DIVS

The SmartETFs Dividend Builder ETF

December 2023 Update

SmartETFs

Portfolio Performance

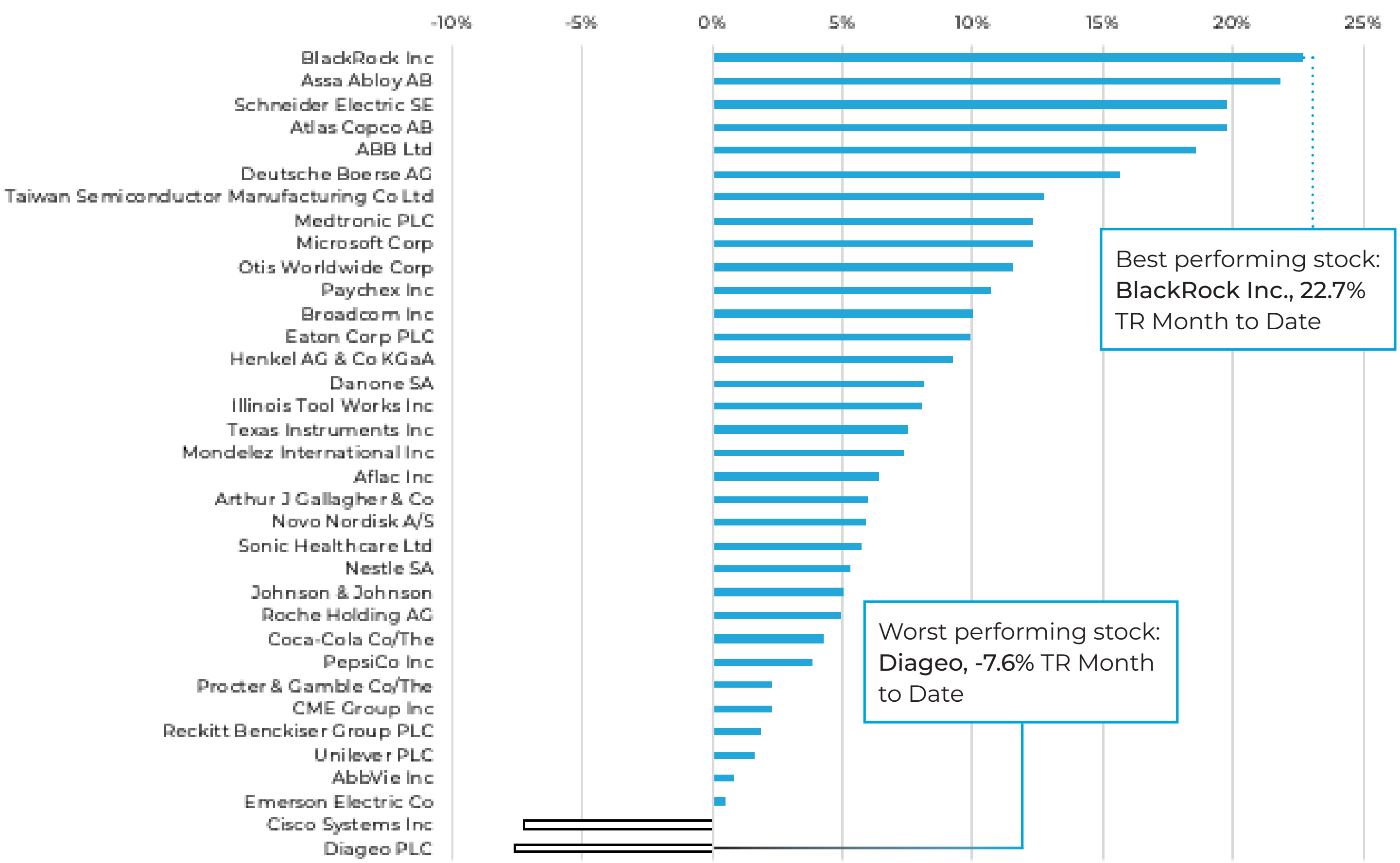
as of 11/30/2023

It was a great month for global equities, with gains across all market styles and regions. This came off the back of strong economic data (moderating inflation & robust growth) raising hopes of a soft landing as we head into 2024. In November, DIVS was up 6.79% (NAV basis, 6.55% market price), while the MSCI World Index benchmark was up 9.38%. From a geographic perspective, Europe ex-UK performed particularly well given moderating energy prices, which offered respite for the gas dependent EU-economies. Japanese markets also rallied 8.3%, and remain this year's top performer (~29% year-to-date) following domestic macroeconomic strength, a breakout from years of deflation, and renewed corporate governance reform. Growth stocks performed particularly well in November (+11.2%) but Value also rose (+7.5%) given broader market strength. Over the month of November, Fund underperformance versus the benchmark can be attributed to the following:

- The Fund's underweight allocation towards IT and Consumer Discretionary as well as a zero weighting towards Real Estate. This was a drag from an allocation perspective as these were the 3 best performing sectors.
- Additionally, the large overweight to Consumer Staples was a headwind, as the sector underperformed over the month.
- However, the Fund did benefit from strong stock selection, particularly from the Industrial and Financial names including BlackRock, Schneider Electric, Atlas Copco and Deutsche Boerse.

Read on to discover the factors driving the latest rally, explore the future of monetary policy and its impact on the market, and understand the attribution of equity returns.

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



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.

Portfolio Performance

