DIVS

The SmartETFs Dividend Builder ETF

May 2024 Update

Portfolio Performance

as of 04/30/2024

In April, DIVS was down -2.68% (NAV basis, -3.11% market price), while the MSCI World Index benchmark was down -3.71%. April was generally a poor month for global equity markets due to hot US inflation data and a weaker-than-expected GDP, with changing rate cut expectations bringing the "higher for longer" narrative back into focus. Despite declines in US and Japanese equities, Emerging Markets and the UK saw gains, driven by a high share of energy and commodity companies and encouraging PMI data in the UK.

Over the month of April, DIVS outperformance versus the index can be attributed to the following:

- The overweight allocation to Consumer Staples and Industrials. Both sectors outperformed the MSCI World, with the Fund's average Consumer Staples return notably showing positive performance, despite falling markets.
- A zero allocation to Real Estate (the worst performing sector in the index) and an underweight allocation to IT (the second worst performing sector) were both a positive.
- Strong stock selection over the month also acted as a tailwind, with good performance from Industrial names (Atlas Copco, ABB, Eaton) and from Consumer Staples (Mondelez, Henkel).

In this update, we discuss the implications of the latest market data, what it means for the economic outlook, and delve into the takeaways from the Q1 earnings season, which kicked off in full over April. We also discuss the recent dividend developments from large-cap tech names and the opportunity this presents in expanding the DIVS universe. Read on for more.

Holdings are subject to change. Go to SmartETFs.com/DIVS for current holdings.

-12% -10% -8% -6% -4% -2% 0% 2% 4% 6% 8%

Atlas Copco AB
ABB Ltd
Unilever PLC
Mondelez International Inc
Eaton Corp PLC
Schneider Electric SE
Henkel AG & Co KGaA
Texas Instruments Inc
Procter & Gamble Co/The
Novo Nordisk A/S
Coca-Cola Co/The
Taiwan Semiconductor Manufacturing Co Ltd
Reckitt Benckiser Group PLC
PepsiCo Inc
Broadcom Inc
Nestle SA
Aflac Inc
CME Group Inc
Danone SA
Paychex Inc
Emerson Electric Co
Cisco Systems Inc
Deutsche Boerse AG
Roche Holding AG
Assa Abloy AB
Diageo PLC
Arthur J Gallagher & Co
Microsoft Corp
Medtronic PLC
Otis Worldwide Corp
Johnson & Johnson
Illinois Tool Works Inc
Sonic Healthcare Ltd
BlackRock Inc
AbbVie Inc

Best performing stock: Atlas Copco AB, 5.9% TR Month to Date

Worst performing stock: AbbVie Inc., -9.8% TR Month to Date

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting SmartETFs.com, or calling (866) 307-5990. The returns shown are cumulative for the period, not annualized. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.

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Atlas Copco was the Fund's top performer in April, gaining 5.9%. The Swedish air compressors & industrial vacuum manufacturer had a strong month off the back of quarterly earnings. Alongside good growth in revenues and operating profits, the firm's acquisition strategy continues to pay off. Over the previous quarter, they acquired 6 businesses, 5 of which were small plug ins (<30 employees, generally <$5mn USD in sales) but this included a larger acquisition of Krachs, a German pump manufacturer with $70mn in revenues. Atlas Copco has been successful in acquiring emerging businesses in various end market niches and consolidating operations into the group's core offering. This has allowed them to continue with above market growth and is seemingly serving the firm well given strong performance over the month. It is worth noting that CEO Mats Rahmström is stepping down, having announced his departure last year. He will be replaced by Vagner Rego (President of the Compressor Business) who has been at the firm since 1997 and is unlikely to enact any sweeping changes given his long tenure.

AbbVie was the Fund's worst performer, falling -9.8%. Despite the US pharmaceutical giant reporting a solid set of earnings, the market sold-off on fears surrounding the business outlook. AbbVie's blockbuster arthritis drug, Humira, came off of patent last year and, as a result, saw sales fall 35% YoY. However, we believe that this sell off is largely overdone, given that this decline was in line with consensus, and AbbVie has done well to develop out their pipeline of next generation immunology drugs. The firm's new growth drivers include Skyrizi (up 48% YoY) and Rinvoq (up 62% YoY), which have shown strong uptake in North America and combined, now represent over 30% more than Humira sales. AbbVie has also leveraged their healthy balance sheet, having recently acquired ImmunoGen, and are expected to close on Cerevel shortly. These two acquisitions will bring cancer drug Elahere & neuroscience drug Emraclidine, both of which hold blockbuster potential and could meaningfully drive sales growth going forward. We therefore remain constructive on the outlook for AbbVie.

