

2024 Q4 Quarterly Commentary

Portfolio Management Team: Carlos Pena, Steve Orr
Updated: 12.31.2024



During the fourth quarter, The Texas Capital Texas Equity Index ETF (NYSE Arca: TXS) gained 4.11%. The best-performing sectors include consumer discretionary, financials and information technology.

Consumer discretionary led sector performance with a 13.91% return over the quarter. Within the sector, Brinker International, Tesla, and GameStop were the best performers. Tesla was the top contributor of sector return, driven by better-than-expected 3Q24 earnings, strong gross margins, largest quarterly profit in a year, and upbeat 2025 targets. Within Financials, Skyward Specialty Insurance, Cullen/Frost Bankers Inc, and Goosehead Insurance were the best performers. The biggest contributor to Financials sector performance, came from the largest sector holding Charles Schwab returning 14.58% and contributing +51bps to sector return. The company reported 3Q24 earnings that came in ahead of estimates, with earnings per share supported by higher revenue.

Alternatively, the worst-performing sectors during the quarter include materials, healthcare, and real estate. Materials returned -17.44%, the main source of underperformance came from Celanese Corp, Huntsman Corp, and Westlake Corp. The chemical manufacturer Celanese Corp was the worst performer and largest detractor of sector performance, the company slashed its dividend and reported disappointing fourth-quarter guidance following a quarter of constrained demand.

Within Healthcare, Cassava Sciences, Lexicon Pharmaceuticals, and Agilon Healthcare Services were the worst-performers. Cassava Sciences returned -91.98%, falling to the lowest price in four years, after reporting that its Alzheimer's drug failed in phase 3 testing. Tenet Healthcare detracted the most from sector return detracting -112bps, as healthcare providers were under pressure in a post-election selloff on policy speculation as the incoming administration made its nominations to top health positions.

Overall, TXS benefitted from continued Texas economic strength with 7 of the 11 sectors recording a positive return over the quarter.

TOP 10 HOLDINGS		
1	Tesla Inc.	6.0%
2	Tenet Healthcare Corporation	4.5%
3	Digital Realty Trust Inc.	4.3%
4	CrowdStrike Holdings Inc.	4.2%
5	McKesson Corporation	3.8%
6	Waste Management Inc.	3.8%
7	Gamestop Corporation	3.4%
8	Charles Schwab Corporation (The)	3.4%
9	Crown Castle Inc.	2.9%
10	CBRE Group Inc.	2.8%
% in Top 10		39.1%

	6Mo	1Yr	QTD	YTD	Inception*
NAV	11.65%	24.30%	4.11%	24.30%	20.76%
MARKET PRICE	11.69%	24.31%	4.11%	24.31%	20.73%
TEXAS CAPITAL TEXAS EQUITY INDEX (UNDERLYING INDEX)	11.79%	24.73%	4.22%	24.73%	21.23%
SYNTAX MIDCAP 800	9.86%	14.51%	0.55%	14.51%	13.28%

*ETF Inception Date 7/12/2023

Gross Expense Ratio: 0.49%

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Returns for periods less than one year are cumulative. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETFs are bought and sold at market price, which may be higher or lower than the net asset value (NAV). Current performance may be lower or higher than the performance data quoted. Investors may obtain performance data current to the most recent month-end by calling 844.822.3837.



TXSS Texas Small Cap Equity Index ETF

During the fourth quarter, The Texas Capital Texas SmallCap Equity Index ETF (Nasdaq: TXSS) gained 0.25%. The best-performing sectors include Information Technology, Consumer Discretionary, and Energy.

Information technology led sector performance with a 10.67% return over the quarter. The sector outperformed as it provides the tools to help build Artificial Intelligence (AI) infrastructure. Additionally, the Federal Reserve reduced interest rates by 50bps during the quarter, with the less restrictive policy further supporting equity prices. Within the sector, the best performers include Applied Optoelectronics Inc, Ribbon Communications Inc, and Q2 Holdings. Applied Optoelectronics Inc returned 157.58% and contributed the most to sector return with a contribution of +17bps. The manufacturer of fiber-optic networking products reported 3Q24 revenue and outlook that beat expectations from accelerating customer demand.

TOP 10 HOLDINGS		
1	Howard Hughes Co.	7.2%
2	Addus Homecare	3.1%
3	Brinker International	3.1%
4	Insperity Inc.	3.1%
5	AMN Healthcare	3.0%
6	Kinetik Holdings	3.0%
7	Group 1 Automotive	2.7%
8	DNow Inc.	2.3%
9	Omniceil Inc.	2.3%
10	Vital Farms Inc.	2.2%
% in Top 10		31.9%

Alternatively, the worst performing sectors include Utilities, Healthcare, and Materials. Utilities returned -64.78%, the sector holds a single name, Sunnova Energy International. Renewable energy stocks sold off after the results of the US presidential election, as the incoming administration has promised to increase fossil fuel production and undo the green agenda.

