DIVS

The SmartETFs Dividend Builder ETF

August 2022 Update

SmartETFs

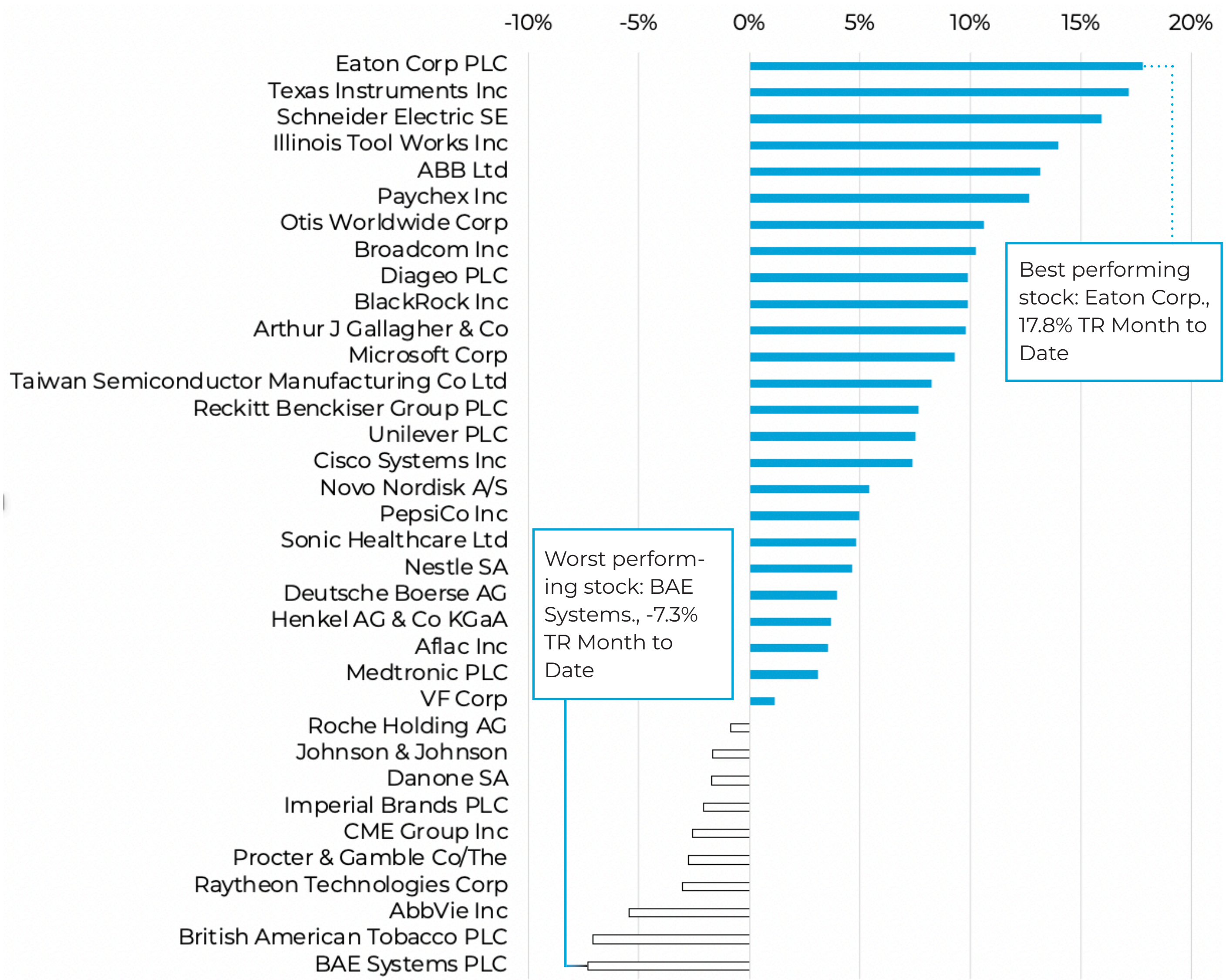
Portfolio Performance

as of 7/31/2022

In July, DIVS was up 4.67% (NAV basis), while the MSCI World Index benchmark was up 7.94% (in USD). In the Fund, though our cyclical and growth-orientated stocks benefitted from the style rotation in the month, underweight exposure to the Consumer Discretionary and IT sectors dragged on active performance. Overweight positioning to quality-defensive stocks in the Consumer Staple and Healthcare sectors also did not bode well in the month, having been beneficial to Fund performance year-to-date.

