

DIVS

The SmartETFs Dividend Builder ETF

July 2022 Update



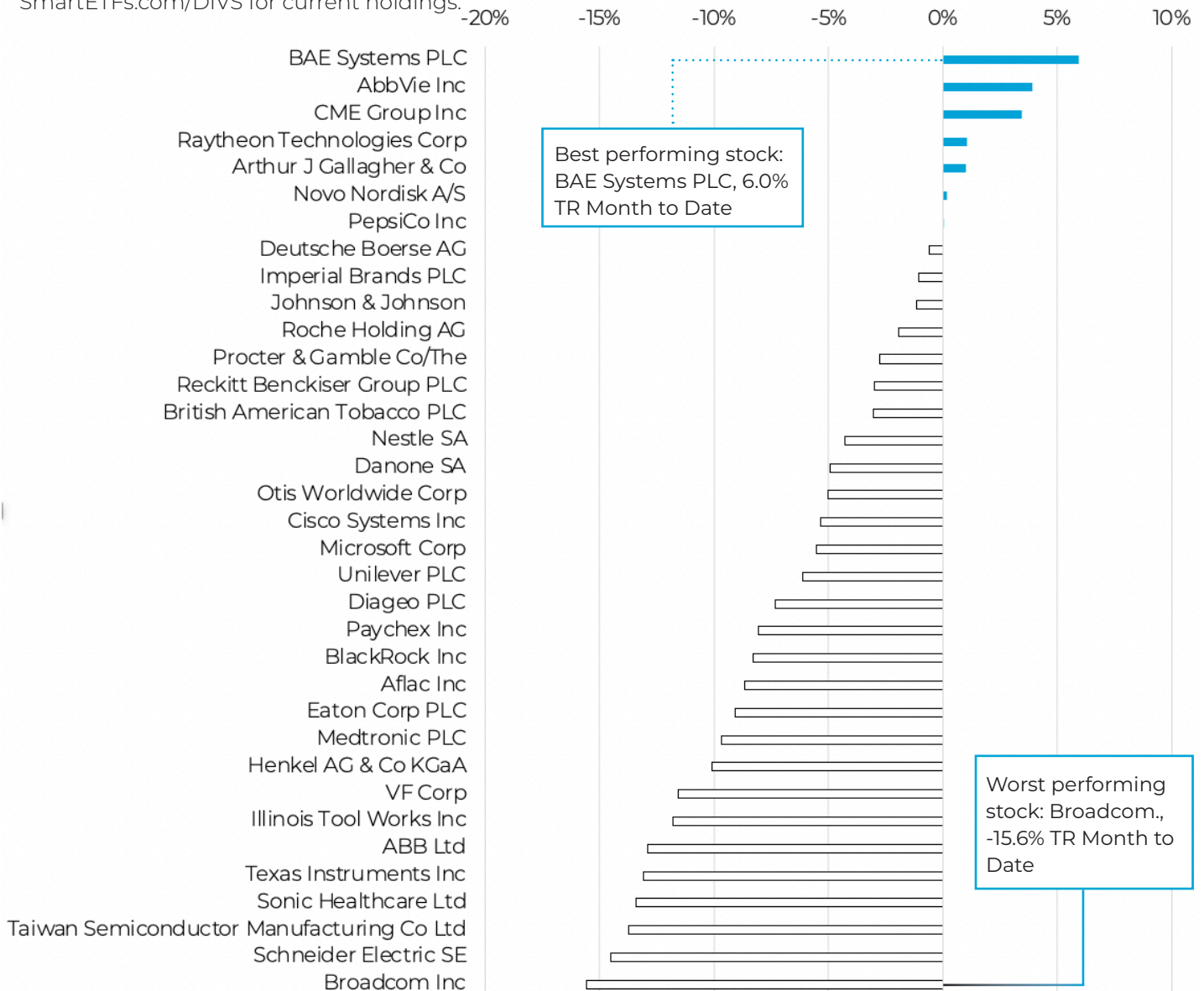
SmartETFs

Portfolio Performance

as of 6/30/2022

In June, DIVS was down -5.03% (NAV basis), while the MSCI World Index benchmark was down -8.66% (in USD). Over the month, equity markets continued their descent before staging a rally in the final week. The second quarter of 2022 was a continuation of many of the themes exhibited in the first quarter with inflation the main concern on investor's minds. Indeed, inflation continued to climb to decade-highs across developed markets, with the US reaching 8.6% in May while the Eurozone reached 8.1%. While inflation is a global issue, it is important to note the regional differences driving these headline numbers; in the US, wage growth continued to be a significant factor with the latest figures at 5.1%, whereas in Europe and the UK, commodity prices (principally energy and