Within Healthcare, Cassava Sciences, Shattuck Labs, and Lexicon Pharmaceuticals were the worst performers. After reporting that its Alzheimer's drug failed in phase 3 testing, Cassava Sciences fell 91.98% to the lowest price in four years. Due to higher weighting and poor performance, AMN Healthcare detracted the most from sector performance, detracting -129bps. Despite reporting better than expected 3rd quarter earnings in November, challenging industry conditions within healthcare staffing continue to pressure AMN Healthcare as demand for medical professionals declines from post-pandemic highs.

Overall, TXSS benefitted from continued Texas economic strength with 8 of the 11 sectors recording a positive return.

	6Mo	1Yr	QTD	YTD	Inception*
NAV	8.67%	9.58%	0.25%	9.58%	11.40%
MARKET PRICE	8.80%	9.57%	0.29%	9.57%	11.48%
TEXAS SMALL CAP EQUITY INDEX (UNDERLYING INDEX)	9.16%	10.33%	0.61%	10.33%	12.15%
SYNTAX US SMALLCAP 2000	12.71%	8.80%	2.38%	8.80%	11.52%

*ETF Inception Date 12/20/2023

Gross Expense Ratio: 0.49%

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Returns for periods less than one year are cumulative. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETFs are bought and sold at market price, which may be higher or lower than the net asset value (NAV). Current performance may be lower or higher than the performance data quoted. Investors may obtain performance data current to the most recent month-end by calling 844.822.3837.



OILT Texas Oil Index ETF

During the fourth quarter, The Texas Capital Texas Oil Index ETF (NYSE Arca: OILT) returned 1.63%. The best performing companies include Comstock Resources, Crescent Energy and Kinder Morgan.

Comstock Resources returned 63.70% with the end of the Ukraine-Russia gas transit agreement coinciding with the expectations of colder weather in the U.S. and Europe. Crescent Energy joined the S&P SmallCap 600 replacing Perficient in the index, the company returned 34.56% during the quarter. Kinder Morgan returned 25.49% as the company is set to benefit from a rise in natural gas demand driven by power centers.

More generally, the sector experienced increased volatility during the quarter, as the sector navigates supply, demand and policy headwinds. The energy market remains well supplied but isn't necessarily well demanded. Concerns that OPEC+ may soon add production and an incoming U.S. administration that supports increased U.S. drilling could result in additional supply glut.

On the demand side, economic challenges in China dampened global demand for oil. A property slump and decreased demand for new homes during the period negatively impacted demand for diesel, the largest component of China's oil consumption. Throughout the quarter, China announced stimulus measures that were widely viewed as an effort to steady the economy rather than stimulate rapid growth and are unlikely to increase energy demand in the near future but will contribute to higher energy demand as the economy improves.

The U.S. continues to lead oil production globally with nearly half of U.S. oil produced in the state of Texas¹. Overall, oil consumption globally continues to increase, although the pace has slowed as economic challenges persist.

TOP 10 HOLDINGS

1	Occidental Pete	8.5%
2	Diamondback Energy	8.3%
3	Conoco Phillips	8.1%
4	ExxonMobil Corporation	8.0%
5	EOG Resources	7.4%
6	APA Corporation	4.9%
7	Ovintiv Inc.	4.6%
8	Chevron Corporation	4.4%
9	Devon Energy Co.	4.4%
10	Vital Energy Inc.	4.3%
	% in Top 10	62.8%

	6Mo	1Yr	QTD	YTD	Inception*
NAV	-7.73%	1.36%	1.63%	1.36%	1.40%
MARKET PRICE	-7.82%	0.91%	2.01%	0.91%	1.55%
ALERIAN TEXAS WEIGHTED OIL & GAS INDEX	-7.76%	1.30%	1.65%	1.30%	1.35%

*ETF Inception Date 12/20/2023

Gross Expense Ratio: 0.35%

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Returns for periods less than one year are cumulative. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETFs are bought and sold at market price, which may be higher or lower than the net asset value (NAV). Current performance may be lower or higher than the performance data quoted. Investors may obtain performance data current to the most recent month-end by calling 844.822.3837.

¹ [Texas' Oil and Natural Gas Production Continues at Record Highs in October, November 22, 2024](#)

Definition(s):

Basis Point (bps): a unit of measure used to indicate percentage changes in financial instruments, making it possible to communicate small variations in financial variables. One basis point is equal to 1/100th of 1%.

Disclosures:

Investors should carefully consider the investment objectives, risks, and charges of the fund before investing. The prospectus contains this information and other information about the fund, and it should be read carefully before investing. Investors can obtain a copy of the prospectus by calling 844.TCB.ETFS (844.822.3837).

