

Quarterly Commentary

December 31, 2023

The Fund outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, during the quarter. Relative results were driven by sector allocation during a period of lower rates and tighter spreads, as well as yield curve positioning as the curve disinverted. Year-end pricing anomalies and an up-in-quality bias were modest headwinds.

The Federal Reserve's higher-for-longer narrative and uncertainty surrounding more Treasury supply drove rates sharply higher through late October before a string of lower inflation readings led investors to begin anticipating a soft-landing scenario for the U.S. economy. In December, Fed policymakers surprised the market with a dovish pivot indicating three potential rate cuts in 2024. The market aggressively priced in even more cuts for the coming year, fueling a rally in rates and spreads that continued through year-end. The rally boosted the return of the broad fixed income market into positive territory for the quarter and year, following two years of declines.

U.S. Treasury yields moved sharply lower, reversing the previous quarter's increase, with the 10-year Treasury yield down 71 basis points to end the year unchanged from where it began at 3.88%. The significant rate rally boosted the return of the broad fixed income market into positive territory for the year, following two prior years of declines.

The global economy continued to expand in the fourth quarter, albeit at a slower pace than earlier in 2023. In the U.S., job growth remained robust at around 200,000 net new jobs per month, while consumption and industrial production continued to expand but at a slower pace. Inflation surprised to the downside with the Federal Reserve's preferred gauge, the core personal consumption expenditures price index, falling to 3.2% year-over-year.

Portfolio Review

The Fund remained defensively positioned from a credit perspective, favoring up-in-quality credits and seeking to get closer to predictable, stable FCFs. There is potential for greater credit spread volatility as the consumer weakens and monetary conditions remain tight. We believe the Fed is committed to a "higher for longer" posture at its terminal policy rate, rather than an aggressive easing cycle in 2024. We don't believe conditions will catalyze the Fed Funds Rate cuts currently predicted by the futures market. For one thing, the economy is not showing signs of entering a deep recession or hitting a pocket of severe job loss that would spike unemployment. For another, sticky shelter costs are likely to keep inflation rates closer to 3% than 2% or below. Finally, we believe the Fed would like to avoid signaling an easing cycle that would lead the market to push rates lower (as occurred in late Q4), which further eases monetary conditions and risks reacceleration of inflation.



Yet as economic conditions weaken and decelerate, and credit spreads remain historically tight, we prefer to maintain liquidity and high-quality credit allocations for now. Wider spreads and more-attractive entry points will be available later in 2024 when a Fed pivot is more likely. The team was active from a bottom-up perspective in the fourth quarter, selling credit instruments with richer valuations and tighter spreads, and reinvesting in higher quality securities that still offered attractive yields. The risk-on tone and strong year-end rally provided opportunities to reduce spread duration during a period of exuberance and market liquidity. Impact holdings comprised 45% of the Fund's assets at quarter end.

Contributors

Sector allocation was the primary driver of excess return during another risk-on quarter as every spread sector generated material excess returns over Treasuries. Risk taking accelerated during the quarter driven by improved inflation data, which led Fed policymakers to indicate they had reached the end of their rate hiking cycle. With spreads tighter, the portfolio benefited from an underweight position in Treasuries and overweight to corporates. An overweight allocation to taxable municipals also helped.

Over the past few quarters, we have largely neutralized the portfolio's previously short duration stance relative to its benchmark. This helped results as rates rallied strongly based on the Fed's dovish pivot. In addition, the portfolio's overweight to the most liquid, 10-year segment of the Treasury yield curve aided results as the belly of the curve performed best during the quarter in response to the Fed.

Detractors

Security selection detracted modestly because of the team's up-in-quality bias across asset classes, which was based on valuation concerns. This up-in-quality positioning was out of favor during the quarter's risk-on environment.

Year-end pricing anomalies had a negative impact on relative performance during the quarter, given timing issues associated with the final trading day of the calendar year. The index provider priced the benchmark at 1:00 p.m. ET on the final trading day of the year, whereas the bond market closed an hour later. In the final hour, however, yields moved higher, and bond prices fell as the bond market sold off. Although these pricing differences reversed right away in 2024, they negatively impacted the strategy's results relative to the benchmark for the fourth quarter.

