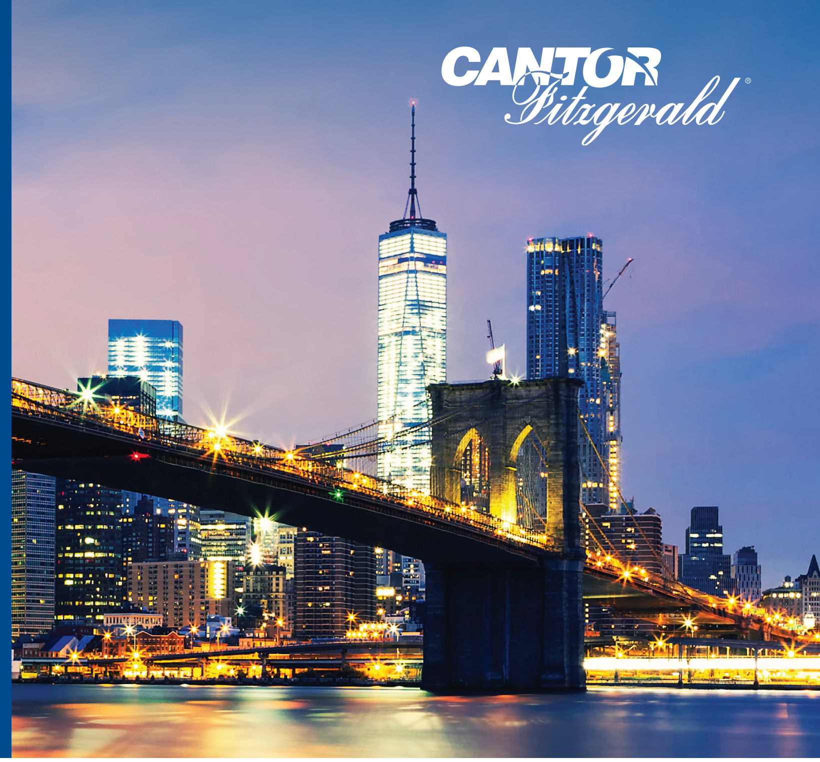
Cantor Growth Equity Fund

# 2Q 2023 MARKET COMMENTARY

June 30, 2023

Institutional Class: FICHX | Class A: FICGX
Class R6: FICIX



## Market Review

U.S. equity markets finished the quarter just under 3% below the all-time highs of January 2022 and almost 16% above the lows that followed the banking crisis in March 2023. However, the average stock in the S&P 500 has rebounded just 7.5% from early March, a far cry from the weighted average. For the quarter, the S&P 500 Index rose 8.7%, while growth stocks continued their strong march upward with the Russell 1000 Growth Index returning 12.8% for the quarter. Year-to-date, large growth stocks have outpaced small value stocks by almost 27%. Despite the dominance of growth indices during the quarter, the Russell 1000 Value Index is still almost 6% ahead of the Russell 1000 Growth Index since the market peak in January 2022. Year-to-date the Russell 1000 Growth Index has risen 29.0%. In reviewing prior periods of strong market advances we find few similarities except that, like the current period, year-over-year inflation metrics were declining significantly.

Like the first quarter the major market theme for the past three months has been the dramatic outperformance of mega-cap technology and consumer stocks. During the quarter approximately two thirds (66%) of the return of the Russell 1000 Growth was provided by the five largest companies in the index (Apple, Microsoft, Alphabet, Amazon and NVidia). Markets have become more concentrated for quite some time now, and by quarter-end these five companies constituted 40% of the weight in the index. The current shift began in late 2015 and over the time period since, the top five stocks have almost tripled their weight in the index. In addition, the cap-weighted index has outpaced the equal-weighted counterpart in five of the last seven calendar years and also year-to-date 2023.

## Within the Fund

For the quarter ended June 30, 2023, Cantor Growth Equity Fund (the "Fund") Institutional Class shares net of fee performance trailed the Fund's benchmark, the Russell 1000 Growth Index.

The Fund's holdings within the **Consumer Staples** and **Health Care** sectors contributed positively to relative performance, while the Fund's positioning in the **Consumer Discretionary** and **Information Technology** sectors had the most negative effect on performance. Security selection provided most of the negative relative performance, while sector allocation was also a significant negative. The Fund's overweight exposure to the **Financials** sector and underweight exposure to the **Information Technology** sector delivered 0.9% of negative relative performance combined.

The **Consumer Staples** sector delivered the best relative performance with the Fund's holdings returning 5.2% compared to a 0.1% return in the benchmark sector. Also, as Consumer Staples was a lagging sector in the benchmark, the Fund's almost 1% underweight versus the benchmark's 5.7% weight provided an additional 0.1% of positive relative performance from sector allocation.

