DIVS

The SmartETFs Dividend Builder ETF

April 2023 Update

SmartETFs

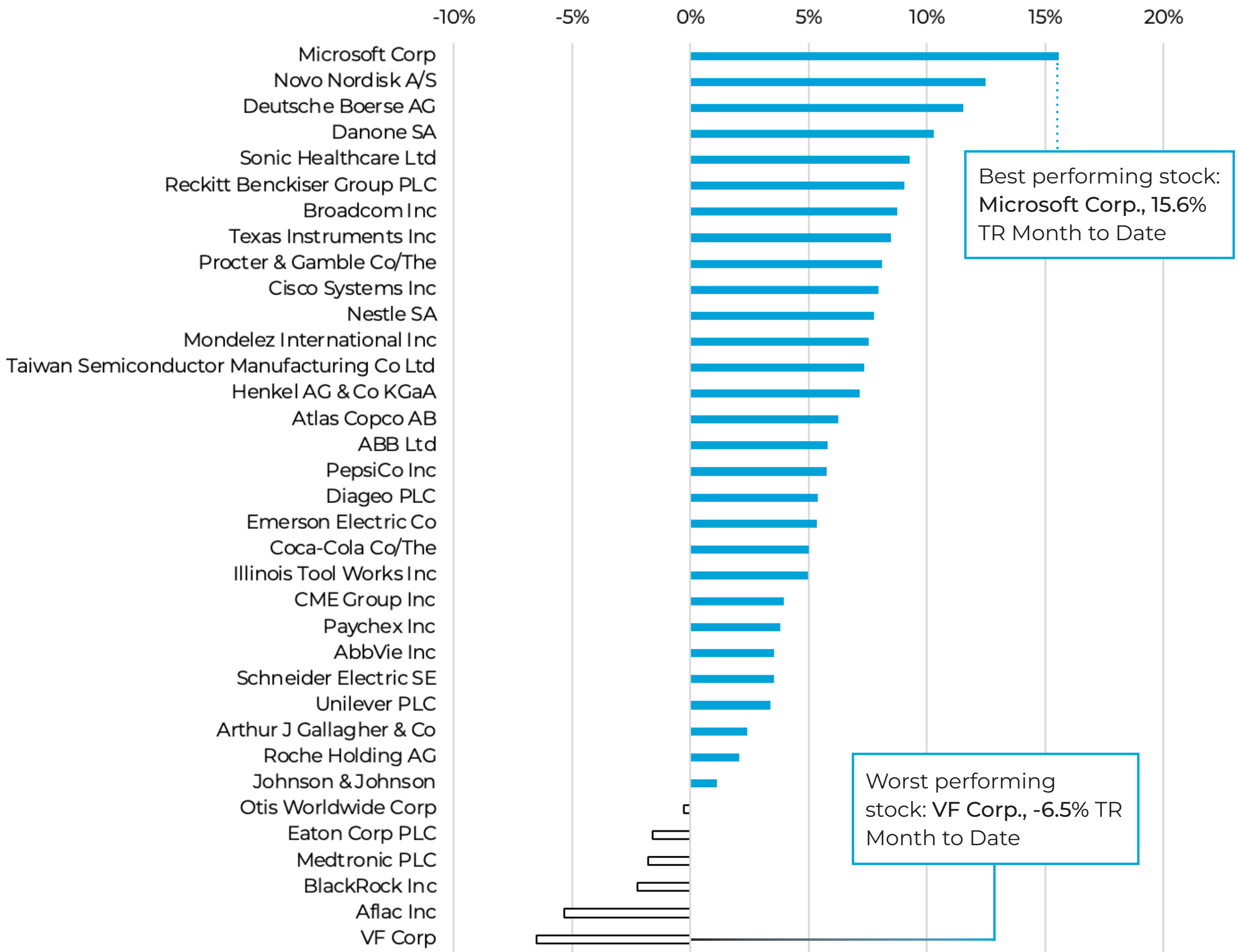
Portfolio Performance

as of 03/31/2023

In March, DIVS was up 5.00% (NAV basis, 4.85% market price), while the MSCI World Index benchmark was up 3.09%. Over Q1 2023, growth performed very strongly, as did European markets given a material improvement in energy prices and moderating inflation data. Despite a strong recovery over the latter two months of the quarter, DIVS underperformed the MSCI World Index over the period, which can be attributed to:

