

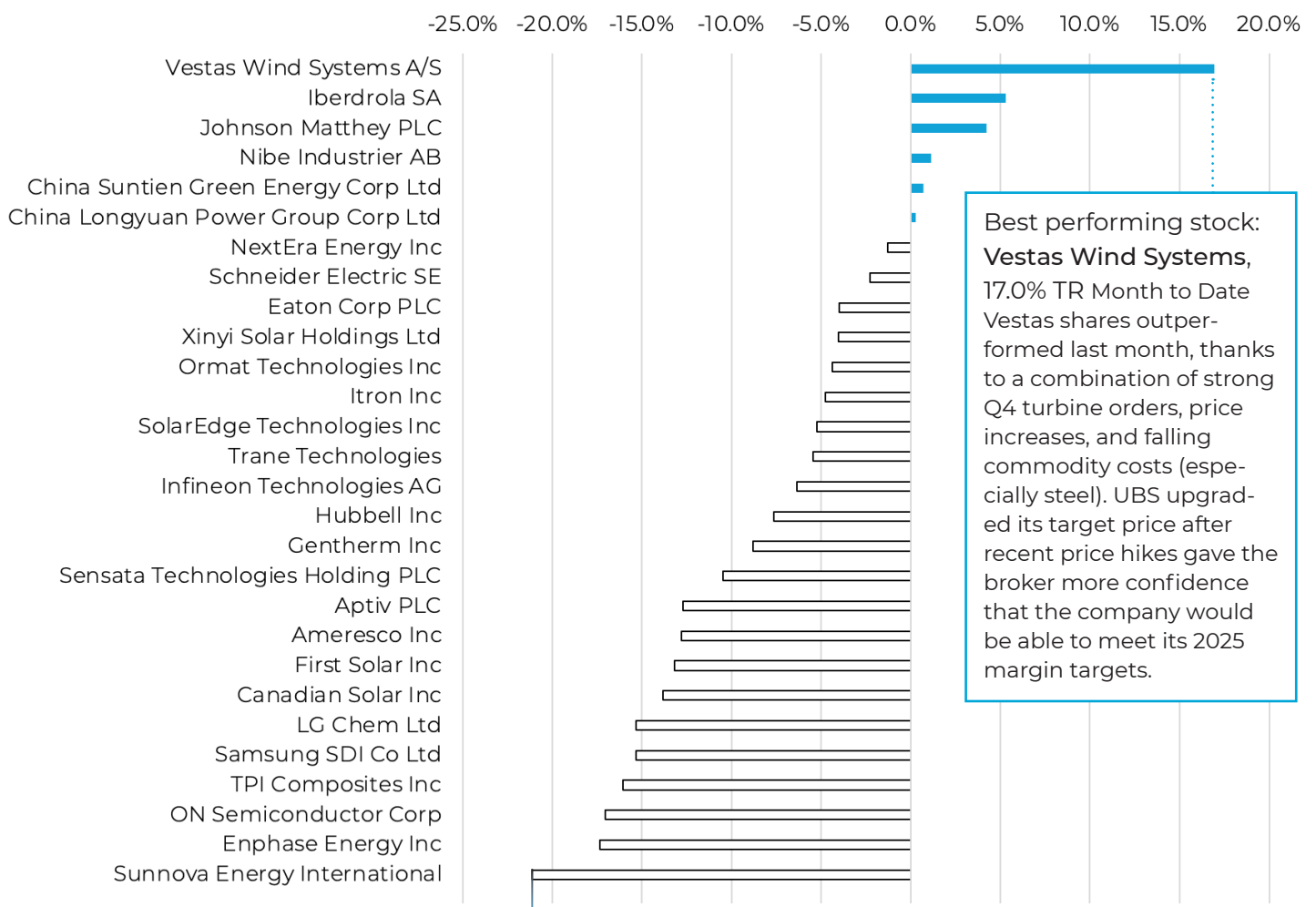


Portfolio Performance

as of 12/31/2022

Over the month, SOLR was up -6.68% (NAV basis), while the MSCI World Index benchmark was up -4.25%. Within the Fund, the strongest performer was Vestas Wind Systems, while the weakest performer was Sunnova Energy International. Energy security replaced decarbonization at the top of government policy agendas in 2022. The energy transition accelerated as activity in solar, wind, electric vehicles and energy efficiency were all well ahead of expectations. Improved relative economics of sustainable energy generation versus fossil fuels, despite raw material and energy inflation, was critical to this inflection. Significant investment plans from the EU and US were announced, giving greater clarity around a higher long-term growth opportunity for the sector and sustainable energy equities reacted positively to the news. Our portfolio continues to offer broad exposure to companies that we believe are well placed to benefit from an energy transition that may gather pace through the remainder of this decade.

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



Best performing stock: **Vestas Wind Systems**, 17.0% TR Month to Date. Vestas shares outperformed last month, thanks to a combination of strong Q4 turbine orders, price increases, and falling commodity costs (especially steel). UBS upgraded its target price after recent price hikes gave the broker more confidence that the company would be able to meet its 2025 margin targets.

Worst performing stock: **Sunnova Energy International**, -21.1% TR Month to Date. Sunnova shares were weak in December after California's Public Utilities Commission decided to cut the compensation homeowners get for selling excess solar electricity back to the grid. Despite the blow to solar economics, the new rules are expected to increase the adoption of solar plus battery storage, allowing customers to capture more of the electricity they generate and reduce their reliance on grid imports.



Portfolio Performance

As of 12/31/2022	1 Month	6 Months	YTD	1 Year	Since Inception (11/11/20)
SOLR at NAV	-6.68%	12.33%	-12.20%	-12.20%	7.39%
SOLR at Market Price	-7.08%	12.52%	-11.86%	-11.86%	8.46%
MSCI World NR	-4.25%	2.97%	-18.14%	-18.14%	7.07%

Expense Ratio: 0.79% (net) | 2.84% (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, 2025.

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.

2022 Review of Sustainable Energy

