DIVS

The SmartETFs Dividend Builder ETF

February 2024 Update

SmartETFs

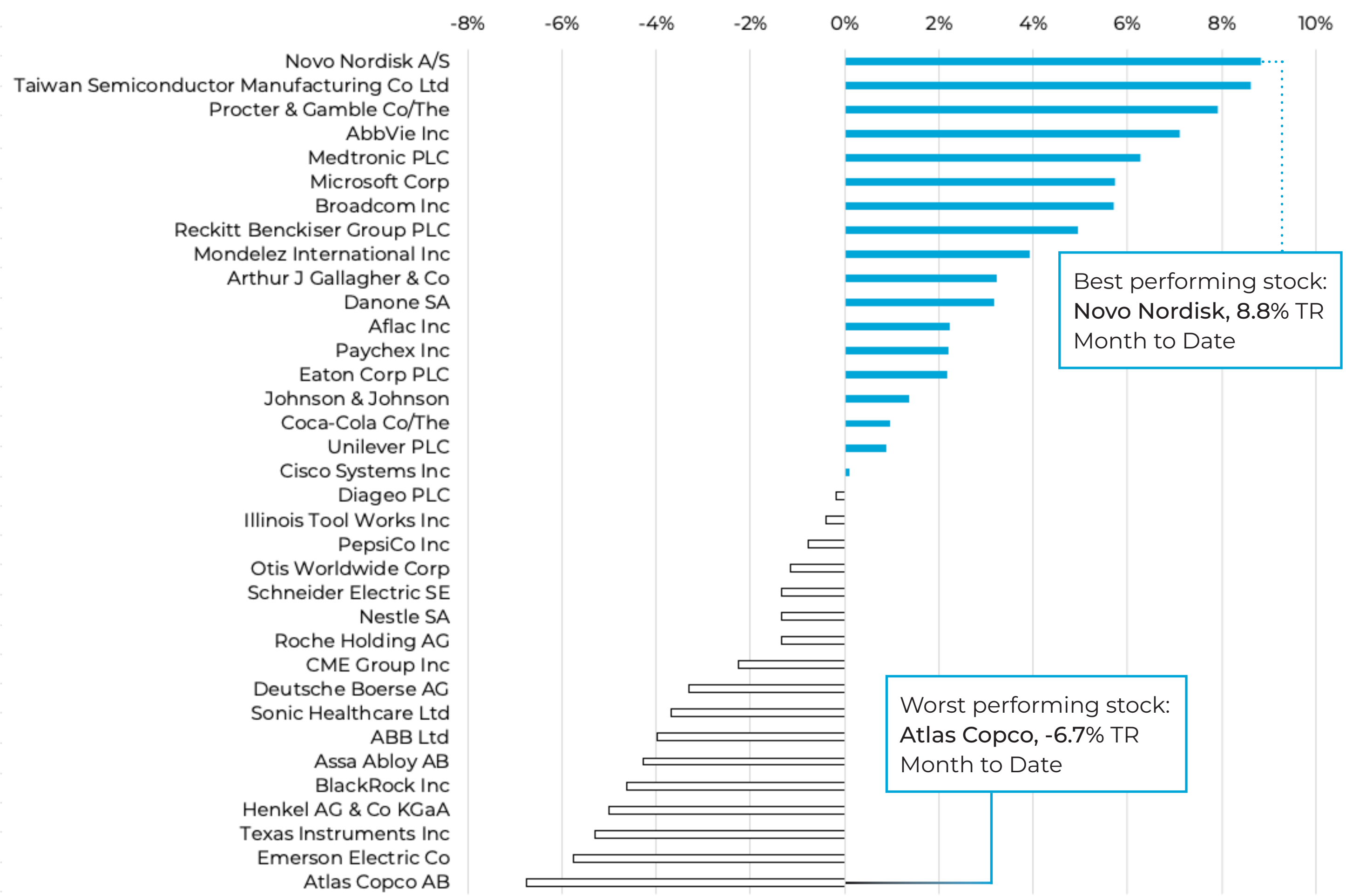
Portfolio Performance

as of 01/31/2024

In January, DIVS was up 0.62% (NAV basis, 0.42% market price), while the MSCI World Index benchmark was up 1.20%. Equity performance had a positive (albeit more varied) start to the year. Growth stocks also performed well (+2.1%) on the continued prospects of rate cuts in 2024, although this took a slight dent towards the end of the month, when the Fed dampened hopes of an early March rate cut. In the US, the S&P 500 Index reached record highs led, once more, by the Magnificent Seven. The US economy remains in good shape with a solid jobs report alongside a blow-out 4th quarter GDP print of 3.3% lifting sentiment. Conversely, emerging market equities suffered in January (-4.6%) which was led by weakness from China, despite newly announced stimulus from the People's Bank of China (PBOC). Over the month of January, Fund underperformance versus the benchmark can be attributed to the following:

- The Fund's underweight allocation to IT and the zero allocation to Communication Services, given that these were the two best performing sectors in the index.
- Additionally, the Fund's overweight allocation to Industrials was a headwind, as the sector had negative performance over January.
- However, the Fund did benefit from strong stock selection in Consumer Staples & Healthcare with Novo Nordisk (+8.8%) and P&G (+7.9%) performing particularly well.

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



SmartETFs

Portfolio Performance

Novo Nordisk was the Fund's top performer, gaining +8.8% over the month. The Danish pharmaceutical company is now the largest firm in Europe (~$400bn market cap), following wide-spread excitement over their new weight loss drug Wegovy. Novo Nordisk reported full year 2023 results in January, and investors were encouraged by a 31% YoY (year over year) increase in sales, particularly given 50% YoY growth in North America. The US is considered one of their core growth markets going forward given high levels of underlying demand for weight loss products. Additionally, management noted that their product pipeline remains in good shape, with successfully completed trials of IcoSema, a promising new insulin product. In sum, it was an encouraging month for Novo Nordisk who continue to build on strong momentum from 2023.

