ADIV
The SmartETFs Asia Pacific Dividend Builder ETF
February 2024 Update

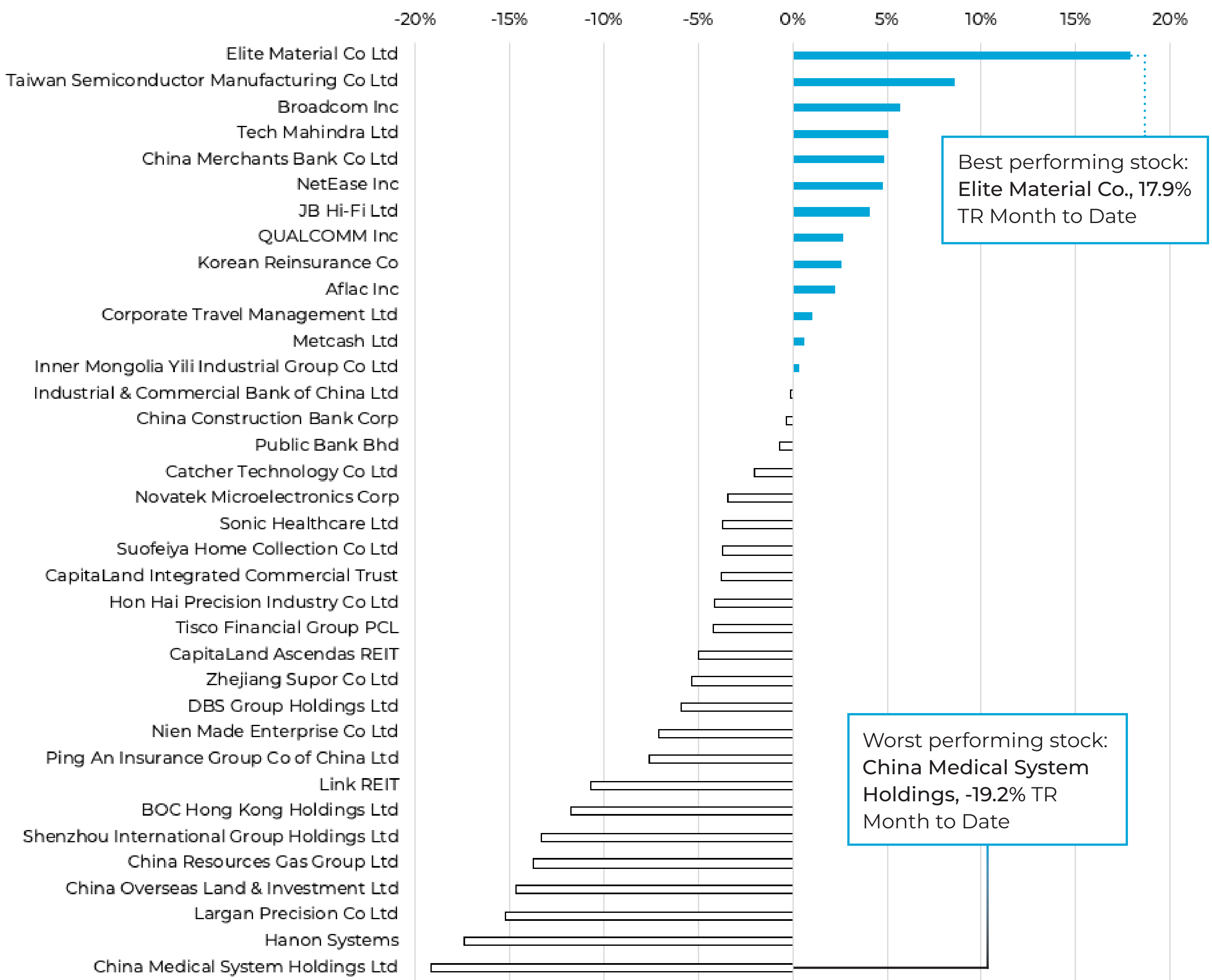
SmartETFs

Portfolio Performance

as of 01/31/2024

ADIV fell -2.70% on a NAV basis in January, -2.92% on a market price basis, outperforming the MSCI AC Pacific ex Japan Net Total Return Index benchmark which fell -6.17%. Asia's start to 2024 has been tough, with China seeing further declines in domestic sentiment, property prices, and a government focus on industrial plans offering little consumer support, negatively impacting stock market performance and consumer confidence. Korea also faced a downturn, affected by global sentiment around US interest rates and weaker forecasts from key semiconductor firms, which influenced the broader manufacturing and export sectors, including the electric vehicle industry. Globally, consensus estimates for company earnings have been revised downward, signaling negative market sentiment, with notable reductions in Asia, though China's earnings are still expected to grow. India stands out with upward revisions, contrasting with the overall trend. Notably, India and the Philippines were the only markets to achieve positive returns, while China and Korea saw significant declines, with Chinese stocks particularly weak, highlighting fragile domestic investor and consumer sentiment. Read on for ADIV's fund review and outlook.

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



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As of 01/31/2024	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	-2.70%	-1.09%	-0.84%	4.99%	6.52%
ADIV at Market Price	-2.92%	-1.43%	-0.96%	4.91%	6.48%
MSCI AC Pacific Ex-Japan NR	-6.17%	-10.64%	-10.15%	0.65%	3.12%

As of 12/31/2023	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	11.43%	11.43%	0.99%	7.14%	6.20%
ADIV at Market Price	12.31%	12.31%	0.94%	7.11%	6.19%
MSCI AC Pacific Ex-Japan NR	5.18%	5.18%	-7.00%	3.56%	3.23%

Expense Ratio: 0.78% (net) | 4.94% (gross)

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 0.78% 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. Performance would have been lower without fee waivers and or reimbursements in effect.

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 Asia Pacific Dividend Builder Fund, an open-end mutual fund (incepted March 31, 2006). 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 (including a lower management fee). 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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Fund Review

The main changes to forecast earnings by the market consensus for portfolio stocks, in local currency terms, were upgrades to Largan Precision, Catcher Technology and JB Hi-Fi. The most notable downgrades were for Tech Mahindra, Nanon Systems, BOC Hong Kong and Tisco Financial.

