

# MarketDesk Quantitative ETFs

## Quarterly Letters

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### Discussion of 1Q 2026 Market Environment

The first quarter began with encouraging signs of market broadening. Value outperformed growth, small caps beat large caps, and international equities extended their lead. Major equity indices, including both large and small caps, set new highs in late January and traded sideways in February before a geopolitical shock in March rewrote the quarter's story. The quarter's defining event was the U.S.–Iran conflict and closure of the Strait of Hormuz, which sent oil surging over 40% in March and triggered a repricing that eliminated expected rate cuts and introduced rate-hike probabilities. Volatility spread across the market, with the VIX spiking above 30, high-yield credit spreads widening to their highest levels since May 2025, and the 10-year Treasury yield rising nearly +0.50% and approaching 4.50%. The key development to watch heading into Q2 is the situation in the Middle East and its impact on oil prices. The Strait of Hormuz was still closed at quarter-end with ongoing negotiations, and the question is whether higher oil prices will impact the economy.

Both FMTM and FDIV traded higher during the first two months of the quarter, extending their fourth-quarter gains. The Focused U.S. Momentum ETF benefited from a combination of continued strength in AI infrastructure names and emerging momentum in sectors like industrials. The Focused U.S. Dividend ETF benefited from the market rotation out of mega-cap tech toward smaller, value-oriented companies. After solid gains in January and February, the two strategies traded lower with the broader market during March's volatility. Periods like March often narrow the performance gap across factors and strategies, as broad deleveraging pulls global asset correlations toward 1.0 and most stocks trade lower regardless of their underlying fundamentals. While neither strategy was immune from the broader market selloff, both FMTM and FDIV took advantage of March's dislocations with their monthly portfolio rebalancing in late March and entered Q2 well positioned to capture several new emerging opportunities.

### Note from Our Founders

The MarketDesk investment philosophy is grounded in two core beliefs. First, we believe in systematic, rules-based strategies that remove emotion from investment decisions and apply a consistent framework across all types of market environments. Second, we believe that long-term outperformance requires focused portfolios with high active share.

Each of our funds reflects these core philosophies. Our team designed both quantitative strategies to address what we see as limitations in traditional factor strategies. FMTM rebalances monthly and employs a shorter lookback signal to keep the fund's exposure fresh and to continually seek out new areas of emerging momentum. FDIV focuses on identifying companies with a high dividend yield and a high potential for capital appreciation.

Investing is often a hard and humbling endeavor. We approach markets through a rules-based, probabilistic lens that is grounded in research. Our focus isn't on being right all the time, but on being consistent over time. There will inevitably be periods when the models are out of sync with prevailing market trends. Sometimes the quantitative algorithm will be early, and at other times it will be wrong. That's not a flaw but a natural part of any systematic approach that seeks to do something different. By applying a repeatable and disciplined framework, we believe the mathematical advantages embedded in each strategy will work in their favor over a full market cycle.

Thank you for the trust you place in us and the opportunity to steward your capital through a wide range of market environments. If you would like to learn more about the strategies or discuss how they may fit within a broader portfolio, we invite you to reach out to our team.

**MarketDesk ETF strategies use a monthly rebalancing schedule, which leads to higher portfolio turnover. This page provides context on how the ETF structure can make higher turnover strategies more tax efficient.** When traditional mutual funds want to replace a stock that has gone up in value, they sell it for cash, which creates a tax bill for the fund's investors. Exchange-Traded Funds (ETFs) can bypass this burden using a tax-efficient process called "in-kind" creation and redemption.

Instead of selling stocks for cash, the ETF simply swaps the actual shares directly with large brokers to move old securities out and new securities in. For example, if the ETF wants to sell shares of ABC (which has a 20% gain) to buy shares of XYZ, it swaps the ABC shares directly for the XYZ shares. It does this by trading its ABC shares away to a broker in a "redemption," and accepting the new XYZ shares from a broker in a "creation." Because this process relies on swapping assets rather than cashing them out, the IRS doesn't view it as a taxable event.

This mechanism is standard across U.S. ETFs. It can allow funds to adjust their investments while protecting shareholders from unexpected capital gains taxes. While no ETF can completely guarantee tax outcomes and distributions are still possible, to date, MarketDesk has not made any capital gains distributions.

## Mutual Fund

When a mutual fund sells an appreciated, the tax transaction can create a tax bill for you.

### 1. Mutual Fund Sells Stock



The manager sells appreciated shares of ABC in order to purchase shares of XYZ.



### 2. Realized Capital Gain on Sale



The sale creates a cash profit (a taxable capital gain) for the mutual fund.



### 3. Unexpected Tax Bill



By law, that gain is passed through to you. You receive a tax bill even if you didn't sell any shares of the mutual fund.

## ETF

ETFs use "in-kind" creations and redemptions to update the portfolio without creating taxable events.

### 1. ETF "In-Kind" Share Swap



The manager submits an in-kind creation and redemption order to replace appreciated shares of ABC with shares of XYZ.



### 2. No Capital Gain Created



Shares of ABC are "redeemed" out of the fund and shares of XYZ are "created" into the fund. No cash sale = No tax.



### 3. No Unwanted Taxes



In-kind swaps minimize capital gains while updating the portfolio, helping protect investors from unexpected tax bills.

Source: MarketDesk. For illustrative purposes only. Investors should consult their own tax advisors regarding the tax consequences of an investment in the ETFs.

# FMTM

## MarketDesk Focused U.S. Momentum ETF

### Quarterly Letter

#### Strategy Overview

A quantitative momentum strategy designed to balance offense and defense. The strategy's data-driven methodology uses price data from the last six months and advanced mathematics to identify companies with the highest relative momentum, even during market drawdowns. FMTM's repeatable framework aims to provide equal-weight exposure to 30-50 companies with stable and consistent momentum.

