



Portfolio Performance

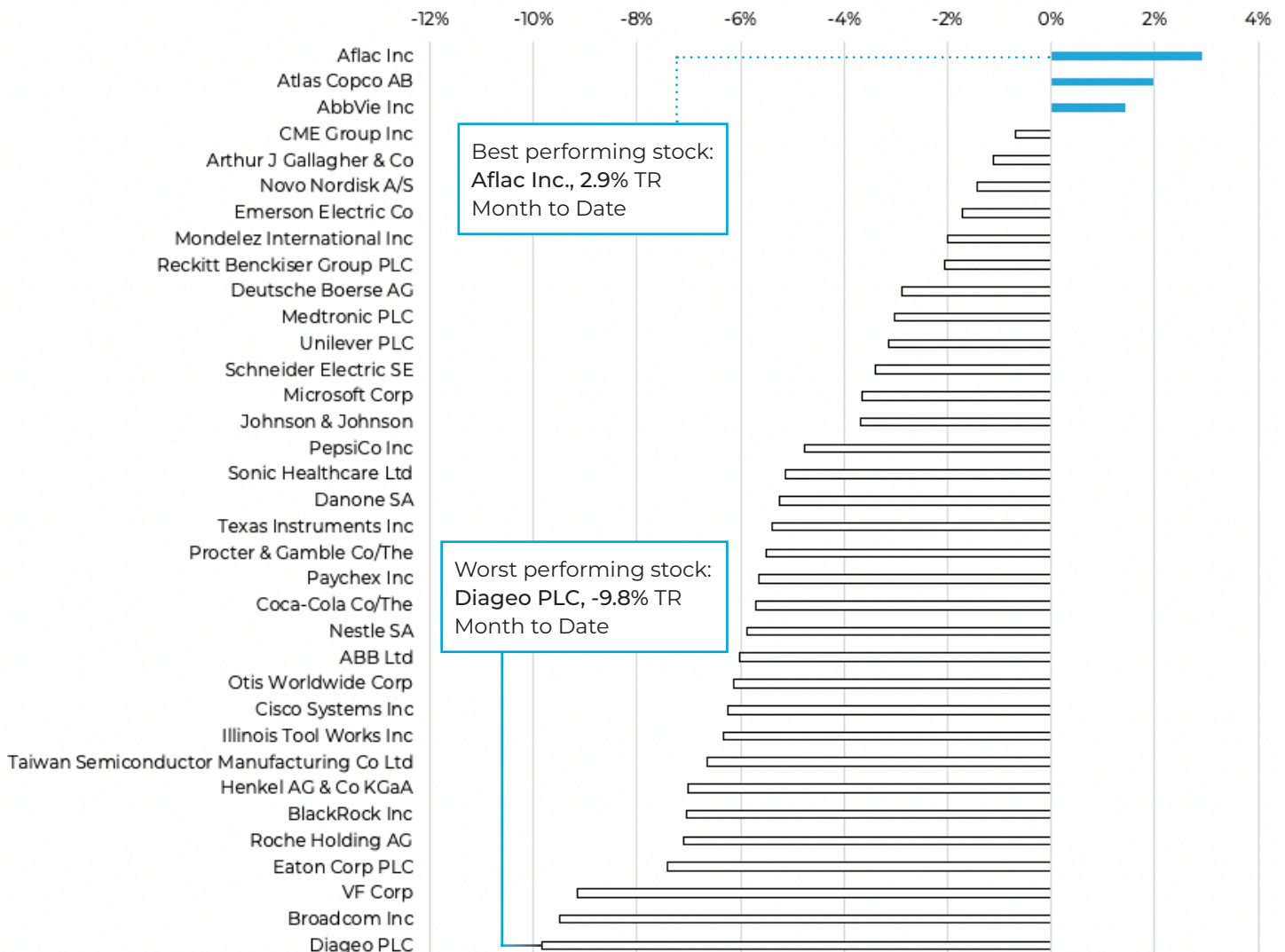
as of 09/30/2023

In August, DIVS was down -4.37% (NAV basis, -4.59% market price), while the MSCI World Index benchmark was down -4.31%. Over the quarter, Fund performance versus the benchmark can be attributed to the following:

- A zero-weight allocation to Energy, which was by far the best performing sector, returning +11.5%. The Fund also has a zero weighting to Communication Services, which returned +1.5%, and was the only other sector to see positive returns over the quarter.
- The fund did however benefit from its underweight to IT (14.8% weighting vs 21.8% for the index) as the sector underperformed (-6.1%).
- Additionally, the Fund benefited from strong stock selection across a range of sectors including Health-care, Financials, and Industrials. Good performance from individual names including Novo Nordisk (15.1%), Aflac (10.6%), and Emerson (7.4%) all acted as a tailwind over the quarter.

