DIVS

The SmartETFs Dividend Builder ETF

January 2022 Update

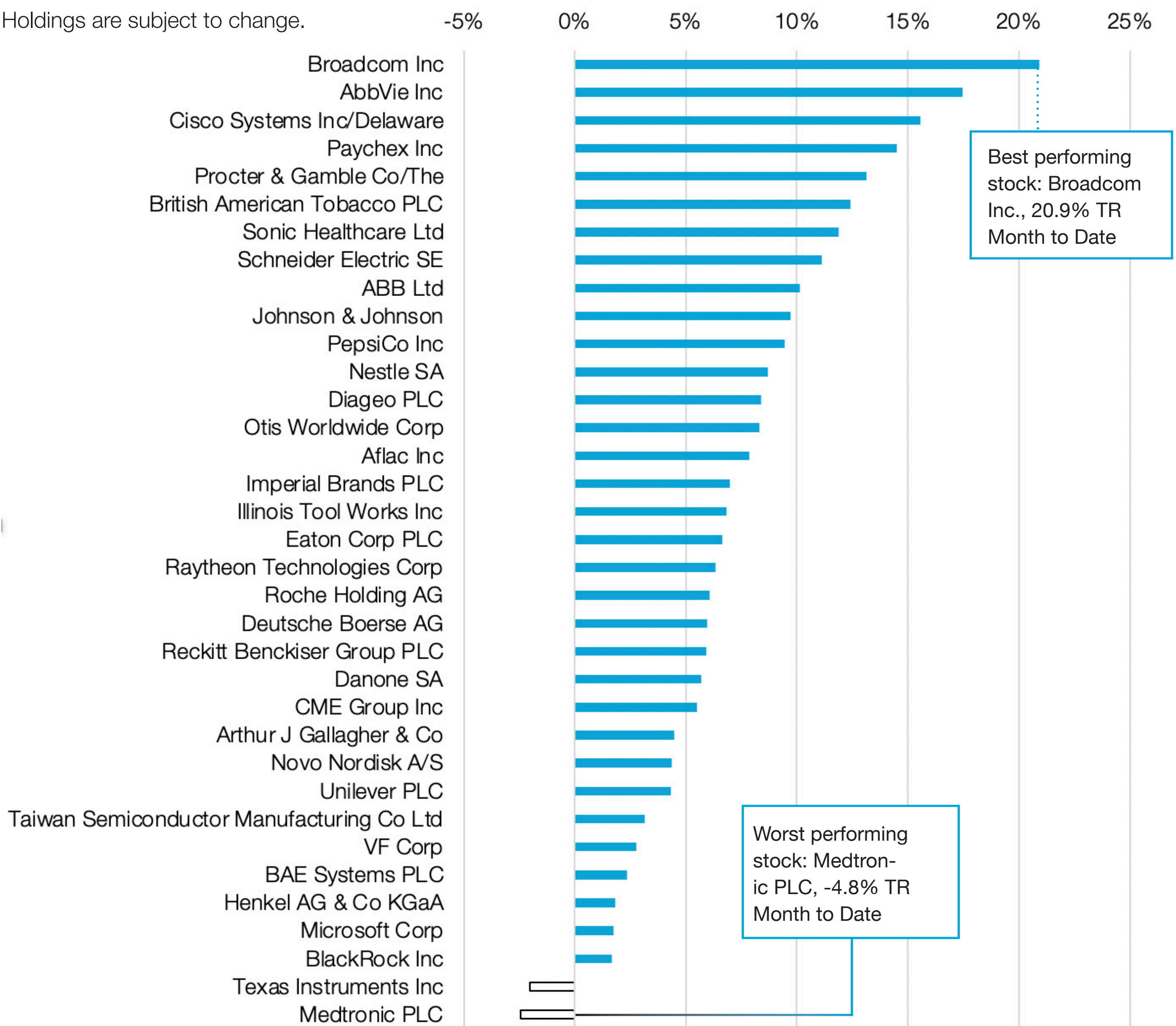
SmartETFs

Portfolio Performance

as of 12/31/2021

In December, DIVS was up 7.27%% (NAV basis), while the MSCI World Index benchmark was up 4.27%% (in USD). In 2021, DIVS produced a total return of 23.60% (NAV), compared to the Index return of 21.82%. DIVS therefore outperformed the Index by 1.78%. Over the course of the year, strong stock selection in Industrials, IT and Healthcare more than offset the allocation drag from owning no Banks and no Energy stocks (which both performed well over the year) and from being overweight Consumer Staples, which generally lagged the market through 2021. Keep an eye out for the 2021 DIVS Annual Review for a closer look at DIVS performance, dividends, and portfolio changes throughout the year.