- Growth outperforming Value, particularly from the more speculative areas of the market, which acted as a headwind.
- An underweight allocation to Information Technology and Consumer Discretionary, and a zero allocation to Communication services, which were the three best performing sectors YTD.
- DIVS also maintains a large overweight allocation to Consumer Staples (~27.0% vs 7.8% for the Index). The sector performed solidly over the quarter (+3.5% USD) especially given the sell-off in February. However, it still trailed the Index and therefore was a net drag for performance.
- On a more positive note, this was partially offset by an underweight allocation to Financials & Energy (zero weighting), both of which performed poorly over the quarter, and therefore acted as a relative tailwind.
- From a stock selection perspective, strong performance from our Consumer Staples (Danone +18.6%), Financials (CME Group +14.6%) and Healthcare (Novo Nordisk 18.6%) were a positive for the Fund.

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



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Microsoft was the Fund's best performer over the quarter and the month. The technology behemoth was buoyed early in the year by a good set of earnings results, with the cloud segment (the main growth engine for the business) showing surprising resilience, with revenues up ~30% year on year (YoY). The firm is also paying close attention to its bottom line and announced a 5% headcount reduction given a marginally weaker demand outlook over the short term. However, the most notable news from the quarter was Microsoft's $10bn investment into AI search tool ChatGPT, which has grown exponentially in reach and now has an average of ~25 million daily active users. CEO Nadella sees huge potential in AI, "as Microsoft Cloud turns the world's most advanced AI models into a new computing platform" and the desire is clear: Microsoft "aims to incorporate AI into every layer of the stack. given that the age of AI is upon us". Microsoft's early move towards embracing the next wave of AI technology, coupled with solid results, helped outperformance over Q1.

VF Corp was the weakest performer over the quarter and over the month. It was a challenging period for the American apparel and footwear conglomerate as a mixed set of earnings results and cuts to FY2023 guidance caused market sentiment to cool. Management is acutely aware of the short-term challenges facing the business and are introducing a range of strategic initiatives to turn things around. These include an approximate halving in the Debt / EBITDA ratio as well as the exploration of non-core asset sales to raise capital for paying down debt and funding growth initiatives. However, there were certain pockets of strength, notably The North Face brand which saw 13% organic growth YoY and their emerging outdoor brands portfolio which was up 10% YoY, given structural growth trends.

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As of 03/31/2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	5.82%	-0.49%	17.77%	9.86%	9.71%	10.12%
DIVS at Market Price	5.85%	-0.51%	17.90%	9.93%	9.75%	10.15%
MSCI World NR	7.73%	-7.02%	16.40%	8.00%	8.85%	9.12%

Expense Ratio: 0.65% (net) | 1.08% (gross)

30-Day SEC Yield (as of 3/31/23): 1.65% subsidized | 1.02% 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.

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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Dividend Summary

So far in 2023, we have had dividend updates from 20 of our 35 holdings.

- 17 companies announced increases for their 2023 dividend vs 2022. The average dividend growth these companies announced was 6.3%.
- 2 companies announced a flat dividend vs 2022.
- 1 company announced a dividend cut.
- 0 companies announced dividend cancellations.

Our focus is not on simply finding the highest-yielding companies, but instead on finding high-quality, cash-generative businesses which can consistently grow their dividend stream year-on-year.

Explicitly screening for persistently profitable companies also means that many industries – regulated sectors such as Utilities, Telecommunications and Banks, and commodity-led sectors such as Energy and Materials – tend not to appear in our investible universe. These excluded industries often contain companies that exhibit the highest dividend yields, though we believe these same companies have a relatively greater risk of dividend cuts (as we saw in 2020) and are less likely to grow their dividend over time.

Q1 2023 Review

Stage 1: “Recovery Rally”

The year got off to a strong start as the sectors that performed weakest in 2022 rallied the most over the initial stages of 2023. While there was some evidence of short covering, which may have exacerbated price movements, the general sentiment was positive as the risks which plagued markets in the year prior, seemed to have largely abated.