Read on for our latest dividend update (so far this year, we've gotten dividend updates from 31 of our 35 holdings), and our quarterly review covering the fund *and* the sector.

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



DIVS

The SmartETFs Dividend Builder ETF

October 2023 Update



SmartETFs

Portfolio Performance

As of 09/30/2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	6.41%	20.44%	10.10%	9.13%	8.64%	9.71%
DIVS at Market Price	6.26%	20.75%	10.16%	9.17%	8.66%	9.72%
MSCI World NR	11.10%	21.95%	8.08%	7.25%	8.26%	8.99%

Expense Ratio: 0.65% (net) | 1.22% (gross)

30-Day SEC Yield (as of 9/30/23): 1.61% subsidized | 1.29% 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](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.



Dividend Summary

So far, in 2023, we have had dividend updates from 31 of our 35 holdings.

- 28 companies announced increases for their 2023 dividend vs 2022. The average dividend growth these companies was 8.2%.
- 2 companies announced a flat dividend vs 2022.
- 1 company announced a dividend cut.
- 0 companies announced dividend cancellations.

The Fund's dividend yield at the end of the quarter was 2.14% (net of withholding tax) vs the MSCI World Index's 2.13% (gross of withholding tax).

A moderate dividend yield, albeit ahead 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.

What did we see in Q3 2023?

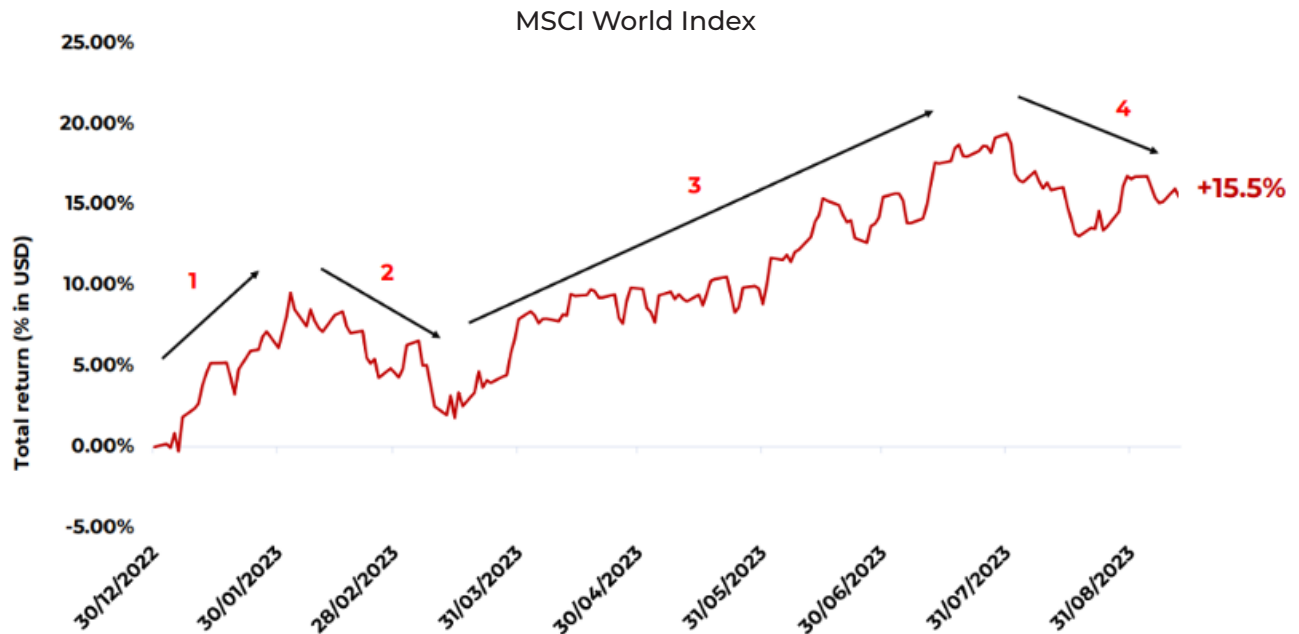
What Happened?