In DIVS, we have a fairly even balance between quality defensive and quality cyclical/growth companies: we have approximately 45% in quality defensive companies (e.g. Consumer Staples and Healthcare) and around 55% in quality cyclical or growth-oriented companies (e.g. Industrials, Financials, Consumer Discretionary, Information Technology, etc). While the defensive names tend to have lower beta and hold up better when markets are falling, the cyclical holdings allow the Fund to maintain performance when markets are rebounding and rising. We believe that within these more cyclical sectors we are owning the “quality” businesses and all the companies we seek to invest in have strong balance sheets and persistent profitability.

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



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As of 7/31/2022	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	-9.09%	-2.82%	11.64%	10.51%	10.64%	10.23%
DIVS at Market Price	-8.61%	-2.26%	11.80%	10.60%	10.68%	10.28%
MSCI World NR	-14.19%	-9.16%	9.57%	8.81%	10.20%	9.44%

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 7/31/22): 1.47% subsidized | 0.87% 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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Portfolio Changes

We made four changes to the portfolio holdings in the month.

We sold positions in British American Tobacco, Imperial Brands, BAE Systems and Raytheon Technologies. The four companies we sold each rank within the top five best performing companies in the portfolio so far in 2022 and we felt this was an opportune time to bank the strong relative performance of these names.

As part of our one-in-one-out process, we bought new positions in Coca Cola, Mondelez, Emerson Electric and Atlas Capco.

In terms of sector allocation, having bought and sold two Consumer Staple stocks and two Industrial stocks, the overall positioning of the Fund remains largely unchanged. We continue to maintain a fairly even balance between quality defensive and quality cyclical/growth companies. We have approximately 45% in quality defensive companies (e.g. Consumer Staples and Healthcare) and around 55% in quality cyclical or growth-oriented companies (e.g. Industrials, Financials, Consumer Discretionary, Information Technology, etc).

Regionally, the changes increase our US and European ex-UK exposure, while reducing our UK exposure.

Sells

- Imperial Brands & British American Tobacco

Markets this year have favored deeper-valued tobacco names, and our decision to sell these were therefore largely motivated by an opportunity to bank profits given that we are not convinced that a continued Value rally is likely to persist. Our view stems from the fact that commodity prices have started to fall; central banks are starting to get tough on inflation with aggressive interest rate rises; there has been a large derating in tech stocks while many are starting to see strong earnings results; and the market now understands that slower growth/recession is a given for most economies. Markets being anticipatory are now therefore looking to see what happens when inflation starts to fall.

Although the re-rating we have seen this year in British American Tobacco and Imperial Brands has been strong, nothing dramatic has changed in terms of the outlook for the companies over the course of this year. They continue to offer low levels of growth driven by price increases that offset volume declines, and the question regarding the extent that they can diversify their businesses away from tobacco and into next generation products remains the big issue. Regulatory headwinds are only going in one direction, and we felt that given our macro-outlook, this was an opportune time to bank the c.27% relative outperformance for Imperial Brands and c.39% outperformance of British American Tobacco (year-to-date vs the MSCI World Index).

For the two tobacco names we have replaced them with two Consumer Staple companies in Coca-Cola and Mondelez. As we have written above, we believe Consumer Staples companies with premium

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Portfolio Changes (continued)

brands have very strong pricing power and this was demonstrated very clearly in their Q2 earnings results.

Buys

+ **Coca-Cola & Mondelez**

Coca-Cola requires no introduction. It is the world's largest non-alcoholic beverage company and owns 5 of the world's top 6 carbonated drinks: Coca-Cola, Sprite, Fanta, Diet Coke, Coke Zero. Operationally, the firm focuses its manufacturing efforts early in the supply chain, making the concentrate (or beverage bases) for its drinks that are then processed and distributed by its network of more than 100 bottlers. Concentrate operations represent roughly 85% of the company's unit case volume and 55% of total revenue. Further, Coca-Cola reaches thirsty consumers in more than 200 countries: North America is the largest geographic segment, accounting for about 35% of revenue; the EMEA (Europe, Middle East, & Africa) segment provides nearly 20%; Asia-Pacific regions generate about 15%, followed by Latin America, which brings in approximately 10% of total revenue. Through its strong brand and huge scale, Coca-Cola has a wide moat and pricing power drives strong gross margins of c.60%. The company has also increased its dividend for 61 years.