Holdings are subject to change.



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As of 12/31/2021	YTD	1 Year	3 Year	5 Year	Since Inception (03/30/2012)
DIVS at NAV	23.60%	23.60%	20.70%	15.38%	11.96%
DIVS at Market Price	23.60%	23.60%	20.70%	15.38%	11.96%
MSCI World NR	21.82%	21.82%	21.68%	15.02%	11.77%

Expense Ratio: 0.65% (net) | 1.42% (gross)

30-Day SEC Yield (as of 12/31/21): 1.09% subsidized | 0.86% unsubsidized

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 0.65% 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 Dividend Builder Fund, an open-end mutual fund (incepted March 30, 2012). 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. 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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2021 Dividend Review

In 2021, out of our 35 holdings:

- **31 companies grew their dividend**
- **3 companies kept their dividend flat**
- **1 company cut its dividend**
- **0 companies cancelled their dividend**

This follows on from 2020, which saw 28 companies grow their dividend, 6 keep their dividend flat, only 1 company cut, and 0 cancellations.

In the Fund, the average dividend growth across all 35 companies was 6.3%, and generally we saw dividend payments surprise to the upside.

The largest dividend growth came from **Otis Worldwide**, which increased its dividend by 20% year-on-year. As the world's largest manufacturer (by revenue) of elevators and escalators, Otis has an installed base of greater than 2 million elevators under service. 45% of revenue is from new equipment installations, while 55% is recurring maintenance revenues. Servicing the installed base has 3x higher profits and competitive advantages have ensured a high client retention rate (~80%). Overall, this contributes to high revenue and cashflow growth, enabling the higher dividend distributions and is a good example of the "quality cyclical" companies we seek.

Our Financial holdings were also among the companies with the largest year-on-year dividend increases:

- **Aflac**: Grew its dividend by 17.9% in 2021. This follows the 3.7% growth in 2020.
- **Blackrock**: Grew its dividend by 13.8% in 2021. This follows the 10.0% growth in 2020.
- **Arthur Gallagher**: Grew its dividend by 6.7% in 2021. This follows the 4.7% growth in 2020.
- **CME Group**: Grew its dividend by 5.9% in 2021. This follows the 13.3% growth in 2020.
- **Deutsche Boerse**: Grew its dividend by 3.4% in 2021. This follows the 7.4% growth in 2020.

The three companies which held their dividend flat for 2021 – **Henkel**, **Reckitt Benckiser**, and **ABB** – all cited cautiousness and uncertainty as reasons for capital preservation. These companies continue to have strong balance sheets and low leverage, and we believe they have the ability to grow their dividend in the future.

- Henkel and ABB both have a low net-debt-to-equity of 6% and 11% respectively.
- Reckitt Benckiser's figure stands at 97%, though this is as a result of the company re-leveraging to finance the $18bn acquisition of Mead Johnson. The debt is very manageable given the cash-generative nature of RB's business and the interest expense is covered 8-times by earnings.

Danone, the one company to announce a cut in its dividend (by 7.6%) for 2021, grew its dividend in 2020 (by 8.3%). The global food and beverage company is organized into Dairy & Plant-based products, Specialized Nutrition, and Water, and enjoys a leading market share in a range of niche product categories (e.g. yogurt, soy milk, and out-of-home water). This in turn means that brands such as Activia, Actimel, Alpro, Evian and Volvic dominate prime retail shelf space. In recent years organic growth has come via strong demand in China and greater direct-to-consumer sales online. How-

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2021 Dividend Review (cont.)

ever, Danone has lagged other consumer staples businesses in terms of growth and profitability which is reflected in lower valuation multiples paid for the company today. To address this, and boost both gross and net margins, the company announced plans to cut costs by €1bn over the next few years. Combined with continued efforts to deleverage, this further strengthens the company's balance sheet for the future, but in the short-term has meant that management has decided to reduce the dividend payment to reflect 2020's lower earnings. The reduced dividend in 2021 (€1.94/share) is exactly the equivalent of the dividend paid by the company in 2019, and 7.6% less than 2020 (€2.10/share). This reflects the company's 13.2% decline in earnings in 2020 (from €3.85/share in 2019 to €3.34/share in 2020).

There's more where that came from!

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