ADIV

The SmartETFs Asia Pacific Dividend Builder ETF

February 2022 Update

Portfolio Performance

as of 1/31/2022

ADIV fell -2.87% (NAV basis) in January, outperforming its index which fell -4.35%. Asian markets, as measured by the Fund's bench-mark, MSCI AC Pacific ex Japan Net Return Index, have managed to hold their ground for much of January until the final week, ending the month down. Consumer price inflation (CPI) and interest rate policy dominated central bank actions in January, and in stock mar-kets, the effects were felt most by growth stocks whose valuations depend upon significant earnings to come in the years ahead. The value of those future earnings in today's money diminished as interest rates climb and their stock valuations are dragged down at the same time.

Holdings are subject to change.

-25% -20% -15% -10% -5% 0% 5% 10% 15% 20% 25%

China Overseas Land & Investment Ltd
BOC Hong Kong Holdings Ltd
China Construction Bank Corp
Ping An Insurance Group Co of China Ltd
Korean Reinsurance Co
Aflac Inc
DBS Group Holdings Ltd
China Merchants Bank Co Ltd
Industrial & Commercial Bank of China Ltd
Tisco Financial Group PCL
Taiwan Semiconductor Manufacturing Co Ltd
NetEase Inc
China Lilang Ltd
Public Bank Bhd
China Medical System Holdings Ltd
Catcher Technology Co Ltd
Hon Hai Precision Industry Co Ltd
Suofeiya Home Collection Co Ltd
Link REIT
QUALCOMM Inc
Shenzhou International Group Holdings Ltd
Elite Material Co Ltd
CapitaLand Integrated Commercial Trust
Nien Made Enterprise Co Ltd
Ascendas Real Estate Investment Trust
JB Hi-Fi Ltd
Inner Mongolia Yili Industrial Group Co Ltd
Corporate Travel Management Ltd
China Resources Gas Group Ltd
Novatek Microelectronics Corp
Metcash Ltd
Largan Precision Co Ltd
Zhejiang Supor Co Ltd
Tech Mahindra Ltd
Sonic Healthcare Ltd
Hanon Systems

Best performing stock: China Overseas Land & Investment Ltd., 24.3% TR Month to Date
Continued below

Worst performing stock: Hanon Systems, -22.1% TR Month to Date
Continued on following page

China Overseas Land & Investment Ltd. (COLI), the one new stock we added to the portfolio in 2021, was the best performer over the past month. This Chinese housebuilder is the one that has come out on top from all the upheavals in the sector as China finally clamped down on excessive debt accumulation by private developers. COLI has by far the strongest balance sheet in the sector; short term debt is 1.6x covered by cash reserves and assets exceed liabilities by 1.4x. This leaves the company in a very advantageous position relative to its peers, and able to buy up new land for future development at lower prices while its competitors are occupied with strengthening their own financial positions. We bought the stock on a low valuation. It has maintained or increased its dividend per share every year since 2003 and we are confident in its ongoing ability to do so.

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Hanon Systems Hanon Systems is a Korean auto parts maker with a specific focus on engine cooling systems for conventional internal combustion engines and increasingly, for electric vehicles. Among its major customers, apart from Korean car makers Hyundai and Kia, are Ford and VW. Hanon continues to be affected by the same supply factors that have hurt the entire industry. Production has been lower because of shortage of components and rising costs of materials and transportation. This has been reflected in weaker operating results. Nevertheless, new contract wins and the outlook from electric vehicle (EV) makers looks very positive and the company's expectations for EV-related sales between now and 2025 have been revised up.

Portfolio Performance

As of 01/31/2022	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	-2.87%	5.16%	11.22%	10.15%	8.03%
ADIV at Market Price	-2.87%	5.16%	11.22%	10.15%	8.03%
MSCI AC Pacific Ex-Japan NR	-4.35%	-13.48%	7.20%	8.05%	5.94%

As of 12/31/2021	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	11.27%	11.27%	15.10%	11.74%	9.08%
ADIV at Market Price	11.27%	11.27%	15.10%	11.74%	9.08%
MSCI AC Pacific Ex-Japan NR	-5.85%	-5.85%	11.69%	10.28%	7.38%

Expense Ratio: 0.78% (net) | 4.97% (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 0.78% 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. Performance would have been lower without fee waivers and or reimbursements in effect.

