



Quarterly Fund Review

As of June 30, 2024

Q2

AUTHOR

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Fund Overviews

The **Overlay Shares** suite of ETFs seeks to provide incremental yield on top of low-cost market beta ETFs by utilizing a highly risk-controlled put spread writing strategy ("the Overlay Strategy") on the S&P 500 Index. If successful, the ETFs have the ability to provide higher yield and higher total return than holding the underlying ETFs alone. The Overlay Strategy is applied and managed the same way in all seven of the **Overlay Shares** funds:

FUND NAME	BETA EXPOSURE	INCEPTION DATE
Overlay Shares Large Cap Equity ETF (OVL)	US Large Cap Equity	09/30/2019
Overlay Shares Small Cap Equity ETF (OVS)	US Small Cap Equity	09/30/2019
Overlay Shares Foreign Equity ETF (OVF)	International Equity	09/30/2019
Overlay Shares Core Bond ETF (OVB)	Broad Investment Grade Bond	09/30/2019
Overlay Shares Municipal Bond ETF (OVM)	Municipal Bond	09/30/2019
Overlay Shares Short Term Bond ETF (OVT)	Short Term Corporate Bond	01/14/2021
Overlay Shares Hedged Large Cap Equity ETF (OVLH)	Hedged US Large Cap Equity	01/14/2021

The **Overlay Shares Hedged Large Cap ETF (OVLH)** maintains laddered downside hedges to protect the portfolio against significant market drawdowns.

Performance Overview

In the 2nd quarter, large-cap equity investors appeared to continue to embrace the idea that a “goldilocks” scenario could be unfolding, where inflation and economic growth moderate enough to justify the Fed cutting short-term interest rates, but with the slowdown still allowing for enough growth to avoid a recession. The S&P 500 Index gained 4.28% for the quarter, bringing the YTD return to 15.29%. However, this equity strength was really limited to the impact of the largest mega –tech companies in the US. Foreign stocks lagged significantly, with the MSCI ACWI ex US Index up only 0.96%. Small Cap stocks experienced significant weakness with the S&P 600 SmallCap Index down 3.11% for the quarter, leaving the index down 0.72% YTD. Interest rates were relatively flat for the quarter, allowing for modest gains in bonds

(the US Aggregate Bond Index finished the quarter up 0.07%) but the index still remained down for the year at -0.71%. Short duration bonds fared much better with the Bloomberg U.S. Corporate 1-5 Years Index up 0.96% for the quarter and up 1.56% YTD.

The Overlay Shares were positively impacted by the gains in the Overlay, which added about 47 basis points in gross alpha for the quarter despite modest losses in April during a choppy month for equities. YTD, the Overlay has added approximately 2.98% in gross alpha. This alpha allowed all 7 of the Overlay Shares funds to finish positive YTD, with 6 of them beating their benchmarks by a wide margin. The **Overlay Shares Hedged Large Cap (OVLH)** continues to meet our expectations, providing investors with significant equity appreciation potential while partially mitigating downside risk. The risk mitigation for OVLH is designed to defend against market declines that cause significant impairment of capital. OVLH performed well within its peer group for the 2nd quarter, up 2.75%, bringing the fund to 11.12% YTD.

Fund Performance

	Q2 24	YTD	1 YEAR	3 YEARS	INCEPTION TO DATE
OVL NAV Returns	4.56%	18.00%	27.32%	9.73%	16.30%
OVL Market Price Returns	4.20%	17.92%	27.09%	9.64%	16.29%
S&P 500 Total Return Index	4.28%	15.29%	24.56%	10.01%	15.48%
Gross Expense Ratio	0.80%				

OVS NAV RETURNS	-2.95%	1.63%	10.91%	-0.55%	9.27%
OVS Market Price Returns	-3.13%	1.53%	10.72%	-0.56%	9.26%
S&P 600 Total Return Index	-3.11%	-0.72%	8.66%	-0.26%	8.55%
Gross Expense Ratio	0.82%				