Inflation data early in the quarter showed prices coming down faster than expected, with initial consumer price index (CPI) recording the lowest figure since October 2021. The path away from a peak US inflation rate of 9% to a more normalized 2% seemed more likely, which spurred a bullish market outlook that rates could come down and return to more moderate levels. News of a material improvement in the European energy position (given a warm winter and high storage levels) alongside early economic data from China, the world’s second largest economy, showed that the widely anticipated reopening had gathered steam and presented a significant tailwind for global economic growth. In short, the concerns and fears that had weighed heaviest on investor sentiment had cooled off, with markets pricing in more positive news. Even the Q4 earnings season (which confirmed a moderate decline in the earnings outlook) did little to stop an equities rally, with valuations driven almost entirely by multiple expansion: a clear sign that investors were prepared to look beyond a weaker short-term outlook to the expected recovery in the second half of the year.

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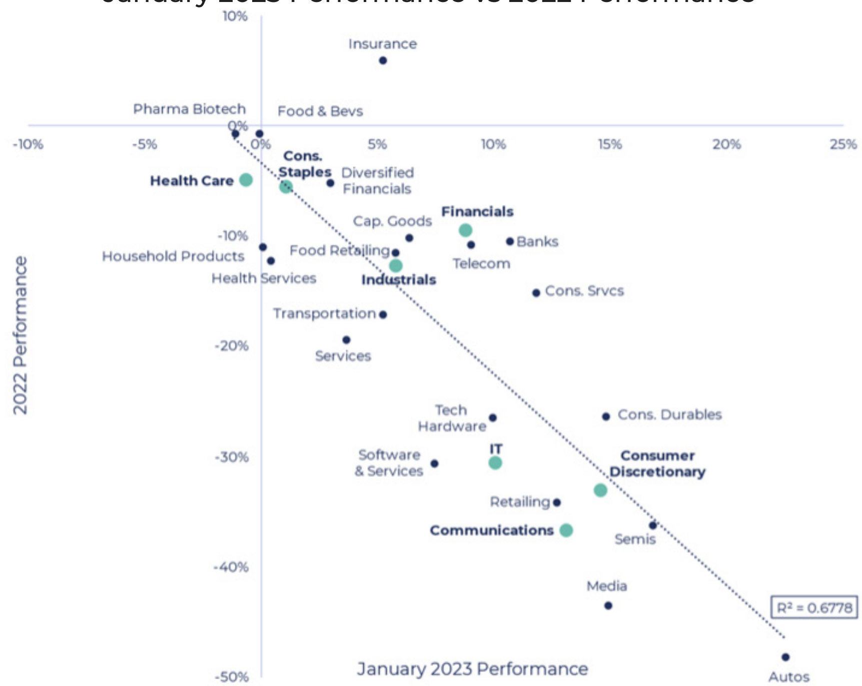
Q1 2023 Review (continued)



Source: Bloomberg. Data as of January 31, 2023.

As illustrated in the chart above, the rally in January was led by the more cyclical and higher beta areas of the market. Consumer Discretionary gained ~15% as did higher volatility market sub-sectors including Autos (+23%, beta 1.5) and Semiconductors (+16%, beta 1.7). This move also highlighted a clear preference for growth as a factor, with growthier parts of the market outperforming value by mid-single digits. To further illustrate the "Recovery Rally", the lowest quality areas of the market saw the strongest returns over the month, with proxy indicators such as liquid most short, high retail sentiment, and unprofitable tech all significantly outperforming the benchmark.

Fund Performance: Therefore, perhaps unsurprisingly, the Fund underperformed over this period given its strong quality and dividend focused approach, which acted as a headwind. From an allocation perspective, the overweight to Consumer Staples and underweight Consumer Discretionary and Communications Services acted as the main drag. Positive stock performance was led by more cyclical parts of the portfolio (TSMC +20%, Schneider Electric +17%, ABB +12%) while weaker stock performance was seen in the more defensive areas of the portfolio (AbbVie -9%, Johnson & Johnson -8%, Procter & Gamble -6%).