food) have continued to climb, exacerbated by Russia's invasion of Ukraine, and have been the primary inflationary driver. Read about how our stocks performed in this market on page 3.

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



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Portfolio Performance

As of 6/30/2022	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	-13.14%	-4.93%	9.92%	9.60%	10.33%	9.83%
DIVS at Market Price	-12.71%	-4.63%	10.06%	9.68%	10.38%	9.87%
MSCI World NR	-20.51%	-14.34%	6.99%	7.66%	9.51%	8.71%

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

30-Day SEC Yield (as of 6/30/22): 1.54% subsidized | 0.95% 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.

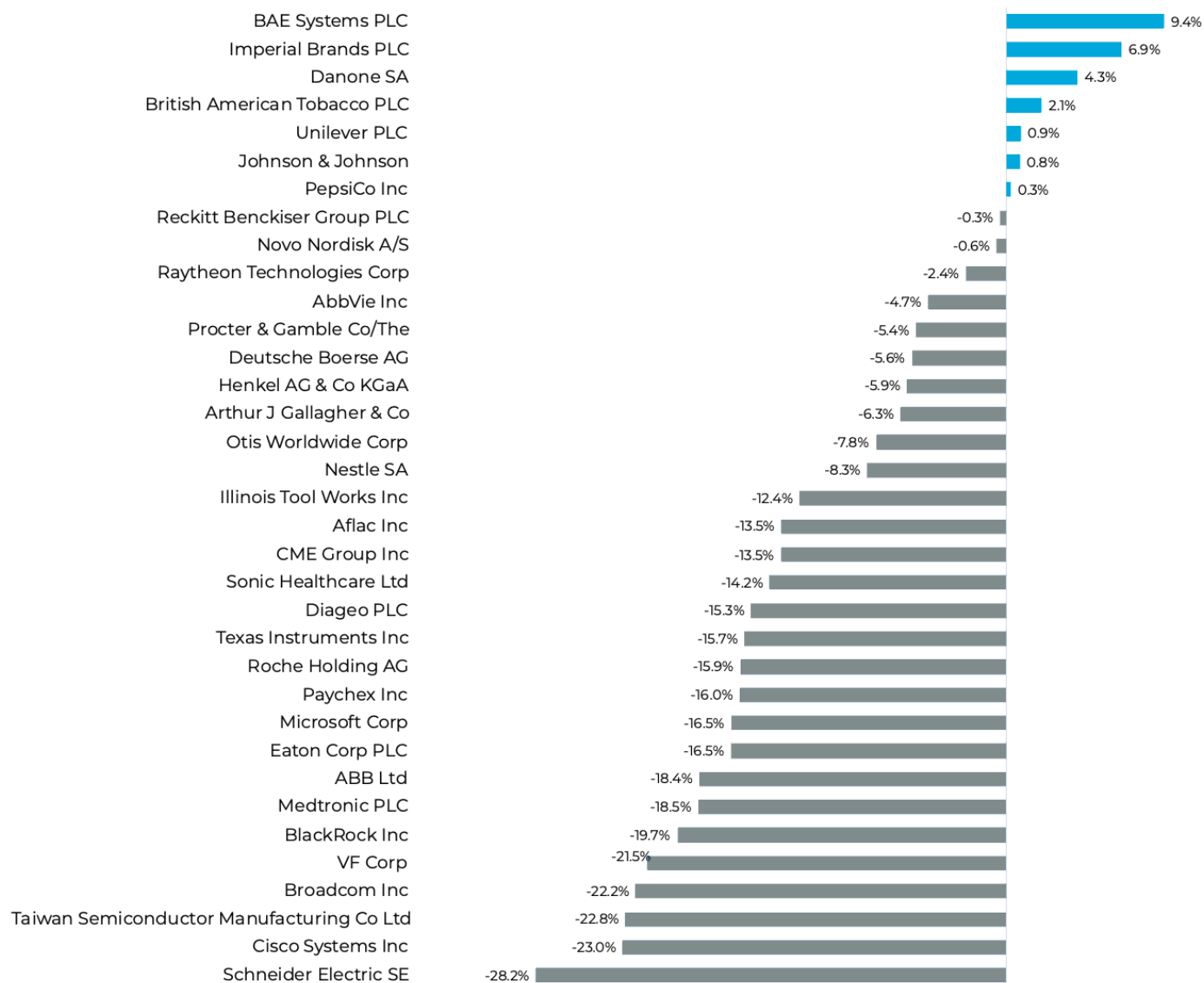
Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the 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](https://www.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.