OVF NAV RETURNS	0.83%	8.10%	13.99%	1.67%	4.17%
OVF Market Price Returns	0.74%	8.07%	14.07%	1.67%	4.16%
MSCI All Country World ex USA Index	0.96%	5.69%	11.62%	0.46%	6.25%
Gross Expense Ratio	0.80%				

OVB NAV RETURNS	0.25%	1.84%	5.08%	-3.01%	0.24%
OVB Market Price Returns	0.36%	1.97%	5.36%	-3.06%	0.25%
Bloomberg US Aggregate Bond Index	0.07%	-0.71%	2.63%	-3.02%	-0.71%
Gross Expense Ratio	0.80%				

OVM NAV RETURNS	0.02%	1.96%	5.19%	-0.75%	1.84%
OVM Market Price Returns	-0.07%	1.74%	5.25%	-0.84%	1.86%
Bloomberg Municipal Bond Index	-0.02%	-0.40%	3.21%	-0.88%	0.89%
Gross Expense Ratio	0.80%				

OVT NAV RETURNS	1.23%	4.10%	8.51%	0.43%	0.96%
OVT Market Price Returns	1.25%	3.90%	8.38%	0.40%	0.93%
Bloomberg US Corporate 1-5 Years TR Index	0.96%	1.56%	6.01%	0.40%	0.42%
Gross Expense Ratio	0.79%				

OVLH NAV RETURNS	2.75%	11.12%	16.61%	5.90%	8.15%
OVLH Market Price Returns	2.77%	11.11%	16.35%	5.84%	8.14%
S&P 500 Total Return Index	4.28%	15.29%	24.56%	10.01%	12.82%
Gross Expense Ratio	0.94%				

Source: U.S. Bank & Liquid Strategies.

**Inception for OVL, OVS, OVF, OVB, OVM is 09/30/2019. Inception for OVLH and OVT is 01/14/2021.*

Performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance, please call 1-866-704-OVLS.

Overlay Shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total Returns are calculated using the daily 4:00pm EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