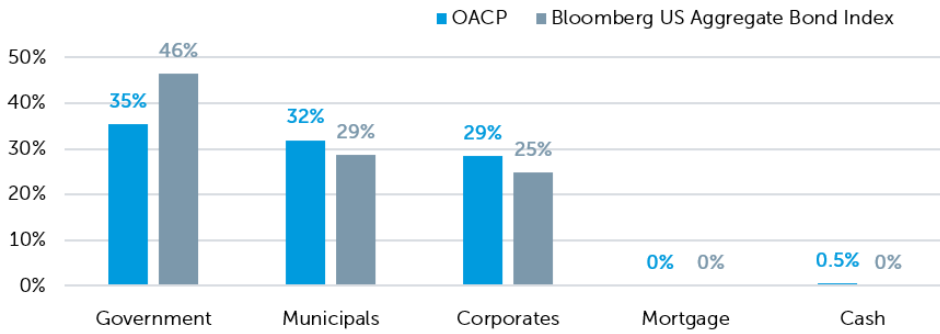
Data:

Currency Allocation

	OACP	Benchmark
U.S. dollar (%)	79.71	88.55
Non-U.S. dollar (%)	20.29	11.45

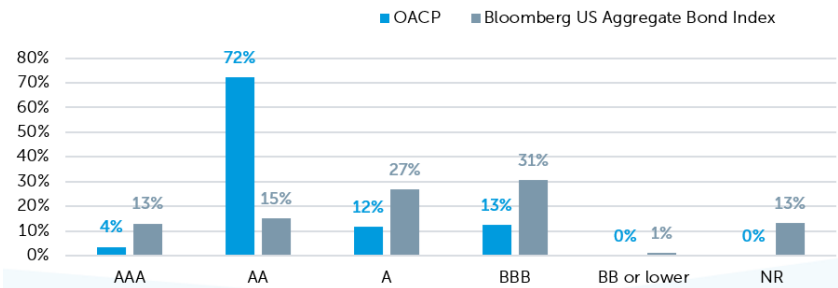
Source: Bloomberg Finance L.P. and Morningstar Direct. The benchmark is the iShares Core US Aggregate Bond ETF

Sector Allocation %



Source: Bloomberg Finance L.P.

Credit Rating Distribution



Source: Bloomberg Finance L.P.

Credit Rating Distribution reporting uses median rating methodology across the three major rating agencies (Moody's, S&P, Fitch): if all three rating agencies are available, median rating is used, if only two, the lower of the two and in case of only one agency rating the security, that is used.

Quality ratings reflect the credit quality of the underlying securities in the Fund's portfolio and not that of the Fund itself. Quality ratings are subject to change. A rating of AAA to B represents investment-grade; a rating of BB and below represents below investment-grade.

Investors should carefully consider the investment objectives, risks, and charges and expenses of the fund before investing. The prospectus contains this and other information about the fund, and it should be read carefully before investing. Investors may obtain a copy of the prospectus by calling 1-800-222-8274 or clicking the link above. The fund is distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC, which is not affiliated with OneAscent Investment Solutions, LLC.

Important Risk Information:

Exchange-traded funds involve risk including the possible loss of principal. Past performance does not guarantee future results.

The Adviser invests in equity securities only if they meet both the Fund's investment and values-based screening requirements, and as such, the returns may be lower than if the Adviser made decisions based solely on investment considerations.

Larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion.

The Fund faces numerous market trading risks, including the potential lack of an active market for Fund sharers, losses from trading in secondary markets, and periods of high volatility and disruption in the creation/redemption process of the Fund. These factors may lead to the Fund's shares trading at a premium or discount to NAV.

The Fund is a new ETF and has a limited history of operations for investors to evaluate. The Adviser has not previously managed a mutual fund or an ETF.

The Bloomberg U.S. Aggregate Bond Index is an unmanaged, fixed income, market-value-weighted index generally representative of investment grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The Bloomberg Barclays U.S. Aggregate Bond Index figures do not reflect any fees, expenses or taxes. An investor cannot invest directly in an index.

The Fund is actively managed by the Fund's investment sub-adviser, Teachers Advisors, LLC (the "Sub-Adviser"). The Sub-Adviser does not rely exclusively on rating agencies when making investment decisions and instead performs its own credit analysis, paying particular attention to economic trends and other market events. Individual securities or sectors may be overweighted or underweighted relative to the Fund's benchmark index, when the Sub-Adviser believes that the Fund can boost returns above that of the index.

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