BlackRock was the Fund's top performer, gaining 22.7% over the month. While there was limited stock-specific news that caused shares of the world largest asset manager to gain, the firm continues to cement its dominant market positioning. Given that the macroeconomic outlook has turned more optimistic, the supposed peak in interest rates would likely lead to increased flows back into equity markets and other traditional core assets, which would benefit BlackRock, as they look to add to their $9.1 trillion assets under management (AUM). BlackRock benefit from increased AUM given that they can recoup greater management fees, however, this is not the firm's only growth strategy. BlackRock is also expanding its range of assets and has started to make meaningful progress in its push to offer a bitcoin ETF. If cleared by regulators, this would be a modest tailwind for the business, likely attracting a new range of customers, and would help to move the needle as they continue to grow AUM and attract additional flows.

Diageo was the Fund's worst performer over November, closing down –7.2%. The drinks conglomerate issued a gloomy trading update in advance of their Capital Markets Day which sent the stock down ~12% on the news. This was centered around a growth slowdown in its Latin American (LATAM) division, given sluggish customer activity in the region and a rise in down-trading to cheaper brands. As a result, the firm downgraded their overall medium-term profit guidance by 1%, which came as a shock given that just 6 weeks prior, Diageo reiterated guidance and failed to flag any material concerns. While unfortunate to see such a sharp reversal in guidance, management did note that they are prioritizing advertising & promotional investments for the region (hence the lower profit guidance), and we are encouraged by this move, given the investment in brand for the long term. This should help to reverse the slowing LATAM demand and should continue to support the business in growing out its domestic brand presence.

DIVS

The SmartETFs Dividend Builder ETF

December 2023 Update

SmartETFs

Portfolio Performance

As of 11/30/2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	10.82%	8.00%	8.93%	10.98%	8.52%	9.94%
DIVS at Market Price	10.78%	8.12%	9.03%	11.04%	8.55%	9.97%
MSCI World NR	17.99%	12.98%	7.04%	9.97%	8.31%	9.42%

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 11/30/23): 1.39% subsidized | 0.93% 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.