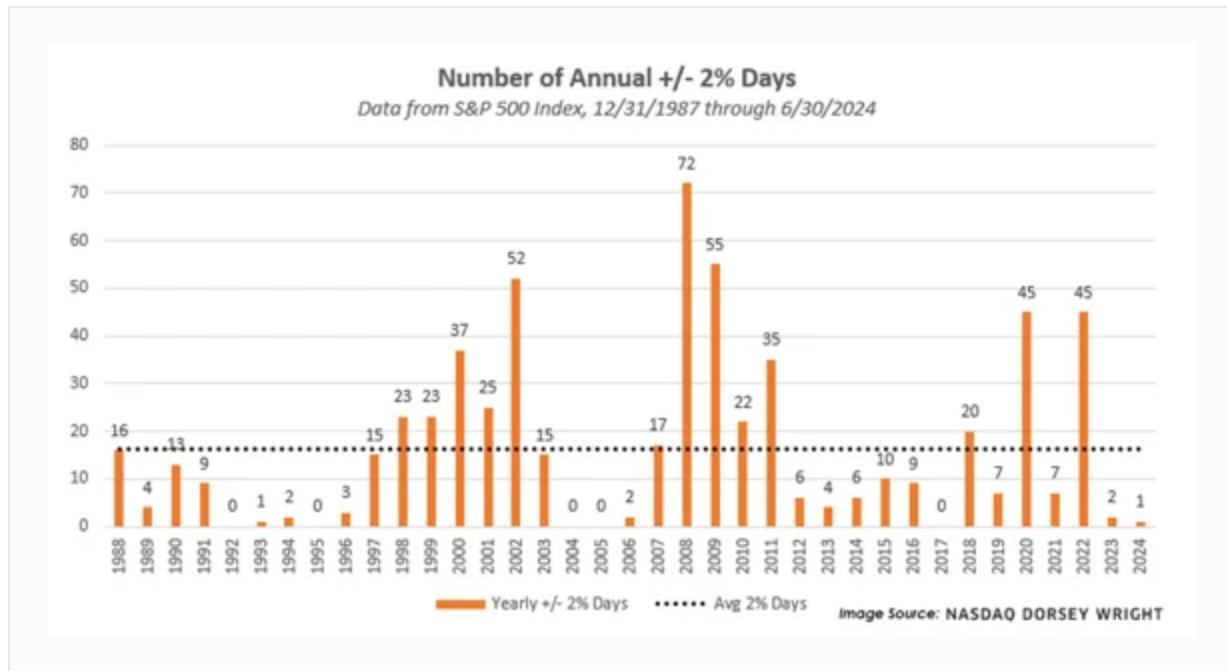
Market Overview

The Overlay got off to a slow start for the quarter, as the S&P 500 Index quickly declined over 6% to start the month of April before mounting a mostly sustained rally for the remainder of the quarter. The silver lining of the April pullback is that 1) it was followed by positive returns in May and June, and 2) volatility remained very low during that time, demonstrating a lack of panic and a continued high level of optimism.

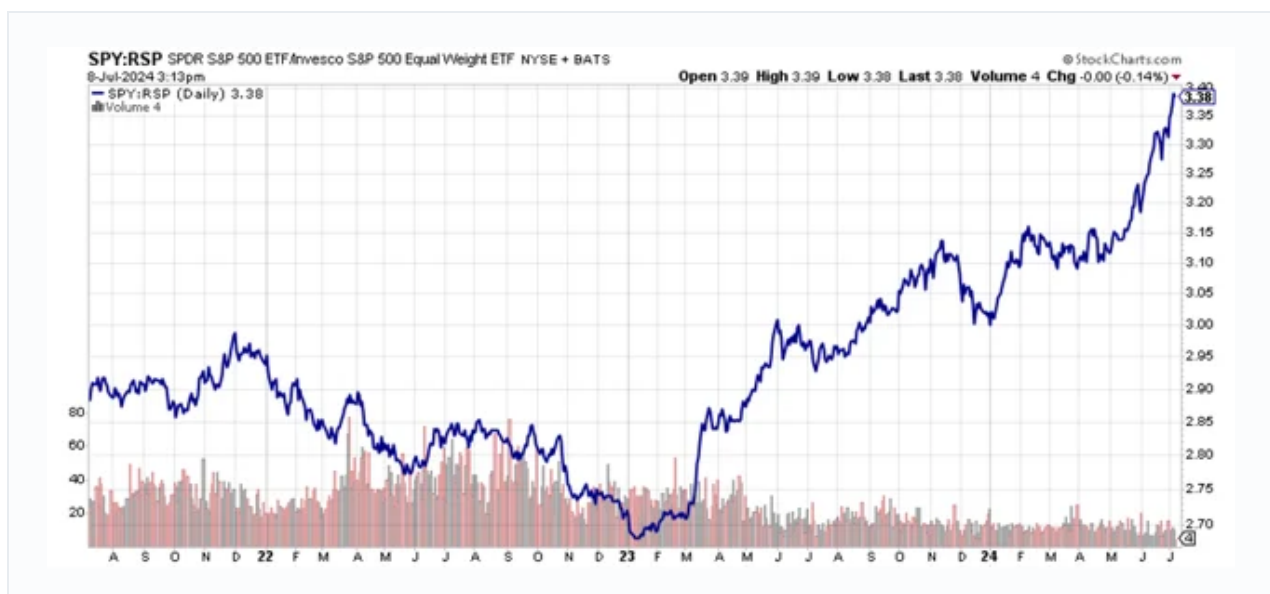


As the chart above illustrates, volatility (as measured by the CBOE Volatility Index or “the VIX”) briefly reached 19, a level still below the long-term average that is close to 20 and has since settled down in the low teens, which is extremely low by historical standards. It is important to note that this index reflects a combination of the current/recent levels of volatility as well as estimates for equity volatility going forward. The bottom line is that the options markets are assuming that these low levels of volatility should continue for at least the next 4 weeks.

Sticking with the low volatility theme, it has now been over 500 days since the S&P 500 Index was down over 2% in a day. Any moves of 2% have been limited to upside moves, and as the table below shows, even those have been rare compared to historic levels.