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 Asia Pacific Dividend Builder Fund, an open-end mutual fund (incepted March 31, 2006). 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 (including a lower management fee). 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.

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Portfolio Changes

Buys

+ **Industrial & Commercial Bank of China** (ICBC) is one of the big four commercial banks. Chinese stocks have been out of favor in recent years. Especially banks, as investors have been dazzled and then disappointed by the e-commerce companies and increasingly worried by regulatory and policy changes. This has created a valuation opportunity. ICBC is trading on a market multiple of 4x consensus estimated earnings, which the market expects to grow by 6% - 7% per annum over the next two years. The stock offers a historic yield of 5.6% and has grown its dividend since 2016, including through the pandemic period. The bank is priced for macro-economic stress, but we expect China's monetary backdrop to be one of counter-cyclical easing while the rest of the world tightens.

Sells

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Macro & Market Commentary

We think that Asia offers some attractive opportunities over the next few years. The region is one of the few in the world that is trading on market multiples that are at a discount to its historic average and yet also offers an earnings profile over the next couple of years that is comparable to that of developed markets. We expect to see China embark on a course of monetary easing this year while the rest of the world tightens, and we think it can do so because 1. Consumer Price Inflation at 1.5% is not an issue, and 2. it has the financial resources to ease because it never spent so much on COVID support in 2020 - only 4.7% of GDP compared to 25% of GDP in the US (according to IMF data).

The costs of manufacturing inputs, measured by Producer price Inflation, have been a big challenge for manufacturing economies from the US to Germany, from China to Japan. There are signs this "cost-push" inflationary pressure is starting to ease. Some key materials costs like iron ore have come down from their highs and so too have the costs of shipping dry bulk materials (coal, ore, grain, liquids). Container shipping costs for finished goods are still high so we're not through this, but we see some light. US Business prices in December, as reported by the National Association of Purchase Managers, also eased for the first time in months. These, we calculate, lead US producer price inflation by around 6 months.

Macro & Market Commentary

Macro

Inflation and interest rate policy have dominated market thinking for the past twelve months, but this has intensified in recent weeks as consumer price inflation (CPI) in developed markets continued to rise. In the US, CPI inflation hit 7% year-on-year in December, in Germany it was 5.3%, and in the UK it was 5.4%. The sharpness of the increases and their persistence is forcing central banks to take a much more assertive stance than markets had been pricing in even three months ago.

There is a multiplicity of causes behind rising inflation: there is the cost-push element linked to rising materials prices, higher energy costs, supply chain disruptions and more expensive transportation and then there is the demand-pull side as economies re-open, spending increases, and the supply of labor remains tight. Unemployment rates in the US, Germany and the UK are running between 4% and 5%, all below their 5-year averages and back where they were pre-pandemic. This argues for an increase in US dollar, Euro, and Sterling interest rates. Stock markets, which have risen strongly in recent years led by growth stocks against a backdrop of easy money, are becoming nervous as evidenced by the notable increase in volatility at the end of January.

Asian consumer price inflation remains considerably more benign; inflation rates vary across the region with China at 1.5% to India at 5.9% but in each case the inflation rate has not jumped significantly and is in line or a little above the 5-year average, in marked contrast to the experience in the US and Europe. Korea and Singapore are the two outliers, with the pressure felt especially in Korea with CPI inflation of 3.6%, some 2% above its recent average. This has been enough to prompt the Bank of Korea to lift its benchmark its call-rate to 1.25% almost to the pre-pandemic level.

Singapore's inflation rate reached 4% in December, over 3% above its 5-year average which also prompted the Monetary Authority of Singapore (MAS) to tighten in an off-cycle move in January, by adjusting the currency band. To explain this: The MAS is unusual when compared to other central banks in that its meetings are held only twice a year, in April and October. And as an open economy, therefore highly sensitive to trade, it uses its currency rather than interest rates as its preferred monetary tool. The MAS allows the Singapore Dollar Nominal Effective Exchange Rate (S$NEER) to trade within an unspecified band against a trade-weighted basket of currencies from its major trading partners. If the currency moves outside the band, the MAS steps in and buys or sells the currency to bring it back. By increasing the slope of the band, it permits the currency to appreciate more quickly making imports cheaper and exports more expensive. For a faster and more immediate impact, the MAS can adjust the mid-point of the band (usually reserved for crises such as the global financial crisis or the pandemic) or it can widen the band, during times of increased volatility.