Stage 2: "The Market Reversal"

However, the market reversed course just three days into February as the positive sentiment that had driven equities quickly unwound. US and European jobs & inflation data came in surprisingly hot, dampening the hopes of an earlier pivot away from tight monetary policy. The sudden market reversal pointed

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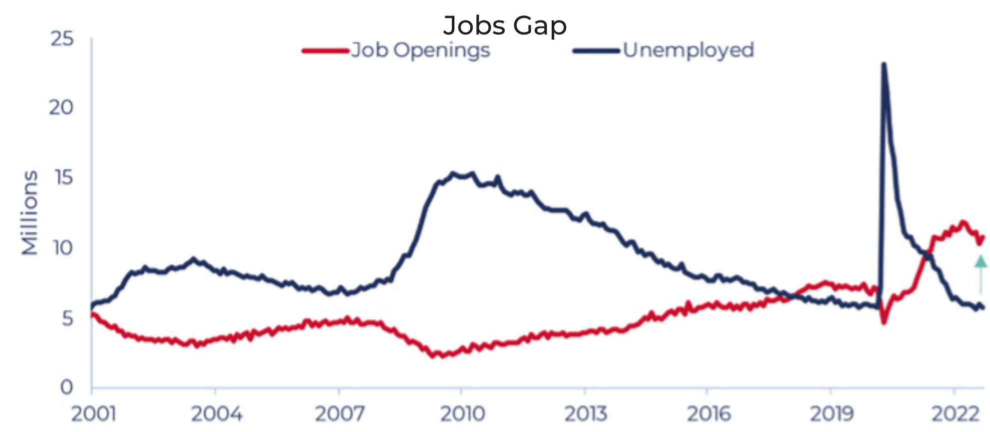
Q1 2023 Review (continued)

to the fragility of the prior rally, which had seemingly been propelled by a small number of brittle data points.

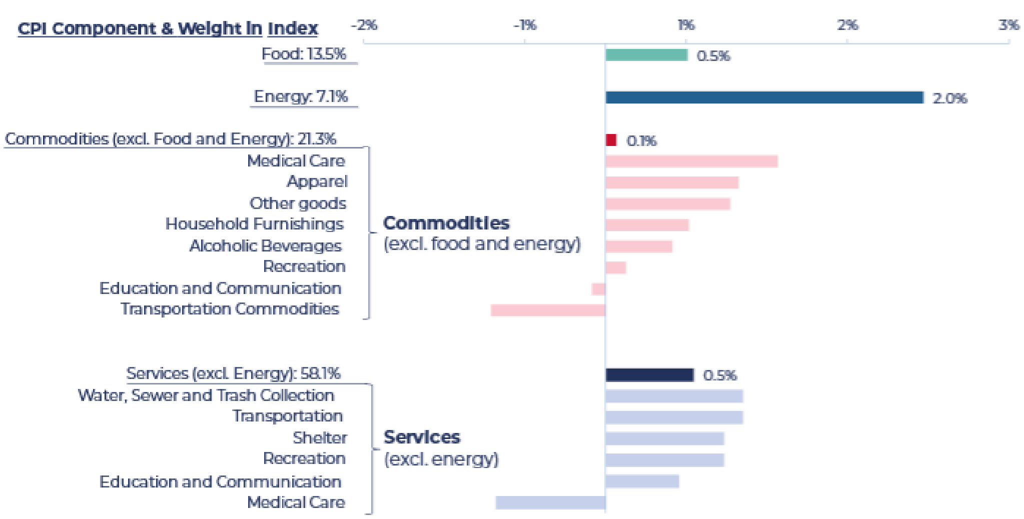
The jobs figures, released in early February, pointed to a much more robust US economy than previously thought. A healthy US labor market added 517k jobs, far exceeding the 185k consensus and, consequently, pushed the jobless rate to 3.4%, its lowest level in 53 years.