The Syntax US MidCap 800 Index float market cap-weights the 201st-1000th largest public US companies as ranked by their float market caps, subject to rank buffers and liquidity screens. **The Syntax US SmallCap 2000 Index** float market cap-weights the 1001st-3000th largest public US companies as ranked by their float market caps, subject to rank buffers and liquidity screens. Companies are defined as US according to Syntax's proprietary country classification methodology considering regulatory filings, currencies of accounting and distribution, and tax havens. **The Alerian Texas Weighted Oil and Gas Index** is comprised of energy companies that extract oil and gas within the state of Texas. The index is weighted based on the total economic value of oil and gas extracted by each company from within Texas subject to a maximum 10% constraint. Index performance does not represent actual fund or portfolio performance and such performance does not reflect the actual investment experience of any investor. An investor cannot invest directly in an index. Neither the underlying Index nor the benchmark indexes charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in a portfolio invested in accordance with an index. None of the Syntax Indices or the benchmark indices portrayed herein charge management fees or incur brokerage expenses, and no such fees or expenses were deducted from the performance shown; provided, however, that the returns of any investment portfolio invested in accordance with such indices would be net of such fees and expenses. Additionally, none of these indices lend securities, and no revenues from securities lending were added to the performance shown.

Performance shown is unaudited and subject to revision. This commentary may include forward-looking statements which are based on our expectations and projections as of the date made. Past returns are not necessarily predictive of future returns.

Investment and Market Risk. As with all investments, an investment in the Fund is subject to investment risk. Investors in the Fund could lose money, including the possible loss of the entire principal amount of an investment, over short or prolonged periods of time.

Index Tracking Risk. There is no guarantee that the Fund will achieve a high degree of correlation to the Index and therefore achieve its investment objective. The Fund may have difficulty achieving its investment objective due to fees, expenses (including rebalancing expenses), and other transaction costs related to the normal operation of the Fund. These costs that may be incurred by the Fund are not incurred by the Index, which may make it more difficult for the Fund to track the Index.

New Adviser Risk. The Adviser has not previously served as an adviser to a registered mutual fund or ETF. As a result, there is no long-term track record against which an investor may judge the Adviser and it is possible the Adviser may not achieve the Fund's intended investment objective.

New Fund Risk. The Fund is new and does not have shares outstanding as of the date of this Prospectus. If the Fund does not grow large once it commences trading, it will be at greater risk than larger funds of wider bid-ask spreads for its shares, trading at a greater premium or discount to NAV, liquidation and/or a stop to trading. Any resulting liquidation of the Fund could cause the Fund to incur elevated transaction costs for the Fund and negative tax consequences for its shareholders.

Geographic Concentration Risk. Because the Fund and the Index will invest only in issuers headquartered in a particular geographic region, the Fund's performance is expected to be closely tied to various factors such as social, financial, economic, and political conditions within that region. Events that negatively affect that region may cause the value of the Fund's shares to decrease, in some cases significantly. As a result, the Fund may be more volatile than more geographically diverse funds.

Small Capitalization Companies Risk. Investments in securities of small-cap companies may be riskier, more volatile, and more vulnerable to economic, market and industry changes than investments in larger, more established companies. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term. Small-cap companies often have less predictable earnings, more limited product lines, markets, distribution channels, or financial resources, and the management of such companies may be dependent on one or a few key people. The equity securities of small-cap companies are generally less liquid than the equity securities of larger companies.

Energy Sector Risk. Companies operating in the energy sector are subject to risks including, but not limited to, economic growth, worldwide demand, political instability in the regions that the companies operate, government regulation stipulating rates charged by utilities, interest rate sensitivity, oil price volatility, energy conservation, environmental policies, depletion of resources, and the cost of providing the specific utility services and other factors that they cannot control.

Oil and Gas Companies Risk. Oil and gas companies develop and produce crude oil and natural gas and provide drilling and other energy resources production and distribution related services. Stock prices for these types of companies are affected by supply and demand both for their specific product or service and for energy products in general. The price of oil and gas, exploration and production spending, government regulation, world events and economic conditions will likewise affect the performance of these companies. Correspondingly, securities of oil and gas companies are subject to swift price and supply fluctuations caused by events relating to international politics, energy conservation, the success of exploration projects, and tax and other governmental regulatory policies. Weak demand for the companies' products or services or for energy products and services in general, as well as negative developments in these and other areas, would adversely impact the performance of the Fund. Oil and gas exploration and production can be significantly affected by natural disasters as well as changes in exchange rates.

There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks similar to those of stocks, including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Underlying Index. The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Fund.

Texas Capital Bank Wealth Management Services, Inc. d/b/a Texas Capital Bank Private Wealth Advisors ("PWA"), a wholly owned subsidiary of Texas Capital Bank serves as investment adviser to Texas Capital Funds Trust (a Delaware statutory trust formed in 2023 and registered as an open-end management investment company under the Investment Company Act of 1940) for its funds (the "Funds") and is paid a fee for its services. Shares of the Funds are not deposits or obligations of, or guaranteed or endorsed by, Texas Capital Bank or its affiliates. The Funds are not insured by the FDIC or any other government agency.

Distributed by Northern Lights Distributors, LLC, member FINRA/SIPC, which is not affiliated with Texas Capital Bank Private Wealth Advisors.