## Within the Fund (cont'd)

- **Costco Wholesale Corp.**, the membership warehouse shopping club, saw shares gain 8.6% for the quarter. Although reported earnings were worse than analysts' expectations, management indicated that economic conditions would allow for continued solid revenues while better margins would provide for improved profitability going forward.

The Fund holdings in the **Health Care** sector delivered better relative performance with a 9.0% return while in the benchmark the sector returned 4.6%.

- **McKesson Corp.,** a pharmaceuticals and medical products distributor as well as an information technology provider, announced quarterly results that were better than analysts' expectations on both the top- and bottom-line. In addition, management indicated a return to normalcy across the health care sector should increase both sales and profitability going forward. Investors rewarded shares with a return of 20.3%.

On the negative side, the Fund's positioning in the **Consumer Discretionary** and **Information Technology** sectors caused most of the lagging performance.

The Fund's holdings in the **Consumer Discretionary** sector returned -1.3% during the period, compared to a benchmark sector return of 15.9%. While **Ulta Beauty** was the Fund position with the worst relative performance, almost 1% of relative underperformance was caused by the lack of exposure to Amazon and Tesla which both posted a return of 26.2% for the period. In total, the sector caused almost 2.2% of relative underperformance for the quarter.

- **Ulta Beauty, Inc.,** a cosmetics and haircare specialty retailer, reported earnings that exceeded expectations by just 1% for the quarter, significantly below the double-digit beat relative to expectations experienced over the previous several quarters. This result led to a price drop in the shares of 13.8% during the period.

In the Information Technology sector, the Fund's holdings posted a quarterly return of 14.7%, worse than the 19.2% sector return in the index. While **Juniper Networks** was the Fund position with the worst relative performance, 1.3% of relative underperformance was caused by not holding NVIDIA Corp., the shares of which gained 52.3% during the quarter. Also, as Information Technology was the best performing sector in the benchmark, the Fund's 35.3% weight versus a 42.5% weight in the index had sector allocation cause almost 0.5% of negative relative performance. In total, the sector delivered more than 1.9% of relative underperformance for the period.

- **Juniper Networks, Inc.,** a networking products and services provider, reported revenues and earnings that were more than 2% and 11% better than analysts' expectations, respectively. However, management commentary did not lead analysts to increase expectations going forward, as had been the case in the previous several quarters. Thus, shares declined 8.4% during the period, causing almost 0.5% of relative underperformance.

## Outlook

When the Fed began their tightening cycle in March 2022, the unemployment rate stood at 3.6%, exactly where it stands today. We remain pessimistic about the Fed's ability to achieve its 2% target without inflecting significant economic pain as many of the drivers that led to low inflation are no longer present, most notably the reversal in the drive toward globalization. While the Fed has made significant progress in their war on inflation, to date they have actually fallen short of the typical retracement off an inflationary peak despite raising rates at a pace only matched by the 1980-81 rate cycle. There are myriad concerns facing a U.S. and global economy that already looks to be operating only modesty above stall speed, but most of those concerns, such as shrinking money supply, inverted yield curve, and tightening lending standards have been present for some time now.

Nevertheless, equity markets have continued their upward march. Whether one views the market as expensive or reasonably priced in large part is depends on how one view the merits of market concentration in a handful of relatively expensive technology and consumer companies - Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla and Meta - which as a group trade at 42x forward earnings and 12x sales. A more direct approach to valuing the group might be to say that their contribution to the earnings of the S&P 500 is more than 10% below their contribution to the market capitalization. On a capitalization-weighted basis it is challenging to call the market cheap; however, the median stock is trading at much more attractive price/earnings multiples of 17.2x, only modesty above the 20-year average. Notably, outside of the technology sector, most sectors are actually trading at discounts to their historic market relative valuation. We believe inflation will be in the range of 2-3% by year-end 2023 and that the Fed will ultimately accept this range, instead of a hard 2% target. We expect earnings to continue a modest downturn but at the median stock level it appears much of that is already priced into equity markets. While not an easy needle to thread, avoiding a deep recession in 2023 and moving toward a significant upturn in earnings in 2024 now appears a likely outcome.