One of the most frequent concerns voiced by market commentators is the narrow breadth and top-heavy market leadership (mega tech has made up the vast majority of gains of the S&P 500 Index). The impact of this is that cap-weighted indices like the S&P 500 have done very well as the big get bigger, where indices with more stocks (thus lower weightings) or equal-weighted have suffered. The chart below shows the relative performance of the SPY (ETF tracking the S&P 500 Index) vs RSP (ETF tracking the equal-weight version of the S&P 500).



While it is ideal to have greater participation in this rally, this phenomenon can continue for some time. While there is the eventual possibility that the mega tech trade will slow down or unwind, it is a realistic possibility that all of the other lagging groups/stocks catch up enough to buffer the tech underperformance. As our approach is purely passive, and in cap-weighted indices, we do not have to make the decision of when or if to underweight tech.

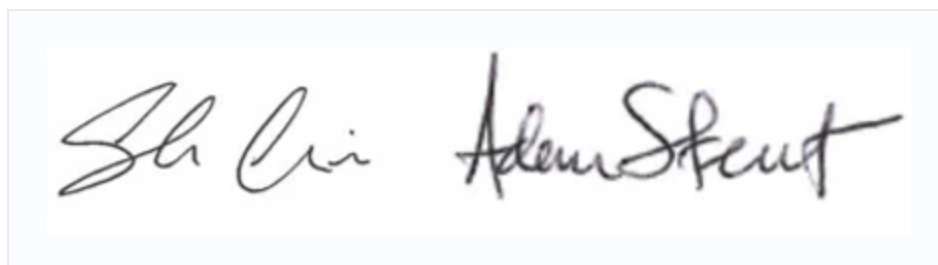
While we continue to be very constructive about the environment for the Overlay strategy, there are risks to the overall market outlook:

1. It is possible that inflation measured turn higher, which could cause rates to stay higher for longer.
2. The Fed could be too slow to act of cutting rates, causing a more rapid deceleration in the economy. This, however, would likely cause the FOMC to take more dramatic steps in reducing rates to improve market confidence.
3. Stress in the banking sector relating to commercial loans could accelerate and broaden.
4. Several geopolitical risks could surface that could spark a broad de-risking in the markets. A huge uncertainty right now is the U.S. election, as it is not 100% clear yet what candidates will even be on the ticket.

As mentioned in previous letters, equity volatility appears to have moved into a low/normal volatility regime that typically lasts 3-5 years. While these types of volatility regimes can have occasional flare-ups in short-term volatility, they tend to come with quiet markets with relatively modest pullbacks and attractive volatility risk premiums (a cornerstone for the success of the Overlay). This type of environment can be very attractive for the Overlay strategy given our approach to option writing and risk management. As such, the high probability outcomes for the Overlay are expected to continue for the remainder of 2024 and beyond. With that said, market dynamics can change quickly, so we will continue to manage the strategy in a conservative and highly risk-controlled manner.

As always, we are happy to not only do calls and meetings to discuss the performance and outlook for the Overlay, but we are also happy to serve as a resource for general questions on market volatility.

We appreciate your continued support and interest.

A rectangular box containing two handwritten signatures in black ink. The signature on the left is 'Shawn Gibson' and the signature on the right is 'Adam Stewart'.

Shawn Gibson, Founding Member
Adam Stewart, CFA, Portfolio Manager

Overlay Shares Etf's Disclosures

Performance of less than one year is cumulative. You cannot invest directly in an index.

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Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other important information about the Fund, please visit the Documents section of this website or call (866) 704-OVLS. Read the prospectus carefully before investing.

