DIVS

The SmartETFs Dividend Builder ETF

June 2024 Update

Portfolio Performance

as of 05/31/2024

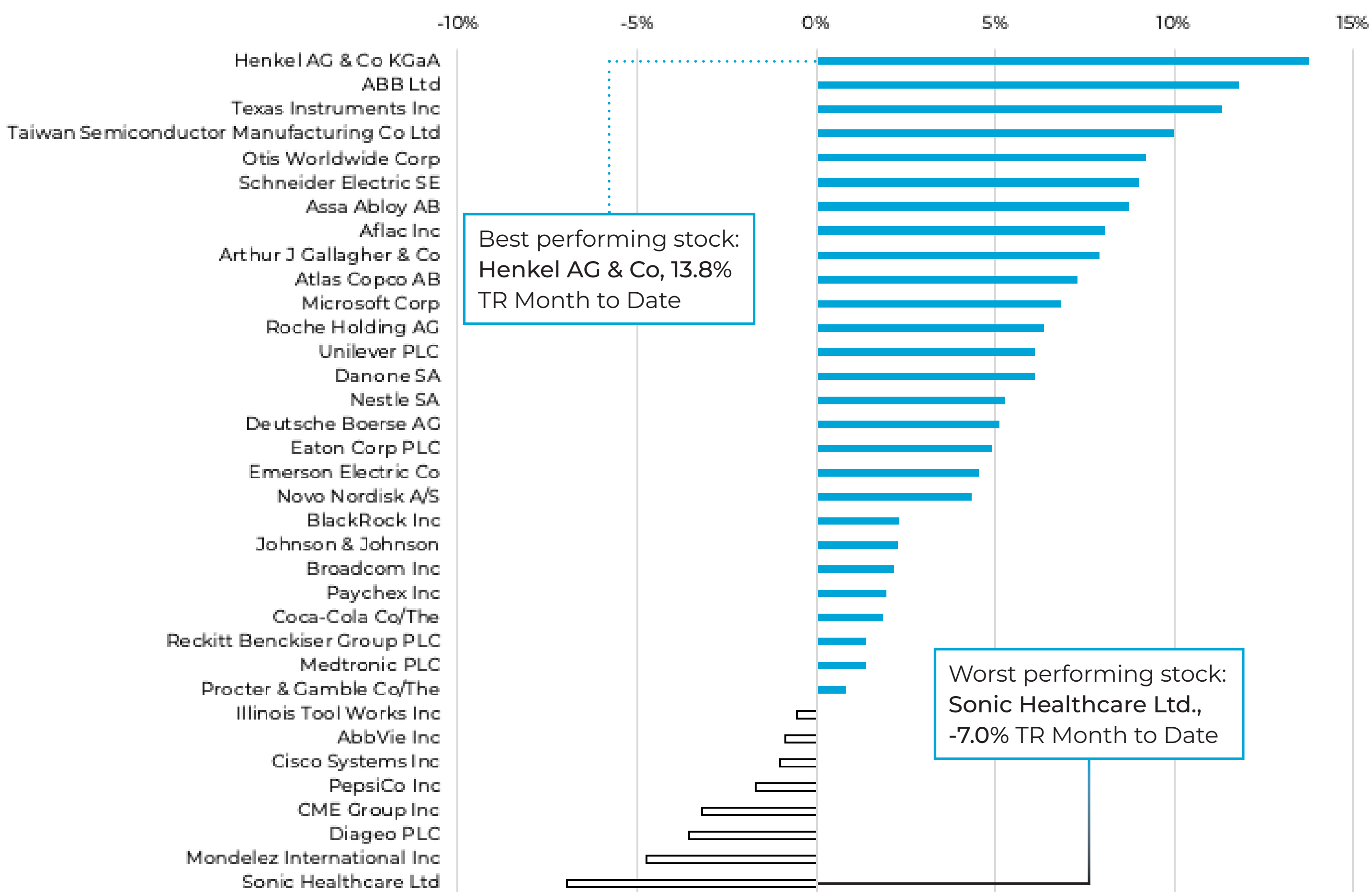
In May, DIVS was up 4.26% (NAV basis, 4.42% market price), while the MSCI World Index benchmark was up 4.47%. May was a good month for global equity markets as renewed investor optimism about the state of the global economy supported a fairly broad-based rally. Despite a notably eventful month including the surprise announcement of a UK general election in July, the conviction of a former US President, historic election results in South Africa, and an intensification of the conflict in the Middle East, markets remained positive.