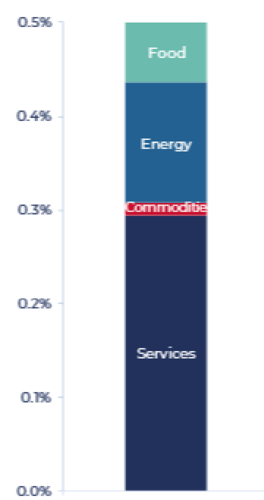
Source: Bloomberg. Data as of March 31, 2023.

The tight labor market due to the wide gap between job openings and unemployed people means employees are demanding higher wages and this is forcing central banks to continue to raise rates in an attempt to bring inflation down. Staff costs are the largest components of costs in the services sector and inflation in services has not yet peaked. Services inflation tends to be particularly sticky and can often be more entrenched than other inflation components.

Components of the Consumer Price Index (month on month)
March 2023



CPI Contributing Factors



Source: Bloomberg. Data as of March 31, 2023.

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Q1 2023 Review (continued)

To further the negative sentiment, the Fed continued with its hawkish mantra. As was the case in 2022, equity markets reiterated their high sensitivity to the path of rates and investors dissected every word of policy speeches. In keeping with his consistent message, US Federal Reserve Chair Jerome Powell explained that there is still "a significant road ahead to get inflation down to 2%. If we continue to get strong labor market reports or higher inflation reports … we (may) have to raise more than is priced in." This left no room for doubt about their clear intentions and caused markets to change course.

Fund Performance: Since the market reversal 3 days into February, a noticeable rotation away from growth towards more defensive areas ensued. Furthermore, Value outperformed Growth as strong economic data and higher implied policy rates saw long duration names (which benefit from low interest rates) fall out of favor. The Fund outperformed, driven by an overweight allocation towards Financials, Consumer Staples, and Industrials (which were 3 of the 4 best performing sectors). The raising rate environment was a tailwind for the Financial sector while news that the consumer remains in good shape was a boost for consumer-oriented segments (Staples & Discretionary). Stock performance was also strong from these sectors with standout names including Eaton (+7%) and Danone (+6%).

Stage 3: Banking Crisis & Fall Out

The final part of the quarter was characterized by the banking crisis. It started eight days into March as initial fears around the liquidity of Silicon Valley Bank (SVB) gathered steam. What began as a regional "bank run" snowballed into a domestic, and then quasi-international banking crisis with several associated consequences for institutions and markets alike. The SVB issue arose due to a fundamental duration mismatch: SVB had taken in a record amount of cash deposits from firms buoyed by favorable venture capital funding over the prior two years on the back of depressed interest rates, and therefore invested these into long duration bonds. When rates increased, the long duration investments fell in value and these losses were ultimately crystallized when clients began to move deposits away from low yielding deposit accounts into short term money market funds offering better rates. As SVB continued to crystallize losses on its long duration bond portfolio, investors began to question the true value of their asset book and whether they were indeed solvent. As panic spread, depositors rushed to withdraw their money, causing a bank run not only on SVB but also impacting a range of other regional banks (Signature Bank & Silvergate Bank defaulted) and also causing troubles for international banks (notably Credit Suisse & Deutsche Bank). This forced the Fed to step in and maintain trust in the banking sector by ensuring that all depositors would be made whole, containing the panic for the time being.

The crisis over the latter part of the quarter caused a multitude of second and third order effects. The perceived weakness of regional banks led to a rush of depositors moving money out of smaller banks towards the big 4 US names which are deemed "too big to fail" given their vast size and structural importance for the US economy. Alongside this, investors rushed to safety (namely long duration bonds) which caused prices to rise and yields to fall. The drop in US 10 Year Treasuries was particularly sharp contracting ~42 bps in just 5 days from 3.99% to 3.57%. It is worth noting that the large inflow of funds into the larger US banks likely exacerbated this trend, as new deposit money was put to work.