#### ETF Details

<b>Expense Ratio</b>	0.45%
<b>Fund Type</b>	Quantitative Equity
<b>Style Category</b>	Large Cap Core
<b>Rebalanced</b>	Monthly
<b>Reconstitution</b>	Monthly
<b>Distribution Frequency</b>	Annually
<b>30-Day SEC Yield</b>	0.22%
<b>Inception Date</b>	3/19/2025

#### Portfolio Details

<b>Universe</b>	U.S. Stocks \$1B+
<b>Sectors</b>	No Constraints
<b>Strategy</b>	Short-Term Momentum
<b># of Holdings</b>	30 to 50
<b>Position Weights</b>	Equal Weight

#### Fund Performance

As of March 31, 2026

	3 Months	6 Months	1 Year	3 Years	5 Year	10 Year	Inception
Market Price	8.17%	16.47%	36.71%	-	-	-	38.13%
Net Asset Value	8.26%	16.24%	36.83%	-	-	-	38.16%

Returns are average annualized total returns, except those for periods of less than one year, which are cumulative.

The performance data quoted represents past performance and does not guarantee future results. 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. Current performance may be higher or lower than the performance quoted. For Fund performance information current to the most recent month-end, please visit <https://www.marketdeskindices.com/fmtm>. Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times.

Current 30-Day Yields represent the average annualized income dividend over the last 30 days excluding gains and losses as defined by the SEC. Current 30-Day Yield is the Current 30-Day Subsidized SEC Yield and reflects reimbursements or waivers of fees currently in effect. Current 30-Day Yield-Unsub is the Current 30-Day Unsubsidized SEC Yield and does not reflect reimbursements or waivers of fees currently in effect.

## Executive Summary

- FMTM gained +8.3% in 1Q26, benefiting from persistent momentum in secular growth themes despite market volatility and sector rotation
- Performance was driven by diversified exposure across the AI value chain, defensive spending, broad industrial strength, and select energy stocks
- The strategy held 66 different positions throughout the quarter, remained offensively positioned, and mitigated geopolitical volatility

## Performance Recap

During 1Q 2026, FMTM delivered a total return of +8.3%, compared with -3.9% for MSCI Momentum and -4.3% for the S&P 500<sup>1</sup>. Over the last six months, FMTM returned +16.2%, versus -6.0% for MSCI Momentum and -1.8% for the S&P 500. The fund's performance during the quarter was driven by a combination of continued momentum trends and active rotation as market conditions evolved. The sections below discuss the fund's positioning, rotation, and key portfolio drivers during the quarter.

## Portfolio Positioning

The fund rebalances at the start of each month, giving the model a regular opportunity to take advantage of shifting leadership and emerging trends. The fund's monthly turnover averaged 62% during the quarter, below the historical average of 75%. The lower turnover reflected a quarter where several core themes persisted even as the broader opportunity set shifted, with the portfolio actively rotating as new areas of market leadership emerged.

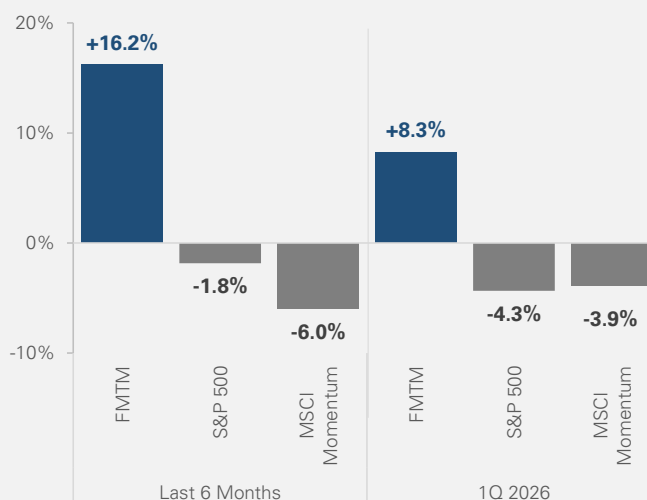
**January 2026 Rebalance:** The model started January with significant exposure to AI & Data Center Infrastructure (30%), Industrials (17%), and Aerospace & Defense (17%), with smaller 10% positions in both Financials and Healthcare. The portfolio's AI Infrastructure exposure benefited from continued growth of hyperscalers' capex budgets in January, which reinforced demand for semiconductor equipment, memory, and networking products. The non-AI portfolio exposures benefited from the broader equity market rotation away from mega-cap tech stocks, with sectors like energy, materials, and industrials outperforming while financials and technology underperformed.

**February 2026 Rebalance:** February was the most active rotation of the quarter, with 19 new names added as the model responded to January's shifting leadership. Commodities exposure increased from 3% to 17% as the model captured momentum building across materials and metals. Energy entered the portfolio as a new theme at 7%, following the sector's strong performance in January as geopolitical tensions increased and oil prices rose. The model increased Industrials to 20% as part of the late January rebalance. The model's decision to remain overweight Industrials was quickly validated in early February when the ISM Manufacturing PMI rose to its highest level since 2022, with the broader industrials sector setting a new all-time high in late February.

As the model responded to January's broadening trade, the model reduced AI Infrastructure from 30% to 20% to take advantage of more attractive signals elsewhere. In addition, the model trimmed Financials from 10% to 3%, capturing gains after all three holdings outperformed the sector but lagged other themes in the portfolio. Concerns about private credit losses later weighed on the broader financial sector in February, validating the model's decision to reduce exposure.

**March 2026 Rebalance:** AI Infrastructure increased to 30% as semiconductor equipment names re-entered the portfolio. Industrials rose to 23% as the sector demonstrated continued momentum, and Energy grew to 10% as oil prices rose further and the sector outperformed for a second consecutive month. The model trimmed Commodities from 17% to 13%

Figure 1: Strategy Performance (Total Returns)



Source: MarketDesk. Performance is based on the net asset value (NAV).

