SOLR

The SmartETFs Sustainable Energy II ETF

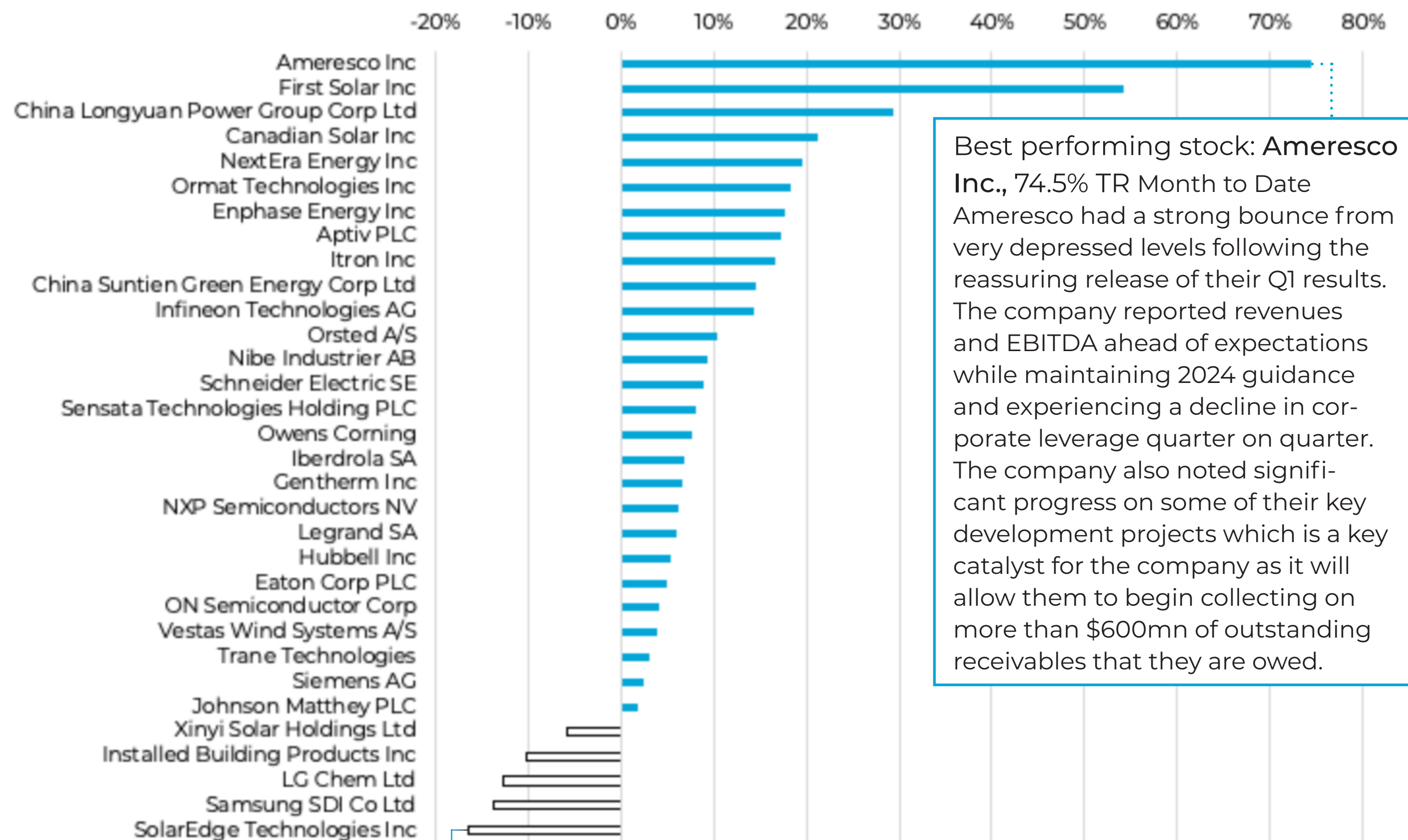
June 2024 Update

Portfolio Performance

as of 05/31/2024

SOLR outperformed its index in May, with the MSCI World Index benchmark delivering 4.47% while SOLR delivered 9.19% on NAV basis, and 9.57% on a market price basis. Ameresco led the pack this month, while SolarEdge Technologies lagged behind. Other top performers included First Solar and Canadian Solar, as utility solar's role in powering data centers became more prominent. LG Chem and Samsung SDI were among the weaker names due to subdued short-term battery demand. There were also some portfolio changes, with Owens Corning and Siemens joining the SOLR team while Sunnova was removed. In May, President Biden announced a significant increase in US tariffs on around $18bn of Chinese imported goods, including electric vehicles, batteries, semiconductors, and solar cells, with tariffs for EVs rising from 25% to 100%. Additionally, the International Energy Agency released its Global Electric Vehicle Outlook for 2024, predicting electric car sales to reach 17 million units this year, accounting for more than one in five cars sold worldwide. Read on for more!