Over the month of May, DIVS' relative performance to the benchmark can be attributed to the following:

- The underweight allocation to Information Technology (15.3% vs 23.8% for the Index) was a performance headwind, as the sector was the top performer over May.
- Additionally, the zero weighting to Utilities and Communication Services acted as a drag, given relative sector outperformance vs the benchmark. d, with good performance from Industrial names (Atlas Copco, ABB, Eaton) and from Consumer Staples (Mondelez, Henkel).
- However, this was offset by strong stock selection in Industrials, with holdings ABB, Otis and Schneider Electric all posting solid gains.

Read on for more.

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



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.

Portfolio Performance

Henkel, the German multinational chemical and consumer goods giant, ended the month as DIVS' top performer returning 13.8%. Despite grappling with slower market growth in recent years, Henkel reported an encouraging set of quarterly earnings which alluded to strong progress on their turnaround efforts. First quarter sales growth of 3% was ahead of consensus, and this was primarily driven by strength in their Consumer Brands division, which grew at over 5%. This comes alongside efforts to rationalize their Stock Keeping Units (SKUs), which will take complexity out of their supply chain by streamlining their offering, and management expect this to save ~€1bn ($1.08 bn USD) once completed. The company also reported resilient pricing and improving volumes over the quarter, contributing to upgraded full-year guidance with Henkel now expecting an improved margin profile and earnings per share growth of 15-20%. We are therefore encouraged that efforts to streamline Henkel's product portfolio is starting to feed through into better performance.

Sonic Healthcare, the Australian provider of medical diagnostics services, fell -7.0% over May, after a disappointing guidance downgrade. The company cut operating profit forecasts by ~9%, citing inflationary cost pressures and delays in aligning labor costs more closely with post-pandemic conditions. Sonic's high margin COVID-testing business benefitted hugely from the pandemic but has since seen declines as worldwide demand for testing normalizes. The firm hired extensively to facilitate the expansion of the business into COVID testing during the pandemic. They have retained much of the labor and diagnostics infrastructure, which has added to their cost structure and contributed to below consensus earnings. While the firm is certainly facing some headwinds as it aims to restructure and rationalize its cost base, the firm is well aware of these challenges and is undergoing a cost-cutting initiative to restore the margin profile and take unnecessary cost out of the business. The benefits of this should start to feed through over the coming quarters. Furthermore, Sonic's recent acquisitions, including Dr Risch Group and Pathology Watch, have positioned the company well towards fast-growing secular themes within Digital Pathology and Clinical Solutions which gives us confidence.

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SmartETFs
by Guinness Atkinson

Portfolio Performance

As of 05/31/2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	7.47%	17.75%	7.64%	12.69%	9.00%	10.58%
DIVS at Market Price	7.10%	16.97%	7.48%	12.68%	8.99%	10.58%
MSCI World NR	9.52%	24.92%	6.66%	12.74%	9.12%	10.27%

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 05/31/24): 1.15% 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.

