DIVS

The SmartETFs Dividend Builder ETF

June 2023 Update

SmartETFs

Portfolio Performance

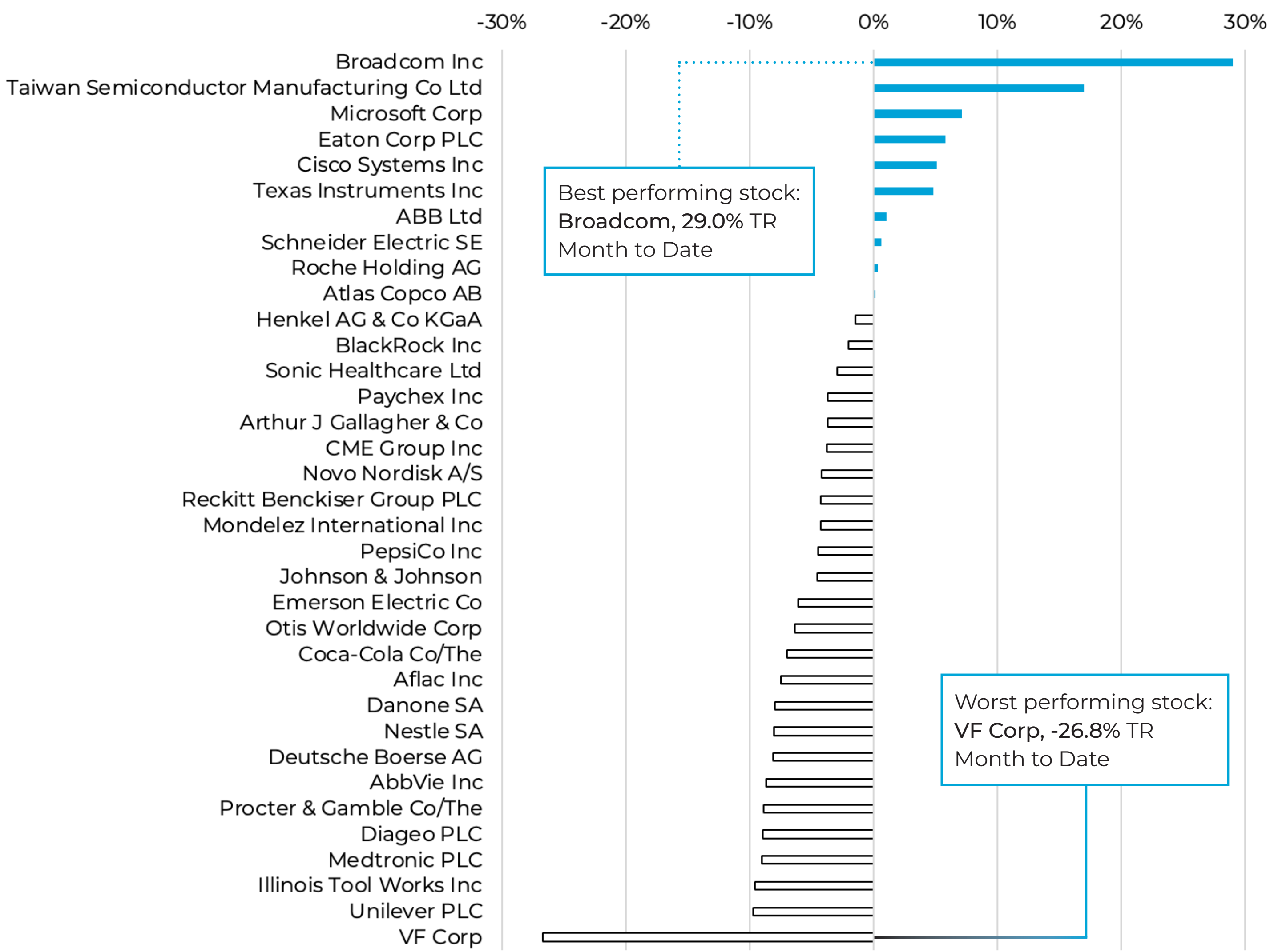
as of 05/31/2023

In May, DIVS was down -2.41% (NAV basis, -2.52% market price), while the MSCI World Index benchmark was down -1.00%. Over the month of May, DIVS performance can be attributed to the following:

- The Fund's overweight allocation to Consumer Staples (28.3% vs 7.9% Benchmark) was a drag, as the sector was the 3rd worst performer over the month, closing down -5.2%.
- Additionally, the underweight allocation towards IT (14.8% vs 20.6% Benchmark) was a headwind, given the strong sector performance (+11.3%) over May.
- However, the Fund's zero allocation towards Real Estate, Materials, Utilities, and Energy all acted as a tailwind given negative performance for these four sectors.
- Finally, strong stock selection in Industrials and IT was a cause for relative outperformance vs the sector with strong returns from Broadcom (+29.0%), TSMC (+12.6%) and Eaton(+7.2%).

