

Market Perspectives

Second Quarter 2023 – June 30, 2023

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Key Points

- Q2 was a difficult quarter for equities causing a performance differential from the Syntax Stratified Large Cap (SSPY) ETF against the tech-heavy S&P 500 Index.
- Stratified Weight seeks to diversify across sectors and sub-sectors to prevent one sector, industry, or company from becoming overconcentrated in the portfolio.
- Apple, Microsoft, Amazon, Nvidia, and Alphabet held the largest concentration in the S&P 500 Index versus SSPY for Q2 2023 and posed a challenge to investors looking for diversified exposure to the U.S. equity market.

Syntax Performance

For the quarter ending June 30, 2023, the Syntax Stratified LargeCap ETF (SSPY) returned 3.76%. In comparison, the S&P 500 Index, returned 8.74% and the S&P 500 Equal Weight Index returned 3.99% for the quarter. Similar to past quarters, we saw the overweighting of sectors and companies with high momentum driving the outperformance of the S&P 500 Index during Q2. The S&P 500 Index had over 45% of its weight in the Info Tools and Information sectors whereas this weight was only roughly 25% in SSPY, in-line with its objective to diversify across sectors and sub-sectors and avoid overconcentration risk.

Looking deeper, we see that the performance of the “Magnificent Seven” companies was a significant driver of the S&P 500 Index’s performance for the quarter, in part due to the emergence and adoption of Artificial Intelligence (AI): Apple (+17.79% QTD), Alphabet A (+15.40% QTD), Alphabet C (+16.32% QTD), Amazon (+26.21% QTD), Microsoft (+18.38% QTD), Nvidia (+52.31% QTD), Meta (+35.41% QTD), and Tesla (+26.18% QTD). These 7 companies were a little over 25% of the average weight in the S&P 500 Index for the quarter versus only approximately 3% of the average weight in SSPY, helping contribute to the performance differential for the quarter.

The Syntax Stratified MidCap (SMDY) ETF returned 4.85% for the quarter, performing equally to the S&P 400 Index which returned 4.85%. The SMDY outperformed the S&P 400 Equal Weight Index which returned 4.82% in Q2 2023. Relative to the S&P 400, the SMDY overweighted Info Tools by 6.82% and the Information sectors by 6.06%. SMDY also overweighted the Consumer, Food, and Healthcare sectors compared to the S&P 400 Index.

Meanwhile, the Syntax Stratified SmallCap (SSLY) ETF returned 2.56% for the quarter, versus the S&P 600 Index which returned 3.38%. The SSLY returned 2.56%, which outperformed the S&P 600 Equal Weight Index with returns at 1.93%. SSLY overweighted Info Tools by 3.28% and the Information sectors by 6.16% compared to S&P 600. SSLY also overweighted the Consumer, Food, Energy, and Healthcare sectors compared to the S&P 600 Index.

Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown here. Performance data current to the most recent month end is available by calling (866) 972-4492. Performance would have been lower without fee waivers/expense reimbursements in effect. ***The Adviser has contractually agreed to waive and/or reimburse certain fees/expenses until May 1, 2024.**

Inflation in Q2 2023

The latest U.S. inflation report showed that the Consumer Price Index (CPI) climbed 4.0% and 3.0% in May and June, respectively, steadily declining from its 9.2% peak a year ago. While supply chain constraints have eased and the labor market has cooled due to announced layoffs, particularly in the technology sector, the Federal Open Market Committee (FOMC) has only recently paused its aggressive inflation rate hikes, which began in March 2022 and has resulted in ten consecutive hikes, totaling 5.00% through May 2023. In the FOMC's June meeting, it cited the need for more time to assess the economic outlook while heavily indicating that it plans to continue to raise rates until the end of the year. While increasing interest rates has helped to curb inflation, the FOMC's monetary policy has also come at a cost, almost leading to a banking crisis (e.g., Silicon Valley Bank) in the U.S. and exacerbated recession fears.