Figure 2: Top & Bottom 10 Holdings this Quarter (Total Returns)

+62% Western Digital (WDC)	-10% Weatherford (WFRD)
+34% FedEx (FDX)	-12% Illumina (ILMN)
+31% Huntington Ingalls (HII)	-12% Mueller Industries (MLI)
+29% Coherent (COHR)	-13% Royal Gold (RGLD)
+28% MACOM (MTSI)	-14% Freeport-McMoRan (FCX)
+27% ATI (ATI)	-14% OneMain Holdings (OMF)
+25% Lam Research (LRCX)	-19% Charles River Labs (CRL)
+24% TechnipFMC (FTI)	-20% Dollar General (DG)
+19% Applied Materials (AMAT)	-24% Cognizant Tech (CTSH)
+15% New York Times (NYT)	-24% Ulta Beauty (ULTA)

Source: MarketDesk. Holdings are subject to change and should not be considered investment advice.

Data as of 3/31/2026.

<sup>1</sup> MSCI Momentum Index represented by the iShares MSCI USA Momentum Factor ETF (MTUM). S&P 500 Index represented by the State Street SPDR S&P 500 ETF (SPY). References to third-party funds are for informational purposes only and should not be considered investment advice or a recommendation of any particular security, strategy, or investment product.

after the gold and base metal volatility in February, and it completely exited its remaining 3% position in Financials after the broader sector underperformed for a second consecutive month.

Overall, portfolio activity during the quarter reflected a shifting backdrop as the model balanced new rotational trades against rising Middle East tensions. The fund’s shorter lookback signal allowed it to remain engaged in key themes while seeking out areas with emerging momentum.

### Key Portfolio Drivers

This section discusses the primary contributors and detractors to performance during the quarter. **Note** – All stock returns mentioned below reflect the periods during which positions were held by the fund and may differ from full-quarter returns.

**AI Infrastructure Benefits from Continued Capex:** AI infrastructure spending continued to accelerate during the quarter, with demand for data center equipment running well ahead of supply across multiple segments. The model emphasized diversification across the AI value chain rather than concentrating exposure in a narrow group of mega-cap stocks.

Memory and storage were the standout performers. AI data centers need to store and manage massive volumes of data, and Western Digital (+62%) is one of the primary companies providing that storage capacity. Micron (+18%) makes the specialized memory chips used in AI processors, where a structural supply shortage has given the company strong pricing power. Both stocks traded sharply higher in January and February before selling off with the broader market in late March.

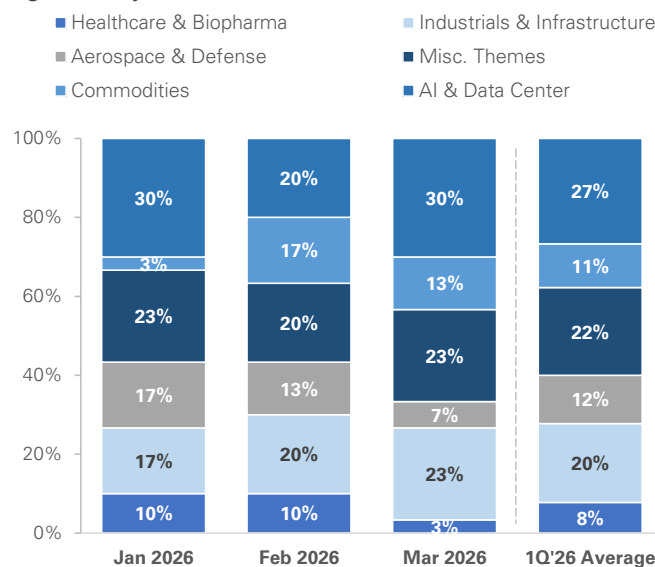
Coherent (+29%) supplies the optical networking equipment that connects servers inside AI data centers, a market where demand is currently outpacing the company’s ability to manufacture products. The company’s shares traded higher as it signed a long-term supply deal with Nvidia and S&P Global added it to the S&P 500 Index.

Semiconductor equipment makers benefited from the AI-driven fab buildout. Every next-generation AI chip requires more manufacturing steps as designs grow more complex, and the current wave of fab construction extends demand visibility. Lam Research (+25%) captured the etch and deposition side of that trend, while Applied Materials (+19%), Teradyne (+14%), and Onto Innovation (-5%) provided complementary exposure across deposition, chip testing, and advanced packaging inspection. Additional holdings included Ciena (+6%), which provides optical switching equipment for hyperscale networks.

**Defense Spending Tailwinds Captured by Aerospace Holdings:** The defense spending environment strengthened throughout the quarter as the Trump administration proposed raising the FY2027 defense budget to \$1.5 trillion and unveiled the Maritime Action Plan, which outlines a comprehensive plan to rebuild domestic shipbuilding capacity.

Huntington Ingalls (+31%) is the largest independent military shipbuilder in the U.S. and one of the most direct beneficiaries of the new maritime spending priorities. The company carries a record backlog of ~\$53 billion, giving investors visibility into years of future revenue. MACOM (+28%) provides semiconductors used in electronic warfare and radar systems, a segment that benefits from increased spending and longer-term military modernization.

Figure 3: Major Portfolio Themes This Quarter



Source: MarketDesk

Specialty materials companies also contributed. ATI (+27%) supplies alloys critical to aerospace and defense manufacturing, and Woodward (+18%) contributed through its fuel systems and actuation technology used across both defense and commercial aerospace.

Additional holdings included RBC Bearings (+14%) and Carpenter Technology (+11%), both tied to the same aerospace supply chain tailwinds.

**Broad Industrial Strength Despite March Volatility:** The industrial sector posted strong returns in the first two months of the quarter and set a new all-time high in late February. Manufacturing activity showed signs of improvement after a prolonged period of contraction.