In this monthly update, we take a moment to analyze both market and Fund performance from a stylistic perspective and look deeper into the breadth of the rally year to date. We also analyze the strength of the consumer through a range of proxies to explain the recent divergence between the Consumer Staples and Consumer Discretionary sectors. Read on for more.

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



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Broadcom was the Fund's top performer, gaining 29.0% over the month. The developer, manufacturer, and supplier of semiconductor software products is strategically well placed to benefit from the vastly heightened demand that is being driven by the current generative AI hype. This in turn, is leading to increased orders for chips, which means a substantial growth driver for Broadcom's business. While the bullish AI sentiment has been a welcome tailwind for the semiconductor industry year to date, Broadcom benefited from Nvidia's blow out earnings results towards the end of the month, which quantified the immense demand for AI chips. As a result, Broadcom rallied ~20% over the final 7 days of May, as investors continued to view the semiconductor industry as the best way to gain exposure to the flourishing AI sector.

VF Corp was the Fund's worst performer over May, closing down -26.8%. It was another difficult month for the American apparel and footwear conglomerate who reported a mixed set of earnings results. Despite small beats on the top and bottom lines, management gave a more cautious guidance outlook than prior quarters, calling for flat to slightly positive revenue growth (which was below prior expectations of low single digit growth). However, management also reiterated their plan to reduced leverage to a target of 2.5X (currently at 4.8X) over the next 24 months, which we find encouraging. This includes paying down debt, reducing working capital, and optimizing inventories. Today we see multiple potential catalysts to reignite the narrative including a return to growth for key portfolio brands, progress on balance sheet improvement, as well as the appointment of a new CEO (with the search still ongoing). However, we remain cognizant that the company needs to execute these plans successfully for investors to re-rate the valuation of the business.

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As of 05/31/2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	5.86%	4.88%	13.41%	9.94%	9.20%	9.96%
DIVS at Market Price	6.19%	5.27%	13.65%	10.08%	9.27%	10.02%
MSCI World NR	8.52%	2.07%	10.96%	7.78%	8.59%	9.04%

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) | 1.22% (gross)

30-Day SEC Yield (as of 5/31/23): 1.56% subsidized | 1.19% 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, 2026.

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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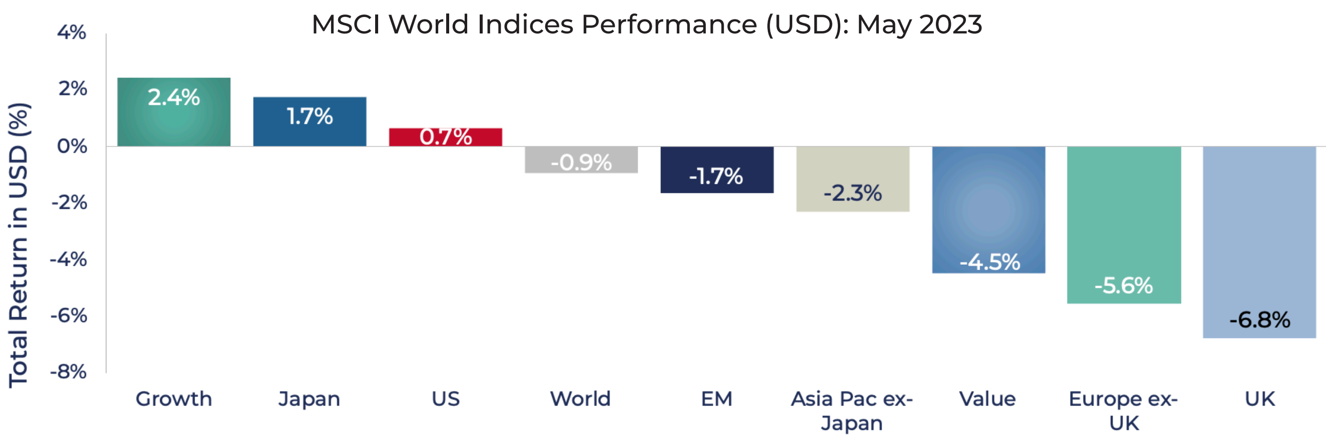
Performance Review

