

The ACSI ETF: Smarter Beta

Ticker: ACSI | Cboe BZX | Expense Ratio: 0.65% | Inception: 10/31/2016
NAV: \$74.05 | AUM: \$112.9M | Holdings: 33 | As of 06/30/2026

Fund Design

The ACSI ETF is a stock portfolio of consumer market companies with the strongest customer satisfaction relative to their competition, as measured by the American Customer Satisfaction Index (ACSI) - developed at the University of Michigan under the leadership of Claes Fornell, The Donald C. Cook Distinguished Professor of Business (Emeritus). It is designed to produce asymmetric market exposure.

ACSI's measurement instrument is calibrated to maximize customer retention; the implication of which makes the fund unique: it attenuates losses nonlinearly and amplifies gains multiplicatively. In down markets, beta declines; in up markets, it increases. By compounding earnings through customer retention growth, it seeks to deliver lower drawdowns and positive long-run alpha.

**Alpha measures a fund's risk-adjusted return relative to its benchmark. Beta measures the fund's sensitivity to benchmark movements; a beta above 1.0 indicates greater volatility, while a beta below 1.0 indicates lower volatility.*

Performance vs. Benchmarks

Since cap-weighted indices have become ominously distorted by extreme asset concentration, the Equal-Weight S&P 500 (S&P 500 EW) is a more relevant benchmark.

	YTD Q2 2026	2025	2024	2023	3.5Y Ann.
ACSI	11.0%	10.5%	23.1%	21.1%	18.7%
S&P 500 Equal Weight	12.1%	11.4%	13.0%	13.9%	14.3%
S&P 500	10.2%	17.9%	25.0%	26.3%	22.6%

ACSI topped Equal Weight by 24% (annualized alpha= 5.2%) over the 2023-6/2026 time-period.

**The ACSI ETF has an inception date of 10/31/2016 and instituted material change in index methodology in January 2024. Shares are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. S&P 500. The index measures the performance of the large-cap segment of the U.S. market. Considered to be a proxy of the U.S. equity market, the index is composed of 500 constituent companies. The S&P 500 Equal Weight Index is the equal-weight version gives each constituent company the same weight, rather than weighting by market capitalization. Total Returns are calculated using the daily 4:00pm net asset value (NAV). Market returns are based on the composite closing price and do not represent the returns you would receive if you traded the shares at other times. The first trading date is typically several days after the fund inception date. Therefore, NAV is used to calculate market returns prior to the first trade date. Full standardized performance history of the fund available [here](#). The performance data quoted above represents past performance. Past performance is not a guarantee of future results. Investment return and value of the ETF shares 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 lower or higher than performance data quoted. To obtain performance, current to the most recent month-end, call 734-882-2401*

Surfing Beta

Conditional beta regressions (2023–6/2026 monthly returns vs. S&P 500 EW):

Market Regime	ACSI Beta vs. S&P 500 EW
Up-market months	1.09
Down-market months	0.81
3Y overall beta	0.86

Downside beta is materially lower than upside beta - a structural asymmetry driven by the retention economics of the underlying holdings.

Risk-Adjusted Performance (2023–6/2026)

Metric	ACSI
Sharpe Ratio	1.07
Sortino Ratio	2.24
Annualized Alpha vs. S&P 500 EW	5.2%

A Sortino ratio of 2.24 vs. Sharpe of 1.07 confirms the asymmetric profile: return per unit of downside risk is roughly double the return per unit of total risk.

Risk-free rate: 4.72% annualized (rolling 90-day T-bill, 2023–6/2026). **Sharpe Ratio** measures excess return per unit of total volatility. **Sortino Ratio** measures excess return per unit of downside volatility. Higher ratios indicate stronger risk-adjusted performance.

Earnings Surprise Rates (2023 – 2025)

	ACSI Constituents	S&P 500 Average
EPS Beat Rate	80.8%	77.6%
Revenue Beat Rate	70.6%	66.1%

For the full three year period, 61% of ACSI constituent quarters beat on both EPS and revenue, while 9% missed on both.