Atlas Copco was the Fund's worst performer, closing down -6.7%. It was a weaker set of quarterly results for the world's largest producer of vacuums and compressors given a slow-down in orders and an uncertain outlook for the year ahead. Total order volumes missed consensus by 6%, led by misses across all 4 end markets. The key debate is around whether this is underlying weakness or simply the result of seasonality, given that Q4 is traditionally a slower quarter for the firm. Even if the next few quarters may give greater insight into the mid-term demand picture, we remain optimistic on Atlas Copco's long-term outlook, given exposure to a range of structural tailwinds. The move towards more energy-efficient capital equipment should support the firm's industrial segment while the increasing use cases for semiconductors should aid the vacuum pump business, which has seen strong development over the past few years.

continued on following page...

DIVS

The SmartETFs Dividend Builder ETF

February 2024 Update

SmartETFs

Portfolio Performance

As of 01/31/2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	0.62%	13.36%	10.00%	12.08%	9.42%	10.28%
DIVS at Market Price	0.42%	13.14%	10.04%	12.10%	9.43%	10.29%
MSCI World NR	1.20%	16.99%	8.06%	11.39%	9.14%	9.83%

As of 12/31/2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	15.99%	15.99%	9.11%	13.07%	8.80%	10.30%
DIVS at Market Price	15.98%	15.98%	9.22%	13.14%	8.83%	10.32%
MSCI World NR	23.79%	23.79%	7.27%	12.80%	8.60%	9.80%

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

30-Day SEC Yield (as of 01/31/24): 1.31% subsidized | 0.88% 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.

A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The market price is the most recent price at which the fund was traded.

DIVS
The SmartETFs Dividend Builder ETF
February 2024 Update

SmartETFs

January in Review

January was a solid, albeit slightly uneventful, start to the year for equities as the market carried last year's positive sentiment into 2024. Volatility was relatively low as investors eagerly awaited results from the latest quarterly earnings season to better gauge the outlook for the year ahead. At time of writing, 168 companies or ~33% of the S&P500 have reported and the results that have come through have showed a relatively mixed picture. It is also worth noting that, on the last day of the month, the Fed left interest rates unchanged for a fourth straight meeting and, more importantly, told the market that March rate cuts were "unlikely". We have discussed the role of the Fed and the potential path of interest rates in many previous market commentaries, therefore, in this update, we will look ahead over 2024 to identify additional risks & additional opportunities that may be influential in driving markets forward.