FedEx (+34%) was the theme's largest contributor, rallying on the improving freight environment and investor confidence in the company's cost transformation and upcoming Freight spin-off. Caterpillar (+12%) advanced on continued demand for power generation equipment, and Cummins (+6%) saw support from healthy engine backlogs. MasTec (+8%) benefited from infrastructure services demand.

Several positions added in March declined alongside the broader market. Timken (-7%), Westinghouse Air Brake (-5%), and Allison Transmission (-6%) all sold off with the broader market in late March. Additional contributors during the quarter included Rockwell Automation (+8%), Dover (+9%), APi Group (+6%), JB Hunt (+4%), and Kirby (+1%), which all benefited from improving industrial activity.

**Energy Provides Hedge Amidst Geopolitical Tensions:** Energy was the top-performing sector during the quarter, and the fund's positions in offshore and midstream companies contributed positively.

TechnipFMC (+24%) provides subsea equipment and services for offshore oil production, and its shares hit an all-time high in early March as rising oil prices combined with a record order backlog. The offshore energy cycle has its own structural tailwind beyond the geopolitical spike, with deepwater project approvals running at multi-year highs. Targa Resources (+6%) contributed as a midstream operator benefiting

from expectations of continued volume growth in the Permian Basin as new energy infrastructure comes online.

Weatherford International (-10%) partially offset these gains, declining as broader market volatility outweighed the energy sector tailwind. SLB (+2%) contributed marginally.

**Financial Sector Exit Illustrates Model Discipline:** The model also demonstrated exit discipline in areas where trends weakened or broke down. The financials sector was the quarter's weakest performer as private credit concerns and a difficult deal environment weighed on sentiment.

Affiliated Managers Group (+7%) and Morgan Stanley (+3%) contributed modestly before the model exited both names in late January. State Street was flat, while OneMain Holdings (-14%) was the theme's primary detractor, as credit quality concerns increased in February.

**Consumer Strength Despite March Sell-Off:** Consumer holdings saw selective strength early in the quarter before sharp losses in March retail names erased those gains. New York Times (+15%) was the theme's strongest contributor, benefiting from subscription growth and digital advertising momentum. The model's decision to add NYT in late December was validated when Buffet's Berkshire Hathaway disclosed a \$350 million stake in mid-February, further reinforcing the stock's recent gains.

Ulta Beauty (-24%) was the theme's largest detractor, declining immediately after the company's earnings report showed a slight profit miss. Management issued cautious guidance, citing rising global uncertainty and noted consumers are becoming more selective in their spending. Five Below (+2%) contributed modestly in March as it avoided market volatility, while Dollar General (-20%) gained modestly in February before a sharp March sell-off as consumer spending concerns intensified.

**Commodities Flat as Gains and Losses Offset:** The commodities theme produced mixed results during the quarter, with gains in industrial metals offset by losses in precious metals and copper. Alcoa (+11%) was the theme's strongest contributor as aluminum prices spiked to a four-year high due to supply disruptions in the Middle East. Steel Dynamics (+4%) and Nucor (+2%) contributed small gains on strong domestic infrastructure demand.

Royal Gold (-13%) declined sharply in March despite escalating Middle East tensions. Surging oil prices fueled inflation fears, driving investors toward cash rather than gold, and the U.S. dollar's strength made gold less attractive. Freeport-McMoRan (-14%) declined as copper prices fell on global growth concerns, and Albemarle (-7%) detracted despite lithium prices surging off multi-year lows, with the commodity up significantly over the past six months as a new pricing cycle begins to take shape.

**Miscellaneous Positions:** Cognizant (-24%) was the portfolio's second-largest single-stock detractor. The stock dropped sharply as investors rotated away from traditional IT services companies on fears that AI will reduce demand for consulting and outsourcing. The sell-off was about the forward outlook for the software industry, not backward-looking results. The model exited the position at the end of February as the software industry entered a downtrend. Additional positions in Jack Henry & Associates (-2%) and Madison Square Garden Sports (-3%) detracted modestly.

## Outlook

As the market enters 2Q 2026, FMTM's systematic, rules-based process remains focused on identifying emerging leadership and adjusting portfolio exposures as market conditions evolve. The geopolitical shock in March and the broad market sell-off that followed reshaped the model's signals heading into the April rebalance. The model trimmed the Industrials exposure to 17% but kept positions in select areas like freight and environmental services. It responded to the market volatility by adding 7% to Property & Casualty Insurance, a lower beta industry that is historically less sensitive to economic activity, and rotated within Energy, reducing oilfield services exposure and increasing refiner exposure to take advantage of rising crack spreads, with refined product prices (gasoline, diesel, jet fuel) remaining elevated even after the initial oil price spike begins to fade.

The core of the portfolio continued to be AI Infrastructure at 30%, though nearly half of the holdings were names never previously held in the fund. The model identified companies with strong buying momentum during March's broader market weakness, suggesting that institutional investors may have been using the pullback to establish new positions as the AI infrastructure theme moves into its next phase. Consumer & Retail grew from 10% to 17%, the largest increase heading into the new quarter, as the model identified strengthening momentum among select names in the discount retail industry amid concerns that rising energy prices will weigh on the consumer.

Every quarter brings a different market environment with different catalysts, but the strategy's approach remains unchanged. FMTM's quantitative strategy aims to systematically identify and allocate to the market areas with the strongest and most consistent relative momentum, guided by data and executed without emotion.

# FDIV

## MarketDesk Focused U.S. Dividend ETF

### Quarterly Letter

#### Strategy Overview

FDIV is a quantitative dividend strategy focused on systematically generating above-average income without sacrificing upside potential. FDIV's repeatable framework aims to identify 60 to 80 companies that offer (1) a higher dividend yield and (2) a higher potential for capital appreciation.