Global equities registered their first negative quarter of 2023. The MSCI World closed down -3.4% as did a broad swath of other global indexes across the US, EU, and Asia. The bumpy period for equity investors comes after a period of generally robust markets year to date, as illustrated by the chart below. In previous market commentaries we have discussed the periods shown by arrows 1, 2, & 3. In this market review, we will analyze the key reasons behind the latest draw down (shown in the chart by arrow 4).

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What did we see in Q3 2023? (continued)



Source: Bloomberg. Data as of September 30, 2023.

Reason 1: Higher for longer. Why we should probably trust the Fed.

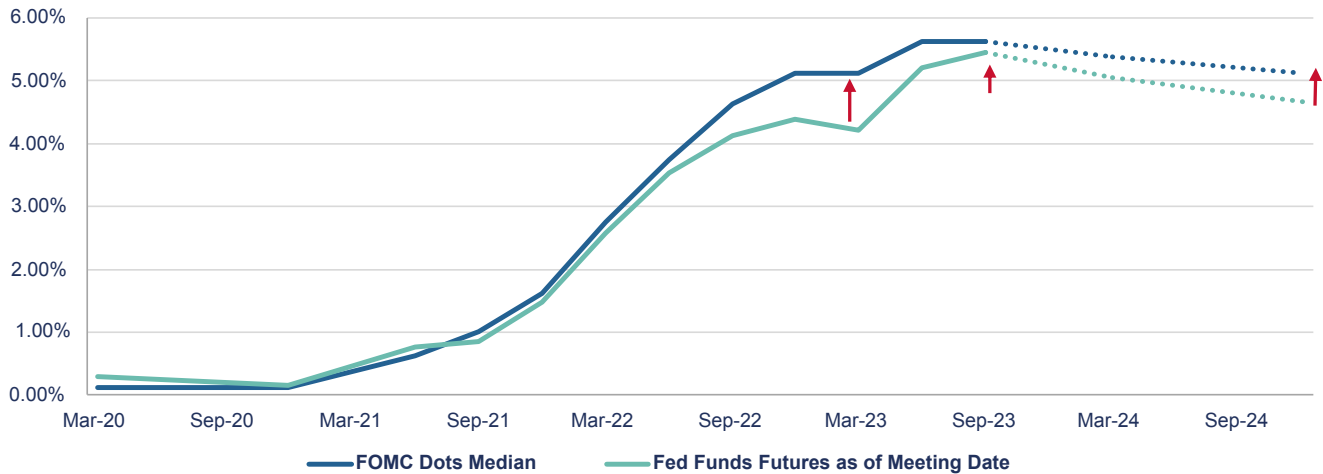
At last, the market finally seems to be pricing in tighter monetary policy. But why are we surprised? The Federal Reserve and indeed many of the top central bank policy makers (Bank of England, Bank of Canada, ECB) have all maintained a determinedly steadfast mantra (“rates will be higher for longer”). And while the market had not fully priced in such aggressive monetary policy earlier in the year (in effect, calling the Fed’s bluff), this has notably changed over the last 3 months. The long end of the US yield curve is starting to reprice and is now more in line with the Fed’s policy guidance. This was, in part, prompted by the last Fed meeting in late September, where US policy makers struck an emphatically hawkish tone and released a dot plot which showed continued tight monetary policy into 2024, as opposed to the cuts previously forecast. The market’s appetite for bluffing appears to have diminished.

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What did we see in Q3 2023? (continued)

Fed Dot Plot Median vs Fed Funds Futures as of Meeting Date



Source: Bloomberg & Federal Reserve Dot Plot. Data as of September 30, 2023.