Mondelez is one of the world's largest snack companies, and owns a pantry of billion-dollar brands including Cadbury, Toblerone and Milka chocolates; Halls candy; LU, BelVita, and Oreo biscuits; Trident gum; and Tang powdered beverages. Mondelez's portfolio of brands are organized into five product categories: its two largest – biscuits (cookies, crackers, and salted snacks) and chocolate – together account for about 80% of total revenue. The remaining product categories include gum & candy (c. 10%), cheese & grocery (c. 5%), and beverages (c. 5%). While the company is US based, Europe represents nearly 40% of revenue, North America brings in c.30%, Asia 20%, and Latin America c.10%. Mondelez split from Kraft Foods grocery business in 2012 and has grown its dividend every year since at an annualized rate of 13%. Fundamentally, the company also has a strong balance sheet and a high cashflow return on investment which it has increased every year for the last six (from 17% to 24%).

Sells

- **BAE Systems & Raytheon Technologies**

The two defense names, BAE Systems and Raytheon Technologies, have seen strong performance this year on the back of expectations of higher levels of defense spending in the West in response to the Russian invasion of Ukraine. BAE Systems has been the best performing company in the FTSE100 year to date, up 46%, and now trades at a 10-year high valuation. While one can build an argument to justify this historically high valuation given the new outlook for defense spending, changes in defense spending do not happen overnight, and many of the items the companies produce take many years to plan and execute. Both Raytheon Technologies and BAE Systems produce highly sophisticated pieces of hardware that are not necessarily straight-forward to ramp up volumes.

Portfolio Changes (continued)

In their place we have purchased two industrial companies: a US conglomerate in Emerson Electric and Swedish Atlas Copco. These companies offer faster growth in less regulated markets than the defense companies and we believe that both businesses are likely to be better rewarded in the eventual recovery phase of the cycle.

Buys

+ Emerson Electric & Atlas Copco

Emerson Electric is a multi-industrial conglomerate that operates under two business platforms: Automation Solutions, and Commercial and Residential Solutions. The latter is further subdivided into two operating segments: Climate Technologies, which sells HVAC and refrigeration products and services, and Tools and Home Products, which sells tools and compressors, among other products and services. Commercial and Residential Solutions boasts several household brands, including Copeland, InSinkErator, and RIDGID. Automation Solutions is most known for its process manufacturing solutions, which consists of measurement instrumentation, as well as valves and actuators, among other products and services. Roughly half of the firm's geographic sales take place in the US, 30% in Asia and MENA, and 20% in Europe. The company has a leading market share position in various product categories as switching costs and brand awareness are high. There is a large addressable automation market creating a large potential growth runway, and the business also benefits from high free cashflow generation, a strong balance sheet and 65 years of dividend increases.

Atlas Copco is a 140-year-old Swedish company and a pioneer in air compression technology. Today, the company is still the world's leading air compressor manufacturer, with around 25% market share. The company's product portfolio includes power tools and vacuum pumps; equipment is highly engineered, often with customization and application-specific variations. To that point, equipment sales are done by engineers and end markets for the company's compressors are diverse, from automotive assembly to food processing. The economic cycle can cause short-term demand volatility, but the company's flexible cost structure and large portion of service revenue underpin gross margins c.40%. Maintenance services and spare parts contribute more than 30% of group revenue, and Atlas Copco leverages its large service operation by training its technicians to service competitors' equipment as well its own.

Further, as a pioneering company, Atlas Copco possesses a patent-protected deep expertise in air compressors. Its compressor portfolio is geared toward high-end compressors, with less exposure to lower-end basic compressors available, for example, in hardware stores. Through the years, Atlas Copco has developed several important innovations that allow it to charge a premium for its products and defend its leading market share position. The most recent of these innovations is its line of variable-speed compressors, which offer 35% energy savings on average versus fixed-speed compressors.

Earnings Review

July saw the kick-off of the Q2 2022 earnings season and like last quarter, companies had difficult comps versus unusually high earnings growth in Q2 2021. In the US, Q2's earnings growth of 6.0% was actually better than the 4.0% expected at the beginning of the quarter. This, along with the fact that analysts have not taken down estimates for the second half by as much as feared, has been supportive of stock prices. Currently, Q3 and Q4 US earnings growth estimates are 6.7% for both quarters, down from about 10% for each, as companies seem to be holding on to above-average profit margins.

In the Fund, we have particularly seen this to be the case in our Consumer Staples holdings. Our companies delivered another quarter where they demonstrated strong pricing power; so far, on average, our holdings increased their prices by 9% – and despite these higher prices – increased volumes by 3%. Our consumer names sell low-cost everyday essentials, such as food, household & personal products, which have inelastic demand. This essentially means that if prices increase, demand drops by proportionally less than the price increase – in essence, this allow margins to be maintained in times of higher inflation, since costs are passed on to the consumer.

