AOG Institutional Fund | AOGFX

AOG

Letter to Shareholders - 2/15/2024

AOGFX Shareholders,

As we pass the two-year milestone of the AOG Institutional Fund, we want to give you insights on both prior performance and future expectations. Despite just being 24 months in, we have seen several key developments and want to provide some insight as to their importance for the overall portfolio.

Performance thus far has been below expectations, from an absolute return standpoint. However, highly volatile economic circumstances required adjustments that sacrificed short term gain for long term health. Additionally, we believe more recent momentum is indicative of the positive developments that we expect to bear fruit in 2024 and beyond.

By most risk-adjusted metrics, our relative performance has been quite strong. The 3.95% total return in calendar 2023 was more than twice that of the prior year, and the Fund's since inception annualized return of 2.94% is **beating** both the S&P500 and Barclays Aggregate Bond Index over that same time (see below)! When combined with our low volatility, it has led to risk-adjusted measures, such as the Sharpe Ratio, that are very attractive. The chart below illustrates these data points:

PERFORMANCE & ALLOCATION AS OF December 31, 2023

AOGFX

FUND MONTHLY PERFORMANCE[7] *(since inception)*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YR/YTD	S&P 500	AGG
2022	0.00%	1.33%	1.51%	0.06%	-0.19%	-0.71%	0.78%	0.06%	-0.52%	0.13%	0.13%	-0.65%	1.93%	-18.11%	-13.01%
2023	0.26%	0.07%	-0.52%	0.26%	-0.35%	0.20%	0.30%	0.20%	1.25%	0.37%	0.98%	0.88%	3.95%	26.29%	5.72%

[7] 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. Current performance may be lower or higher than the performance data presented. Returns are presented before taxes. You can obtain performance information which is current through the most recent month-end by contacting AOG Wealth Management at 1-877-600-3573

TRAILING PERFORMANCE

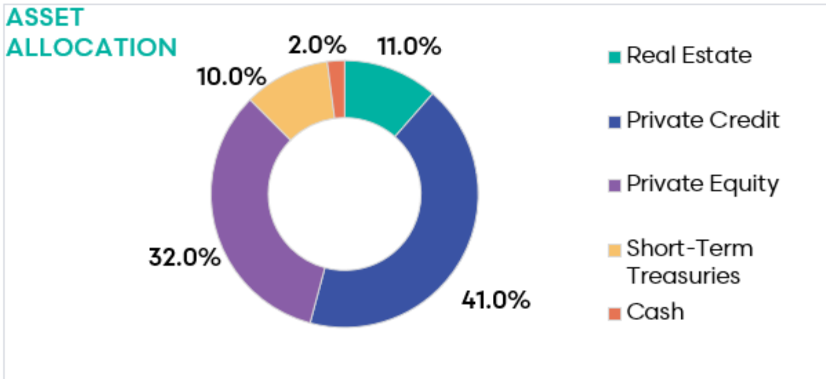
	1 MO	3 MO	INCEPTION *(annualized)*
AOGFX[8]	**0.88%**	1.52%	2.94%
S&P 500 INDEX	**4.54%**	11.69%	1.69%
BARCLAYS AGG	**4.16%**	8.10%	-5.91%

FUND STATISTICS[9] *(annualized)*

SINCE FUND INCEPTION	AOGFX	S&P 500	Barclay Agg
ANNUALIZED STANDARD DEVIATION	**2.13%**	19.88%	8.70%
SHARPE RATIO	**0.76**	0.02	-0.63

[8] Total returns are based on the Fund's net asset value, which represents the Fund's net assets (assets less liabilities), plus distributions, divided by the Fund's outstanding shares. Returns are average annualized total returns, except those for periods of less than one year, which are cumulative. The Fund's performance reflects fee waivers and expense reimbursements, absent which performance would have been lower. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.

[9] eVestment Alliance, LLC and its affiliated entities (collectively, "eVestment") collect information directly from investment management firms and other sources believed to be reliable, however, eVestment does not guarantee or warrant the accuracy, timeliness, or completeness of the information provided and is not responsible for any errors or omissions. Performance results may be provided with additional disclosures available on eVestment's systems and other important considerations such as fees that may be applicable.
The Sharpe Ratio measures the risk-adjusted return of a security. This metric analyzes the return on a security in comparison to the amount of volatility (or risk) of that security. The historical sharpe ratio annualizes prior monthly returns to calculate the return measure and uses the annualized standard deviation of monthly returns as the risk measure.



Fund holdings and allocations are subject to change and are not recommendations to buy or sell any security.