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Portfolio Performance

As of 04/30/2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	3.09%	10.22%	7.26%	10.50%	8.78%	10.28%
DIVS at Market Price	2.57%	9.21%	7.09%	10.45%	8.76%	10.26%
MSCI World NR	4.84%	18.39%	5.62%	10.44%	8.86%	9.94%

As of 03/31/2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	5.92%	16.10%	9.78%	11.83%	9.26%	10.60%
DIVS at Market Price	5.86%	16.00%	9.67%	11.89%	9.29%	10.63%
MSCI World NR	8.88%	25.11%	8.60%	12.06%	9.39%	10.36%

Expense Ratio: 0.65% (net) | 1.09% (gross)

30-Day SEC Yield (as of 04/30/24): 1.20% subsidized | 0.81% unsubsidized

The Adviser has contractually agreed to reduce its fees and/or pay ETF expenses in order to limit the Fund's total annual operating expenses to 0.65% through June 30, 2027.

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting SmartETFs.com, or calling (866) 307-5990. The returns shown are cumulative for the period, not annualized. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.

Effective as of the close of business on March 26, 2021, the fund acquired the assets and assumed the performance, financial and other historical information of the Guinness Atkinson Dividend Builder Fund, an open-end mutual fund (incepted March 30, 2012). The fund's investment objectives, strategies and policies are substantially similar to those of the predecessor mutual fund and it was managed by the same portfolio managers. Performance information for periods prior to March 26, 2021 is the historical performance of the predecessor mutual fund and reflects the higher operating expenses of the predecessor mutual fund. The fund has lower expenses than the predecessor mutual fund. For periods prior to March 29, 2021, the fund's performance would have been higher than shown had it operated with the fund's current expense levels.

A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The market price is the most recent price at which the fund was traded.

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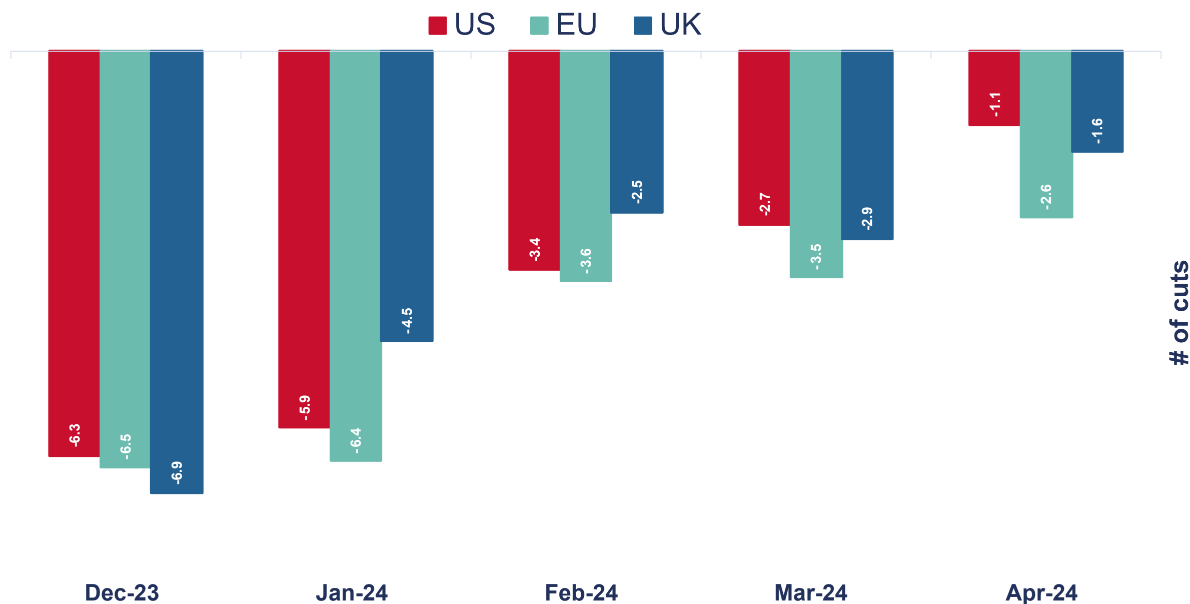
April in Review

Cuts Have Been Cut

April was a difficult month for global equities, as many stock markets saw negative returns. This was largely driven by changing rate expectations, which caused a pronounced shift in the “soft-landing” narrative. Going into 2024, markets were generally optimistic about the improving economic outlook, forecasting rate cuts to begin in earnest. However, since the start of the year, the number of 25bp (basis point) rate cuts implied by the Fed Futures market has declined from 6 cuts to roughly 1 cut in the space of 4 months. The picture in the EU and the UK follows a similar pattern.