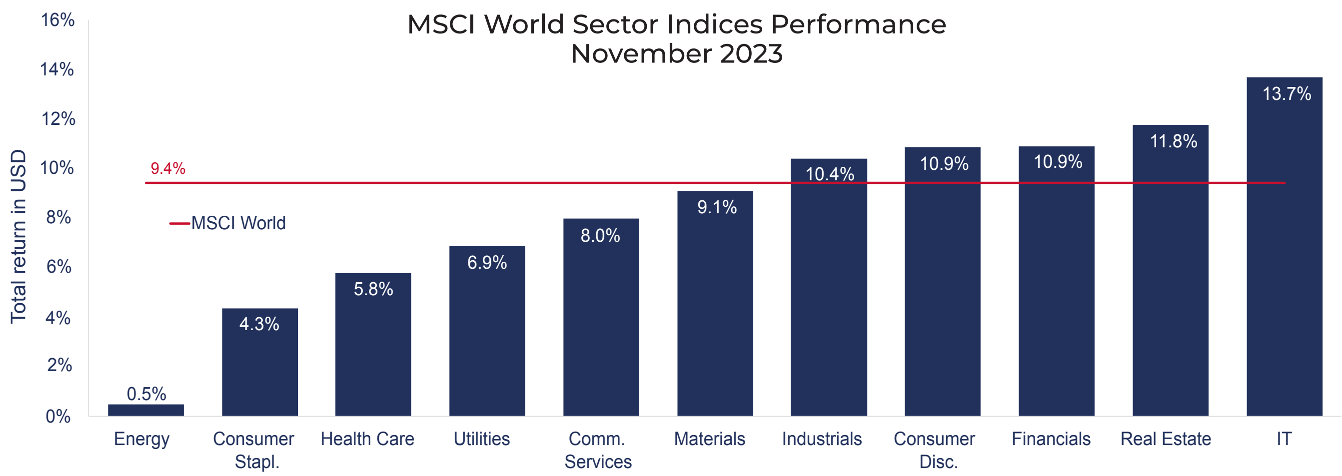
Effective as of the close of business on March 26, 2021, the fund acquired the assets and assumed the performance, financial and other historical information of the Guinness Atkinson Dividend Builder Fund, an open-end mutual fund (incepted March 30, 2012). The fund's investment objectives, strategies 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: A November to Remember

Markets Ripped

It was a blowout month for global equities, as markets saw a notably strong rally across the board. The MSCI World ended November up +9.38%, but there was real strength from a majority of styles (Growth +11.2%, Value +7.5%) as well as positive contributions from all sectors, with IT, Real Estate, Financials and Consumer Discretionary leading the gains.



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

The strength and uniformity of the rally would suggest that top-down factors are behind the latest movements, namely that investors are looking forward to 2024 and anticipating rate cuts sooner than previously expected (see more below). While Energy was a notable laggard, all other sectors performed well. This is in stark contrast to performance year-to-date, given that a handful of dominant technology names have carried the market, a topic we have discussed in many previous monthly commentaries. As such, the broadening out of returns is not only a positive for diversified portfolios but also points towards a potentially more positive outlook, if in fact investors are pricing in a different macro environment with lower rates and more accommodative monetary policy, which should benefit many of the stocks in the index.