In 2022, energy security became arguably the most important catalyst driving the energy transition, reflecting governments' desire to reduce reliance on fossil fuels, whose prices spiked due to Russia's invasion of Ukraine. This energy crisis is accelerating the transition towards sustainable energy sources that help to reduce energy-importing nations' reliance on fossil fuel imports.

Much of the key policy support for the energy transition in 2022 was enacted with a focus on improved energy security, including:

- The REPowerEU deal which was passed as a direct response to the invasion of Ukraine. The EU intends to invest €210bn (\$228.4bn USD) between 2022-27 and a total of €300bn (\$326.3bn USD) by 2030 with a particular focus on renewable energy generation (€86bn (\$93.5bn USD)) and energy efficiency (€97bn (\$105.5bn USD)).
- The Inflation Reduction Act (IRA) which included \$369bn of direct funding and simplified, extended 10-year tax credits that target climate and energy security across electricity generation, transport, industrial manufacturing, buildings, and agriculture. The incentives may help increase US utility-scale annual solar installations by 5x and US wind installations by 2x over the next three or four years compared to 2020 levels.

continued on following page...



2022 Review of Sustainable Energy (continued)

Supporting these two significant policy steps were the Chinese 14th renewable energy plan and the COP27 (United Nations Framework Convention on Climate Change) climate conference. The Chinese plan targets a 50% increase in renewable energy generation in 2025 (versus 2020) while the COP27 conference kept the higher end of the ambition of the Paris Agreement (a 1.5° temperature increase target) although was short on specific new targets.

While energy transition growth plans were ratcheted higher, the actual pace of the transition in 2022 also accelerated. We saw around 380 gigawatts (GW) of new renewable generation capacity installed, 90 GW higher than the record installations seen in 2021 and around double the 194 GW installed in 2019. Solar represented nearly two-thirds of the new capacity additions, with wind installations at around 25% and hydro in third place. Renewable electricity generation increased by around 7% to over 8,500 terawatt hours (TWh), outpacing global electricity demand growth (estimated at 3% in 2022). Electric vehicle sales surged, reaching around 13% of global light auto sales, up from just over 3% in 2020 driven by China (60% of the market) with Europe now a distant second.