Q2 2022 Stock Performance

Individual stock performance from March 31 to June 30, 2022



Individual stock performance from March 31 to June 30, 2022



Q2 2022 Stock Performance

Imperial Brands and **British American Tobacco (BAT)** were among the best performers in the quarter, returning 6.9% and 2.1% respectively (in USD).

Imperial Brands is the world's 4th largest cigarette and tobacco manufacturer (by market cap) and sells products under brands including Davidoff, West, Golden Virginia, Drum and Rizla. While Imperial Brand's stock has proved resilient year-to-date, particularly strong share price performance came in May after the company reported pleasing half-year earnings results which beat analyst expectations and saw earnings per share (EPS) grow 7.7% year-on-year.

Revenues grew 0.3% overall in the half-year; tobacco revenue was up 0.1% as higher prices were able to offset a 0.7% decline in volumes, while sales of its next generation products, which include Pulze heated tobacco and blu e-cigarettes, saw an 8.7% rise, driven by a strong performance in Europe

In addition, management announced that the company's "recovery strategy" involved investing to improve market share performance in 5 key markets (US, the UK, Germany, Spain, and Australia) as well as lowering group debt. On the former, having seen aggregate market share decline by c.30bps per year over FY16-20, it was broadly flat in FY21 and grew +25bp in H1 2022, with additional investments planned for H2 2022. In terms of debt, the group reduced net debt by £1.1bn year-on-year, and net debt/Ebitda at 2.4x is now within the company's target range of 2-2.5x – which could presage a move to repurchase shares via a buyback policy.

Management also said that it is now ready to launch the Pulze heated tobacco device and ID heatsticks in major European markets following successful trials in Greece and the Czech Republic. Although Next Generation Products (NGP) remains a small part of Imperial Brand's portfolio, a successful range of products would likely be well rewarded by the market – as it would be seen as offsetting the long-term combustible tobacco volume declines Imperial Brands trades at a 1-year forward price-to-earnings multiple of c.7x (vs the MSCI World Index figure of c.15x) and provides a dividend yield of c.8% (vs the MSCI World Index figure of c.2.2%).

British American Tobacco (BAT) is the world's largest cigarette and tobacco manufacturer by revenue, selling well-known brands such as Lucky Strike, Dunhill, Kent, Pall Mall, B&H and Camel. Low manufacturing costs, inelastic demand, and significant pricing power enables BAT to maintain high profit margins, and in turn return capital to shareholders. Gross margins are consistently ~80%, and BATS has a strong balance sheet with high cash flow conversion; the dividend yield is 6.8% and the 1-year forward price-to-earnings ratio stands at 9.4x.

While the threats to tobacco businesses are well known (e.g. fall in cigarette smoking, increased regulation, higher taxes, slow growth of alternative products), the share prices of BAT and Imperial Brands have both performed well in 2022 so far as investors have sought companies with high dividend yields and low valuations and the safety of businesses with significant pricing power lower cyclicality.



Q2 2022 Stock Performance

Schneider Electric and **Cisco** were among the worst performers in the quarter, returning -28.2% and 23.0% respectively (in USD).