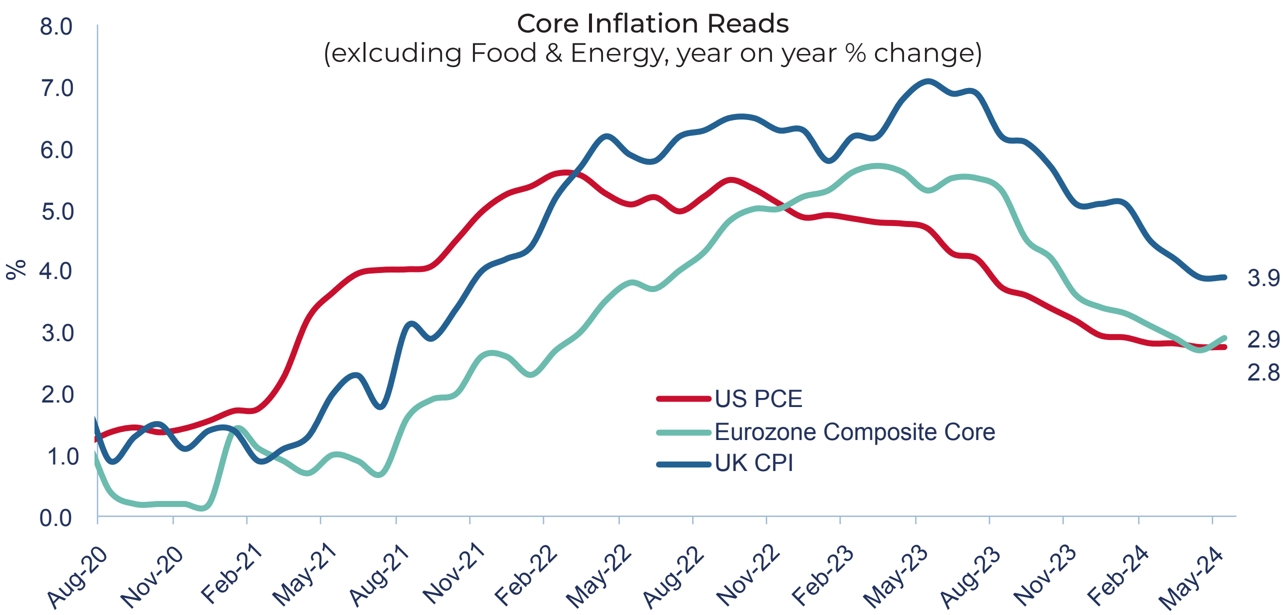
May in Review

Zoom Out

2024 has been a good year for equity markets so far, with the MSCI World up close to 10% with strong regional performance across a range of geographies. As investors continue to focus on every piece of available economic data, it can also be helpful to step back and take stock of the broader directional trends that are happening behind the monthly noise. In this commentary, we will discuss the data released over May, but will also situate this in a broader context to understand the underlying directional trend and what this can tell us about the path forward.

Inflation: New Data, Same Old Story

In the US, disinflationary trends are seemingly starting to stall. May data showed a modest slowing of headline inflation (3.6%, down from 3.8% the month prior). However, when looking at core Personal Consumption Expenditures (PCE), the Fed's preferred measure which includes a wider range of consumer expenses, the figure has remained static at 2.8% for the last three months in a row. Once again, this is explained by stubborn services inflation which remains above the 5% mark, as tight labor markets and high wage inflation are having an ongoing impact.



Source: Bloomberg. Data as of May 31, 2024.

When stepping back, it is clear that much progress has been made on the inflation front and the rate cutting cycle has already begun in some countries; the Swiss National Bank cut rates in March, Sweden's Riksbank followed in May, and the European Central Bank is widely expected to cut rates in their early June meeting, with the Bank of England expected soon to follow. The outlook for Fed rate cuts, however, remain uncertain as regards timing with labor markets still showing strength in the US market.

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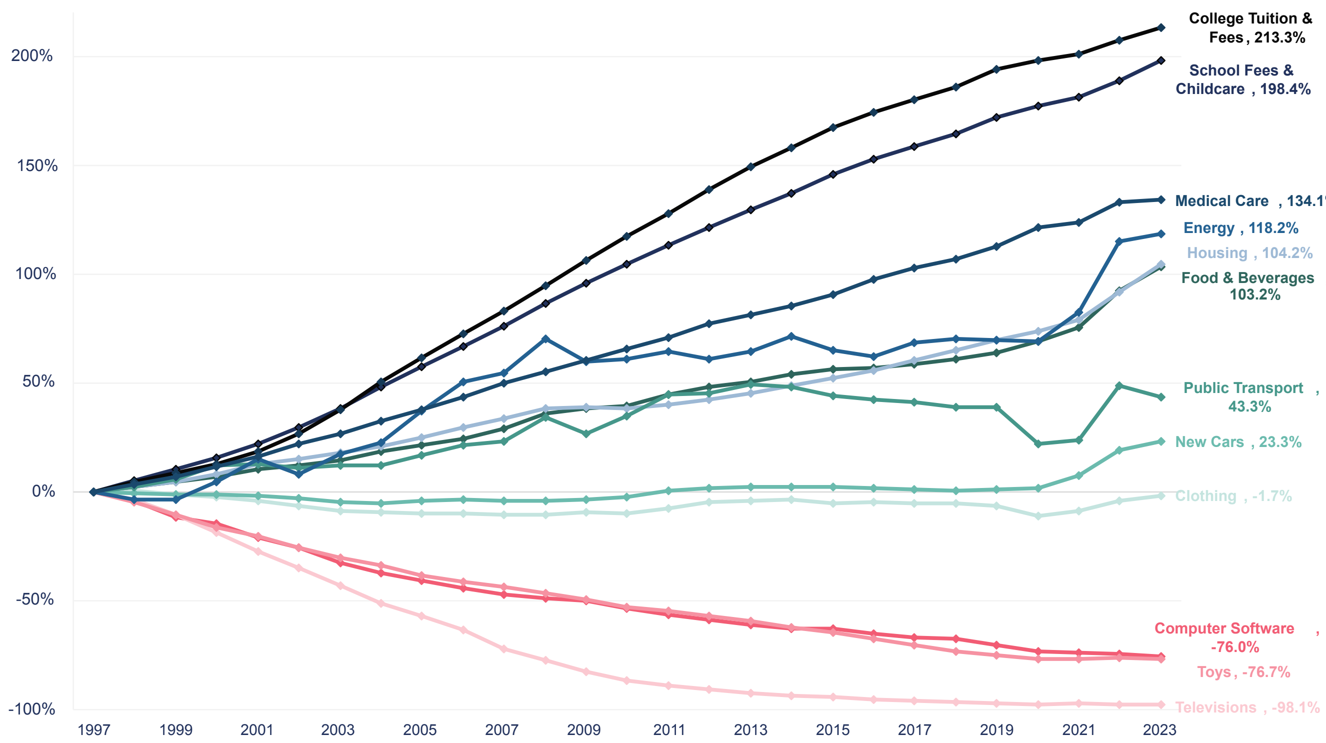
May in Review (continued)

