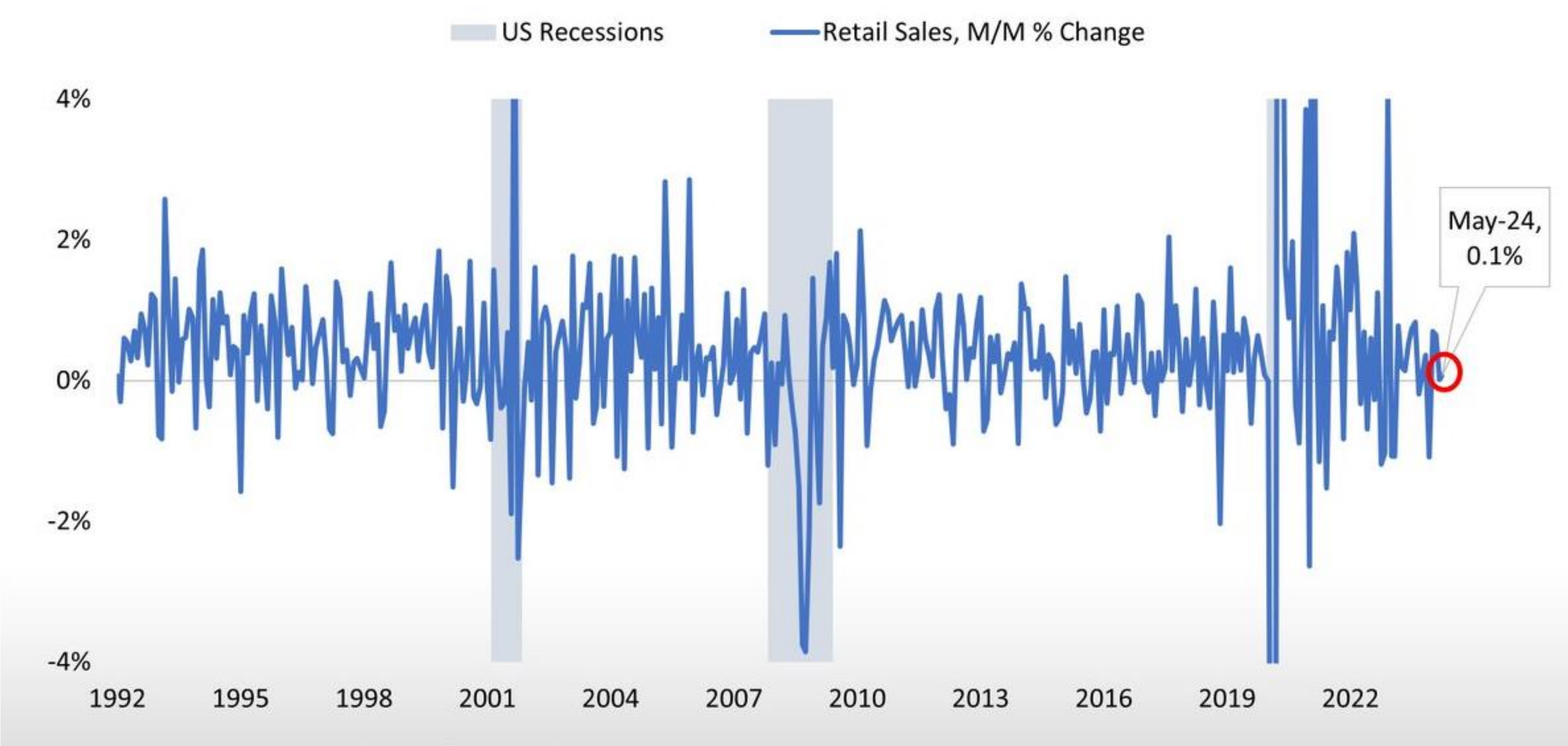
OECD Composite Leading Indicators



Source: OECD.org. Data as of June 28, 2024.