Number of 25 Basis Point Interest Rate Cuts Expected in 2024



Source: Bloomberg. Data as of April 30, 2024.

With the Fed remaining steadfast on its “data dependent” approach, a range of economic indicators show an increasingly complex picture. As a result, the widely held “soft-landing” narrative has somewhat unwound. It is worth reiterating the comments made in our 2023 annual review; we noted that “the (picture) for 2024 looks markedly better … but it may well be prudent to adopt a more cautiously optimistic outlook … as we are not out of the woods just yet.” In light of this, even as rate cuts seemed inevitable at the start of 2024, the market sentiment has now broadened out, with more potential options on the table. Not only do numerous rate cuts seem unlikely for the time being, but former Treasury Secretary Larry Summers stressed the “possibility that the next rate move will be upwards rather than downwards”. In sum, the current market narrative is far less cohesive, and the future direction of monetary policy is equally uncertain. There are now more options on the table than just one month prior.

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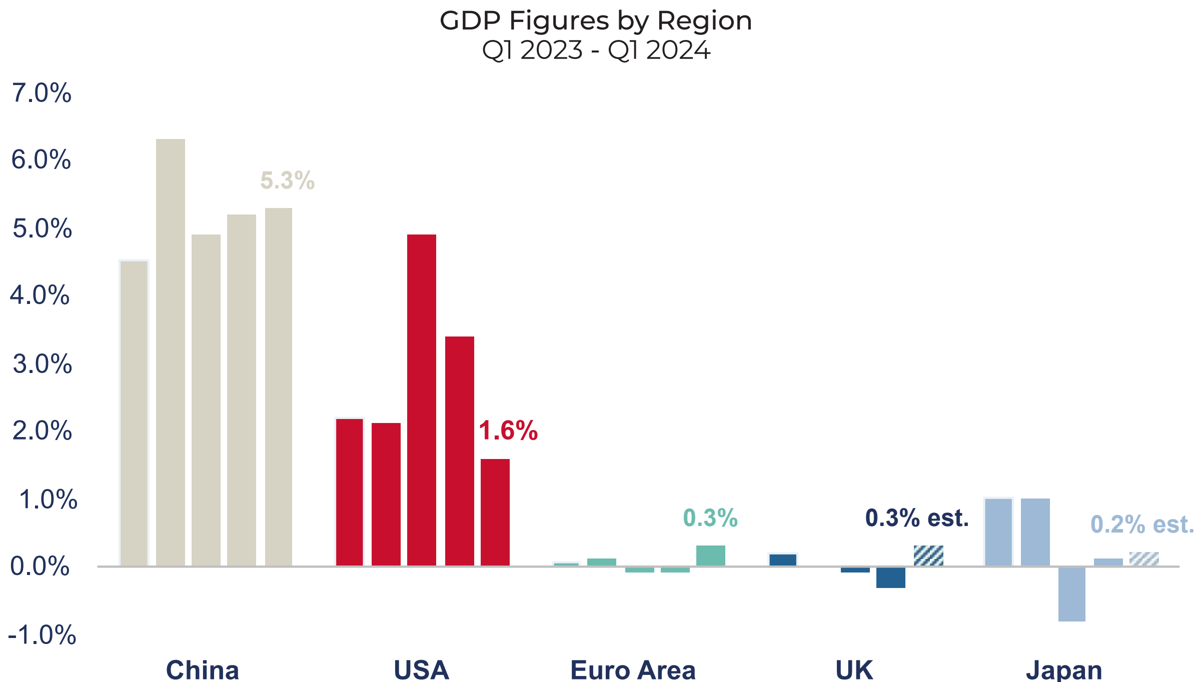
May 2024 Update

April in Review (continued)

What is the Data Showing? A Focus on Growth.

In the US, economic growth appears to be slowing quite dramatically. While remaining in positive territory, the US GDP print released over the month came in at 1.6% annualized, lower than the 2.5% expected and a big step down from the 3.4% in Q4 2023. With US growth starting to roll over, it should be observed that European and Asian economies are seeing a different picture. Despite starting from a far lower base, the Eurozone exited recession in Q1 2024 posting 0.3% growth thanks to positive figures from the four largest economies (Germany, France, Italy, Spain). China also noted accelerating GDP figures and Japan are forecast to post a 0.2% figure, small in the absolute, but an improving trend from the prior quarter. Therefore, the growth picture depends on the region in focus, but the rapid deceleration in the US is certainly an area of concern going forward.