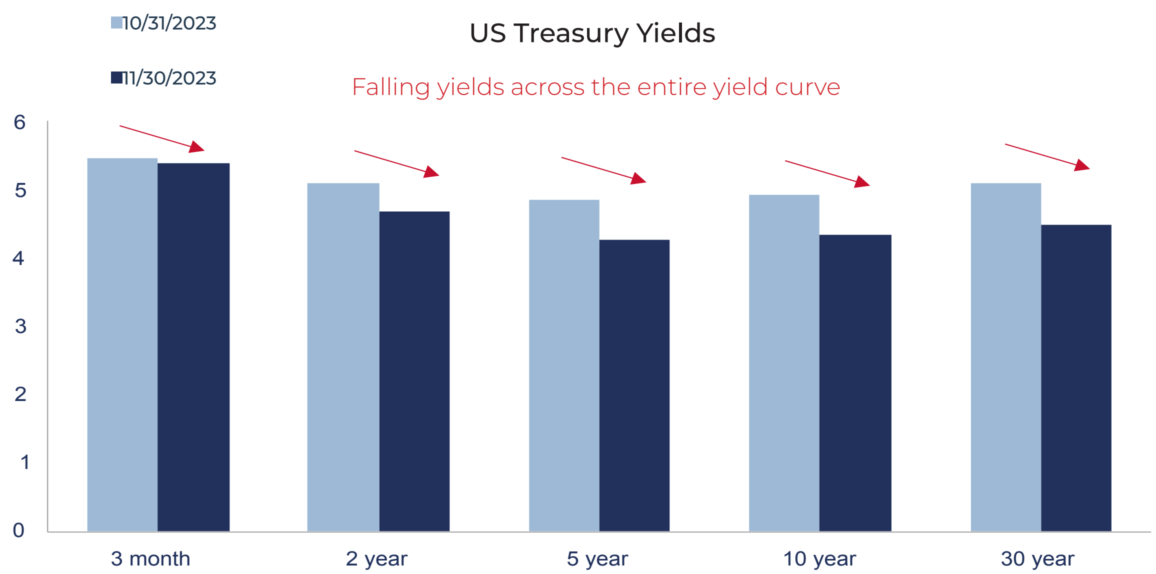
It's All About Rates

As has been the case for much of the past 18 months, investors have deliberated over every word of Fed Chair Jerome Powell, trying to get a better understanding of the future path of interest rates. During the latest meeting, held at the beginning of November, the Fed seemingly hinted at a dovish pause. Not only did they keep policy rates stable for the time being, but it appears that their tone has become no-

continued on following page...

DIVS: A November to Remember (continued)

tably less hawkish, which was the starting gun for the big rally that ensued over the month. Much of this optimism was inferred from comments by Powell himself, who suggested that financial conditions in the US were "sufficiently restrictive" given US treasuries breaching the 5% mark in late October. The market now believes that the Fed is happy with the tight financial conditions in the real economy, and this therefore negates the need for further aggressive monetary tightening. As a result, US treasury yields fell sharply across the entire length of the curve. The US 10 year fell back below 4.4%, and German Bunds & UK Gilts also saw yields decline (both down around 50bps from their October highs), suggesting that the market has priced in peak terminal rates.



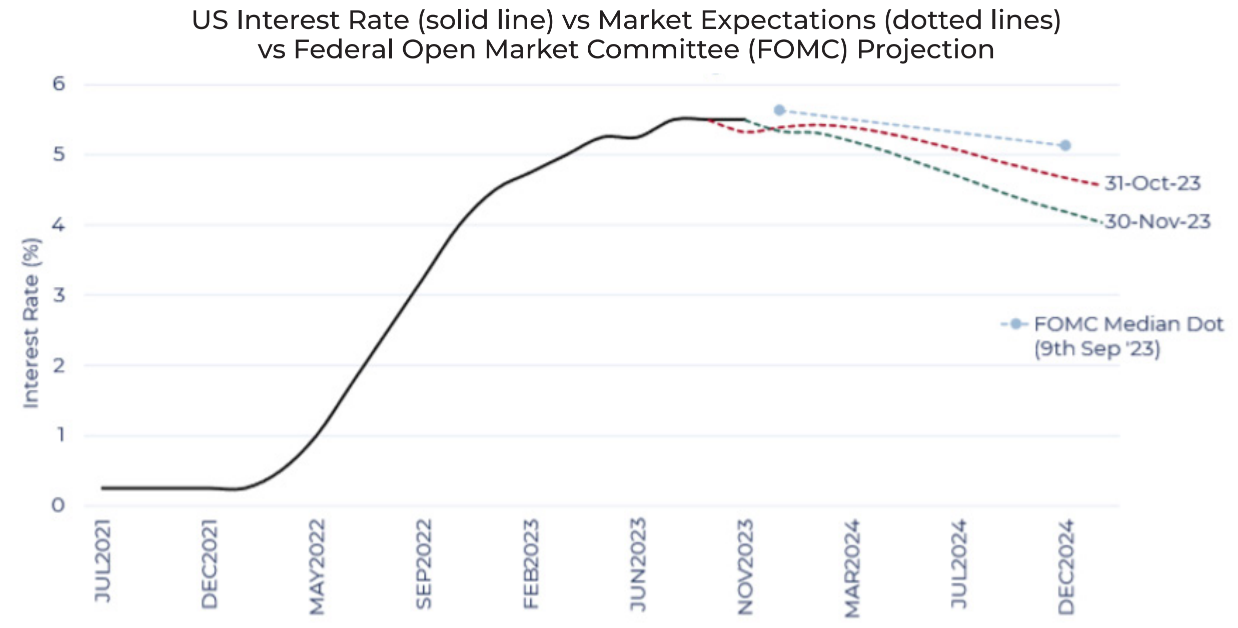
Source: Bureau of Labor Statistics. Data as of November 30, 2023.