Do Prices Always Go Up?

With the pandemic-induced inflation surge broadly under control (albeit with the “last mile” decreases towards 2% inflation proving stubborn), it is interesting to look back over the past three decades of US data and understand the general direction of travel for the main goods & services that make up the PCE figure. Tuition fees, Education, and Childcare have seen extreme rises (~+200%) while Medical Care costs have more than doubled, all far outpacing CPI over this time period (+89%). Interestingly, these goods & services are noted for having lower levels of competition which may, in part, explain their substantial price increases. Energy, Housing, and Food & Beverages have all seen steady inflation over the past 30 years, but the increase since 2020 has been exacerbated, as is the case for New Cars, which have experienced almost all of the 23% price rise since the Pandemic. On the other end of the spectrum, dynamic markets (including Computer Software, Toys, TVs) have all seen prices fall across the board thanks to innovation and competition from overseas markets. While the chart does have shortcomings (namely that quality improvements are not fully adjusted for), it nonetheless gives an insight into the broader inflation trajectory for the US consumer over a ~30-year period.

US Price Changes in Consumer Goods & Services



Source: United States Bureau of Labor Statistics. Data as of May 31, 2024.

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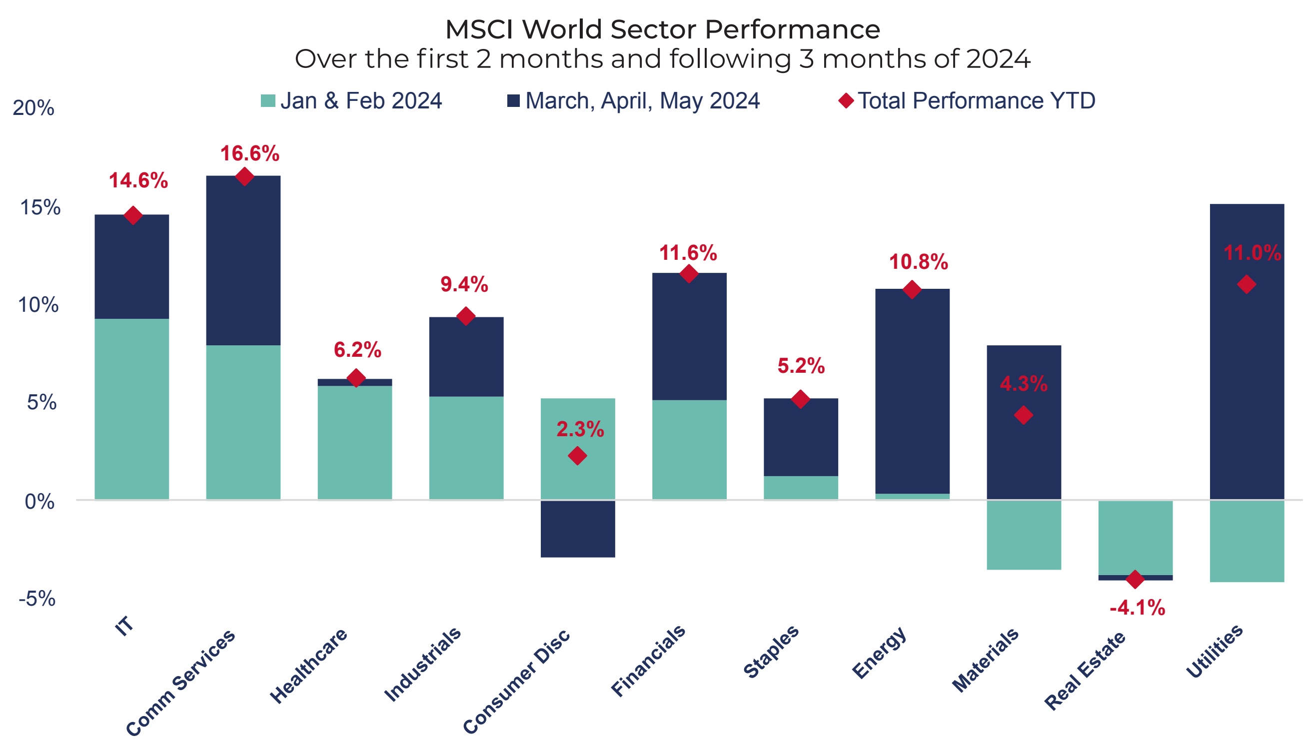
May in Review (continued)