China reported economic growth of 4% in the fourth quarter of 2021 compared to the same period in 2020. This followed 4.9% growth in the third quarter. For the full year, China's economy grew 8.1% in real terms, powered by the 18% growth in the first quarter of the year. The deceleration we have seen in the second half of last year reflects the impact of Chinese efforts to impose borrowing discipline in the property market. The decision to force Evergrande, whose owner is known to be close to the government, to comply with the new policy to the extent of forcing the company to dispose of assets to raise cash has sent a clear message to both lenders and borrowers. The decline in construction activity and in

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Macro & Market Commentary

house prices has been an inevitable consequence.

We have been expecting the government to ease the pressure as these measures began to bite and this started to come true last year. We still expect heavily indebted developers to be severely constrained, but we also expect to see further monetary and targeted administrative support to other areas. China is in a strong position to employ counter-cyclical easing. Consumer price inflation, as we have discussed, is still modest and China also has financial resources having spent far less in COVID-related stimulus (less than 5% of GDP) compared to other countries.

Market

Most regional stock markets have had a weak start to the year with the US, Europe, and Japan all 5% to 6% lower (in USD terms) than at the beginning of the year. Asia has done a little better but is still 4.4% lower (as measured by MSCI AC Pacific ex Japan Index, in USD terms). Within the Asian region, the major markets of Australia and Korea have been among the weakest, down 9% and 10% as measured by their respective MSCI country indices. New Zealand fell even further, down 15% as it follows its stringent lockdown policies. Only Hong Kong, Indonesia and the Philippines eked out any gains. The MSCI China Index fell 3%. Across Asian sectors, only Energy and Financials held up. Growth, as measured by the MSCI regional and country growth indices, underperformed in every country, and was especially pronounced in Australia, Korea and Singapore. And even with its outperformance, Value only rose in Hong Kong, Singapore, and Thailand.

The picture becomes more nuanced as we look at individual stocks. On the growth side for example, Korea was dragged back by weakness in the index heavyweight, Samsung Electronics (not held in the Fund) which fell 8% in USD terms, whereas Taiwan fared better as its index heavyweight, Taiwan Semiconductor manufacturing (held in the Fund), advanced 3%. On the value side, Australian banks Commonwealth Bank, National Australia Bank and Westpac (none held) fell between 8% and 10% having performed well in 2021 whereas China Construction Bank and Ping An Insurance (both held) rose between 8% and 10%. The underlying issue we believe, is valuation. Market sentiment has changed dramatically on the realization that inflation looks less transitory, and more aggressive interest rises are now on the table. In our opinion, stocks without earnings growth, to support dividend growth, or stocks that price in too much future earnings growth all look vulnerable.

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Disclosure

MSCI AC Pacific ex Japan Index captures large and mid cap representation across 4 Developed Markets countries and 7 Emerging Markets countries in the Pacific region. With 1,176 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings. With 740 constituents, the index covers about 85% of this China equity universe. Currently, the index includes Large Cap A and Mid Cap A shares represented at 20% of their free float adjusted market capitalization.

Earnings Growth is the annual compound annual growth rate of earnings from investments.

Characteristics of a company as an underlying security in the Fund's portfolio do not represent or predict the performance of the fund or any security.

NAV is the dollar value of a single share, based on the value of the underlying assets of the fund minus its liabilities, divided by the number of shares outstanding. Calculated at the end of each business day.

Market Price is the current price at which an asset or service can be bought or sold. The market price of an asset or service is determined by the forces of supply anad demand. The price at which quantity supplied equals quantity demanded is the market price.

Investing involves risk, including possible loss of principal. 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. For more information on the risks of investing in this Fund, please see the prospectus.

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.

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