Looking at the chart above, the gap that existed in early 2023 (arrow 1) has contracted substantially at present (shown by arrow 2). This suggests that the market is no longer bluffing the Fed, and that the “higher for longer” narrative is starting to be priced in. However, just as the market was too optimistic on the rate hiking part of the cycle, we can see that the market is also pricing in quicker cuts than the Fed has outlined (arrow 3). While the monetary easing cycle is yet to play out, the fact that market expectations have caught up with Fed guidance shows an acknowledgment of the uncertainty that remains in equity markets today.

To this point, it may be worth considering whether the interest rate mechanism is different to previous cycles. There is always a significant duration lag between central banks raising rates and the real economic slowdown, however the very low interest rates since the GFC have allowed businesses to extend duration throughout their capital structure and, in the case of consumers, take on personal debt (primarily mortgages) further into the future. When combined, this may now mean that the time lag between tighter monetary policy and real-world demand destruction has increased. This argument gives weight to the idea that rates will stay higher for longer.

Reason 2: It’s all about rates

In line with many of our recent market commentaries, it is evident that the path of rates and central bank monetary policy is a key driver of equity markets. Yet, earlier in the year, this did not hold quite as true. The frenzy of interest around AI in the previous quarters propelled the index higher, led primarily by

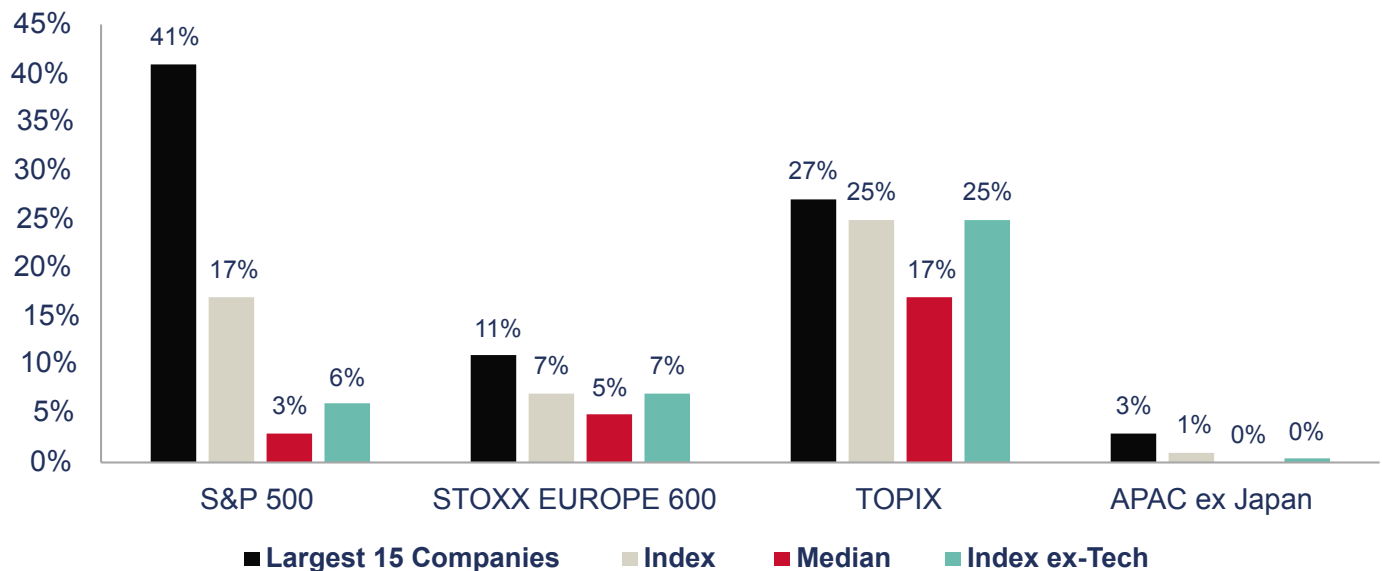
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What did we see in Q3 2023? (continued)

a narrow group of large-cap US tech stocks with strong AI exposure. This was the predominant growth driver but led to a notably uneven distribution of equity returns, as evidenced by the chart below. Year to date, the largest 15 companies have dominated index returns, with the rest of the market showing more modest gains, particularly the case in the US, but also holds true for the STOXX Europe600 and to a lesser extent APAC ex Japan.