#### ETF Details

<b>Expense Ratio</b>	0.35%
<b>Fund Type</b>	Quantitative Equity
<b>Style Category</b>	Large Cap Core
<b>Rebalanced</b>	Monthly
<b>Reconstitution</b>	Monthly
<b>Distribution Frequency</b>	Quarterly
<b>30-Day SEC Yield</b>	2.38%
<b>Inception Date</b>	9/19/2023

#### Portfolio Details

<b>Universe</b>	U.S. Stocks \$1B+
<b>Sectors</b>	Max 35%
<b>Strategy</b>	Excluded
<b># of Holdings</b>	60 to 80
<b>Position Weights</b>	1-2% at Rebalance

#### Fund Performance

As of March 31, 2026

	3 Months	6 Months	1 Year	3 Years	5 Year	10 Year	Inception
Market Price	-0.79%	0.81%	2.57%	-	-	-	14.75%
Net Asset Value	-0.62%	0.92%	2.83%	-	-	-	14.92%

Returns are average annualized total returns, except those for periods of less than one year, which are cumulative.

The performance data quoted represents past performance and does not guarantee future results. 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. Current performance may be higher or lower than the performance quoted. For Fund performance information current to the most recent month-end, please visit <https://www.marketdeskindices.com/fdiv>. Market price returns are based upon the closing composite market price and do not represent the returns you would receive if you traded shares at other times.

Current 30-Day Yields represent the average annualized income dividend over the last 30 days excluding gains and losses as defined by the SEC. Current 30-Day Yield is the Current 30-Day Subsidized SEC Yield and reflects reimbursements or waivers of fees currently in effect. Current 30-Day Yield-Unsub is the Current 30-Day Unsubsidized SEC Yield and does not reflect reimbursements or waivers of fees currently in effect.

## Executive Summary

- FDIV returned -0.6% in 1Q26. The diversified core of the portfolio contributed approximately +3.3% across 103 of 116 positions, offset by headline-driven headwinds in private credit and AI that dragged just 13 names lower by a combined -3.9%.
- The strategy held 116 positions throughout the quarter, maintained a disciplined rebalance cycle averaging ~38% monthly turnover, and systematically rotated capital from outperformers into new opportunities with more attractive dividend yields and valuations.

## Performance Recap

During 1Q 2026, FDIV delivered a total return of -0.6%, compared with -3.2% for the Dow Jones and +5.6% for S&P Dividend<sup>2</sup>. Over the last six months, FDIV returned +0.9%, versus +0.6% for Dow Jones and +5.6% for S&P Dividend. The sections below discuss the fund's positioning, rotation, and key portfolio drivers during the quarter.

## Portfolio Positioning

The fund's monthly turnover averaged roughly 38% during the quarter, with the fund rotating approximately 20 to 25 names each month. At each month-end rebalance, the model systematically captured gains from positions that outperformed and reallocated capital toward companies offering more attractive yields and valuations.

### January: Balanced Starting Position in a Market Near All-Time Highs

With the stock market trading near record levels at the start of the quarter, the model favored a balanced approach, splitting the portfolio roughly 60/40 between cyclical and defensive sectors. The largest allocations were sectors where the model found the most attractive combination of yield and value. Industrials accounted for 19%, spread across aerospace and defense, manufacturers, and building products. Consumer Staples were 18%, with exposure across household products, food and beverage, and tobacco. Consumer Discretionary accounted for 16% across restaurants, home improvement, and specialty retail. Financials carried a 10% weight, diversified across insurance and capital markets, with additional diversification from smaller positions in Technology, Utilities, Energy, Materials, and Communication Services.

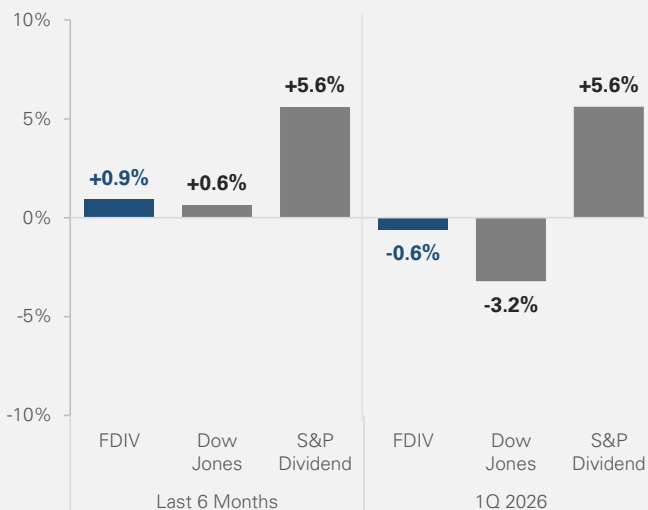
The portfolio benefited as value-oriented sectors outperformed during the January market rotation, and the late-January rebalance demonstrated the model's discipline. The model captured gains from its strongest performers and rotated into areas where its framework identified more attractive risk-reward opportunities. The model sold 25 positions that outperformed the S&P 500 by an average of +7% in January and replaced them with 25 new positions that had underperformed by an average of -6%, companies where the model's framework identified more attractive yields and valuations.

### February: Rebalance Broadens Exposure Across Financials and Technology

The late-January rebalance shifted the portfolio's composition. The model reduced Industrials to 12% from 19% and Utilities from 6% to 4%, while adding to Financials and Technology. Financials doubled from 10% to 21%, with additions spanning investment managers, financial data providers, and insurance. Technology rose from 8% to 15%, adding exposure across semiconductors, IT services, software, and telecommunications equipment. The remaining sector changes were smaller. Energy was reduced from 4% to 0% as the model captured the sector's strong January returns, while Communication Services, Consumer Staples, Health Care, and Utilities were broadly unchanged.

The late-February rebalance again demonstrated the model's discipline of capturing gains and rotating to new opportunities. The model sold 20 positions, which outperformed the S&P 500 by an average of +11%, and replaced them with 20 new positions that underperformed by an average of -2%.

Figure 4: Strategy Performance (Total Returns)



Source: MarketDesk. Performance is based on the net asset value (NAV).