May Retail Sales missed consensus and Apr's print was revised downwards. Print adds growing skepticism on consumer resilience story

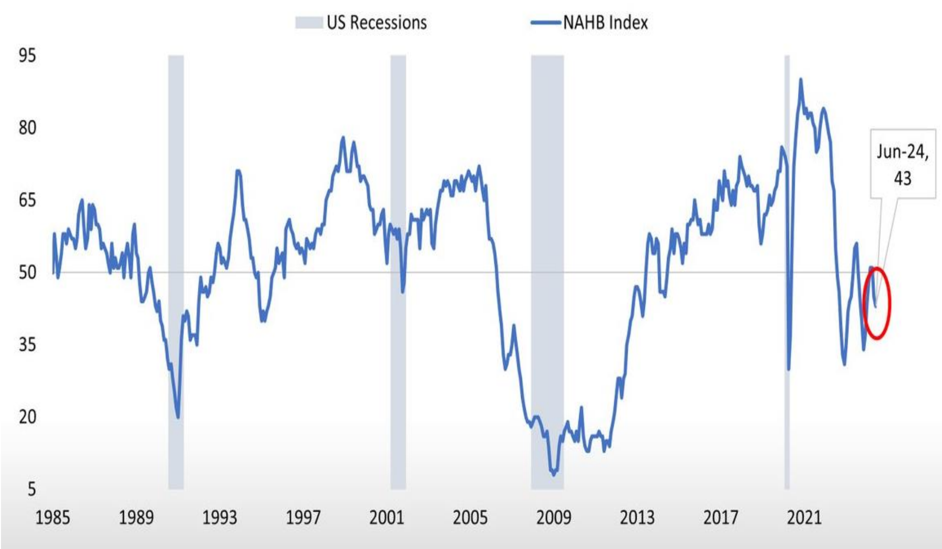
Retail Sales M/M Change



Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of June 18, 2024.

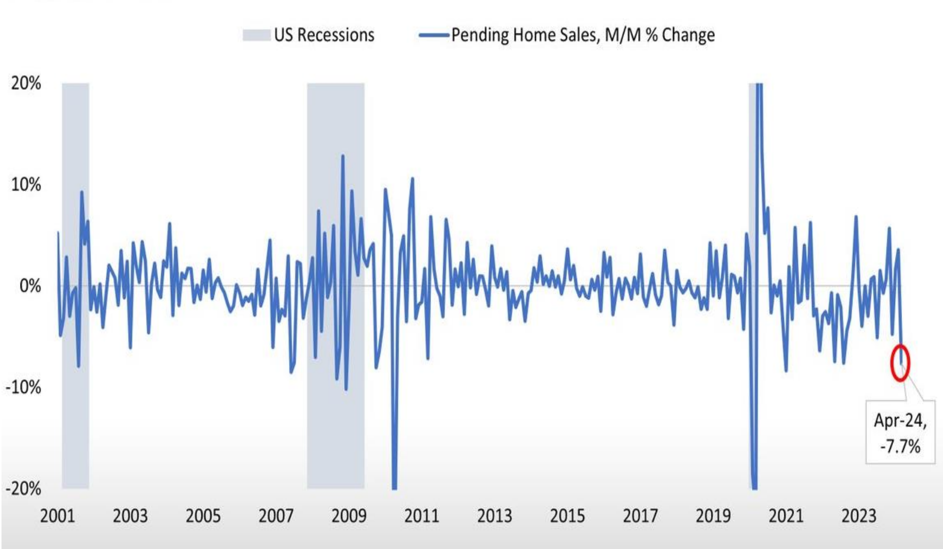
June NAHB HMI sank deeper into contractionary territory, and Apr Pending Home Sales printed at the lowest pace since Apr 2020, signaling housing market struggles

NAHB Housing Market Index



Source: FactSet, NAHB - National Association of Home Builders, Astoria Portfolio Advisors. Data as of June 21, 2024.