Risks

Geopolitical Instability

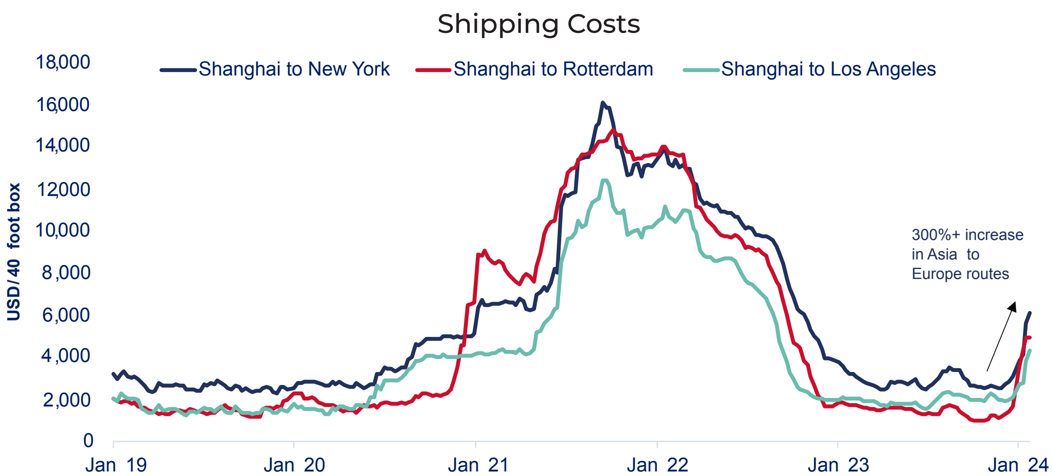
The lack of volatility may seem surprising, given that rising geopolitical instability re-entered the fore. Existing conflicts in the Middle East saw real signs of escalation as Yemen, Iran, the US, and the UK got dragged into the mix, following a number of Houthi Rebel strikes on cargo ships in the Red Sea. The main impact of this escalation has been a pronounced disruption to global shipping lanes, with the Red Sea route accounting for ~8% of global oil flows, and, more importantly, 25% of global container flows. As a result, western cargo ships have had to divert via the Cape of Good Hope given safer passage, adding roughly 6,000 nautical miles to the average Europe-bound journey. Even though global shipping capacity is much improved following the pandemic, the latest developments have caused significant disruption to shipping lanes via higher costs (both fuel & insurance) and adding an estimated three weeks to average product delivery times.

Beware: Inflation Freight

When looking at transit delivery volumes through the Bab el Mandeb Strait (the main Red Sea shipping route), gross haulage volumes have shrunk dramatically from 5.2mn metric tons per week in December to a low of 1.8mn metric tons in January. As a consequence, we have seen Asia-to-Europe container freight rates skyrocketing over 300%. While cost increases for other shipping routes have been more muted, the global supply imbalance has still increased costs on other journeys, with freight from China to US routes (East and West coast) more than doubling vs December prices.

