ADIV

The SmartETFs Asia Pacific Dividend Builder ETF

December 2021 Update

Portfolio Performance

as of 11/30/2021

ADIV fell -1.14%% (NAV basis) in October, outperforming its index which fell -4.43%. In the Fund, 24 out of the Fund's 36 holdings outperformed with the top 5 stocks rising between 14% and 39% while bottom 5 fell between 5% and 12%. The fund's exposure to 5G technology, especially through Qualcomm and Tech Mahindra, and to a lesser extent Elite Material and Novatek Microelectronics, made positive contributions in October and gained significantly in November. Australia, Korea, and Singapore were the areas of greatest weakness during the month, focused specifically on Corporate Travel, Hanon Systems, Ascendas REIT, and DBS.

-15% -5% 5% 15% 25% 35%

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

Best performing stock: Qualcomm Inc., 35.7% TR Month to Date

Qualcomm produced results and an outlook for 2022 that far exceeded market expectations prompting upward revisions to forecasts. 5G telephony is one of the major themes running through our portfolio. This revolution in communications technology has implications right the way through from infrastructure and equipment, through devices to commercial applications for both industry and consumers. Qualcomm is our main exposure to the consumer device segment. Elite Material and TSMC give us exposure to both infrastructure and devices while Tech Mahindra in India gives exposure to commercial applications. This is a structural theme that we believe shows no sign of slowing.

Holdings are subject to change.

Worst performing stock: Corporate Travel Management, -14.6% TR Month to Date

Corporate Travel Management gives the purest exposure to the reopening theme and has been one of our better out-performers this year. The business was heavily affected by the disruptions to global travel but the strong financial resources and flexibility of the business model have allowed the company not only to adapt to current conditions but to take advantage of them through acquisitions of Omaha-based Travel & Transport and Platinum Travel Corporation in its home market, Australia. The stock fell at the end of the month on concerns around the new COVID variant but has since steadied and rallied.

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Portfolio Performance

As of 11/30/2021	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	5.25%	11.25%	11.34%	10.38%	8.38%
ADIV at Market Price	5.25%	11.25%	11.34%	10.38%	8.38%
MSCI AC Pacific Ex-Japan NR	-7.37%	-1.52%	9.94%	9.65%	7.26%

As of 09/30/2021	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	3.42%	19.89%	7.26%	8.69%	9.02%
ADIV at Market Price	3.42%	19.89%	7.26%	8.69%	9.02%
MSCI AC Pacific Ex-Japan NR	-5.04%	12.95%	8.20%	9.41%	8.09%

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.

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.

SmartETFs

Market Review

China's economic growth rate is decelerating, and we are now seeing more supportive policy action. There are two aspects to this story: there is the inflationary challenge posed by higher energy and materials costs as well as supply chain disruption and there is impact of China's focus on debt reduction in the real estate sector.
Policy makers in China have been concerned for many years by the rising levels of debt in the non-financial corporate sector and the most significant component of that is the real estate development sector. This group has for many years been restricted from borrowing in the domestic bond markets and have therefore relied heavily on bank borrowing and bond issuance in the offshore US dollar bond market. In 2020 the government "got serious" and drafted what the state media dubbed "The Three Red Lines". These imposed three thresholds:

- Liabilities cannot exceed 70% of total assets (which excludes proceeds from sales of properties yet to be completed and delivered to the buyer)
- Debt (less cash) cannot exceed 100% of equity
- The cash balance must be at least equal to short term borrowing (meaning any loans due in 12 months are covered)

Those companies that fall within those three thresholds are permitted to increase borrowing by 15% over the prior year. Those that exceed those thresholds cannot. This brings us to Evergrande. Evergrande, along with several other developers, has pursued an unrestrained debt-led model for many years with the assistance of investors in the US dollar bond market who presumably felt that the higher coupons amply compensated for the credit risk because, presumably, the government would not permit such a large enterprise to fail. The three red lines have caused this merry-go-round to stall abruptly. Our view is that not only is Evergrande likely to fail, but it must fail if the Chinese government and central bank are ever going to wean the country from its reliance and access to debt.

How this failure is engineered and managed is of course critical. Cash-strapped developers that are no longer able to increase debt are now obliged to sell inventory to raise cash. The timing of these sales is now no longer tailored to market conditions but is tied to a debt maturity schedule. And inevitably, bond investors are finding out that that the debt-schedule includes not only the public bonds but also includes the private loans and guarantees they didn't know about and perhaps did not check. The effect of this on the real estate market has been to lower participation in land auctions (to the benefit of those that are able to buy) and to cap or push down house/apartment prices. This latter effect is also seen as desirable; one of the sources of inequality in Chinese society has been high property prices and is therefore a target of President Xi's common prosperity doctrine. But fall too fast, and declining property prices could dash consumer confidence, put off future buyers, freeze transaction volumes and ultimately undermine cash raising for debt servicing and collateral values for debt security. So, policy makers must walk a line.