We expect both strong relative and absolute performance, and nothing has changed regarding our long-term expectations for AOGFX. It is important to point out that the last four months of 2023 were the best 4-month period of our history (3.52%), and we expect that momentum to continue.

Our approach to building, managing, and growing AOGFX has always been to position the Fund for long-term success. Other managers might be tempted to take steps that temporarily enhance short-term performance, but that are to the detriment of long-term health. We will not manage that way because we view this endeavor as a marathon, not a sprint. As part of building this long-term approach, the rules we must follow have required us to accept lower short-term returns to build the foundation for higher long-term gains.

1. The first twelve months of the Fund were mainly characterized by an Initiation Phase, as the portfolio and structure were built up, and initial assets were purchased. This also occurred during a period of extreme volatility in both the stock and bond markets.
2. In early 2023, we identified several mispricings in underlying assets within our real estate and private equity fund holdings and moved rapidly to exit these positions before the forthcoming downside performance we anticipated could occur. We have been extremely successful in this, lowering the Fund’s overall real estate equity exposure from 46% in 2022 to around 10% as of 12/31/23. In turn, we have avoided a great deal of subsequent value declines in these investments. We have also replaced older private equity vintages that may also be subject to future markdowns with newer opportunities at very attractive current pricing.
3. The decisions above created a temporarily outsized Cash & Treasuries balance in AOGFX, as we felt it more important to get out quickly and hold that liquidity for selective use, than to hastily allocate it immediately afterwards. Much of the 2nd and 3rd quarter was characterized by excess dry powder. Lately, we have been actively allocating this capital, and have already cut the Cash & Treasury balance in AOGFX by more than 50% from its peak. We expect cash to stabilize in the targeted 2%-5% range of the overall portfolio in the coming months. Meanwhile, generational opportunities in private credit have been and continue to be captured.

4. From a qualitative perspective, we believe the investments we have been sourcing and adding to AOGFX have been even better than expected. Quantitatively, early performance was limited by the desire to utilize newer institutional investment opportunities, we where can avoid many existing portfolios with overpriced legacy assets. However, these newer investments require time to call down capital, incubate, and stabilize.
5. In fact, much of what we have been investing in, particularly in the Private Credit & Equity arenas, has provided minimal positive performance attribution to date. While frustrating, this was expected, as the earliest period of the life cycle of many institutional investments are often characterized by preliminary fees and expenses (often referred to as “J-curve”), after which net positive performance can flourish. We simply had to weather the structural downside of these offerings to get to the point of the highest likelihood of long-term outperformance.
6. Some of the investments we are most excited about have been direct and co-investment opportunities. These deals can be extraordinarily difficult to access, due to the much sought-after nature of them. But the natural progression of these investments involves accepting the time necessary for them to subsequently reach milestones, realizations, and monetization events. Unfortunately, we cannot control the timing of such events, but we continue to monitor their development, and have been thrilled about their positive progress. We have also been carefully building out our pipeline to feature an increased variety in the vintages of performance, actively seeking to identify opportunities that may feature both significant short-term success as well as long-term benefits.

Building both the manager relationships and the actual investments for the Fund has required discipline and patience. However, exercising that patience has historically been the most prudent and successful approach to long-term investing, and we see no reason to believe differently today. Although the first year of operation was very successful relative to stocks and bonds, we could not have anticipated rotating more than half of the portfolio in the second year to avoid markdowns in real estate and private equity, nor the amazing generational opportunity in both private credit and real estate debt. We believe the initial and rotational drag on returns is mainly behind us, particularly given the recent results we have achieved. We want to thank you for allowing us to go about this the right way, and for having confidence that your patience will be rewarded.

Aaron Rosen, CFA
Portfolio Manager

Fred Baerenz, AIF
Chief Executive Officer

Important Information

An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the Fund's prospectus. To obtain a prospectus, please 703-757-8020 or visit aogfunds.com. Please read the prospectus carefully before investing.

Investment in the AOG Institutional Fund ("AOGFX Fund") is speculative and involves substantial risks, including the risk of loss of a Shareholder's entire investment. Investors may not have immediate access to invested capital for an indefinite period of time and must have the financial ability, sophistication/experience, and willingness to bear the risks of an illiquid investment. An investor's participation in the Fund is a long-term commitment, with no certainty of return. No guarantee or representation is made that a Fund will achieve its investment objective, and investment results may vary substantially from year to year. Additional risks of investing in the Fund are set forth below.

Opinions expressed are those of the author and are subject to change. Statements are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Additional Risk Considerations

Certain risk factors below discuss the risks of investing in Private Markets Investment Funds.