It was a generally flat month for global equity markets, with the MSCI trading sideways for much of May, reflecting the mixed picture of global economic data. On the one hand, news from the US was markedly strong with better-than-expected auto sales, housing starts, and employment numbers. Additionally, the services sector showed continued strength, with the US services Purchasing Managers' Index (PMI) rising to a 13-month high of 55.1 and both the Eurozone & UK figures remaining above the 55 level (anything above 50 indicating expansion). This momentum was supported by robust labor markets with unemployment remaining at near historic lows; Eurozone (6.5%), UK (3.9%) and the US (3.4%). In contrast, the situation in manufacturing seemed gloomier, with eurozone manufacturing PMI falling to 44.6 over the month, its lowest level in three years, and US & UK manufacturing readings also below the 50 mark, signaling a contraction in activity.

Despite the relatively flat equity market performance in May, there were distinct signs of weakness below the surface. Of the 25 MSCI industries, 19 underperformed the index, which was coupled with poor performance from other market areas including Value (-4.5%), emerging markets (EM) (-1.7%) EU (-5.6%) and UK (-6.8%). Conversely, the positive returns were highly concentrated towards growthier parts of the market, specifically the IT sector (notably mega-cap tech, semiconductors, and businesses with exposure to artificial intelligence). As such, strong performance was led by market exuberance that created pockets of unevenly distributed strength. Consequently, Growth outperformed Value, and Cyclicals outperformed Defensives, but it was also clear to see that market leadership narrowed even further, with the best performing sectors of 2023 continuing to move higher, while the majority of other sectors reversed sharply.



Source: MSCI. Data as of May 31, 2023.

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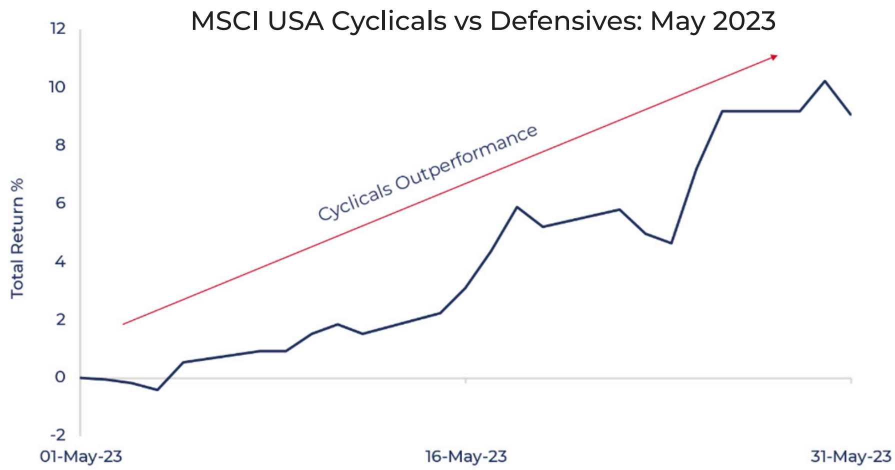
May in Review

Despite markets coming in relatively flat over the month of May, there were pockets of clear strength from a stylistic perspective, with Growth outperforming Value by 6.9% and Cyclicals outperforming Defensives by 9.6%. This trend is a clear continuation of the stylistic momentum built up over 2023, with Growth now outperforming Value by 20% year-to-date. However, prior to May, much of the outperformance had been driven by shifting monetary policy expectations, namely that the Fed would cut rates sooner than expected, benefiting growthier parts of the market. The outperformance over May was in the context of sideways moving equity markets and, more importantly, saw almost no change in the path of future rate hike expectations. While the factors are discussed in more detail below, it appears that a growing sense of market optimism, concentrated in a handful of market sectors (specifically IT and, more specifically, AI exposure) have been leading the market. On a granular level, only 6 out of the 25 MSCI Industries outperformed the MSCI World, showing the concentrated nature of performance.



Source: MSCI. Data as of May 31, 2023.
Red lines are annotation arrows meant to highlight outperformance over the given time period.