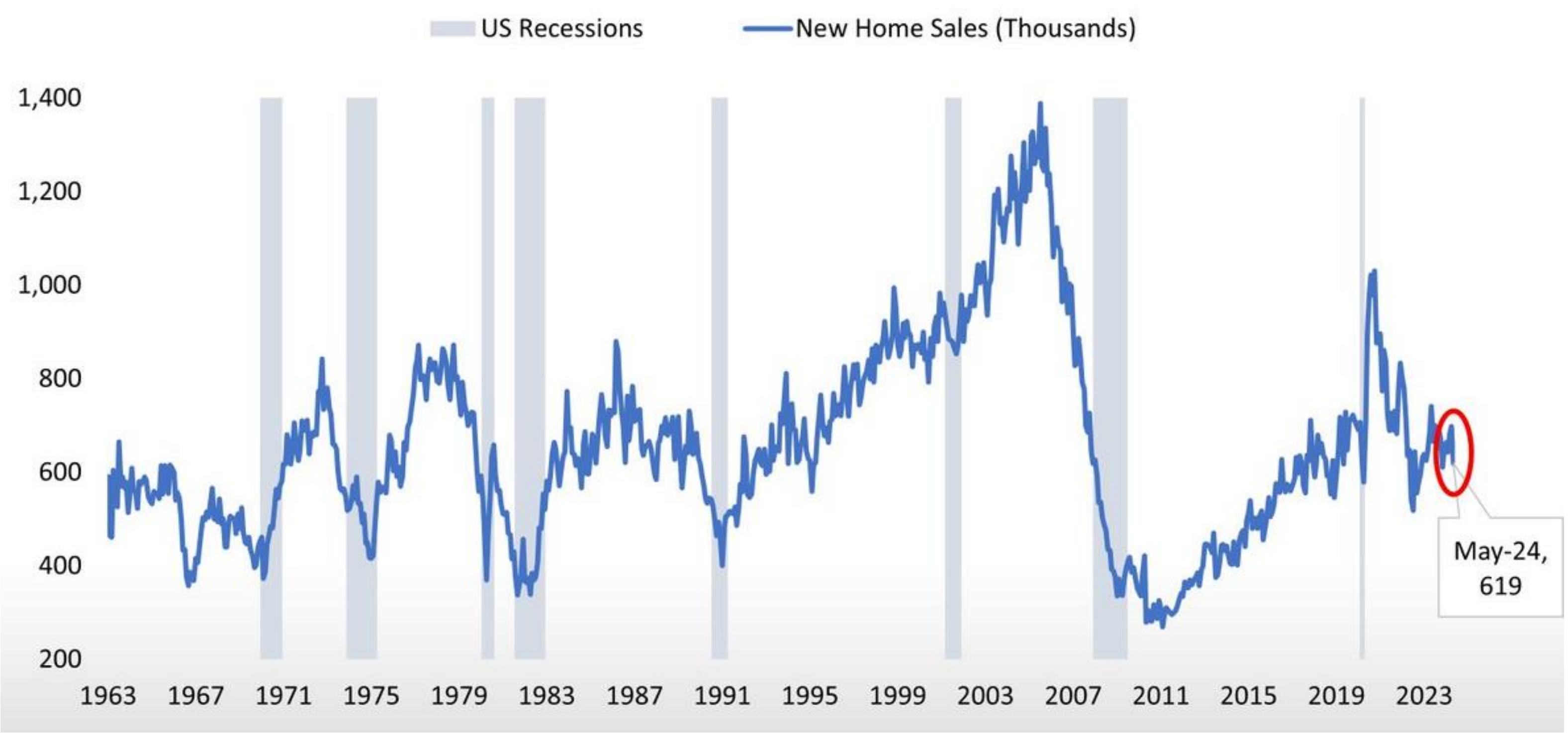
Pending Home Sales



Source: FactSet, NAR - US National Association of Realtors, Astoria Portfolio Advisors. Data as of May 30, 2024.