Market Gains for All

As discussed, Global Markets have performed well in 2024. The US is the best performing geography year to date (+10.6%) and its three major indexes continue to push all-time highs. The S&P500 broke through 5,300, the Nasdaq crossed 17,000, and the Dow Jones hit 40,000, all for the first time ever. Elsewhere European markets posted solid gains with UK and Japanese equities also performing well. While we have discussed the causes of the YTD rally in previous commentaries, it is important to note the broadening out of equity performance, particularly from unloved parts of the market.

At a Sector Level



Source: Bloomberg. Data as of May 31, 2024.

The chart above compares sector performance over the first two months of 2024 (green bar) with the preceding 3 months (blue bar). While clearly IT and Communication Services have shown consistently robust performance YTD, the last 3 months have seen strong rallies from almost all other parts of the market (excluding Real Estate and Consumer Discretionary). Utilities, Energy & Materials have been driven by expectations of rising power demand and input material needs from AI. Alongside this, solid earnings momentum from Financials, Industrials, and Staples (among others) has helped drive broad based gains across sectors. The S&P 500 ex-Magnificent 7 (i.e. S&P 493) posted the first quarter of positive YoY earnings growth since Q4 2022, highlighting the widening rally over the past 3 months.

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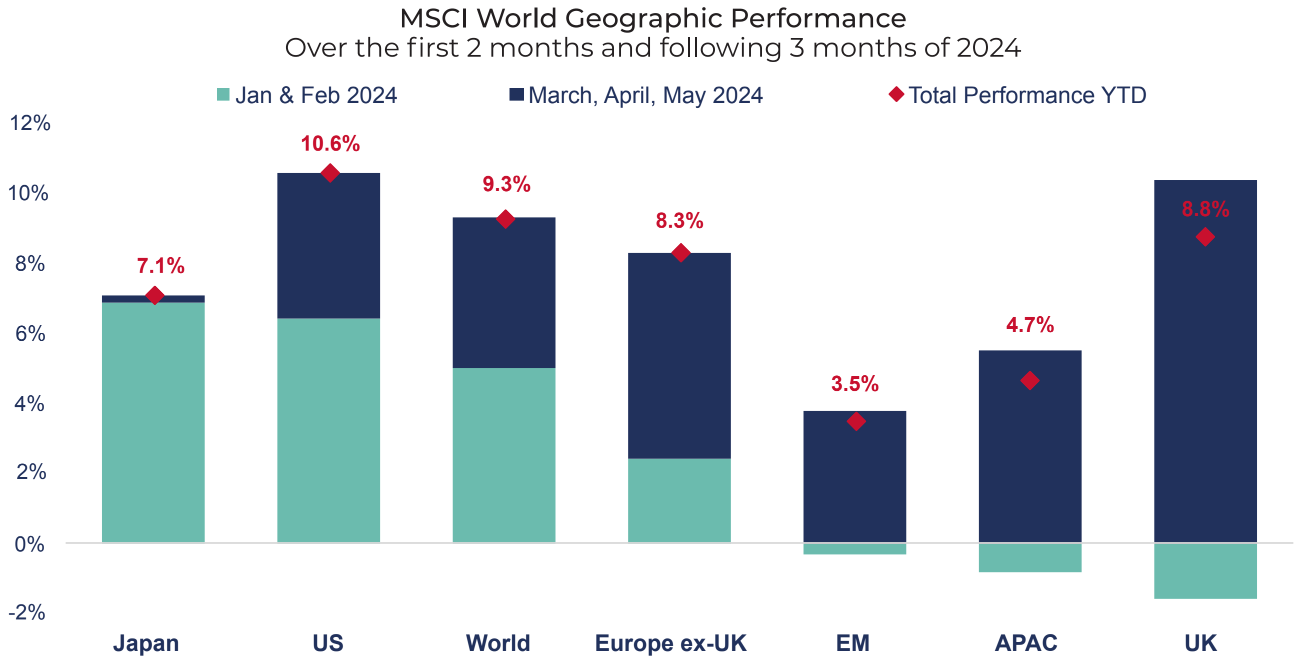
May in Review (continued)

At a Regional Level



Source: MSCI. Data as of May 31, 2024.

