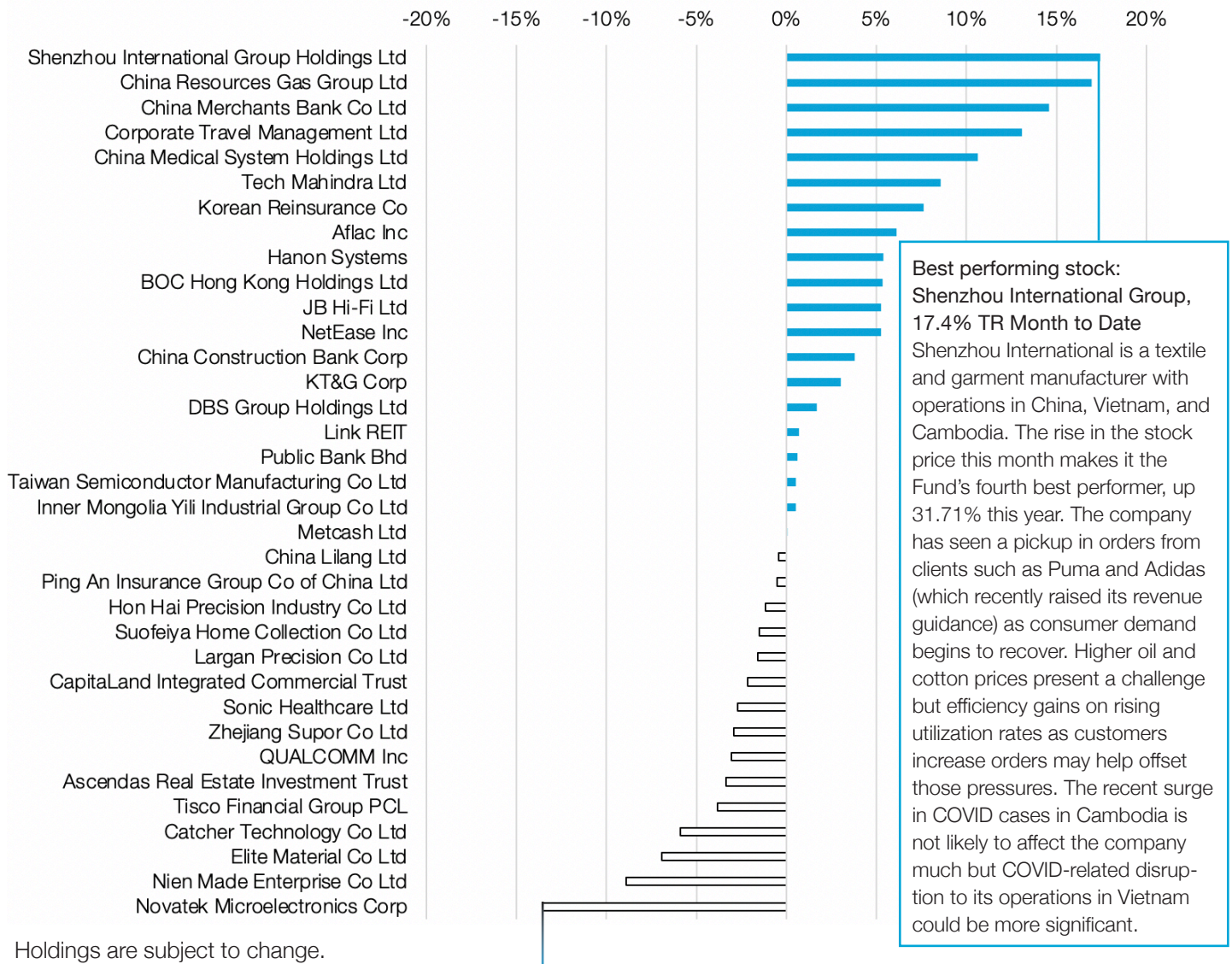




Portfolio Performance

as of 05/31/2021

ADIV produced a total return of 1.74% (NAV basis) in May. Several holdings reported quarterly results (see more detailed info on page 3). For the month, the top performing holding was Shenzhou International Group which advanced 17.4% during the month of May. The weakest holding for the month was Novatek Microelectronics Corp. which fell 13.5% during the month.



Worst performing stock: Novatek Microelectronics Corp., -13.5% TR Month to Date
 Novatek is a Taiwanese designer of semiconductors used to control displays on devices including smartphones, computers, TVs, and cars. The stock price has given back some of this year's gains in the past month but still leaves it the second-best performer in the portfolio, up 47.52% this year. Management continues to put out bullish guidance on revenues and margin expansion on higher product prices. Tight chip supply from foundries is expected to remain through the rest of this year which can work both for (in terms of pricing) and against (in terms of bottlenecks) companies like Novatek. One or two analysts have taken the latter view and downgraded price targets, but we remain positive. The 48% increase in the dividend is another reason to like the stock.