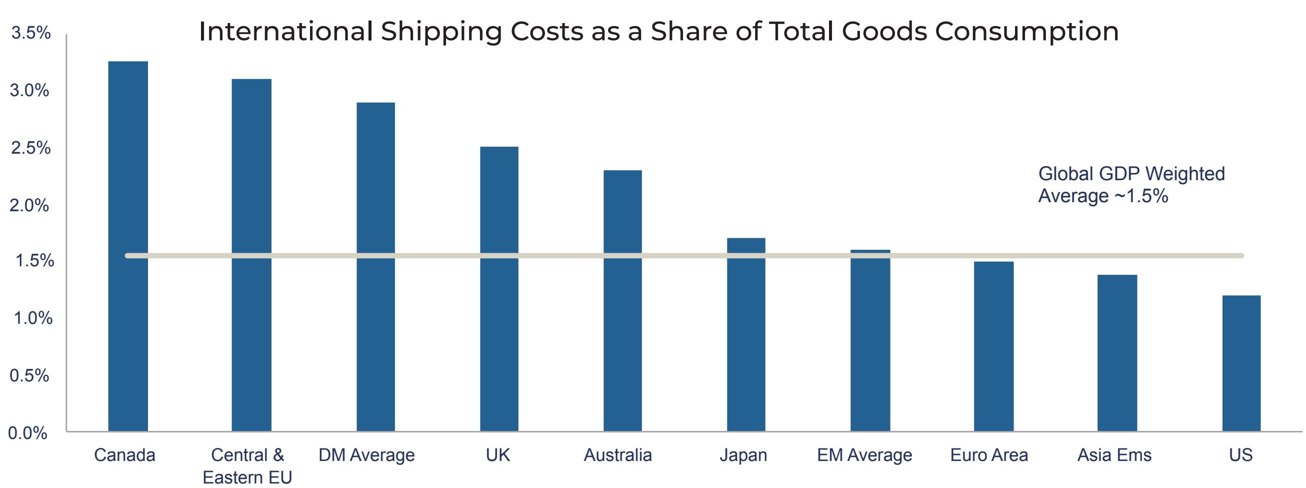
continued on following page...

January in Review (continued)



Source: Drewry. Data as of January 31, 2024.

Given these disruptions, there are mounting fears over an inflation shock (much like the post-pandemic period). However, skeptics point to a very different set up at present, alongside a magnitude of price increases that is far smaller than before. Importantly, these current issues are being caused by the supply side of the equation, and do not coincide with the demand surges that caused substantial goods inflation following the pandemic. Additionally, it is worth noting that transport costs make up just 1.5% (on average) of the final price of consumer goods, a relatively small figure, with sea freight accounting for just 0.7%. Therefore, under standard pass-through assumptions, a doubling of sea freight costs would raise core goods inflation by ~0.4% and raise overall core inflation by ~0.1%, a notable but not overwhelming figure. This may remain a lingering headwind, but the adverse longer-term effects will likely be more muted.



Source: S&P Global. Data as of January 31, 2024.

continued on following page...

January in Review (continued)