The same is also true on a geographic basis. Japan and the US had solid starts to the year, but in recent months, strong performance from Emerging Markets, APAC, the UK, and Europe have all added confidence to the broadening rally. As a result, the equities narrative has gained momentum and points to a more robust market set up with more evenly distributed gains.

The (un)List Goes On

A flurry of M&A activity has made headlines over May and indeed over the past couple of months, particularly in the UK, with cybersecurity company Darktrace, fund management platform Hargreaves Lansdown, mining behemoth Anglo American, and the infamous Royal Mail all receiving substantial takeover bids. While this is a particularly noteworthy set of M&A takeover targets, it is in fact part of a broader trend of falling numbers of listed companies on major developed market indexes. To this point, the two charts below show the declining number of public companies both in the US (where listings have fallen from a peak of over 8000 in 1996 to 4642 at present) and the UK (43% decline in listed companies since the GFC).

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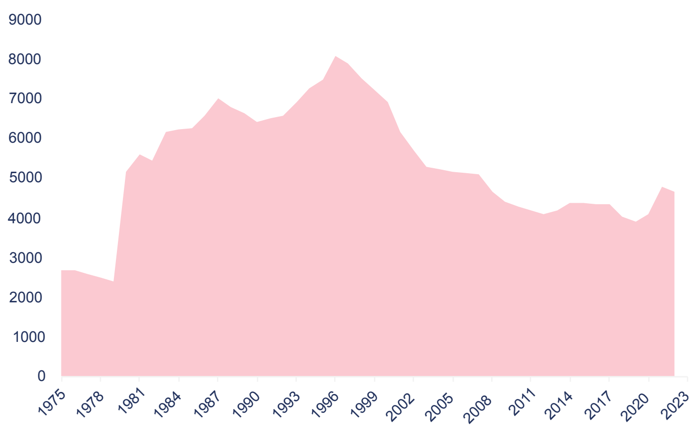
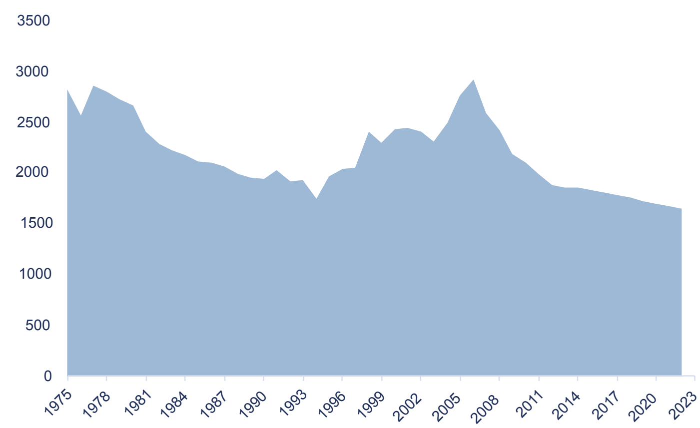
Number of Domestically Listed US Companies