In our view, the upgrades to Largan are especially interesting. The company makes premium lenses for smartphones and tablets. In recent years, sales have been especially sluggish as smartphone makers have focused their technology upgrades on other device attributes rather than cameras. This has left the company "becalmed". During this period, the company has kept to their core competence in high-margin premium lenses rather than going into more mass-market, having tried that five years ago only to see margins fall away quickly, and has engaged more actively in capital management by paying a special dividend in 2022 and subsequently moving from an annual to biannual distribution policy. The outlook has now brightened as smartphone makers resume camera upgrades, smartphone volume sales bottom out, and as Largan achieves greater penetration into premium handsets from Chinese makers.

The largest downgrades were to Tech Mahindra. The company is an IT services consultant and has experienced slower activity in its telecoms division which accounts for a just under 40% of its revenue. The company has taken steps with its recent hire of Mohti Joshi from Infosys as CEO. He was instrumental behind the turnaround at Infosys and the market has greeted his appointment very positively. While we expect the upcoming set of results, and possibly those for the next quarter, will probably be weak, we are inclined to wait and see how the company progresses this year.

We have seen a handful of dividend declarations in January. The two Singpore REITs, CapitaLand Integrated Commercial trust and CapitaLand Ascendas REIT were +2%/-6% respectively versus last year while that for Qualcomm rose by 7%. DBS declared a core dividend that was 29% higher but did not repeat last year's special dividend. Aflac was the surprise, lifting its dividend by 19% compared to expectations of 7%. In Aflac's case, the dividend was accompanied by a weaker outlook for the coming year from management that disappointed market. Our view is that while management commentary was a little thin, core business metrics (expense ratios and persistency) looked fine with new product growth and channel strategy looking positive over the longer term.

Contributors

The leading sector contributors were information technology and consumer stocks, both discretionary and staples. Within information technology, Elite Material once again was the strongest, rising 18% on resurgence in the AI theme. Broadcom, Qualcomm, and Tech Mahindra were also contributors to relative performance. TSMC rose during the month, but our equal-weighted approach keeps us marginally underweight which made it a contributor to absolute performance but a detractor from performance versus the benchmark.