High energy prices catalyzed the need for efficiency and the International Energy Agency (IEA) estimates that global energy intensity improved by 2% in 2022. This is meaningfully higher than the 0.5-0.6% levels seen in the pandemic years but still not enough to hit net zero by 2050, according to the IEA. Investment into energy efficiency reached \$560bn in 2022 (versus \$400bn pa from 2015-2020).

The disruption to energy markets in 2022 brought sharp energy price inflation to the world economy. Companies involved in the manufacturing of sustainable energy equipment were not immune to these inflationary pressures, with energy inflation eclipsing the post-COVID raw material cost inflation and supply chain issues that have started to abate. While inflation was acute in the key battery metals of lithium and nickel, battery companies were able to adjust their cathode chemistries and deliver economies of scale, helping to contain battery price increases at 7% in 2022, leading to prices being broadly flat versus 2020.

While inflationary pressures increased the cost of installing and generating renewable power in 2022, we observe that renewable energy generation continued to become relatively more economic than fossil fuels as the year progressed. Improved relative economics as well as security of supply considerations will help to sustain strong demand for sustainable energy activities during any potential global recession.

Against this backdrop, the Sustainable Energy II ETF delivered a total return of -12.20% (NAV), outperforming the MSCI World Index (net return) at -18.14%. Solar equipment manufacturers were the strongest performing subsector, while our electrification sub sector (including electric vehicle-oriented companies) was the weakest. Eight of our top ten performing stocks were US listed companies, reflecting a strong positive swing in sentiment after the passage of the IRA. Three of the eight weakest performers

continued on following page...



2022 Review of Sustainable Energy (continued)

were Chinese (Hong Kong) listed entities, reflecting the negative economic momentum and poor sentiment in that market.

Looking ahead to 2023 and beyond, we expect further acceleration of the transition:

- On the supply side of the energy transition, the IEA is forecasting that renewable power additions over the coming five years will be just over 2,400 GW; a 30+% increase on its previous five-year forecast and their largest upward revision. The world is set to add as much renewable capacity in the next five years as it did in the past 20 years, equivalent to the entire current power capacity of China.
- The IEA has described solar power as “the cheapest electricity in history” and large-scale solar remains at the bottom end of the cost curve. Globally, we expect solar installations to grow in 2023 by 50 GW to around 310 GW, with all key regions seeing higher installations across a broader spread of countries. Polysilicon prices have peaked, bringing cost relief for cell and module manufacturers, supporting consumer demand.
- Global wind installations are expected to grow in 2023 to a record level of 113 GW, driven by global policy support in China, Europe, and the US. The raw material and supply chain issues of 2021 and 2022 will increasingly turn into tailwinds, helping to keep installations at the current high levels and give us confidence to increase our long-term installation rate estimates. We believe that global wind capacity should nearly triple by 2030 (20% per annum growth from 2021) with offshore wind growing nearly five times.
- EV sales should reach 12-13 million in 2023, representing around 15% of total passenger vehicle sales, taking the global EV stock to nearly 30 million vehicles. Improved economics, better range and quicker charging times are the key drivers of improved EV sales. The end of Chinese EV subsidies in January 2023 could well affect demand this year.
- Battery demand for use in EVs and energy storage will accelerate further in 2023 despite battery metal prices remaining at elevated levels. Moderation of commodity prices, improvements to cell chemistry and efficiency improvements in battery pack design and manufacturing will help in achieving the \$100/kWh level at which mass market EVs become affordable. This tipping point is likely delayed to 2027.

To be clear, however, the growth described falls well short of the energy transition activity needed to achieve a net zero / 1.5-degree scenario in 2050, as targeted by the Intergovernmental Panel on Climate Change and reiterated at COP27. In a net zero scenario, the deployment of renewable generation capacity, penetration of EVs and battery storage, use of alternative fuels and implementation of energy efficiency measures will need to accelerate markedly.

SOLR

The SmartETFs Sustainable Energy II ETF

January 2023 Update



SmartETFs

There's more where that came from!

Join our newsletter at SmartETFs.co/newsletter or follow us on Twitter [@SmartETFs](https://twitter.com/SmartETFs)!

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.

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 policies 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.