When Will the Cuts Begin? Why the Market is Calling the Fed's Bluff?

Investors are looking through to 2024 and have now started to price in rate cuts in the first half of the year, with a full economic recovery expected to come through over the back half. However, such optimism has not been echoed by the Fed, as Powell (& other FOMC members) have been clear that rates will stay in restrictive territory for some time, refusing to rule out the end of the hiking cycle ("very premature to be talking about rate cuts"). The chart below shows the expectations for forward US interest rates at the end of both October and November. Over the month, there was a clear downward revision, in effect, the market pricing in significantly looser monetary policy, even as the Fed Dot Plot projection remains steady at more restrictive levels.

continued on following page...

DIVS: A November to Remember (continued)



Source: Federal Open Market Committee, Bloomberg. Data as of November 30, 2023.

So, are investors right to be calling the Fed's bluff? It might be worth casting our minds back to earlier in the year, when the market was similarly more dovish than the Fed, an arguably risky place to be. Back in March, investors were significantly under-pricing the terminal level of rates but as the Fed stayed the course, the market eventually caught up and repriced in line with the Fed. This time round, we are in a position where the prevailing consensus is that rates will have to be cut sooner than previously expected. It remains to be seen whether sentiment is too bullish but this, in part, helps to explain the breadth & strength of the latest market rally.

Inflation Data: Too Hot, Too Cold, or Just Right?

Over 2023, markets have gone from pricing in a hard landing, to a soft landing, and now no landing at all. The consensus view that we may now be in a so-called "Goldilocks Scenario" (falling inflation alongside resilient economic growth) is gaining steam. This has, of course, been supported by economic data over the month. The US Consumer Price Index print for October (Headline of 3.2% YoY (year over year) and Core of 4.0% YoY) indicated continued progress on the disinflationary front, which was matched by encouraging readings from the Eurozone and the UK. Taken together, it gives a signal that rate hikes among Western developed central banks may be coming to an end, especially as economic activity is "not indicative of a recession in the near term" according to Powell's latest comments.
Further developments over November were equally positive as consumers (on the whole) are still showing surprising resilience even as total retail spending begins to roll over. Energy prices continued to fall, with Brent crude oil passing below $80 a barrel, in part thanks to an increase in US supply and OPEC+

continued on following page...

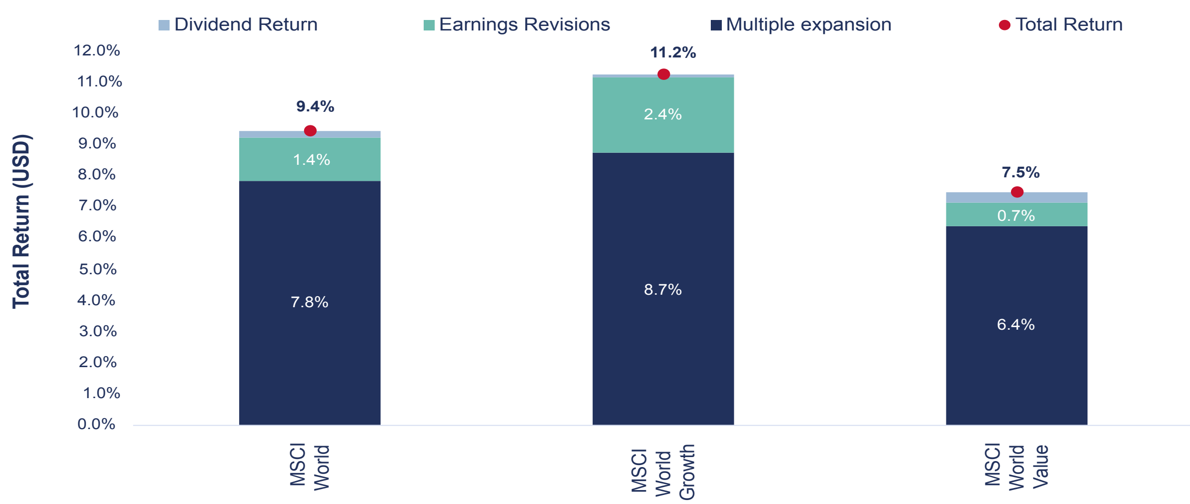
DIVS: A November to Remember (continued)