## Annualized Total Returns

As of June 30, 2023

| | 2Q 2023 | YTD | 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS | INCEPTION |
|---|---|---|---|---|---|---|---|
| **Institutional Class** | 8.38 | 20.07 | 26.31 | 15.68 | 12.92 | 14.37 | 04/01/2013 |
| **Class A (at NAV)** | 8.35 | 19.83 | 25.99 | 15.36 | 12.59 | 14.01 | 10/25/2000 |
| **Class A (at Offer)** | 2.10 | 12.88 | 18.70 | 13.11 | 11.26 | 13.34 | 10/25/2000 |
| **Class R6** | 8.45 | 19.95 | 26.36 | 15.76 | 12.98 | 14.47 | 04/01/2013 |
| Morningstar Category | 11.00 | 24.22 | 22.90 | 9.53 | 11.37 | 13.01 | |
| Russell 1000 Growth | 12.81 | 29.02 | 27.11 | 13.73 | 15.14 | 15.74 | |
| S&P 500 | 8.74 | 16.89 | 19.59 | 14.60 | 12.31 | 12.86 | |
| Morningstar Category % Peer Rank | 77 | 67 | 32 | 2 | 29 | 24 | |

**The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment 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 the performance quoted. Performance data for all share classes current to the most recent month end may be obtained by calling (833) 764-2266 or visiting www.cantorassetmanagement.com/growthequityfund.**

Total returns may reflect waivers and/or expense reimbursements by the Fund Advisor and/or distributor for some or all periods shown. Performance would have been lower without such waivers and reimbursements. Performance at NAV assumes that no front-end sales charge applied or the investment was not redeemed. Performance at offer assumes that a front-end sales charge applied to the extent applicable.

The Russell 1000 Growth index, is an unmanaged index of the shares of large U.S. corporations. All index performance includes capital appreciation and reinvested dividends and is presented gross of fees.

| EXPENSE RATIOS | NET | GROSS |
|---|---|---|
| **Institutional Class** | 0.86% | 1.02% |
| **Class A** | 1.17% | 1.35% |
| **Class R6** | 0.79% | 0.94% |

In the interest of limiting expenses of the Fund, the Fund Advisor has entered into an Expense Limitation Agreement with the Trust, pursuant to which the Fund Advisor has agreed to waive or reduce its management fees and to assume other expenses of the Fund in an amount that limits the Total Annual Operating Expenses of the Fund but inclusive of to not more than 1.17%, 0.86% and 0.79% of the average daily net assets of the Class A, Institutional Class, and Class R6 shares of the Fund, respectively. This contractual arrangement is in effect through two years from the date of the Reorganization, unless terminated by the Board of Trustees of the Fund at any time. Defined terms not defined herein are given the meaning ascribed to them in the prospectus. Please see the prospectus for additional information.

***Investors should consider the investment objectives, risks, and charges and expenses of the Fund(s) before investing. The prospectus contains this and other information about the Fund and should be read carefully before investing. The prospectus may be obtained at (833) 764-2266 or visiting www.cantorassetmanagement.com/growthequityfund.***

## Morningstar Rating Disclosure

Morningstar ratings are specific metrics of performance and do not represent absolute performance of any fund. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. The Fund's other share classes may have different performance characteristics. © 2023 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

## Important Risk Information

Investing involves risk, including loss of principal. There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses. The Fund will be subject to the following principal risks: market risk, growth stock risk, limited number of securities risk, sector risk, company size risk, liquidity risk, active management and selection risk, COVID-19 risk, and cybersecurity risk.

## Definitions

**Holdings** is a count of all Fund holdings excluding any cash or cash equivalents held by the Fund.

The **S&P 500 Index** is an unmanaged index of the shares of large U.S. corporations. All index performance includes capital appreciation and reinvested dividends and is presented gross of fees.

The **MSCI ACWI ex-US Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. It includes reinvested dividends and is presented gross of fees. All index performance includes capital appreciation and reinvested dividends and is presented gross of fees.

The **Russell 1000 Growth Index** is an unmanaged index of the shares of large U.S. corporations. All index performance includes capital appreciation and reinvested dividends and is presented gross of fees.

**Atlanta Federal Reserve GDPNow** is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

**Core PCE (Personal Consumption Expenditures)** is a measure of inflation in the United States that excludes volatile food and energy prices. It is calculated by the Bureau of Economic Analysis (BEA) and is considered a key indicator of inflation by the Federal Reserve. The PCE index measures the price changes of goods and services consumed by individuals and households, which includes everything from food and housing to medical care and education.

**CPI (Consumer Price Index)** is a measure of inflation that tracks the average price of a basket of goods and services consumed by households in the United States. It is calculated by the Bureau of Labor Statistics (BLS) and is widely used as an economic indicator to measure changes in the cost of living over time. The CPI covers a wide range of items including food, housing, transportation, clothing, medical care, and entertainment.

The Fund is distributed by Ultimus Fund Distributors, LLC,
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| Not a Deposit | May Lose Value | No Bank Guarantee |
|---|---|---|
| Not insured by the FDIC, NCUA or any other government agency | | |

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