Source: Bureau of Labor Statistics, Office for National Statistics, Eurostat, National Bureau of Statistics of China, Economic and Social Research Institute Japan. Data as of April 30, 2024.

Not All Cuts Are Created Equal

Up until April, economic growth figures in the US were coming in strong, which gave the Fed sufficient headroom to keep rates high and bring inflation back under control. Even with the prospect of "higher for longer" interest rates, US (and indeed global) equities saw good performance as solid GDP was constructive for company earnings. But as US growth has started to cool, markets have found the "higher for longer" narrative harder to digest. This may be because a worsening US growth outlook could force

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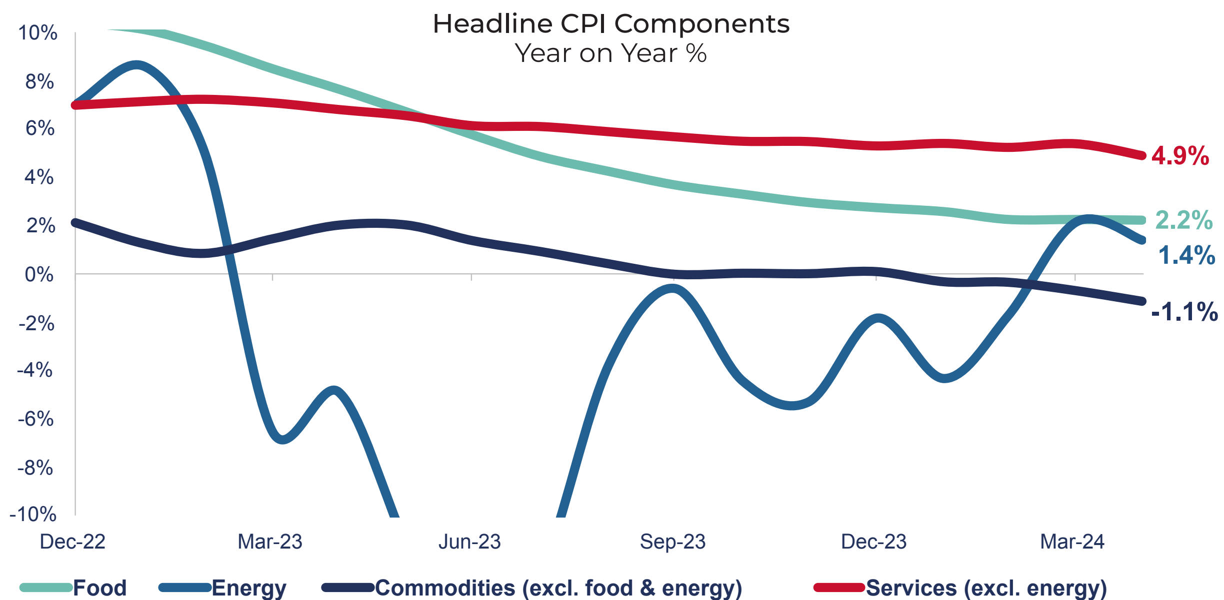
April in Review (continued)

the Fed to cut rates (in order to kickstart the economy) and would therefore be acting from a position of weakness as opposed to a position of strength. Consequently, if rates are cut in order to spur on growth, this may actually pose as a headwind for markets, if the economic outlook deteriorates alongside. In sum, the growth picture continues to remain important as not all rate cuts are created equal.

Sticky Situation: Services Inflation Persists



Source: Bureau of Labor Statistics. Data as of April 30, 2024.

It is worth quickly touching on the inflation picture. The Personal Consumption Expenditures (PCE) index, the Fed's preferred gauge which relies on domestic business data, saw a +20bp month-over-month (MoM) increase and rose to 2.7%. Alongside this, the US Consumer Price Index (CPI) figure was up +0.4% MoM and +3.5% year-over-year (YoY), the third consecutive above-expectation reading. The latest increases were attributed in part to motor vehicle insurance and medical care services, which have both seen substantial double-digit jumps. However, the most concerning aspect remains the services component, which has remained notably sticky. Even though Food, Energy, and Commodity prices have all fallen substantially over the past 18 months, Services remain stubbornly high. The latest CPI services figure of 4.9% YoY serves as a useful reminder that there is still a long way to go to bring this back towards normalized levels. Clearly, in the absolute, price increases are moderating but in achieving the Fed's 2% target, the last mile is proving to be the most difficult.