Cooling inflation numbers and expectations of the Fed ending its course of interest rate hikes at the end of the year have boosted investor optimism about the market. However, as discussed earlier, the most significant market driver has been the recent excitement about AI and its expected benefits, which have led seven companies (Amazon, Alphabet, Tesla, Nvidia, Apple, Meta, and Microsoft) to drive the market and account for approximately half its gains in Q2. It is too soon to determine whether AI will live up to the hype, be another passing trend, or somewhere in between. Investors should take care to balance fear of missing out with attention to valuations, the macroeconomic outlook, and the performance drivers and overconcentration in market indices created by this market dynamic.

Exhibit 1. Core Index Comparison

Index	Benchmark	Q2 2023 (%)			12 months (%)		
		Stratified	Benchmark	Difference	Stratified	Benchmark	Difference
Stratified LargeCap	S&P 500	3.86	8.74	-4.88	14.38	19.59	-5.21
Stratified MidCap	S&P MidCap 400	4.98	4.85	0.13	18.10	17.61	0.49
Stratified SmallCap	S&P SmallCap 600	2.71	3.38	-0.67	9.45	9.75	-0.30
Stratified LargeCap	S&P 500 Equal Weight	3.86	3.99	-0.13	14.38	13.76	0.62
Stratified MidCap	S&P 400 Equal Weight	4.98	4.82	0.16	18.10	18.00	0.10
Stratified SmallCap	S&P 600 Equal Weight	2.71	1.93	0.78	9.45	7.05	2.40

Source: Syntax, LLC and S&P Dow Jones Indices. Total return performance does not reflect fees or implementation costs as an investor cannot directly invest in an index. Performance as of 30 June 2023.

Syntax Stratified LargeCap: [SSPY](#) inception as of 01/01/2015

Performance Return (%) As of June 30, 2023	Cumulative		Annualized			
	YTD	2Q23	1Y	3Y	5Y	Since Fund Inception
SSPY NAV	6.88	3.76	14.01	16.00	10.71	10.18
SSPY Market Price	7.10	3.90	14.41	15.99	--	--
Syntax Stratified LargeCap Index (TR)	7.06	3.86	14.38	16.42	11.00	--
S&P 500 Index (TR)	16.89	8.74	19.59	14.60	12.31	11.57
S&P 500 Equal Weight Index (TR)	7.03	3.99	13.76	15.82	10.21	9.77

For holdings click the fund ticker. Gross Expense Ratio is 0.45%. Net Expense Ratio is 0.30%.

Syntax Stratified MidCap: [SMDY](#) inception as of 01/01/2015

Performance Return (%) As of June 30, 2023	Cumulative		Annualized			
	YTD	2Q23	1Y	3Y	5Y	Since Fund Inception
SMDY NAV	9.92	4.85	17.62	15.26	8.13	8.85
SMDY Market Price	10.05	4.96	18.04	15.28	--	--
Syntax Stratified MidCap Index (TR)	10.18	4.98	18.10	15.79	8.56	--
S&P 400 Index (TR)	8.84	4.85	17.61	15.44	7.79	8.92
S&P 400 Equal Weight Index (TR)	9.45	4.82	18.00	17.91	8.28	8.94

For holdings click the fund ticker. Gross Expense Ratio is 0.45%. Net Expense Ratio is 0.35%.

Syntax Stratified SmallCap: [SSLY](#) inception as of 05/28/2020

Performance Return (%) As of June 30, 2023	Cumulative		Annualized			
	YTD	2Q23	1Y	3Y	5Y	Since Fund Inception
SSLY NAV	6.37	2.56	8.97	14.70	--	15.87
SSLY Market Price	6.43	2.64	9.37	14.75	--	15.89
Syntax Stratified SmallCap Index (TR)	6.63	2.71	9.45	15.60	--	16.85
S&P 600 Index (TR)	6.03	3.38	9.75	15.19	--	15.69
S&P 600 Equal Weight Index (TR)	4.00	1.93	7.05	17.19	--	18.34

For holdings click the fund ticker. Gross Expense Ratio is 0.45%. Net Expense Ratio is 0.40%.