members' failure to adhere to production quotas. Even geopolitical developments took a positive turn as US-China diplomatic hostilities cooled following the meeting of both Presidents in California, softening the harsh rhetoric that has been present over the past year. In sum, the November market data was broadly positive.

Multiples Driving the Market

But is this marked rise in optimism justified? It is worth remembering the magnitude of the market movements over November. A gain of 9%+ is a significant increase, driven primarily by hopes of a change in the path of rates. Not only has sentiment been overly optimistic before, the uncertainty surrounding monetary policy also points more towards the potential fragility of the latest rally. Q3 earnings season was encouraging but, by and large, it was the changing macro view and associated multiple rerating (as opposed to fundamental earnings revisions) that drove the market higher. The chart below shows an attribution of total return over the month.

Global Growth vs Value Total Return Breakdown
October 31, 2023 to November 30, 2023

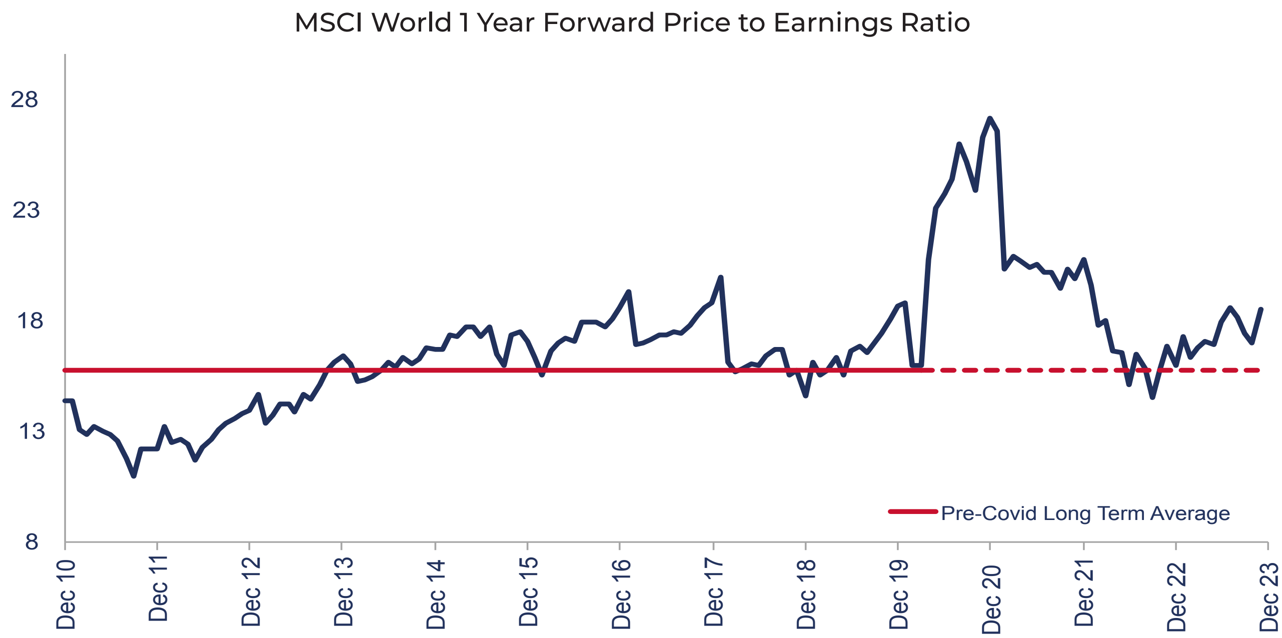


Source: Bloomberg. Data as of November 30, 2023.