This was demonstrated by **Coca-Cola**, a new addition to the portfolio in July. Coca-Cola grew its top line by 20% over the quarter to $11.3 billion. Faced with input cost inflation from rising commodity prices and growing freight costs, the firm managed to successfully pass-through prices, with little impact on demand. Price and product mix led to 12% growth, and volumes rose 8%, showing healthy consumer demand for their beverages. These improvements were propelled by strategic pricing initiatives, greater sales in away-from-home channels and an increased emphasis on premium & value tier sales. Promisingly, CEO James Quincy noted that they "are yet to see any significant contractions in consumption and therefore see the route for further price increases. This will vary from market to market… depending on where you are (but given continued inflation) we're going to err towards taking price increases". Regarding price elasticity, he "fully expects that price elasticity will increase at some point in the future but are leaning into investing behind the brands so that (they) earn the right for the price increases". We are encouraged by the strong underlying pricing power and inelastic demand that Coca-Cola displays.

These two factors were also highlighted by **Mondelez**, another new addition to the Fund in July. Mondelez recorded 13.1% organic revenue growth (+8.0% from price increases and 5.1% from volume increases) over the past 3 months. Excluding North America, which has been suffering from significant supply constraints, the firm was gaining/holding share for approximately 75% of their revenues (55% including North America). With elasticities remaining low in most regions (particularly emerging markets where price and volume grew by more than 9% each), we believe the firm can continue to navigate the inflationary environment well. The broader trend of strong consumer demand meant a meaningful upgrade to organic revenue guidance, from +4% to +8% for the year.

Pepsico Chairman and CEO Ramon Laguarta also explained that "in the short term, yes, we'll have inflation in Sales & Distribution, and we'll have inflation in some of the manufacturing… It's not like nobody is isolated from inflationary pressures." CFO Hugh Johnston added that "we are facing inflation like every-

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Q2 2022 Stock Performance

one else. We're in the teens in terms of commodity inflation. That will continue, but a little bit higher in the back half of the year… but we are taking enough pricing to be able to manage the inflation, and our focus is much more on how we drive costs out of the business"

Reckitt Benckiser also had a solid quarter, off the back of growing baby formula sales, and management believe this positive momentum is set to continue. CEO Laxman Narasimhan shared "I'm very pleased to say today that we are raising both our full year revenue and margin expectations. And our transformation is not just on track, it is already delivering mid-single-digit revenue growth". Group CFO Jeffrey Carr added "regarding the outlook for the full year, we've increased our expectations for like-for-like net revenue growth to a new range of 5-8%. Compared to where we were in February, we've increased expectations across the board"

In a similar manner, Eaton Corp – the best performer in the Fund in July (+17.8% in USD) – reported earnings of a similar strength. The power management firm announced record adjusted EPS of $1.87 for the period, up 9% year over year (y-o-y). Despite the flat top line growth, revenues coming in fractionally under consensus at $5.22bn, the firm posted record segment margins of 20.1%, a 150basis points improvement and above the upper end of guidance. We are also encouraged by strong order numbers (12 month rolling average up 29%) as well as a big increase in backlog (up 89% Y-o-Y) indicating a positive growth runway ahead. This demand was particularly pronounced for the Electrical and Aerospace segments, but the company also sees positive secular growth across the rest of the portfolio. Despite a challenging macroeconomic backdrop, Eaton raised its full year 2022 guidance: they now see organic growth up 11-13% (previously 9-11%) and forecast adjusted EPS of between $7.36 and $7.76, a 1% improvement on the bottom line.

Schneider Electric also echoed this positive sentiment and saw strong demand for their energy efficiency products. CEO JP Tricoire noted that "structural demand is very strong. We are (therefore) upgrading our guidance on growth by two percentage points as a reflection of strong demand we see across all our regions. We supply technologies for energy efficiency. Six months ago (demand) was for the purpose of sustainability but now it has become a way to be resilient given energy prices and energy excess."

Finally, Texas Instruments posted a positive set of quarterly results and guided for better-than-expected full year targets too. However, unlike much of what we have seen elsewhere in the market, Texas Instruments have not been aggressively increasing prices to offset inflation. Instead, they are continuing to price "aggressively" relative to peers (i.e. below competitors) in order to gain market share. Whereas peers often have to outsource their manufacturing capabilities to foundries, which are capacity limited and hence are passing price increases on to these peers, Texas Instruments operate their own foundries to manufacture their products. Not only does this mean they do not face the same level of input cost

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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.

This follows the Fund seeing 0 cancellations in 2021 and 2020.

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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.

FTSE100 Index, also known as the Financial Times Stock Exchange 100 Index, is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.

Free Cash Flow (FCF) is the cash flow available for the company to repay creditors or pay dividends and interest to investors.

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.

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.

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.