

# FIAX

Nicholas Fixed Income Alternative ETF

# XFUNDS

BY NICHOLAS WEALTH

## INVESTMENT OBJECTIVE & STRATEGY

The Nicholas Fixed Income Alternative ETF (FIAX) is an actively managed exchange-traded fund ("ETF") that seeks to provide income using U.S. Treasury fixed income securities and a "defined risk option premium." The Fund's defined risk option premium strategy uses options on ETFs across multiple asset classes (e.g., equities, commodities, fixed income). Through the use of options, the fund can replicate a diversified portfolio of income producing ETFs while seeking to mitigate risk with a core holding in United States treasuries. With this distinct structure, FIAX may have lower correlation to traditional equity and fixed-income asset classes.

## INVESTMENT APPROACH

- Under normal circumstances, the Fund will invest at least 80% of its net assets in U.S. Treasury fixed income securities.
- The Fund's assets will also be invested in Treasury Bills, cash and cash equivalents.
- Treasury Bills, cash and cash equivalent holdings may comprise 90% or more of the Fund's net assets.
- The Fund's option positions will be comprised of vertical credit spreads and vertical debit spreads that aim to capture a premium representing a combination of dividends and growth of the underlying assets.
- Through the defined risk option premium strategy, two options transactions are paired together in order to create a "defined risk" trade that caps the maximum possible gains and losses from the outset.

## FUND INFORMATION

INCEPTION November 29, 2022

### FUND DETAILS

NAV	\$20.04
FUND AUM	\$38,068,802
# OF HOLDINGS	10
EXPENSE RATIO	0.95%
30-DAY SEC YIELD*	4.02%
TYPE	Alternative

### TRADING DETAILS

TICKER	FIAX
CUSIP	88634T535
PRIMARY EXCHANGE	NYSE Arca
DISTRIBUTION FREQ	Monthly
SHARPE RATIO	-0.40
STANDARD DEVIATION	2.85

\*As of August 31, 2023. The 30-Day SEC Yield is calculated with a standardized formula mandated by the SEC. The formula is based on maximum offering price per share and does not reflect waivers in effect.

## Top Holdings

FUNDS	TICKER	%
UNITED STATES TREAS NTS 1% 12/15/2024	91282CDN8	25.81%
UNITED STATES TREAS NTS 0.75% 12/31/2023	91282CDR9	25.81%
CBOE S&P CLL OPT 03/24 4475	SPXW 240328C04475000	1.58%
CBOE S&P PUT OPT 03/24 4200	SPXW 240328P04200000	0.44%
XLU US 09/29/23 P60	XLU 230929P00060000	0.09%

Holdings are subject to change.

## PERFORMANCE

	Month-end as of August 31, 2023				Quarter-end as of June 30, 2023			
	YTD	1 MONTH	3 MONTHS	INCEPTION	1 YEAR	3 YEARS	5 YEARS	INCEPTION
Market Price	3.17%	0.91%	1.77%	2.94%	—	—	—	%
Fund NAV	3.10%	0.82%	1.61%	2.77%	—	—	—	%
Bloomberg US Aggregate Bond Index	1.37%	-0.64%	-1.06%	1.53%	—	—	—	%

\*Indexes are unmanaged. One cannot invest directly in an index.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Performance current to the most recent month-end can be obtained by calling 833-216-0499. Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. Returns beyond 1 year are annualized. A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The market price is the most recent price at which the fund was traded. The fund intends to pay out dividends and interest income, if any, monthly. There is no guarantee these distributions will be made.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Fund, please call (855) 563-6900 or visit our website at [www.nicholasx.com](http://www.nicholasx.com). Read the prospectus or summary prospectus carefully before investing.

**FUND RISKS:**

Investments involve risk. Principal loss is possible.