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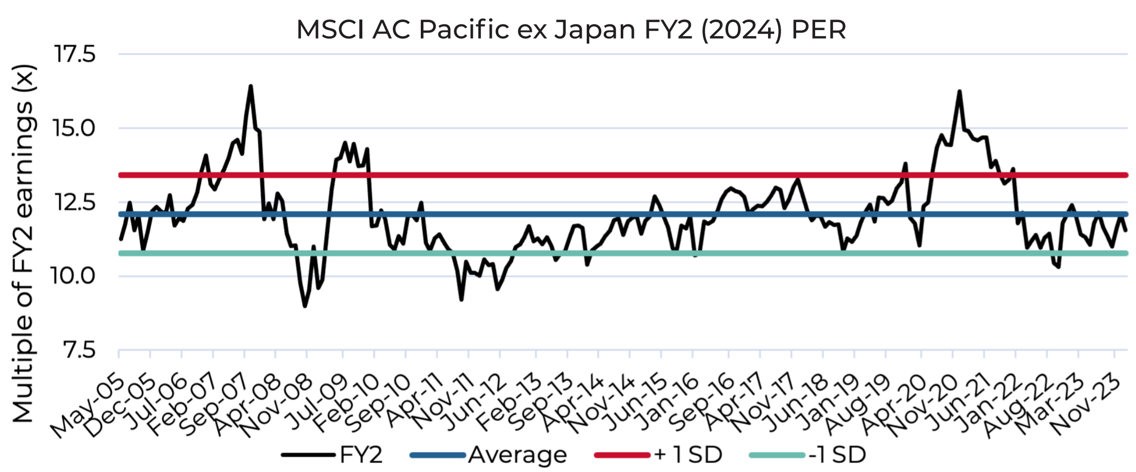
Fund Review (continued)

Among consumer stocks, our Australian holdings made the most impact: among discretionary companies it was JB Hi-Fi and Corporate Travel Management that led the contributions while in Staples it was Metcash, supported by Chinese dairy company Yili that contributed most.

Detractors

The main detractors from relative performance were in health care, real estate, and utilities. Our zero weight to Energy, being cyclical in nature, also detracted over the month. China Medical System was the weak stock in healthcare, and the weakest stock in the portfolio down -19% over the month reversing the outperformance generated in the fourth quarter last year, on broader China weakness. In real estate, the REITs outperformed the sector, but the sector underperformed the benchmark and relative performance from the sector was dragged down more by underperformance from China Overseas Land & Investment. Altogether the real estate allocation and selection detracted -0.4% from relative performance. In Utilities, it was underperformance by China Resources Gas on weaker expected consumer demand that weighed.

Outlook



Source: Bloomberg, SmartETFs. Data as of January 31, 2024. 1 SD = One Standard deviation above (red line) or below (green line) the average FY2 PER (Price Earnings Ratio) multiple over the period.

Our focus remains on companies with strong balance sheets which continue to generate returns above their cost of capital, and which have a history of providing a dividend. This strategy has allowed us to navigate through the COVID period and will help see us through the coming year.

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SmartETFs

Outlook (continued)

When it comes to China, the deep level of skepticism the market has shown through 2023 is evident. For the first time in 25 years, foreign direct investment into China turned negative with outflows of more than $140 billion of long-term investments in the first nine months of 2023. We believe that for China to become more attractive to investors, earnings estimates need to stabilize. Earnings forecasts for China are still stronger than those for developed markets, but they have been scaled back, so while companies are still expected to generate good growth, the expected rate has been persistently lowered. Once earnings estimates stabilize, we think both domestic and foreign investors are likely to find China more attractive, which could begin a valuation rerating in addition to earnings growth.

Important Information

MSCI AC Pacific ex Japan Index captures large and mid cap representation across 4 Developed Markets countries and 7 Emerging Markets countries in the Pacific region. With 1,176 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in each country.

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.

Earnings per Share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

EBITDA or earnings before interest, taxes, depreciation, and amortization, is an alternate measure of profitability to net income.

Price to Earnings Ratio (PER) is the ratio for valuing a company that measures its current share price relative to its earnings per share.

FY2 means "Fiscal Year 2" and refers to the fiscal year that follows the next immediate fiscal year.

Risks:
Investing involves risk, including possible loss of principal.

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.

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.

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