Concentration of Returns by Index



Source: Datastream. Data as of September 30, 2023.

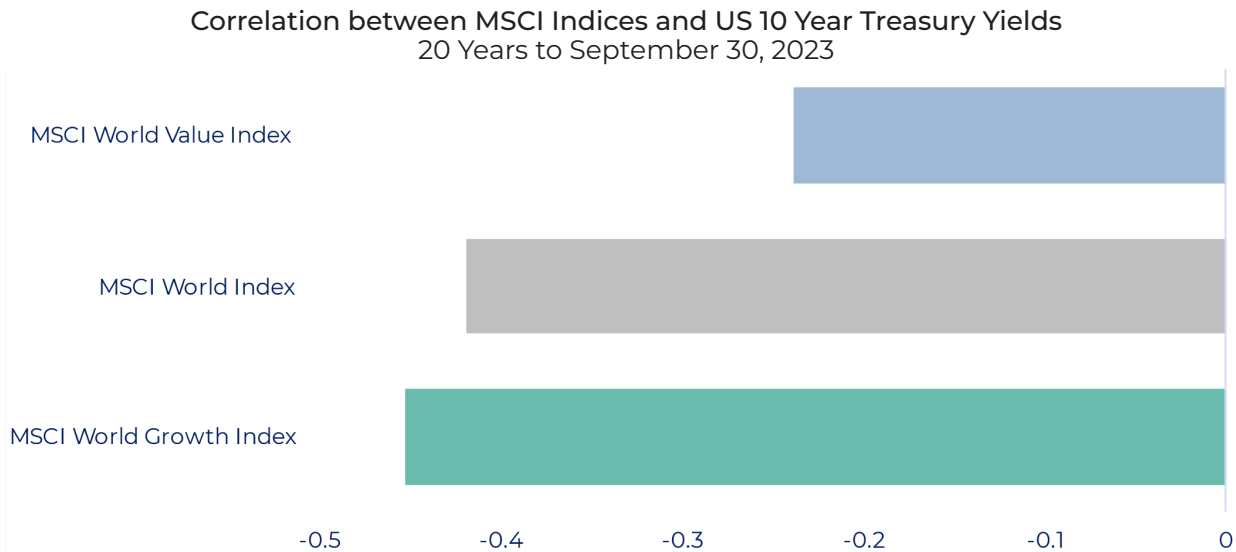
That said, over the last quarter, much of the AI hype has taken a back seat and the role of monetary policy has returned to the fore. It appears that the risk of tighter policy and higher interest rates has had a meaningful impact on equity returns.

The chart below shows that, over the past 20 years, there has been a moderate negative correlation (~ -0.45) between the MSCI and US 10yr treasury yields. However, it is also worth noting that this has been particularly pronounced since the start of June (once the AI hype started to take a back seat). Since then, this correlation has been -0.8, a much clearer indication that recent interest rates & interest rate expectations have been driving markets lower as tighter monetary policy fears continue to feed through.

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What did we see in Q3 2023? (continued)



Source: MSCI. Data as of September 30, 2023.