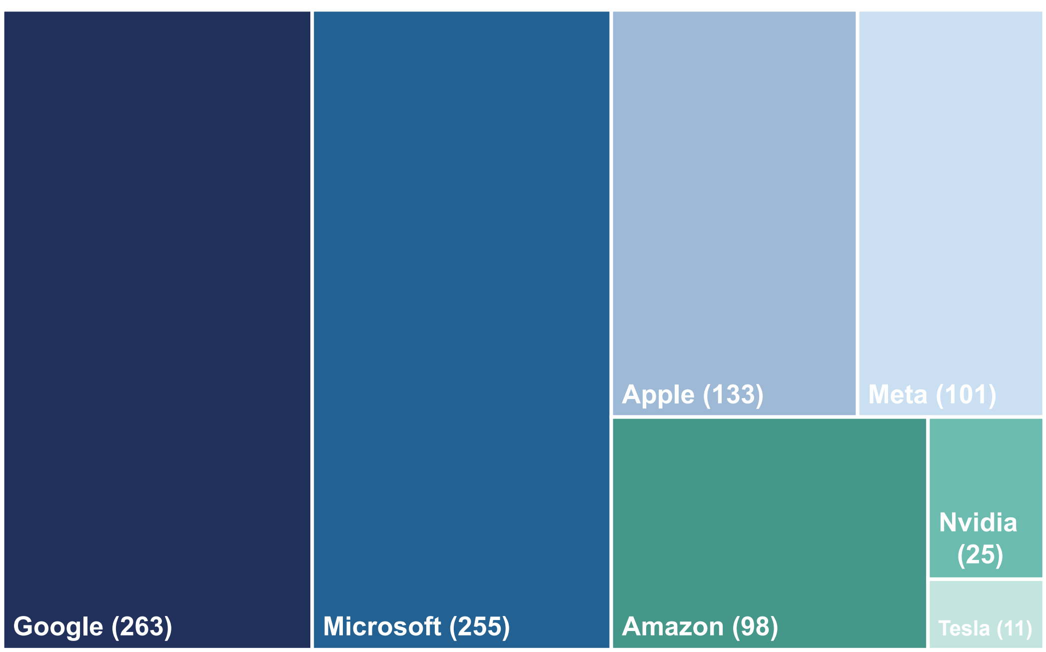
Number of Domestically Listed UK Companies



Source: World Federation of Exchanges & The World Bank. Data as of May 31, 2024.

The Magnificent 893

Large Cap US Technology Firms Have Been Acquisitive



Source: Crunchbase. Data as of May 31, 2024.

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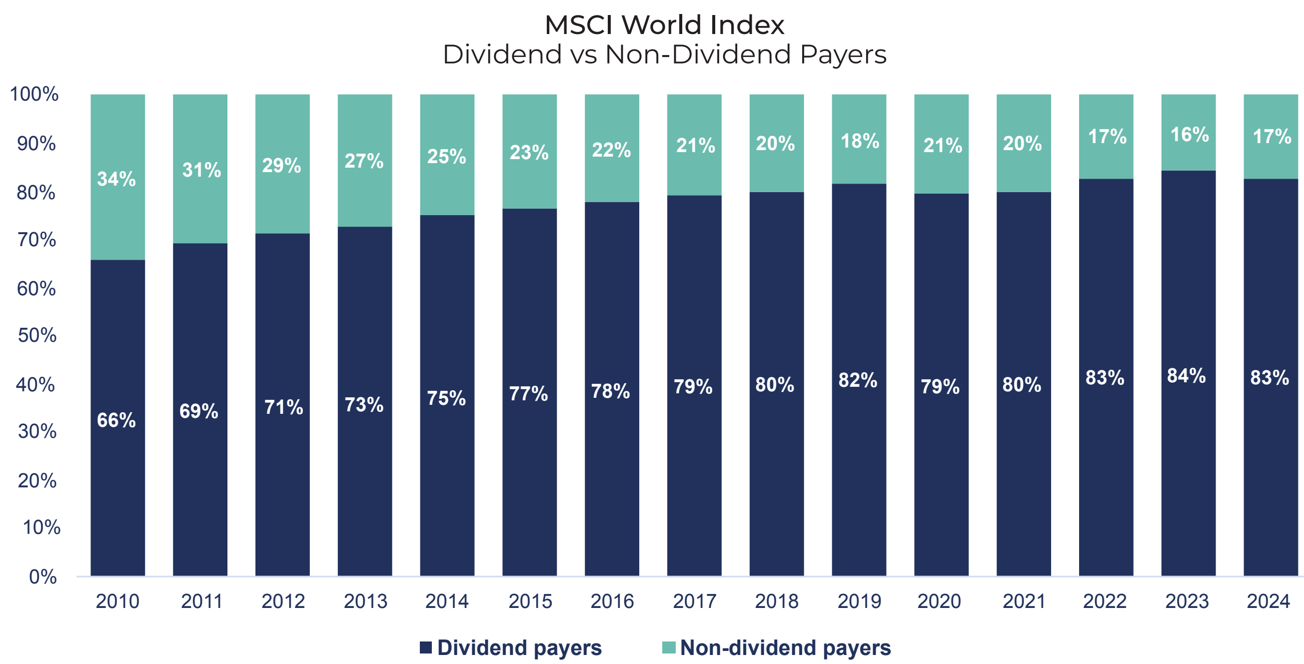
May in Review (continued)

The reasons behind the decline are multifaceted; a rise in takeovers, the vast expansion of private equity allowing ever larger firms to be taken private, and the growing role of late-stage venture capital funding which has enabled start-ups to stay private for longer have all played a part. Of late however, a newer theory has emerged. Namely that the Magnificent Seven have snapped up fast growing companies at such a rate, that there are fewer companies that would otherwise go public. The graphic above illustrates the incredible historical volume of M&A activity by these seven firms who, between them, have acquired 886 companies and this goes someway in explaining the relative dearth of new public listings.