**Derivatives Risk.** Derivatives are financial instruments that derive value from the underlying reference asset or assets, such as stocks, bonds, or funds (including ETFs), interest rates or indexes. The Fund's investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in securities or other ordinary investments, including risk related to the market, imperfect correlation with underlying investments or the Fund's other portfolio holdings, higher price volatility, lack of availability, counterparty risk, liquidity, valuation and legal restrictions. **Counterparty Risk.** The Fund is subject to counterparty risk by virtue of its investments in option contracts which exposes the Fund to the risk that the counterparty will not fulfill its obligation to the Fund. **Equity Market Risk.** By virtue of the Fund's investments in option contracts equity ETFs and equity indices, the Fund is exposed to common stocks indirectly which subjects the Fund to equity market risk. **High Portfolio Turnover Risk.** The Fund may actively and frequently trade all or a significant portion of the Fund's holdings. A high portfolio turnover rate increases transaction costs, which may increase the Fund's expenses. **Non-Diversification Risk.** Because the Fund is "non-diversified," it may invest a greater percentage of its assets in the securities of a single issuer or a smaller number of issuers than if it was a diversified fund. **Hedging Transactions Risk.** Hedging transactions involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of hedging transactions and price movements in the position being hedged means that losses on the hedge may be greater than gains in the value of the Fund's positions, opportunities for gain may be limited or that there may be losses on both parts of a transaction.

**Illiquid Investments Risk.** The Fund may, at times, hold illiquid investments, by virtue of the absence of a readily available market for certain of its investments, or because of legal or contractual restrictions on sales. **Interest Rate Risk.** The value of the Fund's investments in fixed income Treasury securities will fluctuate with changes in interest rates. **New Fund Risk.** The Fund is a recently organized management investment company with no operating history. As a result, prospective investors do not have a track record or history on which to base their investment decisions.

**DEFINITIONS**

AUM: Assets Under Management

**Options:** An option is a financial instrument known as a derivative that conveys to the purchaser (the option holder) the right, but not the obligation, to buy or sell a set quantity or dollar value of a particular asset at a fixed price by a set date

**Vertical Credit Spreads:** Simultaneously buying and selling options with different strike prices establishes a spread position. And when the option sold is more expensive than the option bought, a net credit results. This is known as a vertical credit spread.

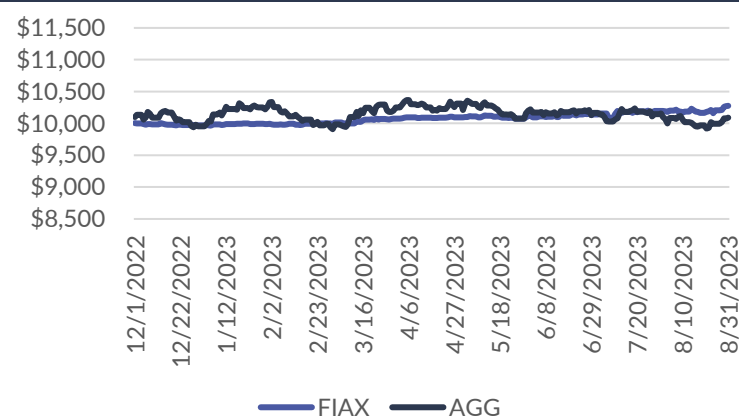
**Vertical Debit Spreads:** A vertical debit spread is a defined risk, directional options trading strategy where we buy an option that we want to increase in value, while selling a similar option type against it to reduce the overall cost and risk of the trade.

**Standard Deviation:** a statistic that measures the dispersion of a dataset relative to its mean then is calculated as the square root of the variance

**Sharpe Ratio:** A measure of an investment's risk-adjusted performance, calculated by comparing its return to that of a risk-free asset.

**Sortino Ratio:** This ratio takes an asset or portfolio's return and subtracts the risk-free rate, and then divides that amount by the asset's downside deviation.

**Bloomberg US Aggregate Bond Index:** The composition of the Agg index is designed to represent the full range of investment-grade bonds traded in the U.S. It is composed of more than 10,000 issues. U.S. Treasuries represent nearly 40% of the index.

**GROWTH OF \$10,000 SINCE INCEPTION**

This chart illustrates how a hypothetical investment of \$10,000 might have grown. It assumes that dividends and capital gains have been reinvested and is either calculated at net asset value NAV or market price. It doesn't reflect any sales fees or taxes that may have been charged, in which case the performance would have been lower. Results are not indicative of future performance.

**RISK INFORMATION SINCE INCEPTION**

STATISTICS	FIAX	AGG
Standard Deviation	2.85	14.57
Sharpe Ratio	-0.397	-0.402
Sortino Ratio	3.06	0.59

Source: Bloomberg

**ABOUT THE FIRM**

Nicholas Wealth Management provides investment advisory services to individuals and institutions. We use distinct tactics to measure risk and minimize portfolio volatility. With XFUNDS, our primary research focuses on mitigating risk by utilizing derivatives and income producing securities. The firm's strategies attempt to find non-correlated returns in both up and down-market cycles.