In recent days and weeks, we have seen policy makers move in line with our expectations. As economic data on investment, construction and property have slowed commercial banks have been told not to cut credit/refinancing lines to "good companies"; buying and mortgage restrictions have been eased at the local level; the central bank has released liquidity into the money markets by again cutting the proportion of deposits that banks must place with the central bank allowing them to increase lending. This counter-cyclical easing comes at a time when inflation pressures are beginning to emerge. Producer prices have been elevated for much of this year while consumer prices in October rose only 1.5%; but the current market estimate for November is for a 2.5% year-on-year increase.

SmartETFs

Market Review (cont.)

China's macro-economic management story over the twenty-seven years we have followed it has been one of squeeze and release with concomitant investor reactions of deep gloom to euphoria. Right now, the view is one of gloom which places China stocks firmly in value territory. The reality is that while certain sectors and industries are financially weak, the economy is a whole is well capitalized and resourced. The banking system is liquid, interest rates are stable, the currency is strong, and the trade balance is approaching the record of over $600 billion for the year. China's merchandise trade was $2.9 trillion in 2010; in the first 11 months of 2021 it was $5.5 trillion. If trade is good, banking system is well-capitalized, money flows, and interest rates are stable, then China has the resources to bring about economic and financial change without toppling the entire edifice. Our job is to identify those businesses that are flourishing or are at the forefront of that change.

Stock Review

We have provided a brief commentary below, on the companies that reported in November:

- Catcher Technology reported results for the third quarter which were behind market forecasts, largely on component supply shortages. Gross margin improvement accelerated, increasing over 3% to 35.4%. Most of the business still comes from Notebook customers and management reiterated its business diversification lies in automotive, 5G telecom thermal solutions, and medical devices.

- DBS share price weakness at the end of November followed a service outage in the bank's digital services, into which it has invested heavily, over a 3-day period. The Monetary Authority of Singapore has expressed concern. Third quarter results beat market forecast following a write back of some of the provisions against bad debt last year that have not materialized.

- Hanon Systems results for the third quarter were affected by supply shortages, rising freight costs, and high raw materials prices. The production issues at key clients, General Motors and Ford, have been most pronounced. Higher costs can be clawed back through pricing in coming quarters. The outlook for the EV business remains robust and management has upgraded its e-Compressor sales volume target by 35% to 6m units by FY2025.

- Hon Hai Precision's third quarter results showed margins and core profit in line with expectations and net profit that was 14% above consensus estimates driven by non-operating income and a lower tax rate. The company's EV business is gaining momentum with more partnerships coming through with existing car manufacturers and the company plans to enter mass-production of EV trucks in collaboration with Lordstown Motors (a small Ohio-based manufacturer), in the second half of 2022 a year earlier than expected.

- Korean Reinsurance has benefitted from higher pricing in the reinsurance market this year. Third quarter results were ahead of market expectations with a 32% increase in investment income and a significant improvement in domestic commercial underwriting. Overseas underwriting was poor with flooding costs in Europe and Life claims in Latin America. Net profit for the first 9 months of this year is up 17.9% compared to the same period last year.

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Stock Review

• KT&G operating profit for the third quarter was in line with forecasts, up 36% year on year. Domestic market share in traditional cigarettes rose, though volumes fell; market share in next generation products reached 40% and volumes grew. Export sales were mixed – weaker in the middle east and stable in the US. Management indicated the likelihood of a flat dividend this year but affirmed a commitment to buybacks (4.1m shares, 2.98% of outstanding between Nov -21 and Feb -22).

• NetEase results beat expectations for both revenue and profit driven by PC game revue up 29% year over year (YoY). Mobile game revenue grew 9% with Harry Potter, Fantasy Westward Journey and Westward Journey Online being the contributors. Cloud Music saw good revenue growth and sustained its gross margin having improved its content library after completing an agreement with Warner Music. The Cloud Music subsidiary completed its initial public offering at the end of the month.

• Nien Made Enterprise results included an operating margin of 26% that although lower than last year was better than expected, which was well-received given earlier concerns on cost pressures. A stabilizing PVC price, improved production efficiency in Cambodia, and a higher proportion of custom products all contributed. The company is a beneficiary of the strong housing market in the US; it has been able to raise prices for a second time in 2021 and more capacity expansion in Mexico continues to reduce its reliance on China.

• Public Bank reported third quarter 2021 earnings that were ahead of expectations. Year to date net profits were up 6% YoY. Return on equity narrowed to 12.4% from 12.9% while capital adequacy is sound (Core Equity Tier 1 capital is 14.1% of risk-weighted assets). We regard Public Bank as the highest quality in Malaysia: conservatively managed, solid cost management (Cost: Income ratio 31.7%) good asset quality (3.2x loan loss coverage), and a diversified loan book.

• Qualcomm reported its fourth quarter results that exceeded expectations for both revenue and profitability. More significantly, the company pointed to an even stronger first quarter driven by its non-handset business. In the handset business, the reliance on Apple has fallen and the company is expanding its opportunity in Android, demonstrating growth in what had previously been considered by investors to a “mature” ex-growth segment. The results prompted widespread upgrades to market forecasts and made the stock the Fund’s best performer during the month.

Disclosure

Core Equity Tier 1 Capital is the core measure of a bank’s financial strength from a regulator’s point of view. It is composed of core capital, which consists primarily of common stock and disclosed reserves, but may also include non-redeemable non-cumulative preferred stock.

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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