Figure 5: Top & Bottom 10 Holdings this Quarter (Total Returns)

<b>+58%</b> CF Industries (CF)	<b>-18%</b> Abbott Laboratories (ABT)
<b>+25%</b> Verizon (VZ)	<b>-19%</b> FactSet (FDS)
<b>+22%</b> Lockheed Martin (LMT)	<b>-19%</b> IBM (IBM)
<b>+20%</b> Altria Group (MO)	<b>-20%</b> Broadridge Financial (BR)
<b>+18%</b> PepsiCo (PEP)	<b>-21%</b> Blackstone (BX)
<b>+17%</b> Illinois Tool Works (ITW)	<b>-21%</b> Automatic Data (ADP)
<b>+16%</b> Coca-Cola (KO)	<b>-23%</b> Universal Display (OLED)
<b>+15%</b> McCormick (MKC)	<b>-24%</b> Gen Digital (GEN)
<b>+14%</b> Union Pacific (UNP)	<b>-26%</b> H&R Block (HRB)
<b>+13%</b> Keurig Dr Pepper (KDP)	<b>-26%</b> Ares Management (ARES)

Source: MarketDesk. Holdings are subject to change and should not be considered investment advice.

Data as of 3/31/2026.

<sup>2</sup> S&P Dividend Index represented by the State Street SPDR S&P Dividend ETF (SDY). Dow Jones Index represented by the State Street SPDR Dow Jones Industrial Average ETF (DIA). References to third-party funds are for informational purposes only and should not be considered investment advice or a recommendation of any particular security, strategy, or investment product.

## March: Sector-Wide Selling Creates Opportunities Beyond the Headlines

The late-February rebalance increased the portfolio's cyclical orientation further, with Financials rising to 29% and the cyclical-to-defensive balance reaching a roughly 80/20 split. Within Financials, investment managers accounted for the largest share of the increase, while insurance, brokerage, and investment bank allocations held steady. The distinction matters: the broader Financials sell-off during February was driven primarily by private credit concerns that weighed on alternative asset managers and AI disruption fears that directly affected financial data and services providers. The selling pressure weighed on the entire sector, including insurance companies, banks, and other financial businesses with fundamentally different revenue streams and limited private credit exposure. The model's framework identified those dislocated names as offering attractive yields and valuations, created by sector-level sentiment rather than company-specific issues.

The model increased Consumer Discretionary from 15% to 20%, adding specialty retailers and home improvement names, and Health Care rose from 9% to 15% with new positions in managed care, drug stores, and health care services. Consumer Staples was reduced from 17% to 6%, and both Utilities and Communication Services were reduced to zero.

## Key Portfolio Drivers

The quarter's results were driven by two distinct themes that impacted the fund's overall return. The diversified core of the portfolio, which included 103 of the fund's 116 positions spanning consumer staples, industrials, materials, energy, utilities, and other holdings unaffected by the quarter's two thematic headwinds, contributed approximately +3.3% to performance. Six of the ten sectors represented in the portfolio's core were positive contributors. The drag came from a narrower group of 13 holdings in two specific categories: six names affected by private credit headlines and capital markets stress, which detracted roughly -1.7%, and seven names caught in the AI disruption sell-off, which detracted roughly -2.2%. Understanding the separation within the portfolio is central to evaluating the quarter. **Note** – All stock and sector returns mentioned below reflect the periods during which positions were held by the fund and may differ from full-quarter returns

## Broad Portfolio Strength Through January and February

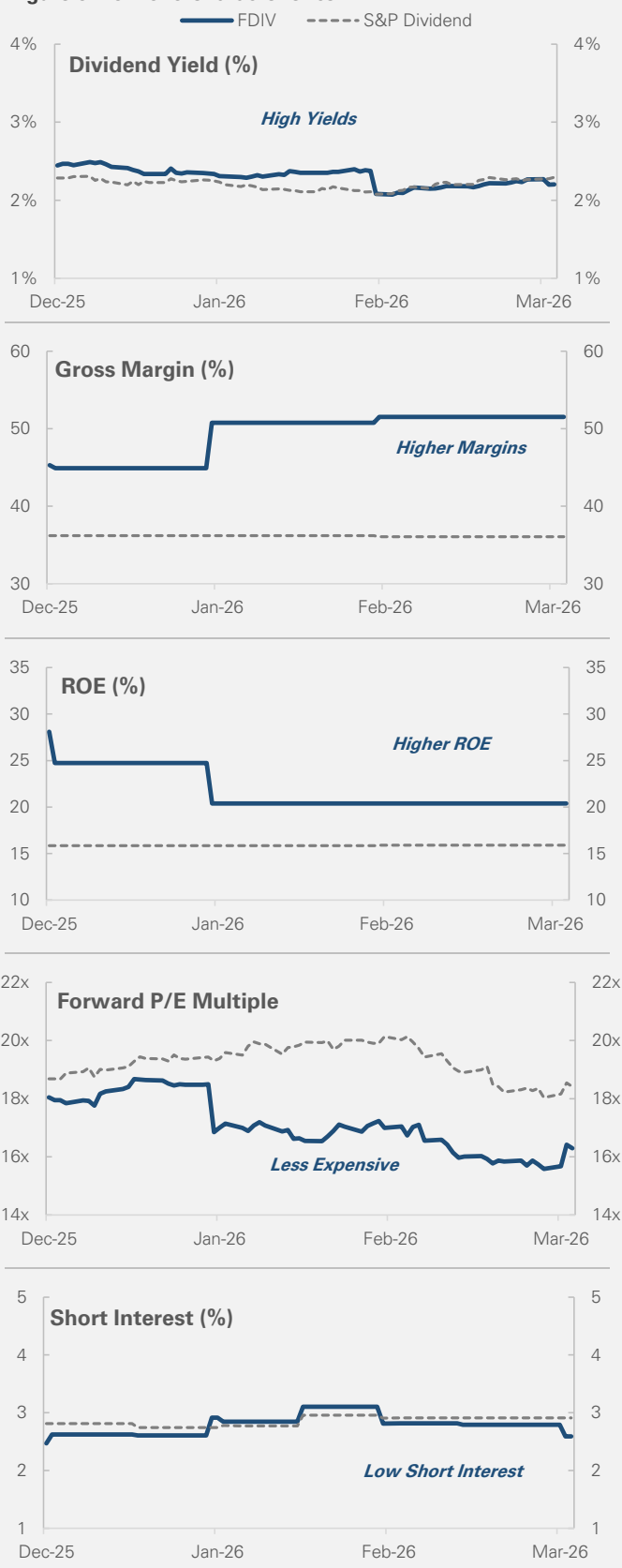
The fund's equal-weight methodology, value-oriented approach, and above-average dividend yield created structural factor tailwinds for much of the quarter. Value outperformed Growth by roughly +6% in both January and February, equal-weight indices outperformed cap-weighted indices, and mid-caps outpaced large caps. The factor environment was broadly supportive through the first two months before the stock market rotation slowed during the March volatility.