When looking at the real economy, we saw several of the Fund's companies come out in the latest earnings season and show signs of modest caution. This included some CEOs pushing off purchases for big ticket items, delaying large R&D spend and giving tentative forward guidance given the general uncertainty. Therefore, despite the economic uncertainty, broader market optimism has driven multiples higher. The chart below puts this in context, showing the MSCI World multiple versus its longer-term average. The current multiple of 18.5x 1-year forward earnings is well above the long term pre-COVID average of 15.7x, and perhaps suggests the need for wider caution, given the nature of the latest rally.

continued on following page...

DIVS: A November to Remember (continued)



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

Positioning for 2024. What the Outlook is Saying.

Given the mix of positive market sentiment alongside a more cautious viewpoint from the real-world economy, it is worth considering the outlook for equities going into 2024. This time focusing on the S&P 500, the large banks offer a wide range of price targets, but it is helpful to consider how their year-end figures are achieved, from both a multiple and earnings per share (EPS) perspective. Among the most bearish are J. P. Morgan, whose 2024 year-end price target of $4,200 sees modest earnings growth but a substantial multiple contraction given macro weakness and broader multiple mean reversion. Morgan Stanley and Goldman do however see a marginally more optimistic trajectory, with earnings growth alongside a similar multiple at present. While these are just three sell side views of where the market is heading, it is worth framing the overall consensus outlook and assessing what components will contribute to returns going forward.

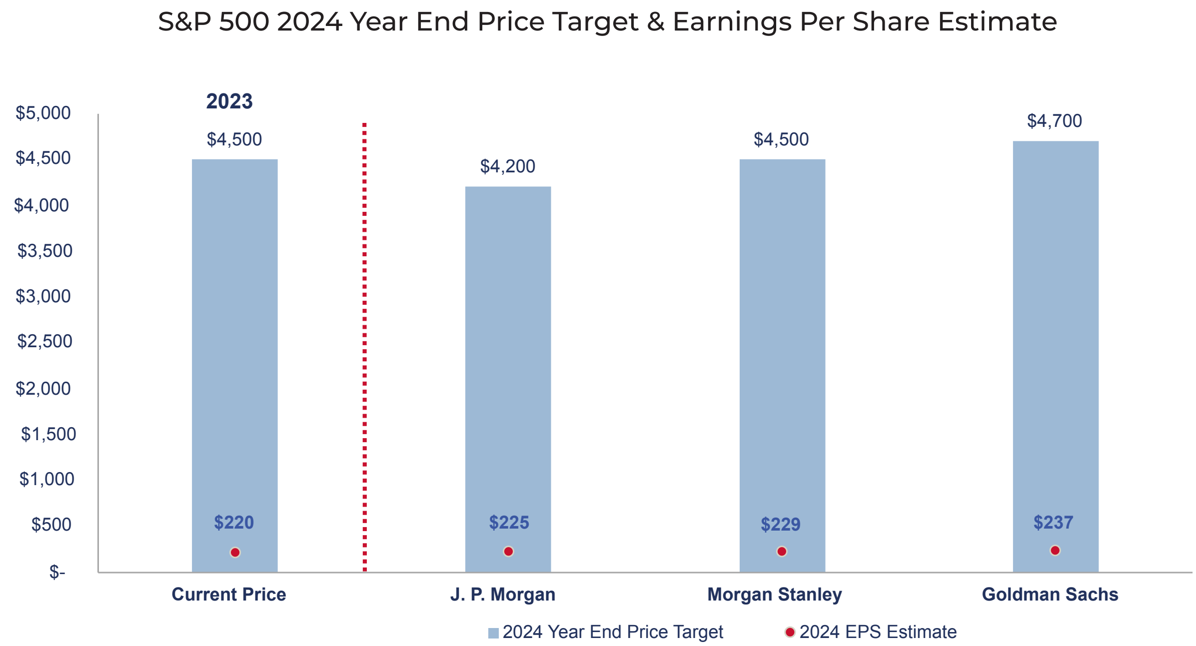
continued on following page...

DIVS

The SmartETFs Dividend Builder ETF

December 2023 Update

DIVS: A November to Remember (continued)



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

There's more where that came from!

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

Earnings Per Share (EPS) is a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

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.