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April in Review (continued)

The First Cut is the Deepest: Why Timing Matters More than Magnitude

As highlighted earlier, the market's rate cut expectations have scaled back dramatically since the start of the year. While this would seem bearish for equities, markets have in fact rallied for much of the year, with the MSCI World gaining 9.0% (USD) over Q1. It might therefore be assumed that the number of rate cuts is less important than the fact that the cutting cycle was likely to begin. But at present, with the future direction of travel less clear, rates may well stay higher for longer and we may even see rates tighten even further. Instead of focussing on the number of rate cuts in the absolute, markets may be looking at an alternative (yet equally important) indicator, namely the estimated time to first cut.

In the EU and the UK, improving GDP figures and more firmly moderating inflation has set the scene for imminent rate cuts. However, in the US, given the aforementioned GDP & inflation reads, the market is now pricing in a much longer timeframe until cuts begin vs the timeframe assumed in January. The sharp rise in US expectations may well explain why American markets underperformed their European and UK counterparts in April. It also implies that the uncertainty over the future direction of travel plays an equally important role as the number of cuts, in shaping market sentiment.

US Market Implied Months to 1st 25 Basis Point Cut

Source: Morgan Stanley. Bloomberg. Data as of April 30, 2024.

Earnings: Holding it all Together

Earnings season is now well and truly underway, with 369 companies from the S&P 500 having reported earnings as of month end. So far, the picture has been promising. 77% of companies have reported earnings above consensus (with the average beat 8.8%), while revenue growth has also held up relatively well (over half of firms beating expectations, with an average of 1.5% ahead of consensus). This encouraging update has not been limited to the US, with solid results also coming from European markets. Of the Stoxx Europe 600 companies that have reported, 54% have beaten on the bottom line. In sum, despite the macroeconomic uncertainty and conflicting data reads, the latest developments from corporate America (and to a lesser extent corporate Europe) have reminded us that earnings growth is ultimately

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April in Review (continued)

the crucial driver in equity prices. Not only do earnings calls gives important information into company specific results, they also provide insight into the state of end markets and the themes at play in the broader economy. Looking across the Fund's holdings that have reported, we have flagged some noteworthy takeaways from management calls:

Industrials

Eaton CEO Craig Arnold: "We've now surpassed $1 trillion in announced megaprojects (in the US), double what we saw this time last year and 3x the normal run rate." For context, Megaprojects are large industrial projects with a total spend of over $1bn. 54% of this spend has been driven by Federal Government spending and has led to strong demand for a range of industrial end markets, helping the power management firm grow out its order backlog to a very healthy $12.7bn.

Consumer Staples

Mondelez CEO & Chairman Dirk Van de Put: "Consumer confidence varies by region with North America mixed, while Europe is improving and emerging markets (EM) remains strong. Shoppers in many markets are becoming increasingly sensitive to the absolute price point … at the same time … (are) remaining very loyal to the brands they love." Despite challenging conditions, the US snacking giant still delivered solid results given their attractive brand portfolio, continued investments in advertising, and robust price increases which led to 4.2% organic growth.

Technology

Satya Nadella, Microsoft CEO & Chairman: "Microsoft are orchestrating a new era of AI transformation". While many CEOs have espoused the benefits of AI for their respective firms, it's clear that Microsoft is at the leading edge of these developments. Nadella is also "seeing AI democratize expertise across the workforce. Nearly 60% of the Fortune 500 now use Copilot" (Microsoft's digital AI chatbot and work assistant). Over the quarter, Microsoft announced $14bn of CAPEX spend (a trend that was common across the rest of big tech) as these firms rush to build out their AI infrastructure. However, despite the increased investments from Microsoft, the market was encouraged by the strong growth across many parts of their business including Cloud, Personal Computing, Business Processes, as well as the long runway of their AI offerings.

Financials

Martin Small, Blackrock CFO on global asset allocation: "Excluding low-fee institutional index equity flows, we saw $100 billion of long-term net inflows in the quarter…the nearly 30% increase in equities over the last year continues to propel clients towards rerisking into stocks and bonds." As a result, the world's largest asset manager ended the quarter with a record $10.5 trillion in AUM, up $1.4 trillion year-over-year and, as a result, saw double digit revenue growth.