Schneider Electric was the weakest performer over the quarter (-28.2% in USD). During the past three months, broader macroeconomic factors continued to weigh on the stock. Notably, stringent Chinese domestic policy and persistent lockdowns in Shanghai have impacted Schneider Electric's local manufacturing and distribution centers. Input shortages particularly affected the high-margin process automation division, which experienced delivery challenges stemming from semiconductor chip availability. Management flagged supply chain issues as a current headwind to both top-line growth and margin expansion in the short-term, but adopted a cautiously optimistic outlook for H2. Nonetheless, the supply chain woes over the quarter led to negative sentiment, which saw the PE multiple of stock fall from recent highs.

However, despite these headwinds, Schneider Electric maintained strong guidance for FY 2022, reiterating 9-13% EBITDA growth and a +30bps to +60bps EBITDA margin improvement – so the fall in the stock appears to be driven by sentiment, and not by fundamentals, at this stage. Strong and improving fundamentals coupled with the ongoing trends of electrification, automation, & digitization leave the company well placed to benefit from attractive industry growth over the longer-term.

Cisco (-23.0% in USD) was also one of the weaker performers in the quarter. Part of the relative underperformance can be attributed to a broader rotation out of large cap US technology names, a trend which started at the beginning of the year and has broadly continued throughout the second quarter. Cisco also posted a mixed set of earnings, marginally beating on EPS but missing top line revenue estimates by c. 4%. This raised concerns over the sustainability of demand, faced with a potential economic slow-down and the shift of computer workloads to the cloud, which may lead to fewer data center hardware sales. The firm also outlined weak guidance, citing the familiar, albeit concerning, headwinds of Chinese lockdowns and supply disruptions over the next quarter and throughout FY 2022. Updated forecasts of a 1% to 5.5% top line contraction sent shares tumbling 17% USD over the next two trading sessions, and the stock remained largely unchanged for the rest of the quarter.

However, we continue our favorable outlook for the company. Management explained that despite the declining top line, demand remains buoyant with no sign of a slow-down in customer purchases. This would imply that fears of a long-term structural decline are overblown and, once supply chain pressures abate, Cisco will be well placed to continue growing its revenues. In the interim, the firm's strong balance sheet (\$27.1 billion in gross cash, \$11.1 billion in net cash) will allow Cisco to comfortably fund operations, pay down debt, and maintain its dividend.



Dividends Review

So far, in 2022, we have had dividend updates from 26 of our 35 holdings, and the average dividend growth in the Fund has been 7.5%.

- 23 companies announced increases for their 2022 dividend vs 2021. The average dividend growth of these companies has been 8.5%.
- 3 companies announced a flat dividend vs 2021.
- 0 companies announced dividend cuts.
- 0 companies announced dividend cancellations.

The average dividend growth across all companies that have announced dividend actions in the Fund has been 7.5%. Of the 23 that announced growth the average dividend growth of these companies is 9.1%.

Many of the Fund's Financials holdings have declared the largest year-on-year dividend increases:

- Aflac: Grew its dividend by 21.2% for 2022, following the 17.9% growth in 2021.
- Blackrock: Grew its dividend by 18.2% for 2022, following the 13.8% growth in 2021.
- CME Group: Grew its dividend by 11.1% for 2022, following the 5.9% growth in 2021.
- Deutsche Boerse: Grew its dividend by 6.7% for 2022, following the 3.4% growth in 2021.
- Arthur Gallagher: Grew its dividend by 6.3% for 2022, following the 6.7% growth in 2021.

The Fund's dividend yield at the end of the quarter was 2.4% (net of withholding tax) vs the MSCI World Index's 2.2% (gross of withholding tax).

A moderate dividend yield – albeit higher than that of the Index – is characteristic of the Fund because 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.

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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.

Basis Points (BPS) refers to a common unit of measure for percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

EBITDA or earnings before interest, taxes, depreciation, and amortization, is a measure of a company's overall financial performance and is used as an alternative to net income in some circumstances.

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 and demand. The price at which quantity supplied equals quantity demanded is the market price.

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

Dividend yield is calculated by adding the dividends paid over the last 12 months and dividing by the current share price.

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.

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.

Must be preceded or accompanied by a prospectus. Read the prospectus or summary prospectus carefully before investing.

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