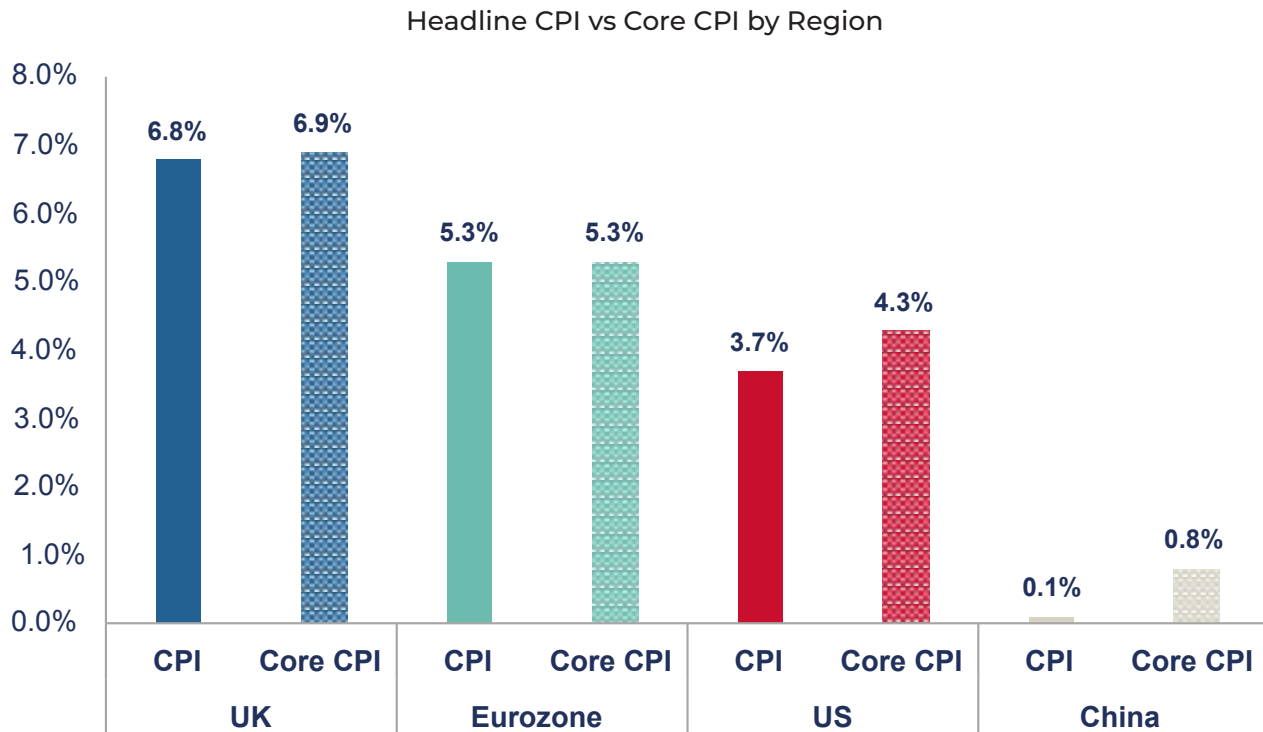
Reason 3: But Inflation is moderating, isn't it?

The simple answer is: it depends. At a high level, inflation has come down substantially from peaks earlier in the year, but it still has a long way to go. Headline inflation has fallen significantly, aided by the decline in volatile food & energy prices, which reached (in some cases) record highs earlier in the year. As these prices moderate, headline inflation has received some much-needed respite. However, when looking at core readings (which strip out the more volatile food and energy components), it shows a more concerning picture. Core inflation remains frustratingly sticky, and on an absolute basis, is still well above target policy levels in the Eurozone (5.3%) and the UK (6.9%).

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What did we see in Q3 2023? (continued)



Source: BLS, Eurostatm, BoE, NBS China. Data as of September 30, 2023.

The chart above shows the sticky underlying nature of inflation in more detail and highlights the stubbornness of core inflation, which remains notably higher than the headline figure across the US, UK, and China. Additionally, food & energy prices are particularly volatile at present, given a range of geopolitical risks on the horizon (including OPEC supply cuts and a Ukraine-Russia grain deal which has caused food price volatility). In sum, the current state of affairs (headline encouraging, core concerning) only serves to strengthen the higher for longer narrative.

Reason 4: Soft landing roller coaster. Will we, wont we.

The soft-landing narrative both gained and lost momentum over the quarter as investors continued to scrutinize almost every data point released. The market was pricing in a likely hard landing at the beginning of the year which seems to have switched to a likely soft landing just 3 months prior. However, over the back end of the quarter, the soft-landing narrative has weakened, with evidence of stickier inflation, the threat of surging energy costs, and a US labor market that may be starting to roll over. The latest dot plot data (outlined above) suggests the potential for further central bank tightening and as the Fed remains data dependent, so does the market. Each new release of GDP, jobs, and inflation data all paints an ever-more intricate macro picture.