**EPS Beat Rate is the percentage of portfolio company earnings reports with earnings per share above consensus estimates. Revenue Beat Rate is the percentage with reported revenue above consensus estimates.*

The Convexity Foundation

Because the ACSI measurement instrument is calibrated to maximize customer retention of which profit is a convex function, small improvements in retention produce exponentially larger gains in profitability.

The marginal profit of customer retention, derived from the Customer Lifetime Value formula, is:

$$d\pi/dR = N \cdot M / (1 + i - R)^2$$

where N = customer cohort, M = profit margin per period, i = discount rate, R = retention rate. Because (1 + i – R) is in the denominator and squared, each incremental improvement in retention has an accelerating impact. An increase from 85% to 90% retention leads to a jump of about 50% in revenue (vs. 17% for 65% to 70%). The effect on profit is even higher. The convexity produces an asymmetric beta profile: earnings volatility and discount rates fall as customer retention improves. Because the marginal cost of retention is lower than that of customer acquisition, profit margins expand faster than revenue; something that also contributes to positive earnings surprises. The resulting cash-flow stability reduces downside market covariance while compounding earnings growth.

Portfolio Snapshot

Top 10 Holdings (06/30/2026)	Sector Allocation
DELL, GOOG, HUM, AMZN, AAPL, MSFT, META, TD, BAC, JPM <i>Top 10 = ~47.3% of portfolio</i> <i>*Fund holdings and sector allocations are subject to change</i>	Consumer Disc.: 22.9% Comm. Services: 17.4% Financial Services: 17% Technology: 18% Consumer Staples: 7.5% Health Care: 8% Industrials: 5.3% Utilities: 3.5%

The fund holds some of the B2C MAG 7 on the strength of their customer satisfaction, but at a cumulative weight 30% below that of the S&P 500.

Differentiation

The fund embeds a cash-flow convexity factor, derived from a proprietary signal - a customer satisfaction metric calibrated to maximize customer retention. Accordingly, the fund is economically distinct from traditional factor tilts, while capturing value-relevant information not available elsewhere. Other low-volatility strategies dampen both the upside and the downside. ACSI attenuates losses nonlinearly and amplifies gains multiplicatively. The more competitive the consumer market, the higher the alpha. In less competitive markets, monopolies and, to some extent oligopolies, where sellers have significant pricing power and buyers face high switching cost, the strategy is not likely to be effective.

Disclosures

An investor should consider the Fund’s investment objectives, risks, charges and expenses carefully before investing. The Prospectus or summary prospectus contain this and other important information about the Fund and are available at acsietf.com/ or by calling (800) 617-0004. Please read the prospectus or summary prospectus carefully before investing.

Investments involve risk. Principal loss is possible. The securities of large-capitalization companies may be relatively mature compared to smaller companies and therefore subject to slower growth during times of economic expansion. The ACSI Index relies heavily on proprietary quantitative models as well as information and data supplied by third parties (Models and Data). Because the ACSI Index is composed based on such Models and Data, when such Models and Data prove to be incorrect or incomplete, the Index and Fund may not perform as expected. As with all index funds, the performance of the Fund and its Index may differ from each other for a variety of reasons. For example, the Fund incur operating expenses and portfolio transaction costs not incurred by the Indexes. In addition, the Fund may not be fully invested in the securities of the Indexes at all times or may hold securities not included in the Indexes. The Fund has the same risks as the

underlying securities traded on the exchange through the day. Redemptions are limited and often commissions are charged on each trade, and ETFs may trade at a premium or discount to their net asset value. To the extent the Fund invests more heavily in particular sectors of the economy, the Funds' performance may be more sensitive to developments that significantly affect those sectors.

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Foreside and ACSI are not affiliated. Q2 2026 figures are approximate based on publicly available price data as of 06/30/2026. Sharpe and Sortino ratios calculated using a risk-free rate of 4.72% (rolling 90-day T-bill, 2023–6/2026). Beat rate data: Ycharts (ACSI constituents), FactSet (S&P 500). Equal-weight S&P 500 used as primary benchmark given ACSI's equal-weight-within-industry construction.