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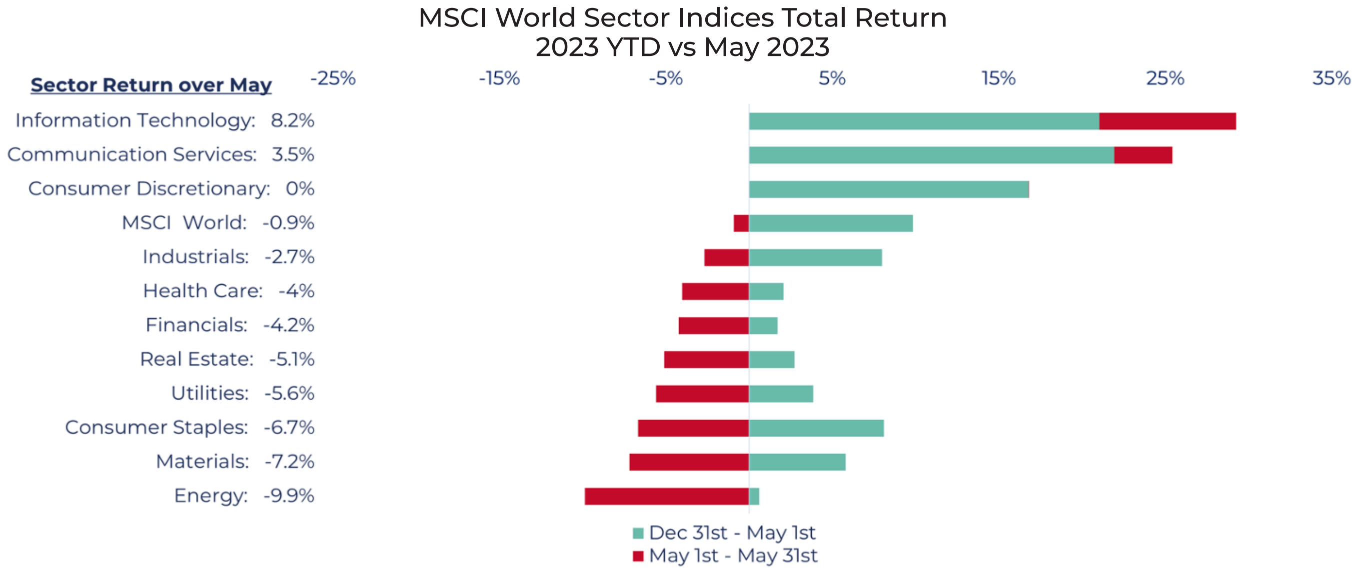
May in Review (continued)

The charts on the previous page show a pronounced move to "risk on" assets, which seemed somewhat surprising given the broader economic context; continued tight monetary policy, no signs of a Fed Pivot, and the looming risk of a first-ever US debt default, which weighed heavy on the market for much of May given fractious talks between both US political parties. The impasse generated substantial headlines as no initial breakthrough was made when the White House and Republican lawmakers met to discuss raising the federal borrowing limit. However, at the time of writing, a deal has been approved by both the House and the Senate, avoiding a crisis for the time being. Interestingly, despite the uncertainty about what would have undoubtedly been a major market event, volatility remained low over May. The CBOE Volatility Index (VIX), hit two-year lows on the last day of the month, and the VIX Index, which measures volatility for the S&P 500, traded below 18 which is at the lower end of the post pandemic range. But despite the generally calm market conditions, there have been clear differences from a stylistic perspective.

Market Leadership: More of the Same

In previous monthly reports, we have illustrated how the worst performing sectors over 2022 have been the strongest performers in 2023, as market conditions have reversed. Strong rebounds have been led by the IT, Communication Services, and Consumer Discretionary sectors and what was already a concentrated rally year to date, became even more concentrated over the month of May. The chart below shows the total sector returns in 2023, splitting out performance up until May (green) and over the month of May (red). The very strong performance of IT and Communication Services (the only two positive sectors over the month) obscured the sharp declines in Energy, Materials, Staples, Utilities, Real Estate, Healthcare, and Industrials, which points to a challenging set up for broad swathes of the equity market.



Source: MSCI. Data as of May 31, 2023.