Shareholder Services: 1-866-704-OVLS

Investment Professionals: 770-350-8700 or info@overlayshares.com

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Risk Factors

The Funds invest in options that derive their performance from the performance of the S&P 500 Index. Selling (writing) and buying options are speculative activities and entail greater than ordinary investment risks. The Funds' use of put options can lead to losses because of adverse movements in the price or value of the underlying asset, which may be magnified by certain features of the options. When selling a put option, the Funds will receive a premium; however, this premium may not be enough to offset a loss incurred by the Funds if the price of the underlying asset is below the strike price by an amount equal to or greater than the premium. Purchased put options may expire worthless and the Funds would lose the premiums paid for the options. The Funds may lose significantly more than the premiums they receive in highly volatile market conditions.

The Funds will invest in short term put options which are financial derivatives that give buyers the right, but not the obligation, to sell (put) an underlying asset at an agreed-upon price and date. The Funds' use of options may reduce the Funds' ability to profit from increases in the

value of the underlying asset. The Funds could experience a loss or increased volatility if the derivatives do not perform as anticipated or are not correlated with the performance of their underlying asset or if the Funds are unable to purchase or liquidate a position.

The Funds were recently organized and have no operating history. As a result, investors have a limited track record on which to base their investment decision. Investments involve risk including the possible loss of principal.

S&P 500 Total Return Index - An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of large cap stocks. All cash distributions (e.g. dividends and income) are reinvested. Used as a proxy for "Stocks" above.

Barclay's U.S. Aggregate Bond Index - A broad-based index of bond securities used to represent investment-grade bonds traded in the U.S. The index was formerly known as the "Lehman Aggregate Bond Index". Used as a proxy for "Bonds" above.

CBOE Volatility Index ("VIX") - An index sponsored by the Chicago Board of Options Exchange (CBOE) that shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of various option expirations and various strike prices of S&P 500 index options.

Correlation (R^2) - A statistical measure of how two financial instruments (e.g. securities, indices, etc.) move in relation to each other. A correlation of +1 implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, the closer correlation is to 0, the less the movements of two securities are related to one another.

Beta - A measure of the portfolio's sensitivity to changes in the benchmark. A beta of 1 indicates the portfolio has historically moved with the benchmark. A portfolio beta greater than 1 indicates the portfolio has been more volatile than the benchmark and a portfolio beta less than one indicates the portfolio has been less volatile than the benchmark. Beta in this presentation is calculated using monthly historical returns.

Sharpe Ratio - A measure for calculating risk-adjusted return. The Sharpe ratio is the [average return](#) earned in excess of the [risk-free rate](#) per unit of [volatility](#) or total risk. Subtracting the risk-free rate from the [mean return](#), the performance associated with risk-taking activities can be isolated. Sharpe ratio = (Mean [portfolio return](#) - Risk-free rate)/Standard deviation of portfolio return. For Sharpe Ratio calculations in this presentation, the "risk free rate" is represented by the annualized monthly returns of the 3 Month US T-Bill.

Max Drawdown - A measure of the largest single drop from peak to trough based on monthly portfolio returns

HFRX Absolute Return Index - A stock index designed to measure absolute returns. The absolute return index is actually a composite index made up of five other indexes. This index is used to compare the absolute returns posted by the hedge fund market as a whole against individual hedge funds.

Standard Deviation - A measure of the dispersion of a set of data from its mean.

Bloomberg US Corporate 1-5 Years TR Index - The Bloomberg US Corporate Bond 1-5 Year Index measures the investment grade, fixed-rate, taxable corporate bond market with 1-5 year maturities.

Bloomberg Municipal Bond Index - The Bloomberg Municipal Index measures the performance of the Bloomberg U.S. Municipal bond market, which covers the USD-denominated Long-Term tax-exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

Bloomberg US Aggregate Bond Index - The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed rate agency MBS, ABS and CMBS (agency and non-agency).

MSCI All Country World ex USA Index - The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries*.

S&P 600 Total Return Index - The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

Alpha - The excess return of an investment relative to the [return](#) of a benchmark index. Alpha may be positive or negative and is the result of active investing.

Basis point - A basis point is a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%. In decimal form, one basis point appears as 0.0001 (0.01/100). [Basis points](#) (BPS) are used to show the change in the value or rate of a financial instrument, such as 1% change equals a change of 100 basis points and 0.01% change equals one basis point.