Real Estate Securities Risks. The value of companies investing in real estate is affected by, among other things: (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties;(iii) risks related to local economic conditions; overbuilding and increased competition; (iv) increases in property taxes and operating expenses; (v) changes in zoning laws; (vi) casualty and condemnation losses; (vii) variations in rental income, neighborhood values or the appeal of property to tenants; (viii) the availability of financing and (ix) changes in interest rates. Many real estate companies utilize leverage, which increases investment risk and could adversely affect a company's operations and market value in periods of rising interest rates. **REIT Risk.** There can be no assurance that the entities in which the Fund invests with the expectation that they will be taxed as a REIT will qualify as a REIT, and such a failure could significantly reduce the Fund's yield on that investment. **Derivatives Risk.** The Fund and certain Investment Funds may invest their assets in derivatives, such as futures, forwards and options contracts, which may be illiquid and have the risks of unlimited losses of the underlying holdings due to unanticipated market movements and failure to correctly predict the direction of securities prices, interest rates, and currency exchange rates. **Credit Risk.** There is a risk that debt issuers will not make payments, resulting in losses to the Fund, and default perceptions could reduce the value and liquidity of securities and may cause the Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings. Lower-quality bonds, known as "high yield" or "junk" bonds, present a significant risk for loss of principal and interest and involve an increased risk that the bond's issuer, obligor or guarantor may not be able to make its payments of interest and principal. **Restricted and Illiquid Investments Risk**. Particular investments of the Fund or Investment Fund may be difficult to sell at an advantageous price or at all, possibly requiring the Fund or Investment Fund to dispose of other investments at unfavorable times or prices to satisfy its obligations. Investment Funds with principal investment strategies that involve securities of nontraded REITs, companies with smaller market capitalizations, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. **Private Markets Investment Funds.** The managers of the Private Investment Funds in which the Fund may invest may have relatively short track records and may rely on a limited number of key personnel. The portfolio companies in which the Private Investment Funds may invest also have no, or relatively short, operating histories, may face substantial competitive pressures from larger companies, and may also rely on a limited number of key personnel. The Fund will not necessarily have the opportunity to evaluate the information that a Private Investment Fund uses in making investment decisions. **Competition.** The business of investing in private markets opportunities is highly competitive, uncertain, and successfully sourcing investments can be problematic given the high level of investor demand some investment opportunities receive. There are no assurances that the Fund will be able to invest fully its assets or that suitable investment opportunities will be available. **Distressed, Special Situations and Venture Investments.** Investments in distressed companies and new ventures are subject to greater risk of loss than investments in companies with more stable operations or financial condition. **Multiple Levels of Expense.** Shareholders will pay the fees and expenses of the Fund and will bear the fees, expenses and carried interest (if any) of the Investment Funds in which the Fund invests.

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The **Standard and Poor's 500 Index**, or simply the S&P 500, is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices. It is not possible to invest directly in an index. The **Bloomberg US Aggregate Bond Index,** often nicknamed "The Agg," is a broad-based market capitalization-weighted index representing the bond market for intermediate term investment grade fixed-rate taxable bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market. **Standard deviation** is the statistical measure of market volatility, measuring how widely prices are dispersed from the average price. If prices trade in a narrow trading range, the standard deviation will return a low value that indicates low volatility. The **Sharpe Ratio** measures the risk-adjusted return of a security. This metric analyzes the return on a security in comparison to the amount of volatility (or risk) of that security. The historical sharpe ratio annualizes monthly returns since the fund's inception to calculate the return measure and uses the annualized standard deviation of monthly returns as the risk measure. The risk-free rate is represented by the 10-Year historical average for a 3-month treasury note.

On May 17, 2023, the Board of Trustees of the Auction Fund approved the change of the Fund's name from the "AOG Institutional Diversified Fund" to the "AOG Institutional Fund".

The Fund previously operated in a master-feeder structure and invested all or substantially all of its assets in shares of the AOG Institutional Diversified Master Fund ("the Master Fund"). The Master Fund is a diversified, closed-end management investment company, and was organized as a Delaware statutory trust on November 4, 2021. As a result of the adoption of the Repurchase Policy, and in connection with the Fund's operation as an interval fund, the Fund no longer operates as a feeder fund within a master-feeder structure. The Master Fund will be deregistered under the Investment Company Act, but will continue to exist as a wholly owned subsidiary of the Fund. Some of the Fund's current assets are held through the Master Fund.

The AOG Institutional Fund is distributed by UMB Distribution Services, LLC ("UMBDS"). UMBDS is not affiliated with AOG Wealth Management.