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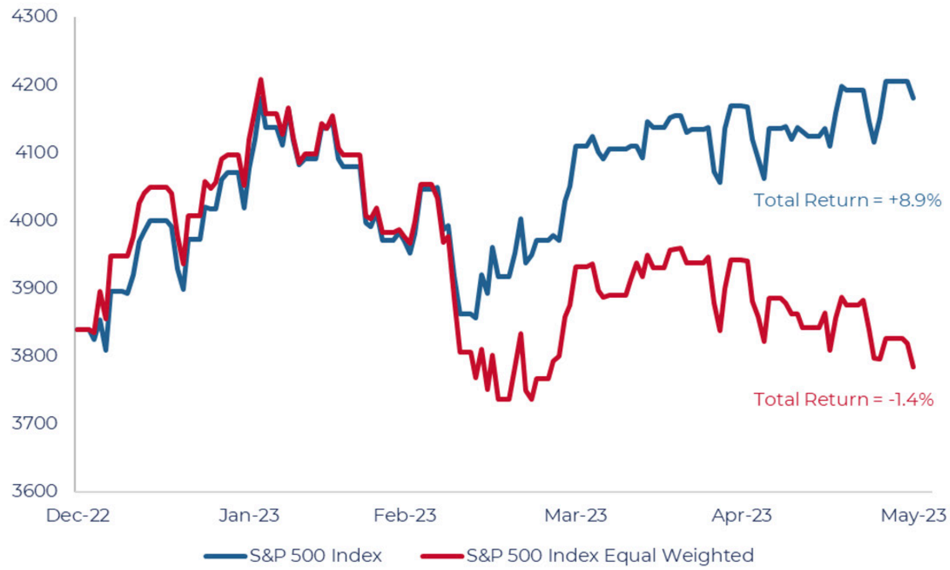
May in Review (continued)

Narrowness: a Cause for Concern?

Not only is the IT sector leading the market, but stock leadership within the sector is also very narrow. While the bull market of the past decade was led in part by the mega-cap tech rally, the rest of the index was rising too. This time around, it seems as if very few mega-cap technology stocks are carrying the index, despite the rest of the market's poor performance. There is concern that such lack of breadth is not a stable base for an enduring bull market. The largest ten names in the S&P 500 have accounted for nearly all the index's year-to-date returns and can be illustrated by a comparison of the index's returns with its equal weighted counterpart.

S&P 500 Return vs S&P 500 Equal Weighted Return



Source: S&P Global. Data as of May 31, 2023.

Additionally, just six tech names (Apple, Amazon, Alphabet, Meta, Microsoft and Nvidia) have shown incredibly strong relative performance vs the remaining stocks in the S&P500 index, returning 72.7% vs 8.9% for the S&P 500. The resilience in mega-cap tech has been, in part, led by a generally strong earnings season with results coming in ahead of (downgraded) guidance. While the surprises to the upside have buoyed indices, it is also the exuberance around artificial intelligence which has produced such extreme divergence among the main stock indexes.

AI: Fad or Enduring Change?

While the Fund tends to avoid more speculative and growthier parts of the market, the rise of generative AI seems to have potential use cases for a range of companies across multiple sectors. The semiconductor companies held in the Fund performed particularly well in the month, given the substantial tailwind

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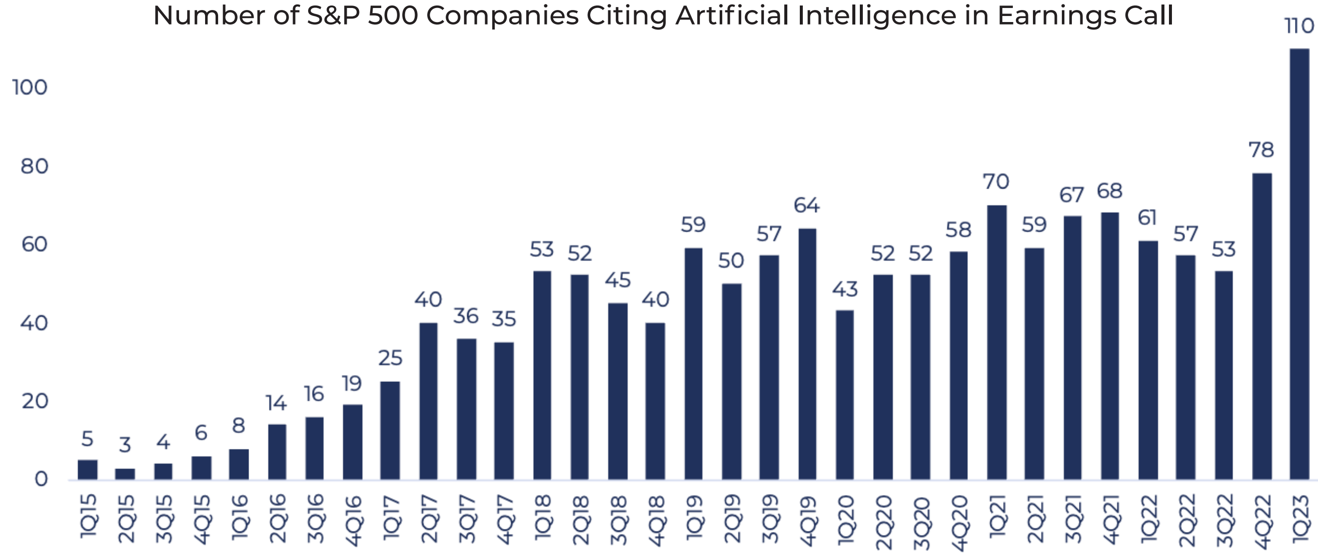
May in Review (continued)