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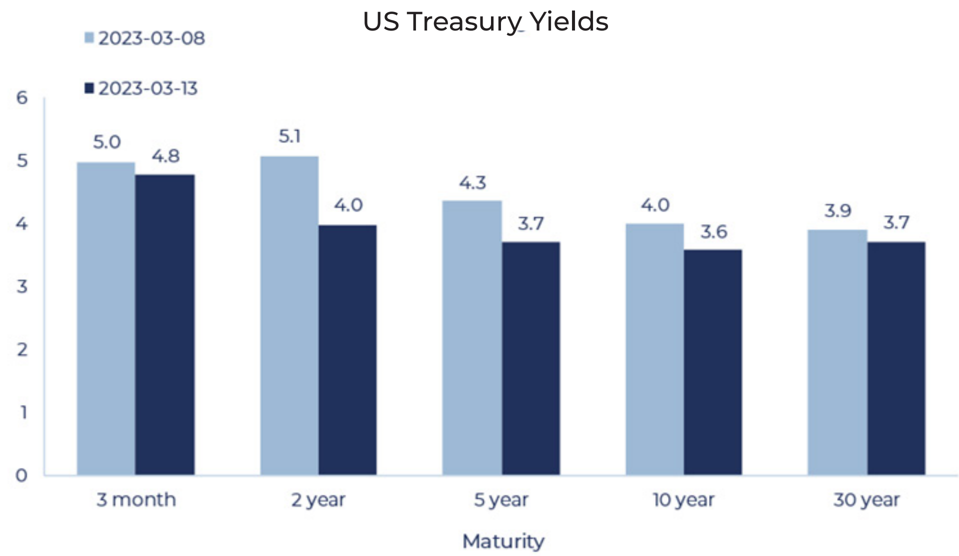
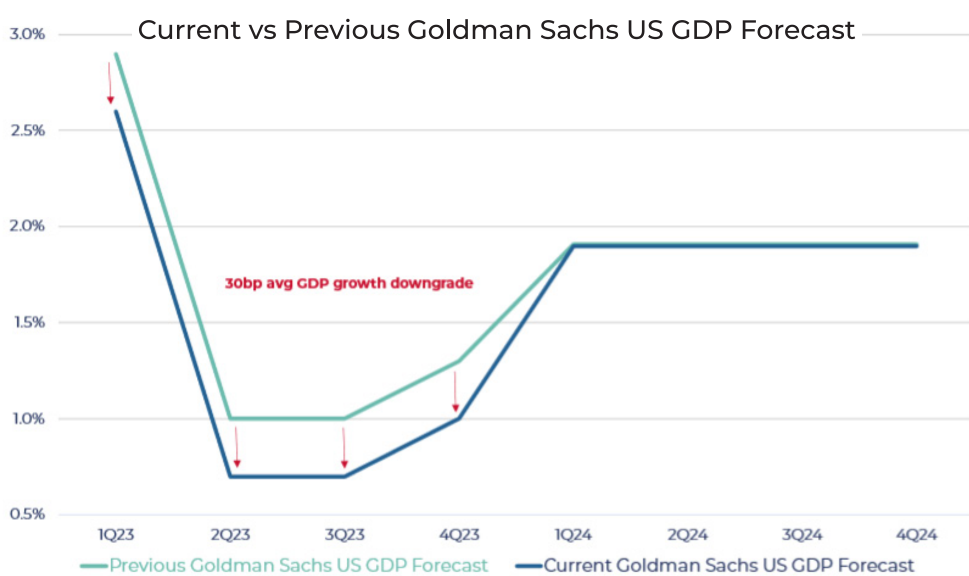
Q1 2023 Review (continued)



Source: Bloomberg. Data as of March 31, 2023.

Another consequence was de-facto monetary tightening. While the Fed, keen to avoid a fully-fledged bank run, provided liquidity to banks, this did not find its way into the market. Instead, banks have broadly tightened credit conditions and will likely make fewer loans given the increased macroeconomic uncertainty. Even as the full impact of a tightening in credit conditions is yet to be known, history has shown that banking system weakness can have large and persistent effects on GDP growth. As such, market consensus for GDP growth has pulled back, with Goldman Sachs cutting its 2023 US GDP forecast by 25bps-50bps given the asymmetric risks that may occur.



Source: Bloomberg. Data as of March 31, 2023.