To Pay or Not to Pay?



Source: Bloomberg. Data as of May 31, 2024.

When looking at the MSCI World over the last 15 years, the number of companies paying a dividend has risen from 66% in 2010 to 83% at present. One potential explanation is that fewer new listings are taking place, and incumbent companies are maturing, whereby they are more likely to initiate dividend payments. As companies reach a more stable period in their growth journey, cash flows are generally more stable, and management are more inclined to start returning cash to shareholders. This has rung true for several companies of late, including Booking.Com and Alphabet, who (as noted in the DIVS May 2024 update) joined Meta and Salesforce in becoming the latest technology names to introduce a dividend. It may also be the case that, in the current high interest rate environment, the opportunity cost of not paying a dividend has increased. In other words, with a high cost of capital, investors may prefer to receive

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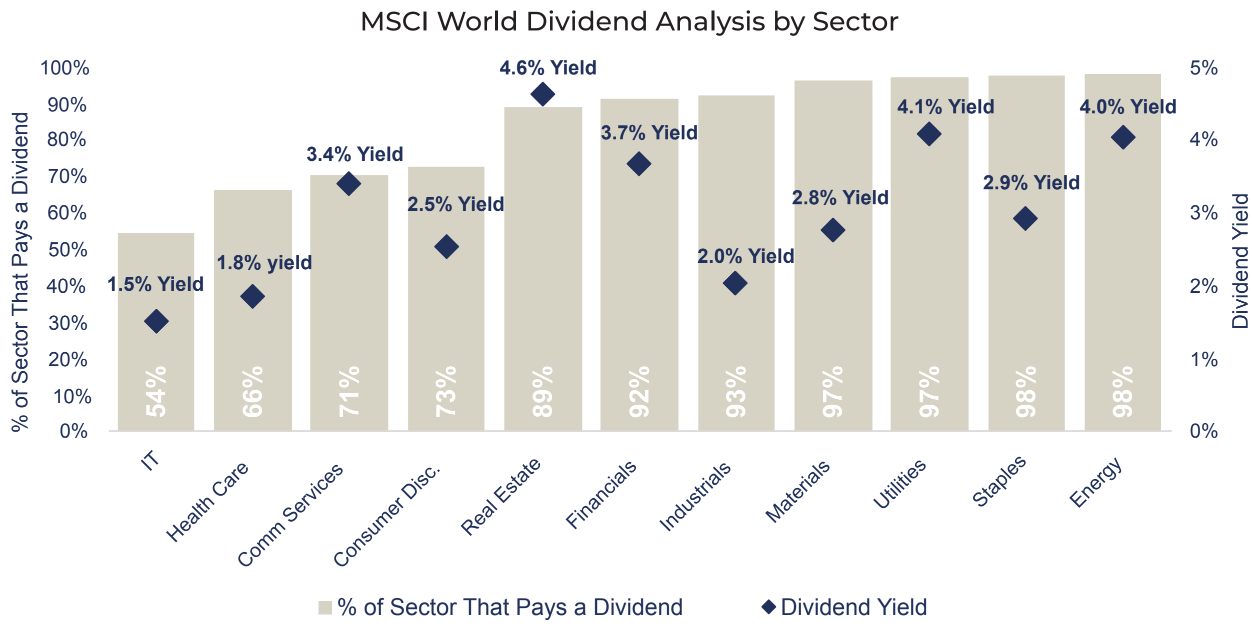
May in Review (continued)

real cash payments at present as opposed to seeing cash flows allocated elsewhere (e.g. reinvested into the business or spent on buybacks). Even though the reason for the growing number of dividend paying companies is up for debate, it is clear that a strong trend has emerged.



Source: Bloomberg. Data as of May 31, 2024.

Finally, we can also analyze the dividend payout statistics on a sector level. Information Technology has the lowest percentage of dividend payers (54%) which might be expected given the abundant growth opportunities in the sector. As a result, management often prioritize reinvesting cashflows into the business alongside sizeable share buybacks programs. Furthermore, the sector has the lowest average yield (1.5%) which can partly be explained by strong share price appreciation (outpacing dividend growth), leading to relative yield compression. The opposite is true for the Energy, Utilities, and Real Estate sectors where dividend yields remain high.

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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.