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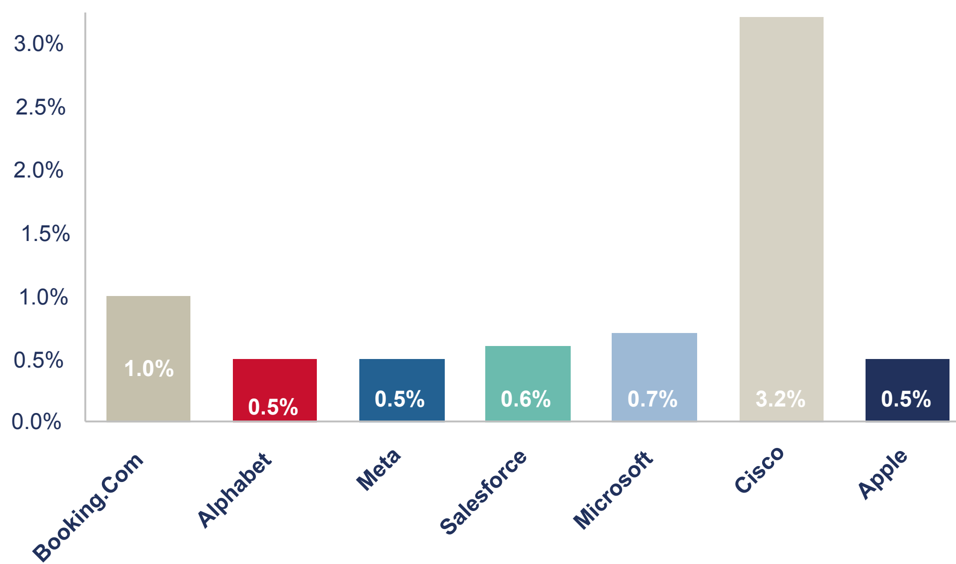
Healthcare

Novo Nordisk CEO Lars Jorgensen: When talking about the growing proliferation of GLP1 drugs, Jorgensen notes that Novo Nordisk are "increasing access to more and more channels of the market …now serving almost 42 million patients with our diabetes and obesity treatments". This has increased 42% since last year and, as a result, the Danish pharma giant saw revenues jumped 22%. They also stressed a favorable outlook as mainstream adoption of their Wegovy drug continues.

The Universe is Expanding



Source: Bloomberg. Data as of April 30, 2024.

Another key observation from the latest few quarters of corporate earnings has been the introduction of dividends among large-cap technology names. Booking.Com (1.0% yield) and Alphabet (0.5% yield) became the latest two firms to introduce a dividend, joining Meta (0.5% yield) and Salesforce (0.6% yield), who both announced dividends over the past 12 months. A growing list of names are challenging the notion that technology firms prefer to reinvest excess cash into the business, perhaps a sign that the technology sector is maturing, and are entering a new phase in their capital allocation journeys. These names join Microsoft (0.7% yield), Cisco (3.2% yield), and Apple (0.5% yield), who are a rarity in the big tech landscape, having all paid dividends for at least a decade. While relative yields are still low at present, the vast free cash flow generation provides the potential for a long growth runway. As a result, the Fund's universe of high-quality dividend paying stocks is growing. Not only is this an encouraging sign, but it also suggests that, in a higher rate environment, returning capital via dividends instead of via buybacks may be coming in to favor.

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Join our newsletter at SmartETFs.co/newsletter or follow us on Instagram @SmartETFs!

Important Information

Basis Points (bps) are a unit of measurement used to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,583 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

S&P 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

Personal Consumption Expenditures Index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

MSCI World Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

MSCI World Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

Consumer Price Index is a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

Indexes are unmanaged. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

Price to Earnings Ratio is a stock valuation metric that compares a company's share price to its earnings per share.

Earnings Per Share (EPS) is is a company's net profit divided by the number of common shares it has outstanding. It indicates how much money a company makes for each share of its stock and is a widely used metric for estimating corporate value.

Magnificent Seven comprises Apple, Microsoft, Amazon.com, Nvidia, Meta Platforms, Tesla, and Alphabet.

Consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. For a prospectus or summary prospectus with this and other information, please call (866) 307-5990 or visit our website at www.SmartETFs.com. Read the prospectus or summary prospectus carefully before investing.

The Fund invests in securities that pay dividends, and there is no guarantee that the securities held by the Fund will declare or pay dividends in the future, or that dividends will remain at current levels or increase.

Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries.

Investing in securities involves risk and there is no guarantee of principal.

Shares of the Fund are distributed by Foreside Fund Services, LLC.