Important Information

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A privately offered fund managed by Syntax Advisors, LLC was reorganized into the Syntax Stratified LargeCap ETF as of January 2, 2019, upon commencement of the ETF operations. For periods prior to the commencement of ETF operations, the fund's performance is that of the private fund. The Fund's NAV price as of January 2, 2019, was used in calculating market price performance for January 2 and January 3, prior to the fund's first trading on the New York Stock Exchange on January 4, 2019. A privately offered fund managed by Syntax Advisors, LLC was reorganized into the Syntax Stratified MidCap ETF as of January 16, 2020, upon commencement of the ETF operations. For periods prior to the commencement of ETF operations, the fund's performance is that of the private fund.

The returns were calculated using the methodology the SEC requires of registered funds. However, since the private fund did not calculate its returns on a per share basis, its returns have been calculated on its total net asset value. While the performance of the private fund is net of all fees and expenses, the performance of the private fund has not been restated to reflect the management and fee waivers applicable to the Fund. The Fund may be subject to higher fees which would negatively impact performance. The private funds began operations on January 1, 2015 and, on January 2, 2019 was reorganized into the Syntax Stratified LargeCap ETF, and on January 16, 2020, was reorganized into the Syntax Stratified MidCap ETF. Prior to the reorganization, the private fund had investment objectives, policies and strategies that were, in all material respects, the same as those of the Fund, and was managed in a manner that, in all material respects, complied with the investment guidelines and restrictions of the Fund. However, as a registered investment company, the Fund is subject to certain restrictions under the Investment Company Act of 1940 (the "1940 Act") and the Internal Revenue Code of 1986 (the "Internal Revenue Code") which did not apply to the private fund. If the private fund had been subject to the provisions of the 1940 Act and the Internal Revenue Code, its performance could have been adversely affected. However, these restrictions are not expected to have a material effect on the Fund's investment performance.

Shares of any ETF are bought and sold at market price (not NAV) and may trade at a discount or premium to NAV. Shares are not individually redeemable from the Fund and may only be acquired or redeemed from the fund in creation units. Brokerage commissions will reduce returns.

Before investing, consider the fund's investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus which contains this and other information, please visit www.syntaxadvisors.com, call (866) 972-4492, or talk to your financial advisor. Read it carefully before investing.

The Syntax Stratified LargeCap (SSPY) ETF is subject to certain other risks, including but not limited to, equity securities risk, index tracking risk, passive strategy/index risk, and market trading risk. The Syntax Stratified MidCap (SMDY) ETF is subject to certain other risks, including but not limited to, equity securities risk, small- and mid-capitalization risk, index tracking risk, passive strategy/index risk, and market trading risk. The Syntax Stratified SmallCap (SSLY) ETF is subject to certain other risks, including but not limited to, equity securities risk, small-capitalization risk, index tracking risk, passive strategy/index risk, and market trading risk.

The S&P 500® Index is an unmanaged index considered representative of the US large-cap stock market. The S&P 400® Index is an unmanaged index considered representative of the US mid-cap stock market. The S&P 600® Index is an unmanaged index considered representative of the US small-cap stock market.

Investing involves risk, including possible loss of principal.

The Fund is subject to certain other risks, including but not limited to, MARKET RISK: Overall securities market risks will affect the value of individual instruments in which the Fund invests, and the market price of a security may fluctuate, sometimes rapidly and unpredictably. TRACKING ERROR RISK: The Fund may be subject to tracking error, which is the divergence of the Fund's performance from that of its corresponding Index., PASSIVE STRATEGY/INDEX RISK: The Fund is managed with a passive investment strategy, attempting to track the performance of an unmanaged index of securities. MARKET TRADING RISK: The Fund faces numerous market trading risks, including the potential lack of an active market for

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