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



Worst performing stock: **SolarEdge Technologies Inc.**, -16.5% TR Month to Date

Solaredge underperformed in May following weak Q1 results, despite muted expectations. The company, which is currently in the midst of a vicious inventory correction, experienced revenues down 79% year on year, with negative gross margins. Part of this was deliberate on the part of the company as they purposefully "undershipped" $250-300mn of equipment in order to accelerate the industry destock. However, investors have thus far been unwilling to give the company the benefit of the doubt until we start to get clearer signs that inventories have bottomed.

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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As of 05/31/2024	1 Month	YTD	1 Year	3 Years	Since Inception (11/11/20)
SOLR at NAV	9.19%	5.08%	-0.75%	-0.32%	5.57%
SOLR at Market Price	9.57%	4.49%	-1.25%	-0.45%	6.07%
MSCI World NR	4.47%	9.52%	24.92%	6.66%	10.83%

As of 03/31/2024	1 Month	YTD	1 Year	3 Years	Since Inception (11/11/20)
SOLR at NAV	4.01%	-0.50%	-9.84%	-1.75%	4.16%
SOLR at Market Price	3.93%	-0.81%	-10.07%	-1.78%	4.76%
MSCI World NR	3.21%	8.88%	25.11%	8.60%	11.20%

Expense Ratio: 0.79% (net) | 3.18% (gross)

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 0.79% through June 30, 2027.

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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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SmartETFs
by Guinness Atkinson

Buys & Sells

Buys

+ Owens Corning is a leading global manufacturer of insulation and roofing products. Their products are pivotal in reducing heat loss from properties and thus improving energy efficiency, which is a trend we expect to accelerate over time. Additionally, the company benefits directly from the increasing demand for new houses in the US, which we expect to rise as there are very few houses available for sale and construction activity is picking up. The stock trades at an 11x forward P/E multiple (vs a long term average of 14), with expected 3 year earnings per share (EPS) compound annual growth rate (CAGR) of 9%.

+ Siemens is a German industrial conglomerate with a focus on Smart Infrastructure (low and medium voltage products), Factory Automation, and Trains. As such it is a key "electrification" enabler. The company has historically suffered from a "conglomerate discount" as a function of its exposure to various non-core healthcare businesses (among others). We view this as an opportunity and would argue that the company has made consistent efforts over the last decade to simplify and streamline their business, which we would expect to continue as they lower their equity stake in "Healthineers" over the next 18 months. With this, we would expect to see the valuation discount unwind, which, coupled with a 15% EPS CAGR, should lead to material upside in the shares.

Sells

- Sunnova's business model has struggled over the last couple of years as a function of higher financing costs, which has pressured the roll out of residential solar in the US. In part because of this, but also because of liquidity reasons we took advantage of share price strength within the quarter to exit and redeploy capital to Siemens and Owens Corning.

Interesting News

In May, President Biden announced an increase in US tariffs on around $18bn of Chinese imported goods, including electric vehicles, batteries, semiconductors and solar cells. For EVs, tariffs are increasing from 25% to 100%, with US administration citing "extensive subsidies and non-market practices leading to substantial risks of overcapacity". The US Trade Representative's Office said plug-in hybrid electric vehicles will be covered by the new tariffs, but not hybrid vehicles. Tariffs on lithium-ion EV batteries will increase from 7.5% to 25% in 2024, while the tariff rate on lithium-ion non- EV batteries will increase from 7.5% to 25% in 2026. The tariffs on solar cells will double to 50% in 2024 to "protect against China's policy-driven overcapacity that depresses prices and inhibits the development of solar capacity outside of China".

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Interesting News (continued)

- According to the CEO of First Solar, speaking in late May, power demand growth from hyperscaler cloud service providers such as Microsoft is likely to go significantly beyond current expectations of 25% a year. This is positive news for US utility solar, with data centers now expected to be as much as 40-50% of the utility scale market, up from previous expectations of around 20%. In this environment, hyperscalers and other corporates have become less price sensitive versus 3-4 years ago, leading to rising prices in power purchase agreements (PPAs).

- After facing project cancellations and delays due to spiraling cost inflation, the offshore wind market is starting to recover, according to the CEO of Portugal's largest utility, EDP. The company is seeing a major reset in PPAs with companies and government backed contracts, achieving price levels that are now high enough to make projects economically viable again. To meet climate targets, many countries are relying on a huge and rapid build-out of offshore wind farms which have high upfront costs but can provide cheaper energy than fossil fuel plants over the long term.

- Delivery of green hydrogen appears to be falling behind expectations. In 2021, the International Energy Agency estimated that to keep the world on track for net zero by 2050, around 70Mtpa (million tonnes per annum) of green hydrogen capacity would be needed by 2030. Europe alone set itself a 2030 capacity target of 20Mtpa. Today, however, final investment decisions have been taken on only around 3Mtpa of production capacity. A recent report from Bloomberg New Energy Finance suggests that the achievable capacity figure globally by 2030 might be closer to 16Mtpa. The shortfall can be attributed to rising costs, and the growing success of competing technologies such as heat pumps and lithium-ion batteries.