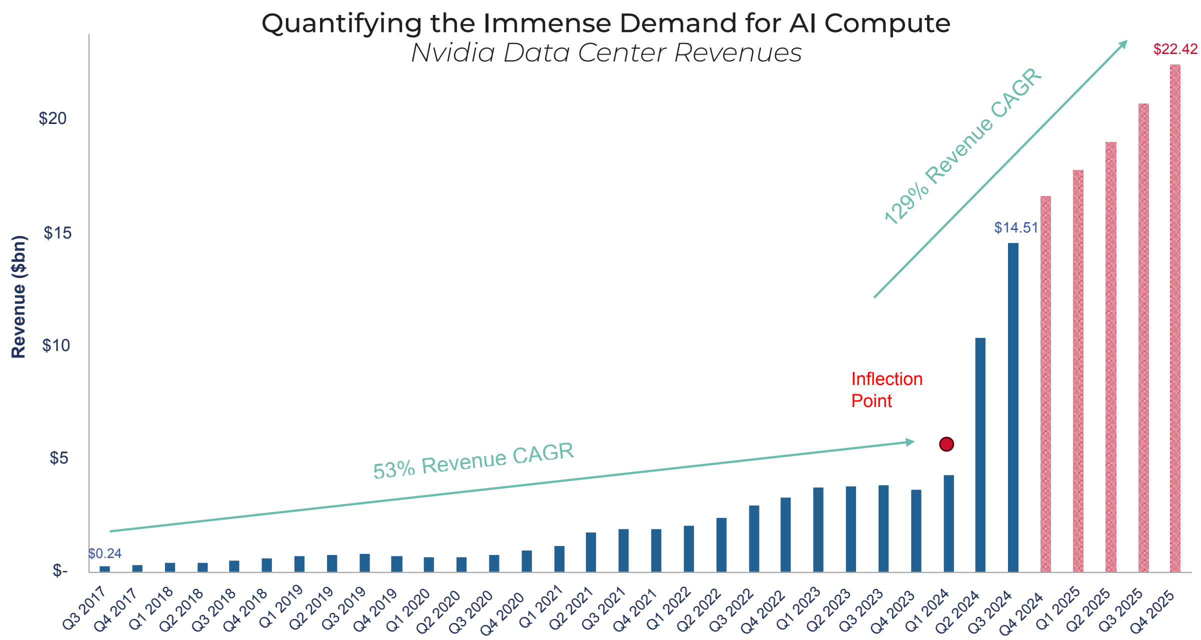
Oil Spillover

In general, oil markets have seen lower levels of disruption given that oil tankers are predominantly owned by Russian & Middle Eastern nations, who have not been targeted by the attacks. However, we have still seen a 25% drop in oil flows through the Red Sea and this coincides with a noticeable increase in the cost of Brent Crude, which hit $78 a barrel over January, its highest level since November 2023. Alongside the disruption to shipping routes, fractious Middle Eastern geopolitics have raised fears of a wider escalation which, in turn, would likely cause significant disruptions to global energy markets. A higher oil price is a headwind for global growth (particularly the more energy dependent Eurozone) and would also present an unwelcome inflationary shock, particularly at a time when developed markets are waiting for inflation to cool before cutting rates.

Reasons for Optimism

AI... of Course

At this point, investors are likely all too familiar with AI, given that it was the predominant driving force behind markets in 2023. And yet, AI associated demand shows no signs of slowing down. When focusing on Nvidia, the AI bellwether stock, we can start to quantify the immense & tangible levels of demand. Nvidia's advanced H100 chips are the GPUs required for the current generation of AI compute, and when looking at revenues from Nvidia's Data Center segment, we have seen quarterly sales go from $1.1bn a quarter at the start of 2021 to $14.5bn a quarter at present. This growth is set to continue and is forecast to hit a quarterly run rate of ~$22.5bn by the end of 2025.



Source: Bloomberg. Data as of January 31, 2024.

continued on following page...

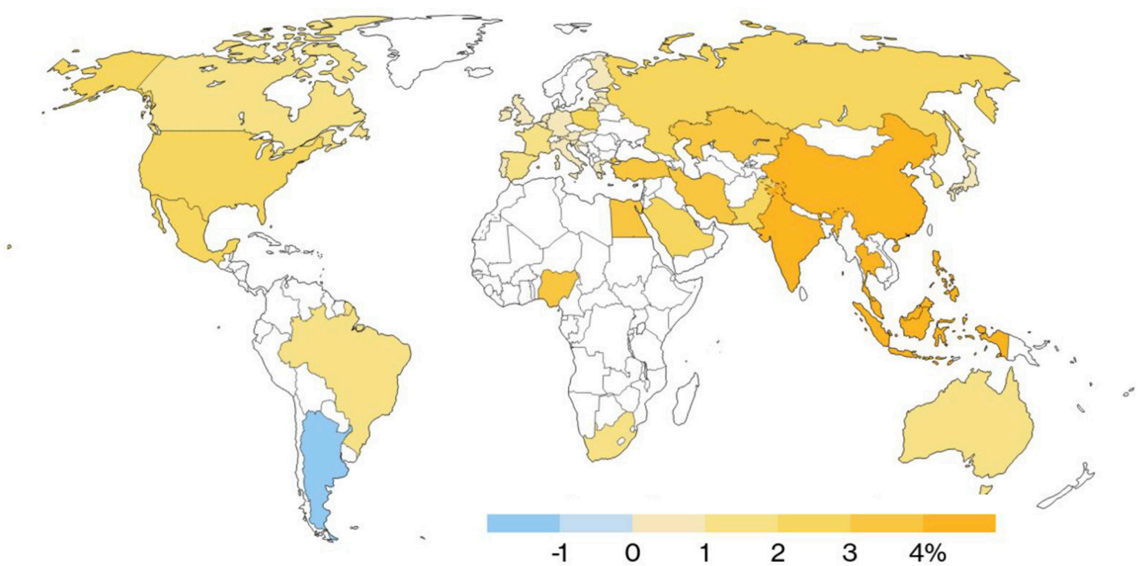
January in Review (continued)