ADIV

The SmartETFs Asia Pacific Dividend Builder ETF

June 2021 Update



SmartETFs

Portfolio Performance

As of 05/31/2021	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	12.54%	46.71%	10.04%	13.48%	7.21%
ADIV at Market Price	12.54%	46.71%	10.04%	13.48%	7.21%
MSCI AC Pacific Ex-Japan NR	6.55%	49.62%	10.42%	14.61%	6.59%
As of 03/31/2021	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	8.86%	57.17%	7.65%	12.44%	7.24%
ADIV at Market Price	8.86%	57.17%	7.65%	12.44%	7.24%
MSCI AC Pacific Ex-Japan NR	2.48%	57.11%	9.05%	13.28%	6.44%

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, 2024.

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 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.



Stock Review

Eight companies reported quarterly results:

— **Nien Made Enterprise** Q1 2021 results were ahead of expectations with a 57% rise in earnings per share. The key issue is that while revenues are up, margins are under pressure due to rising input costs. The company's solution is to increase bespoke products, but we think the share price will remain under pressure until margins show signs of stabilizing/rising. Meanwhile, housing starts in the US remains strong, sales through Home Depot are up and expansion in Mexico and Dallas facilities has been smooth.

— **Catcher Technology** reported Q1 2021 profits +4% year over year (YoY), which was below consensus. Gross margin expanded, however, on better product mix and lower depreciation charges. There are component shortages for Apple's iPad and MacBook which is likely to hinder performance. The company announced a dividend of NT\$12, up from NT\$10 last year and has guided NT\$10 for 2021-23.

— **Public Bank Malaysia** reported record Q1 2021 results, +15% on Q1 2020, driven by lower interest costs which more than offset weaker revenue. Credit costs under control and within management guidance. Gross impaired loans are 0.35%, well under 1% guidance and pre-emptive provisioning means loan loss coverage is 2.47x.

— **Hanon Systems** Q1 2021 results were weaker than expected on higher shipping costs, but EV components sales were strong. Order book remains strong at 5 years+ and diversified across vehicle and customer type. Customers include Hyundai, BMW, Audi, Geely, VW & GM. Private equity business Hahn & Co is preparing to sell its 50.5% stakes; Hankook Tire has a 19.49% stake and right to tag along. The company has increased its dividend to KRW90 (+13% above the prior adjusted run rate, +32% YoY).

— **KT&G** Q1 2021 earnings were below expectations with operating profit up 1.2% vs revenue growth of 7.3%. Domestic volumes of normal cigarettes remain flat while heat not burn and export sales are both up. Overseas growth is the main driver; cost of sales and marketing is something to watch.

— **Hon Hai Precision** has had to halve Indian production of iPhone 12 due to COVID. Q1 2021 net income was 15% ahead of consensus and gross margin rose to 5.8% on sales growth. The company noted component supply shortage may persist into Q2 2022.

— **Korean Reinsurance** reported Q1 2021 profit +26%. A favorable pricing environment in domestic commercial and overseas market is behind the rise.

— **NetEase** Q1 2021 results were up strongly and on a high Q1 2020 base for comparison. The dividend was up 30% on the same period last year. Overall, revenue +20% and Net Profit +21%. Online game revenue was +11% YoY on a high base, Mobile games +15% and the company is about to enter strong launch cycle of new games this year. There are 30 new games in the pipeline. Innovative Business revenues (Advertising, Cloud Music etc) +40%. NetEase Cloud Music has signed a direct digital distribution partnership with Sony which, following an earlier agreement with Universal Music means they have signed with 2 out of the big 3. The education business, Youdao is still small (6.5% of revenues) but growing fast at 150% YoY, 21% quarter over quarter and its gross margin rose 13% to 57% as scale economies kick in.



Interesting News

There is a reason why this Fund looks interesting beyond most Asian funds and indices, and that is a near absence of Chinese technology exposure. The marketplace in which these e-commerce titans operate is rapidly becoming more competitive. Recent results statements from Alibaba, Baidu, JD.com and Tencent all share a common theme: strong revenues at the expense of margins. As competition intensifies, these businesses report increased investment and market spend to support and defend growth. In the midst of Chinese regulators' anti-trust efforts against these internet giants, ByteDance (owner of TikTok) is preparing to make its entrance into China's e-commerce sector, and it has big plans. It makes sense therefore, in our opinion, to look more widely at opportunities in the region.



Source: ByteDance

There's more where that came from!

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Not an email type of person? Follow us on Twitter [@SmartETFs](https://twitter.com/SmartETFs)! We've always got something to say.

Disclosure

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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