- The International Energy Agency released its Global Electric Vehicle Outlook for 2024. The agency expects electric car sales of about 17 million units this year, accounting for more than one in five cars sold worldwide. According to the report, 60% of EVs sold in China in 2023 were already cheaper than internal combustion engine equivalents, but electric cars remain 10% to 50% more expensive in Europe and the United States. Improving affordability, thanks to improving battery technology, falling prices and increased competition, is expected to spur global penetration to 50% by 2035.

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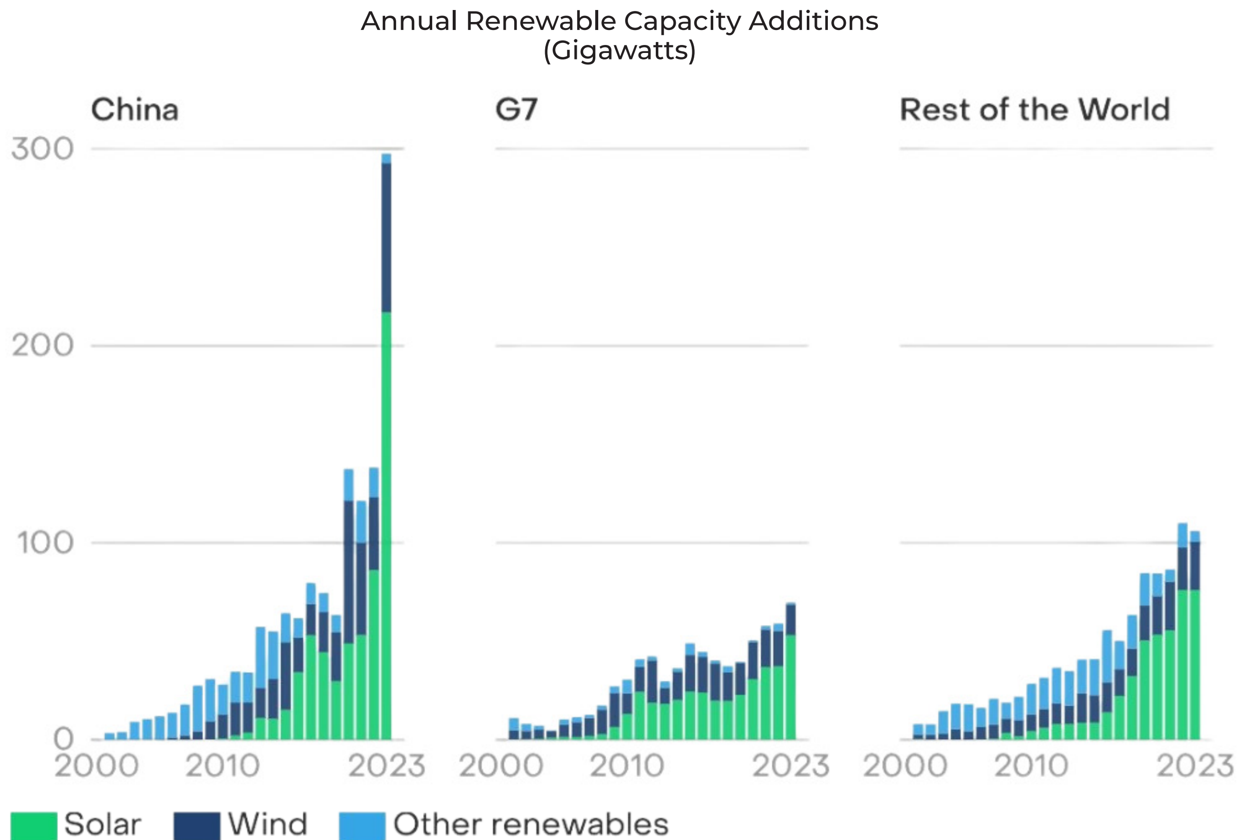
Interesting News (continued)

- According to Ember, China more than doubled its annual renewable capacity additions in 2023, up to nearly 300GW (gigawatts). The bulk of the additions was solar. The G7 and other parts of the world are also showing a positive trajectory, but the step change in the level of activity in China stands out versus other nations.



Source: Ember. Data as of May 2024.

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Disclosure

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.

Earnings per Share 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.

Investing involves risk, including possible loss of principal.

The Fund's focus on the energy sector exposes it to greater market risk than if its assets were diversified among various sectors. Sustainable energy businesses are subject to various industry risks such as rapid and evolving changes in technology, demand for energy and economic factors as well as governmental polices and regulations. The Fund may invest in multiple countries including emerging markets and international companies which involves different and additional political, social, legal and regulatory risks. The global interconnectivity of industries and companies can be negatively impacted by economic uncertainties, environmental conditions and global pandemics or crises. These events can contribute to volatility, valuation and liquidity issues which could cause the value of the Fund to decline.

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.

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