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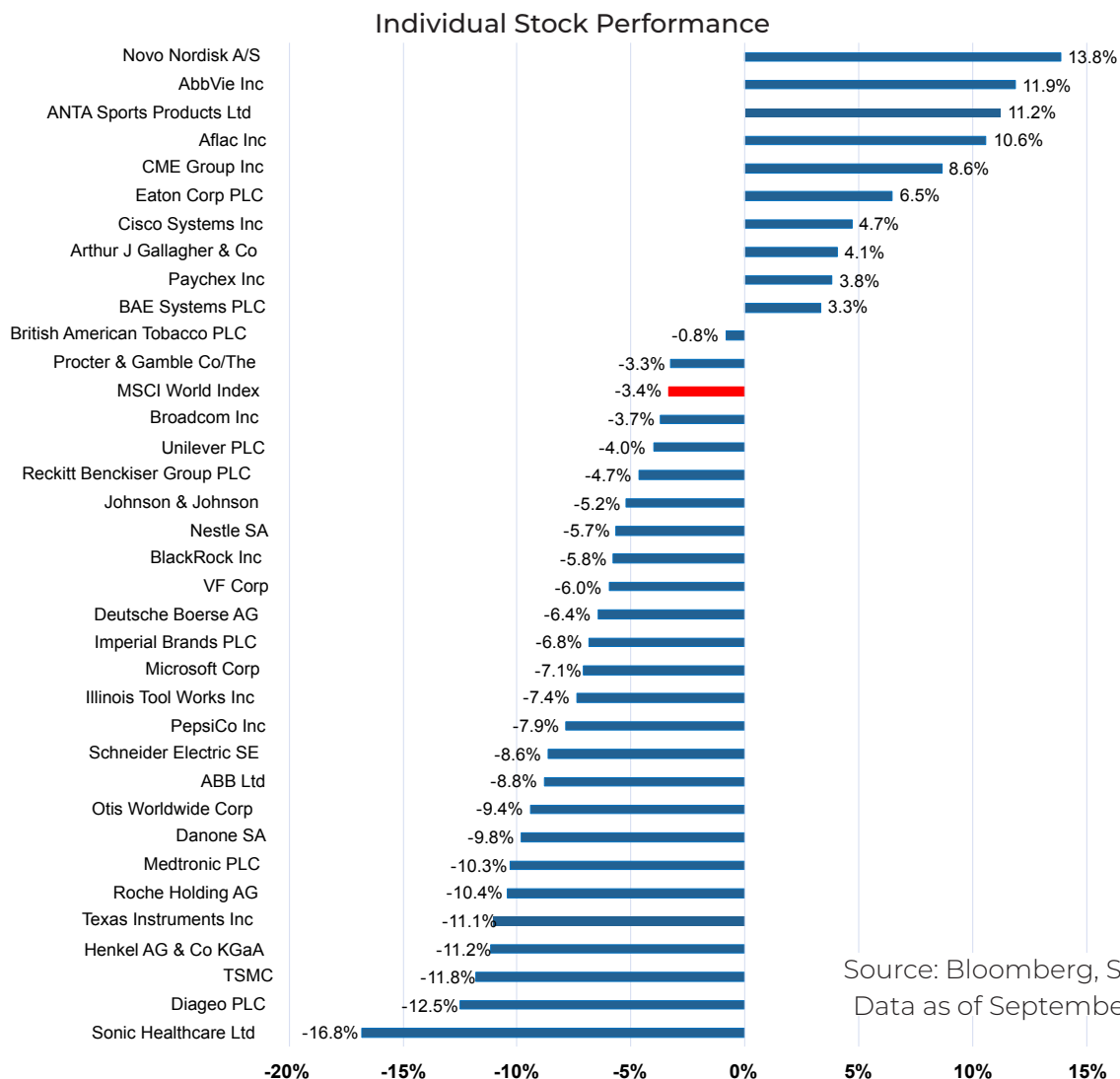


What did we see in Q3 2023? (continued)

Where this leaves DIVS

Given the selloff outlined above and the delicate macroeconomic environment, we believe that the argument for quality companies who pay growing dividends continues to stand. The uncertainty in the market continues to persist and, as such, the consistency of dividend income and the opportunity today for compounder-type growth companies (ahead of speculative growth names) especially in a “higher for longer” potential rate environment leaves the Fund well set up.

Stock Selection Over the Quarter



Source: Bloomberg, SmartETFs.
Data as of September 30, 2023.