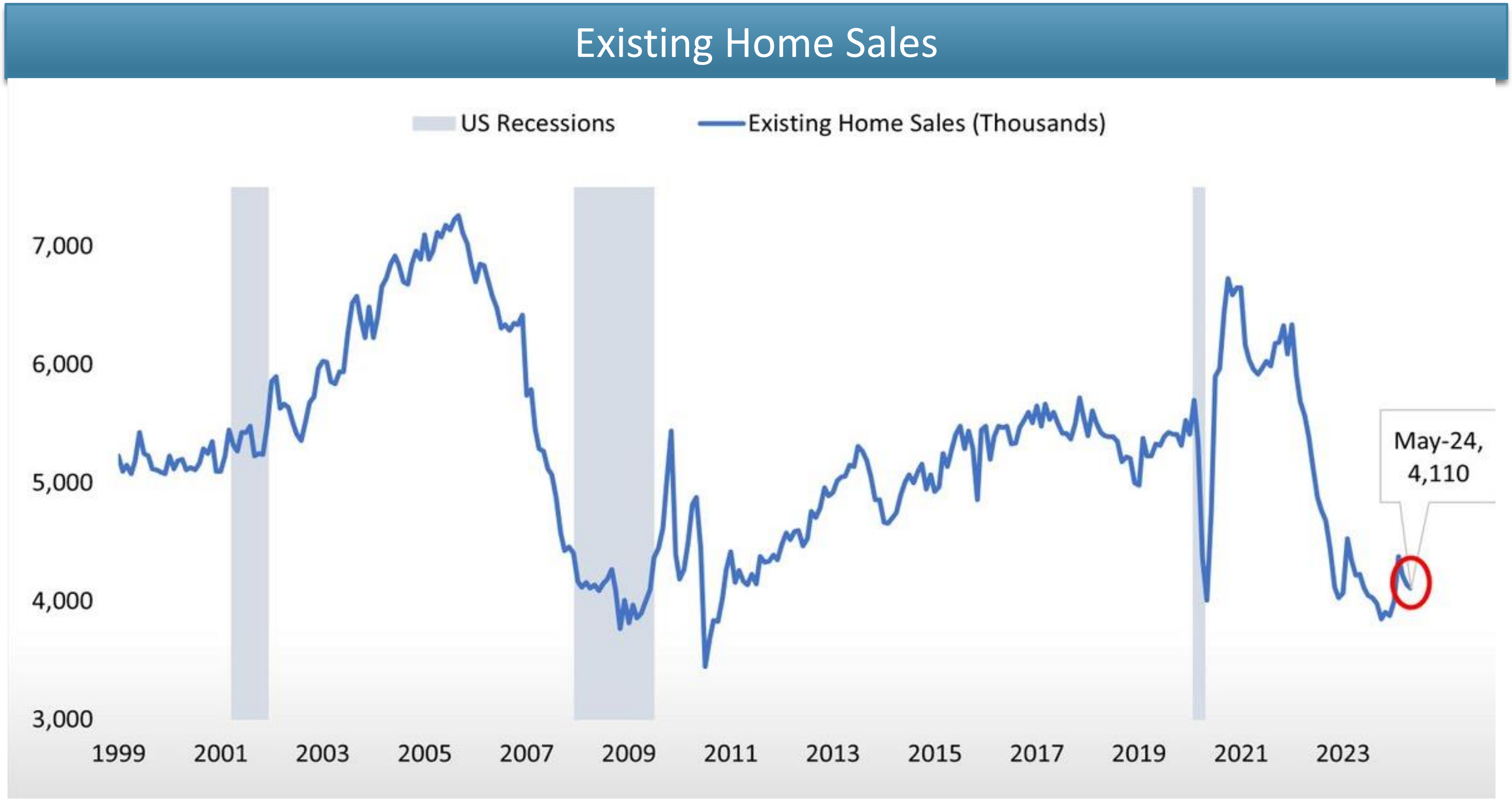
May New Home Sales missed estimates and decreased from Apr, marking second consecutive decline. However, the past 3 months saw a large upward revision

New Home Sales



Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of June 26, 2024.

May Existing Home Sales beat expectations but fell slightly from Apr with inventories at highest in 4 years



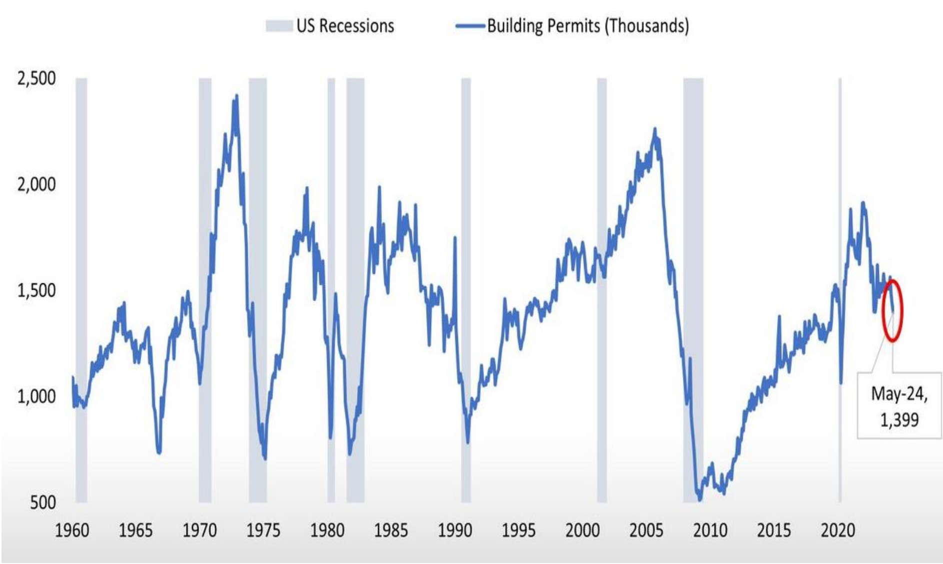
Source: FactSet, NAR - US National Association of Realtors, Astoria Portfolio Advisors. Data as of June 21, 2024.