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SmartETFs

Q1 2023 Review (continued)

Over this period, large caps outperformed small caps (given lower leverage and healthier margins), strong balance sheets outperformed weak balance sheets and defensives outperformed cyclicals. However, all three IT industries (Semiconductors, Software, & Hardware) outperformed, which may reflect the perceived "safety" of secular growth in a volatile market as well as the potential for lower interest rates, if the Fed decides to begin rate cuts earlier than expected (in the case of further financial instability or an induced recession). Unsurprisingly, Financials were hardest hit as Banks sold off sharply. The Energy sector also declined as oil prices fell on the potential for future demand destruction (coupled with higher inventories in the US and higher than expected Russian production).

Fund Performance: During this period, the Fund outperformed the MSCI World Index. This was led by a zero weighting to the poor performing Energy sector and Bank stocks. It is worth noting that while the Fund's allocation towards Financials (~14%) is an approximate equal-weighting to the benchmark, it does not currently hold any Bank stocks given their relatively low (and volatile) returns on capital. Instead, we prefer to focus on a range of diversified financials with stronger return ratios and stronger balance sheets. This includes financial exchanges (Deutsche Boerse and CME) which outperformed by ~10% over this period given heightened volatility as well as Insurers (Aflac and Arthur Gallagher) which also held up fairly well. Finally, strong stock selection from Novo Nordisk (+13%), and Microsoft (+12%) acted as a tailwind over this period.

Out of the Woods? Where are we today?

Putting banking issues to one side, it would seem that we are not yet out of the woods. The market must contend with numerous other problems, not least, the usual story of high inflation and rate hike uncertainty. At the latest policy meeting, the Fed raised rates 25bps, a smaller increment than prior hikes, but a clear signal that they remain focused on bringing inflation under control despite domestic banking woes. As the Fed stays the course with quantitative tightening, investors are looking at areas of market fragility which may give way next. This adds to market volatility and has also led to a more pessimistic outlook at the company level, with earnings downgrades and lower GDP estimates weighing heavy on sentiment. The culmination of these headwinds means that we could well be in a lower growth environment for the foreseeable future. As such, a focus on dividend income becomes ever more important. The table below highlights the significance of dividends in making up the overall return for investors during periods of lower growth.

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Q1 2023 Review (continued)

S&P 500 Returns for Individual Decades since 1940

	Total return	Price appreciation	Dividends	Dividends as % of total return	
1940s	143.1%	34.8%	108.3%	75.7%	Low growth
1950s	467.4%	256.7%	210.7%	45.1%	
1960s	109.5%	53.7%	55.8%	51.0%	
1970s	76.9%	17.2%	59.7%	77.6%	Low growth
1980s	389.2%	227.4%	161.8%	41.6%	
1990s	423.2%	315.7%	107.5%	25.4%	High growth
2000s	-9.1%	-24.1%	15.0%	*Not meaningful*	
2010s	256.4%	189.7%	66.7%	*26.0%*	High growth
Average	*232.1%*	*133.9%*	*98.2%*	*48.9%*	

Source: Bloomberg. Data as of March 31, 2023.

From the table above, we see that across the various decades from the 1940s, dividends accounted for, on average, 48.9% of total returns in the S&P500 Index. However, when we look at the two lower growth decades – the 1940s and 1970s – we see dividends played an even greater role, on average contributing over 75% of total returns. Even in high growth decades such as the 1990s or 2010s dividends still accounted for over 25% of the overall total return. The driving force behind this is the relative stability of dividend payments compared to earnings.

There's more where that came from!

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Important Information

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.

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.

EBITDA or earnings before interest, taxes, depreciation, and amortization is a widely used measure of corporate profitability.

Debt / EBITDA Ratio measures a company's ability to pay off its incurred debt.

Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

Beta is a measure of the volatility of a security compared to the market as a whole.

Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

Indexes are unmanaged. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

SEC Yield is based on the most recent 30-day period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period after the deduction of the fund's expenses. Unsubsidized SEC Yield does not include the effect of any fee waivers or reimbursements.

Must be preceded or accompanied by a prospectus. *https://www.SmartETFs.com/wp-content/uploads/2021/03/SmartETFs-DIVS-Summary-Prospectus.pdf*

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.

Investing in securities involves risk and there is no guarantee of principal.

Shares of the Fund are distributed by Foreside Fund Services, LLC.