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Stock Selection Over the Quarter (continued)

Novo Nordisk was the Fund's best performer (+15.1%), with the majority of gains coming earlier in the quarter. In August, the Danish pharmaceutical giant announced news that their flagship weight-loss drug Wegovy reduced the risk of strokes, heart attacks and other cardiovascular problems by 20% among overweight people with a history of heart disease. Shares jumped ~15% on the news, and they have held on to these gains, as the market now sees enduring demand for their weight loss product. To date, private insurers have been slow to cover Wegovy, and Medicare is barred from paying for weight-loss medications but as health outcomes continue to deteriorate, particularly in the US, the latest study bolsters the case for insurance coverage for the medication. At present, the drug costs more than \$1,300 a month, therefore any increase in insurance coverage would substantially grow the end market size. We see good momentum in the business, with sales growth accelerating (2yr forward sales compound annual growth rate of 22%) and we believe Novo Nordisk remain well placed to continue compounding on both the top and bottom lines.

It was also a strong quarter for fellow pharma giant **AbbVie**, which ended the quarter up 11.9%. The market was buoyed early in the quarter by an encouraging set of results, that beat consensus on both the top and bottom line. Additionally, the firm showed solid progress in growing out its future drug development pipeline, following the patent expiration on Humira, a two-decade monopoly on their blockbuster arthritis drug. As Biosimilars enter the market and continue to gain share given knockoff prices, AbbVie have shown real strength across the breadth of their portfolio. In August, AbbVie announced advances in its immunology pipeline with phase 3 trials starting for its promising Upadacitinib drug, targeted at alleviating skin damage and chronic inflammation. Additionally, much hope has been placed on two other immunology drugs Skyrizi and Rinvoq, which are guided to bring in more than \$15 billion in annual combined sales by 2025. Further favorable data came in towards the end of the quarter, highlighting Skyrizi's real efficacy in treating Crohn's Disease, and was shown to be more effective than competitor J&J's Stelara treatment. In sum, it was a positive quarter, and the future pipeline of products remains healthy.

Sonic Healthcare the weakest performer, closing down -17.2%. Earlier in the quarter, Sonic reported a weaker set of FY 2023 earnings. The Australian-based provider of medical diagnostic services noted weaker than expected results given a sharp rise in cost pressures (primarily from the pathology division) which caused firm wide margins to contract. Management attributed this pressure to "legacy" COVID costs, which came as a surprise to the market, given that such costs were expected to be well in hand. Additionally, FY 2024 guidance was marginally weaker given the challenging of absorbing cost inflation with prices largely frozen. However, despite these short-term challenges, we remain optimistic about the firm's long-term prospects. Sonic remains a high-quality stock with peer leading margins, low revenue cyclicity, and a range of attractive structural growth drivers which we believe will benefit the firm, once these short-term issues are worked through.

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DIVS

The SmartETFs Dividend Builder ETF

October 2023 Update



SmartETFs

Stock Selection Over the Quarter (continued)

Diageo also performed poorly, losing -12.5% over the quarter. The spirits market is seeing a deceleration in growth and a widely regarded survey on the market, the Goldman Sachs US Spirits Wholesalers survey, showed that US wholesalers were the most cautious on the growth outlook since 2020. Respondents expected weaker volume trends in the US, while the outlook for pricing was also more pessimistic. The US market makes up 35% and 42% of Diageo's 2022 sales & operating profit respectively, therefore signs of a cooling end market were a headwind for the stock. That said, we believe that the long-term thesis for Diageo remains firmly intact. They have a diversified portfolio of very strong brands, with a leadership position in Scotch, Gin, and Tequila and an attractive geographic footprint.

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.

S&P 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

Europe 600, or the Stoxx Europe 600 Index is a fixed number of 600 components, representing large, mid, and small-capitalization companies from 17 countries in Europe.

MSCI AC Asia Pacific ex Japan Index captures large and mid-cap representation across 4 of 5 Developed Markets countries (excluding Japan) and 8 Emerging Markets countries in the Asia Pacific region. With 1,309 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI World Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

MSCI World Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

US Purchasing Managers' Index (PMI) is an index that measures the month over month change in economic activity within the manufacturing sector. The PMI is based on a monthly survey of supply chain managers across 19 industries, covering both upstream and downstream activity.

Consumer Price Index is a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

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

NAV (Net Asset Value) A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding.

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.

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.