Both May Housing Starts and May Building Permits (final) missed estimates and fell from Apr, indicating weakness housing market as mortgage rates remain elevated

Housing Starts

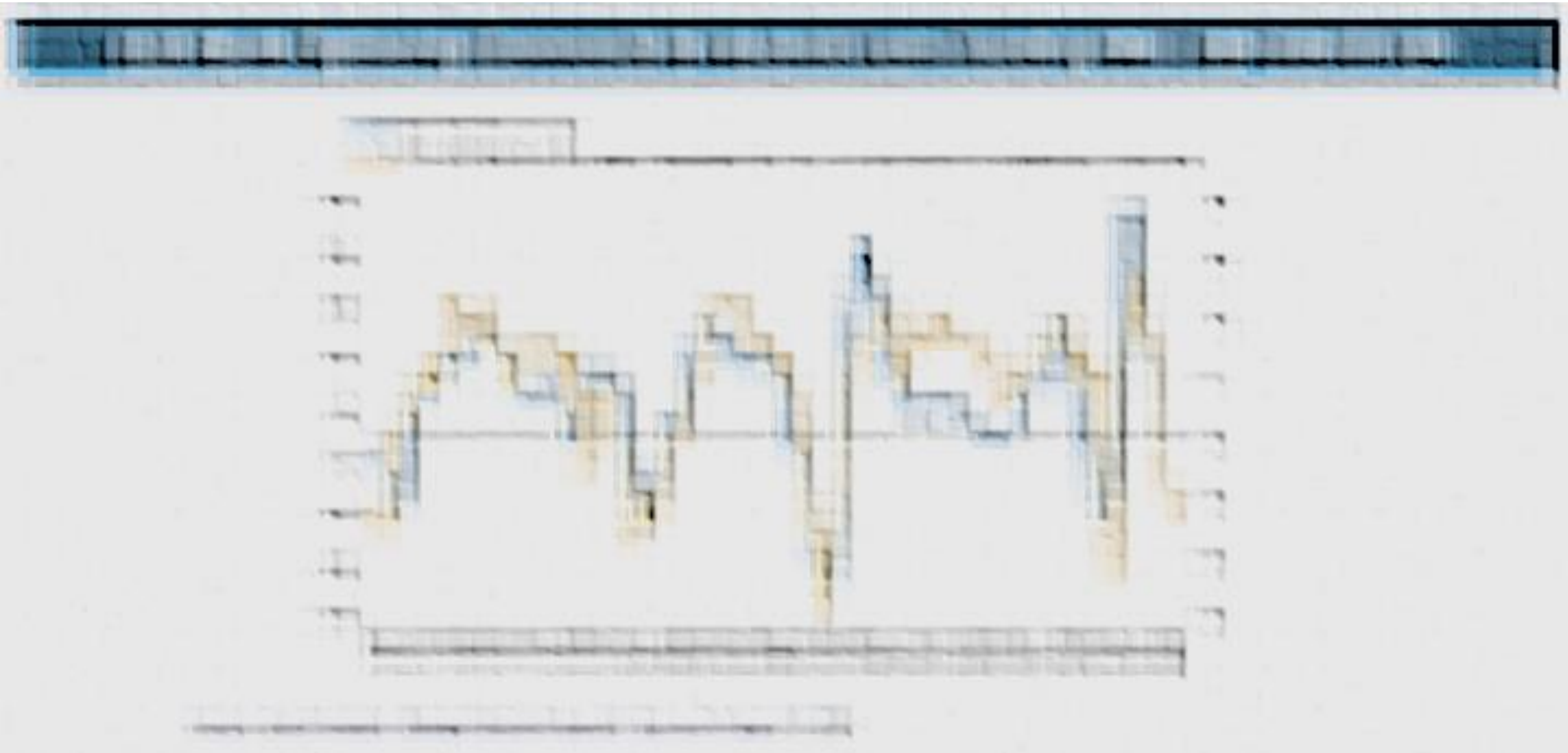
Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of June 20, 2024.

Building Permits



Source: FactSet, US Census Bureau, Astoria Portfolio Advisors. Data as of June 26, 2024.

To access more of our macroeconomic insights and business cycle indicators on slides 26-49, please contact Frank Tedesco (ftedesco@astoriaadvisors.com).



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- 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 US government may cause the value of the Fund's exposure to US 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.
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