DIVS

The SmartETFs Dividend Builder ETF

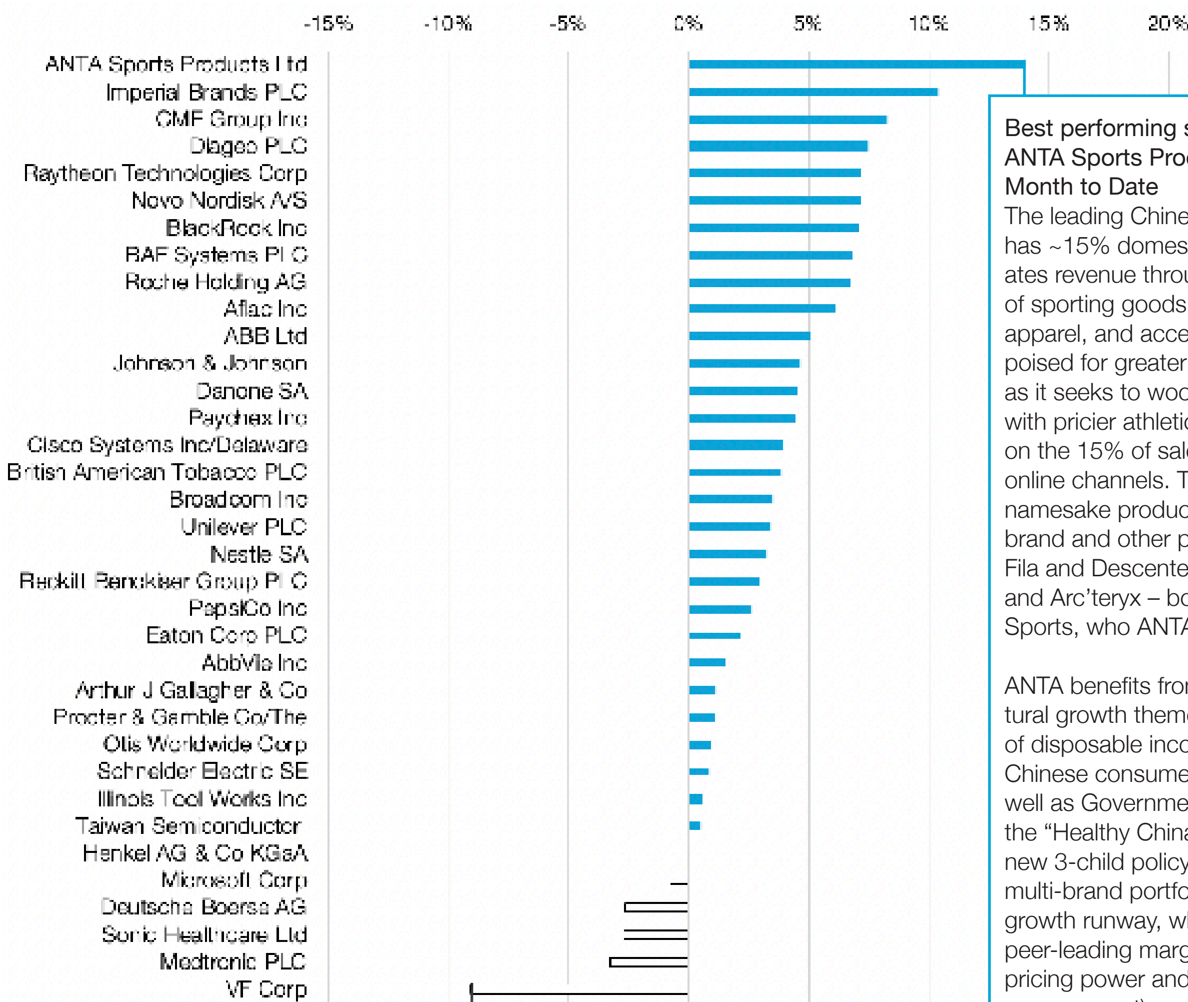
June 2021 Update

SmartETFs

Portfolio Performance

as of 05/31/2021

DIVS experienced growth in the form of spring flowers and a total return of 3.17% (NAV basis) during the month of May. For the year, DIVS has produced a total return of 11.95% (NAV basis). We're still awaiting the dividend announcements from 5 companies in the fund, but will let you know as soon as we hear anything. While inflation concerns have been top of mind in the market, we maintain confidence in our portfolio and continue to seek dividend growth.



Holdings are subject to change.

Best performing stock:
ANTA Sports Products., 14.0% TR Month to Date

The leading Chinese sportswear brand has ~15% domestic market and generates revenue through the manufacture of sporting goods, including footwear, apparel, and accessories. ANTA is poised for greater market share in China as it seeks to woo affluent shoppers with pricier athletic gear and expands on the 15% of sales generated from online channels. This includes their namesake products under the ANTA brand and other popular brands such as Fila and Descente, as well as Salomon and Arc'teryx – both owned by Amer Sports, who ANTA acquired in 2019.

ANTA benefits from a number of structural growth themes including the rise of disposable incomes, especially for Chinese consumers in tier 2 cities, as well as Government initiatives such as the "Healthy China 2030" plan and the new 3-child policy.). This gives ANTA's multi-brand portfolio a high revenue growth runway, which, combined with peer-leading margins (due to high pricing power and strong operational management), makes ANTA an attractive investment.