that AI has had on increasing demand for computing power, data center capacity and the overall need for complex semiconductor chips. However, there are a range of use cases that extend beyond the IT sector, as the potential for automation, data processing, supply chain management, and better analytics can be rolled out across a range of industries, leading to meaningful value creation opportunities. It is worth noting that AI is not a new phenomenon, but the launch of ChatGPT in early 2023 was the first consumer facing AI application and has therefore driven significant attention to the technology. The jury may still be out on how effectively each business will be able to leverage AI, however, this did not stop company CEOs from espousing its value. The number of S&P 500 companies citing AI on their earnings call has more than doubled over the last 6 months and, in many cases, has been richly rewarded by the market.

Number of S&P 500 Companies Citing Artificial Intelligence in Earnings Call



Source: FactSet. Data as of May 31, 2023.

A Weak Consumer? Yes and No.

For all the buzz surrounding the IT sector, it was a completely different story for Consumer Staples, which fell 6.7% over May. In general, the consumer is in good shape, particularly in the US, but also showing good resilience in the Eurozone as well. In many parts of the world, tight labor markets and a generous pandemic stimulus have helped wage growth for lower-income workers keep pace with inflation, and in some industries, surpass it. The balance sheets of the middle class have also improved, which has helped to drive consumption. Focusing on the high-end discretionary sector, the incomes, wealth, and spending power of the richest has created the prospect of stable results throughout the cycle, with spending on discretionary items remaining at record levels. However, consumption patterns at the lower income levels are starting to shift. When analyzing the consumer, based upon different income quartiles, a real difference is starting to emerge. A proxy for the lowest income quartile is the demand for dollar store products and low-price retail consumption. Over the month of May, large US retailers (particularly at the lower end) reported earnings and noted several signs of changing consumer behavior:

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May in Review (continued)

Dollar Tree: Reported a big demand shift away from durable goods towards food. CEO Rick Dreiling noted "the consumer continues to be under pressure. There are simply fewer dollars available to them, and those dollars are not going as far as they did a year or two ago. [The shift to food is] a sign of families prioritizing needs over wants."

Walmart: Walmart also noted a shift in its sales mix from discretionary goods to groceries. CFO John Rainey said "at the headline level, consumer spending has proven resilient. But below the surface, we continue to see signs that customers remain choiceful, particularly in discretionary categories". As the largest retailer in the world, Walmart is a clear bellwether for changing consumer behavior.

Costco: Results indicated that customers are switching food preferences and are also trading down from brand names to store brands. CFO Richard Galanti explained that "historically, when there's a recession, we've always seen some sales penetration shift from beef to poultry and pork. We have also seen a 150 basis point increase in private label sales penetration [from last year] and a further 120 basis points [this year]."

In summary, the consumer remains a strong spender and is, by and large, absorbing price increases with little complaint. We therefore continue to believe in the Fund's Consumer Staples allocation, given the sector's strong quality characteristics and continued organic growth prospects. However, it is worth noting that across the discount spectrum (dollar stores, cut price retailers etc.), the lowest-income consumer segment is under increasing pressure and therefore appears to be changing spending habits. There is no longer such a clear picture of the "typical consumer", but rather an increasing bifurcation among income groups that must be kept in mind.

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SmartETFs

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.

Basis Point are a unit of measure used in finance to describe the percentage change in the value of financial instruments or the rate change in an index or other benchmark. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

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

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.