This opportunity is set to benefit a range of different firms across the Semiconductor value chain, including TSMC (who manufacture Nvidia's chips). The Taiwanese semiconductor Fab recently has more than doubled its annual capex spend since 2019 (currently at $30bn a year) in order to meet the growing demand for chips. But this demand is not just limited to the Semiconductor or even IT sector, as many different use cases are beginning to emerge. While the latest McKinsey research, which estimates that generative AI could add $3-$.4 trillion to Global GDP, is seemingly abstract, they forecast that 75% of this value will fall across four areas: customer operations, marketing & sales, software engineering, and R&D. Therefore, a range of different industries should further benefit from tangential exposure to AI-demand, as this seemingly structural growth trend continues to support global growth (see below).

Growth Holding On

Over January, the latest economic data showed a strong US economy (+3.3% GDP) and while Europe's economy is more structurally challenged, GDP across the 20 countries that use the euro came in flat for Q4, missing the technical definition of a recession. Looking forward, there are reasons to be optimistic. The most recent flash Eurozone surveys showed that manufacturing purchasing managers index (PMI) has improved to 46.6, a 10-month high. Similarly, in the UK, business activity rose more than expected in January with the UK composite PMI rising to 52.5, the highest level in seven months. When putting this together, at a global level, the International Monetary Fund shared a positive growth revision, and now expects the world economy to grow by 3.1% this year, up from the 2.9% forecast in October last year.

Economic Output in 2024
Change in GDP



Source: Bloomberg, Data from International Monetary Fund. Data as of January 31, 2024.

continued on following page...

January in Review (continued)

China: How Much Worse Can it Get?

The woes of the World's second largest economy have been widely documented over 2023, but there are early signs that things may be starting to turn. Given the recent turmoil, the Chinese Communist Party stepped in with forceful measures to support the economy and such stimulus could play a decisive role in market performance in 2024. Chinese regulators announced restrictions on short selling Chinese stocks and are considering implementing a stock-buying program valued at $278 billion — a sign that policymakers are very focused on ending equity market weakness. Additionally, the People's Bank of China announced it would reduce the amount of money that the country's lenders are required to hold in reserve, which should reverse sluggish credit growth and improve market sentiment. While the domestic economy continued to struggle, an acceleration in growth from the world's second largest economy would be a substantial tailwind and a clear cause for optimism, if implemented stimulus measures were to be successful.

Weighing it Up

On balance, it seems that the markets are broadly optimistic on the outlook for 2024, given strong recent equity performance and lofty valuations in certain sectors. However, the risks outlined above remain pertinent and we are therefore confident with how the fund is set up, given its balance of quality defensive and cyclical/growth companies. This should allow us to look through the more volatile swings in markets and focus on high-quality businesses that have strong returns on capital, good balance sheets and a growing dividend.

There's more where that came from!

Join our newsletter at SmartETFs.co/newsletter or follow us on Twitter @SmartETFs!

DIVS
The SmartETFs Dividend Builder ETF
February 2024 Update

SmartETFs

Important Information

Basis Points (bps) are a unit of measurement used to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

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 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.

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.

Price to Earnings Ratio is a stock valuation metric that compares a company's share price to its earnings per share.

Earnings Per Share (EPS) is is a company's net profit divided by the number of common shares it has outstanding. It indicates how much money a company makes for each share of its stock and is a widely used metric for estimating corporate value.

Magnificent Seven comprises Apple, Microsoft, Amazon.com, Nvidia, Meta Platforms, Tesla, and Alphabet.

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.