Worst performing stock: VF Corp., -9.1% TR Month to Date

VF Corp was the worst performer in May (-9.1% in USD). The global clothing manufacturer, whose line-up of high-profile brands includes Vans, The North Face, Timberland and Dickies, reported fiscal 2021 results that missed expectations, citing store closures and lower consumer demand over the past year as reasons. While the fourth fiscal quarter saw revenue growth of 23%, helped by the acquisition of the Supreme brand, e-commerce growth and strong APAC growth, full year revenue decreased 12%. Earnings for the 4th quarter increased 170% year-on-year, though fell 51% year-on-year for the full year highlighting the challenging landscape the company has navigated over the last year.

Looking forward, VF Corp, which is a dividend aristocrat with 49 years of consecutive years of dividend growth, once again announced growth in its dividend and also lifted full-year 2022 guidance. The company expects 28% revenue growth and 134% earnings growth in the next year, with growth from all regions and particular strength in the direct-to-consumer sales channel.

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As of 05/31/2021	YTD	1 Year	3 Year	5 Year	Since Inception (03/30/2012)
DIVS at NAV	11.95%	37.73%	14.89%	13.65%	11.56%
DIVS at Market Price	11.95%	37.73%	14.89%	13.65%	11.56%
MSCI World NR	9.80%	45.33%	14.09%	14.02%	9.92%

As of 03/31/2021	YTD	1 Year	3 Year	5 Year	Since Inception (03/30/2012)
DIVS at NAV	4.00%	43.35%	11.98%	12.27%	10.88%
DIVS at Market Price	4.00%	43.35%	11.98%	12.27%	10.88%
MSCI World NR	4.92%	54.03%	12.80%	13.35%	10.96%

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

So far, in 2021, we have had dividend updates from 30 of our 35 holdings:

- 26 companies announced increases for their 2021 dividend vs 2020.
- 3 companies have announced a flat dividend vs 2020.
- 1 company has announced a modest cut to its dividend vs 2020.
- 0 companies have announced dividend cancellations.

We await the dividend announcements of the 5 remaining companies: Broadcom, Illinois Tool Works, Microsoft, Taiwan Semiconductor Manufacturing Company, and VF Corp.

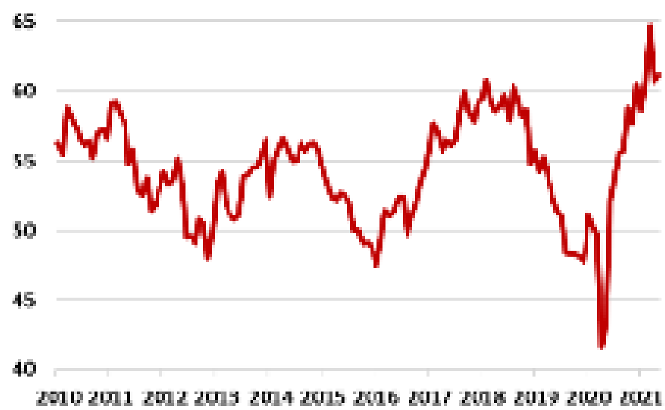
Interesting News

Global equity markets see-sawed in May as investors fought a double-edged sword. On one side, the ongoing vaccine rollouts are allowing many economies to gradually reopen, and combined with sizeable fiscal stimuluses, there is significant support for a large bounce in economic activity. However, with this comes concerns that the economy could overheat; positive economic data surprises may result in more persistent inflation, which could jolt central banks to prematurely tighten monetary policies and curb economic growth.

US data releases in May showed support for both economic expansion and inflation:

US Consumer Price Index (year-on-year)

US Manufacturing Purchasing Managers Index



Source: Bureau of Labor Statistics, ISM, Bloomberg. Data as of May 31, 2021

The US Purchasing Managers' Indices (PMIs) for manufacturing and services both beat expectations, as they rose to their highest levels on record. The details of the PMIs not only showed that consumer demand remains buoyant but also that businesses are facing rising input costs, caused by pandemic-induced supply bottlenecks. Headline inflation rose to 4.2% year-on-year for April – the highest level since September 2008. A rise in inflation was expected given the fall in prices this time last year, but even month-on-month inflation rose 0.8%, well above consensus expectations.

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Interested in Inflation?

We are confident that all the companies we own in the Fund have had persistently high profitability, low leverage, trade at reasonable valuations, and have good potential for dividend growth. With this in mind, we believe there are a number of reasons why the Fund protects against potentially higher inflation and higher interest rates:

- We seek companies that have persistently generated a return on capital greater than cost of capital. Companies that have achieved this feat tend to have done so due to their competitive advantages – or moats – that often allow them pricing power (which insulates them from inflation) since higher input costs can be passed on to consumers.

- We seek companies which have low leverage. These companies tend to be cash generative and do not need to excessively borrow to fund their operations or fuel their growth (or return capital to shareholders). Highly leveraged companies are at risk of having to make higher interest payments should interest rates rise. Refinancing debt would also be at comparatively unfavorable terms, and this has opportunity costs for the use of the company's capital.

- We seek companies capable of sustainably growing their dividend payout. Dividend growth above inflation protects against erosion of shareholder capital. Fixed income instruments – where coupons are fixed – are most at risk of inflation, while the highest dividend yielding stocks are most prone to dividend cuts.

- We seek companies trading at reasonable valuations. Higher interest rates – and the associated higher discount rates – reduce the present value of future cashflows. This tends to disproportionately affect growth companies where a lofty valuation is justified given higher expected future growth.

There's more where that came from!

Join our newsletter at SmartETFs.co/newsletter or follow us on Twitter @SmartETFs! We've always got something to say.

Disclosure

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,

Tier City is an unofficial Chinese tier system with Tier 1 representing the largest cities, to Tier 4 representing the smallest cities. It is used to classify the size of cities based on population and density.

A Dividend Artistocrat is a company in the S&P 500 that has paid and increased its base dividend every year for at least 25 consecutive years.

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.

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