Consumer Staples was the quarter's strongest contributing sector at +2.27%. Altria Group (+20%), PepsiCo (+18%), Coca-Cola (+16%), and Clorox (+9%) each contributed meaningfully as investors rotated into stable, income-generating businesses. The model held an ~18% weight to Consumer Staples in both January and February, then captured gains and rotated at the February month-end rebalance.

The core of the Industrials exposure contributed +1.59%. Lockheed Martin (+22%) rallied on elevated defense spending expectations, Illinois Tool Works (+17%) benefited from resilient industrial demand, and Union Pacific (+14%) advanced as rail volumes stabilized. The model's 19% Industrials weight at the start of the quarter positioned it to capture these gains before trimming the allocation at the late-January rebalance.

Materials contributed +0.95%, with CF Industries (+58%) accounting for the bulk of the sector's return. Fertilizer prices surged during March as the U.S.-Iran conflict disrupted Middle East supply chains, and CF Industries' position as a major North American nitrogen producer made it a direct beneficiary.

Figure 6: Portfolio Characteristics



Source: MarketDesk

Communication Services (+0.61%) was lifted by Verizon (+25%), which attracted capital as investors sought defensive telecom exposure during the quarter's risk-off periods. Energy (+0.40%) benefited from rising crude prices as U.S.-Iran tensions escalated, and Utilities (+0.40%) contributed steadily through the first two months before the model captured gains and exited the sector in the late-February rebalance.

The core Financials holdings, excluding the private credit-affected names, detracted a modest -0.49%. Insurance names like Aflac (-0.5%), Cincinnati Financial (-4%), and Everest Group (+3%) posted results consistent with the broader market despite being caught up in the sector sell-off. Exchange and brokerage businesses like CME Group (+4%) and MarketAxess (-2%) held up similarly. These results reinforce the distinction between sector-level weakness driven by headline risk and the fundamentals of the fund's diversified Financials exposure.

#### Investment Managers and the Private Credit Overhang

Six capital markets and investment management names detracted a combined -1.82% from the fund's return. Ares Management (-26%), Blackstone (-21%), Apollo (-16%), T. Rowe Price (-13%), Jefferies Financial Group (-7%), and BlackRock (-6%) declined as private credit liquidity concerns and stress became a dominant market narrative in February and March. Multiple private credit fund complexes gated investor redemptions, and the headlines created sustained selling pressure across the industry. Despite an average weight of ~6% across the quarter, the group detracted -1.8% from performance.

#### AI Disruption Fears Pressure Software and Business Services

Seven positions were caught up in the sell-off tied to concerns about AI disrupting business models. The group detracted a combined -2.5% from performance, making it the quarter's single largest headwind. The sell-off began in early February when new AI product launches triggered fears that AI could displace existing enterprise software, financial data platforms, and business services. The selling pressure was broad and largely indiscriminate, affecting companies across multiple sectors whose business models involve data processing, software, or technology-enabled services.

Gen Digital (-24%) declined as the broad technology sell-off swept through packaged software names. H&R Block (-26%) was pressured by fears that AI-powered tax preparation tools could disrupt its core retail tax business. Automatic Data Processing (-21%) and Paychex (-18%) sold off as investors repriced the risk that AI could automate payroll and human resources workflows, potentially eroding the companies' pricing power and weighing on revenue. IBM (-19%) experienced its sharpest sell-off in over two decades after Anthropic announced that its Claude Code tool could automate COBOL modernization, raising questions about the durability of its legacy services business. FactSet (-19%) was caught in the broader sell-off as investors questioned whether AI tools could replicate the financial data and analytics workflows that underpin its institutional terminal business. The group detracted -2.5% from performance during the quarter despite an average weight of only ~10%.

#### March: Oil Shock Causes Stock Market to Trade Lower

March's market wide sell-off was driven by the U.S.-Iran military conflict and the closure of the Strait of Hormuz, which disrupted roughly 20% of global oil flows. The resulting oil price surge reignited inflation concerns and shifted market expectations from rate cuts toward potential rate hikes, which weighed on income-oriented stocks.

The value-versus-growth spread, which had been a consistent tailwind in January and February, narrowed as selling became indiscriminate. CF Industries (+30% in March) was a notable offset, surging as fertilizer prices spiked on Middle East supply disruptions, but the position's 1% weight limited its impact on the overall portfolio.

#### Outlook

As the market enters 2Q 2026, FDIV's systematic, rules-based process remains focused on identifying high-quality companies that are growing their dividends and have the potential for capital appreciation. The April rebalance was one of the quarter's most active, rotating 22 new positions in and 22 out. The model's discipline remained consistent: it sold positions that outperformed the S&P 500 by an average of +4% during March and added positions that underperformed by an average of -7%.

The end of March rebalance broadened the portfolio's industry diversification heading into Q2, as the model identified opportunities created by the market volatility and sell-off. The cyclical-to-defensive balance remained near March's 80/20 split even, with the model rotating within sectors to take advantage of new opportunities. Industrials increased from 14% to 18% as the model identified opportunities across a wider set of industries, including building products, railroads, electrical products, and industrial machinery. Consumer Staples increased modestly to 7% with additions in household products, tobacco, and food distribution. Materials rose from 3% to 6% as the model identified attractive valuations in construction materials, containers, and pulp and paper. Financials remained the largest sector at 29%, but the composition shifted notably: the model reduced investment manager exposure and added insurance, investment banking, and financial data names where the March sell-off created new opportunities. Health Care was trimmed from 15% to 11%, with the proceeds reallocated toward the Industrials and Materials additions described above, and Technology remained near 11% as the model rotated within the sector.

Every quarter brings a different market environment with different catalysts, but the strategy's approach remains unchanged. FDIV's quantitative strategy aims to systematically identify companies with the combination of above-average yields and the potential for capital appreciation, guided by data and executed without emotion.

**This material must be preceded or accompanied by a prospectus. Please read the prospectus carefully before investing. The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. Click here for the FMTM Prospectus and SAI. All fund documents can be found at [www.marketdeskindices.com](http://www.marketdeskindices.com). A free hardcopy of the prospectus may be obtained by calling +1.215.882.9983.**

**Investments involve risk. Principal loss is possible. Redemptions are limited and often commissions are charged on each trade. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value.**

**Principal Risks:** An investment in the Fund involves risk, including those described below. There is no assurance the Fund will achieve its investment objective. An investor may lose money by investing in the Fund. An investment in the Fund is not a bank deposit and is not insured or guaranteed by the FDIC or any government agency.

**Dividend-Paying Common Stock Risk.** The Fund will normally receive income from dividends that are paid by issuers of the Fund's investments. The amount of the dividend payments may vary and depends on performance and decisions of the issuer. Poor performance by the issuer or other factors may cause the issuer to lower or eliminate dividend payments to investors, including the Fund. Additionally, these types of securities may fall out of favor with investors and underperform the broader market.

**Momentum Risk:** Investing in or having exposure to securities with the highest relative momentum entails investing in securities that have had above-average recent returns. These securities may be more volatile than a broad cross-section of securities. Returns on securities that have previously exhibited momentum may be less than returns on other styles of investing or the overall stock market. Momentum can turn quickly and cause significant variation from other types of investments, and stocks that previously exhibited high momentum may not experience continued highest relative momentum. In addition, there may be periods when the momentum style is out of favor, and during which the investment performance of the Fund using a momentum strategy may suffer.

**Periodic Reallocation Risk.** Because the Sub-Adviser will generally reallocate the Fund's portfolio only on a monthly basis, (i) the Fund's market exposure may be affected by significant market movements promptly following the monthly reconstitution that are not predictive of the market's performance for the subsequent monthly period and (ii) changes to the Fund's market exposure may lag a significant change in the market's direction (up or down) by as long as a month if such changes first take effect promptly following the monthly reconstitution. Such lags between market performance and changes to the Fund's exposure may result in significant underperformance relative to the broader equity or fixed income market.

**Non-Diversification Risk.** Because the Fund is non-diversified, it may be more sensitive to economic, business, political or other changes affecting individual issuers or investments than a diversified fund, which may result in greater fluctuation in the value of the Shares and greater risk of loss.

**Equity Investing Risk.** Equity securities, such as common stocks, are subject to market, economic and business risks that may cause their prices to fluctuate.

**Sector Risk.** Companies with similar characteristics may be grouped together into broad categories called sectors. A certain sector may underperform other sectors or the market as a whole. As the Sub-Adviser allocates more of the Fund's portfolio holdings to a particular sector, the Fund's performance will be more susceptible to any economic, business or other developments which generally affect that sector.

**Management Risk.** The Fund is actively-managed and may not meet its investment objective based on the Adviser's or Sub-Adviser's success or failure to implement investment strategies for the Fund.

**New Fund Risk.** The Fund is a recently organized investment company with no operating history. As a result, prospective investors have no track record or history on which to base their investment decision. There can be no assurance that the Fund will grow to or maintain an economically viable size.

The Fund is distributed by PINE Distributors LLC. The Fund's investment adviser is Empowered Funds, LLC, which is doing business as ETF Architect. MarketDesk Indices LLC serve as the Sub-advisers to the Fund. PINE Distributors LLC is not affiliated with ETF Architect or MarketDesk Indices LLC.

## Definitions

**Dividend Yield** – Dividend yield represents a company's annualized cash dividends per share divided by its current share price, expressed as a percentage.

**Gross Margin** – Gross margin measures the percentage of revenue remaining after deducting the cost of goods sold, reflecting a company's core operating profitability.

**Return on Equity (ROE)** – Return on equity measures a company's net income relative to shareholders' equity and indicates how effectively equity capital is utilized to generate profits.

**Forward Price-to-Earnings (P/E) Multiple** – The forward price-to-earnings multiple is a valuation metric calculated as a company's current share price divided by estimated earnings per share over the next 12 months.

**Short Interest** – Short interest refers to the number of a company's shares that have been sold short but not yet covered or closed out, typically expressed as a percentage of shares outstanding.

**VIX** — The CBOE Volatility Index (VIX), is a real-time index that measures the market's expectation of 30-day forward-looking volatility, derived from S&P 500 index option prices.

**Asset Correlation** — A statistical measure that describes the degree to which two investments move in relation to each other, expressed on a scale from -1.0 to +1.0. Correlation can change over time and may increase during periods of market stress.

**Drawdown** — The peak-to-trough decline in the value of a portfolio or investment, typically expressed as a percentage from a prior high point to the subsequent low point before a new high is reached. Drawdowns are used to measure downside risk and help illustrate the magnitude of losses.

## Sources

MarketDesk Indices, Bloomberg

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