



Portfolio Performance

as of 02/29/2024

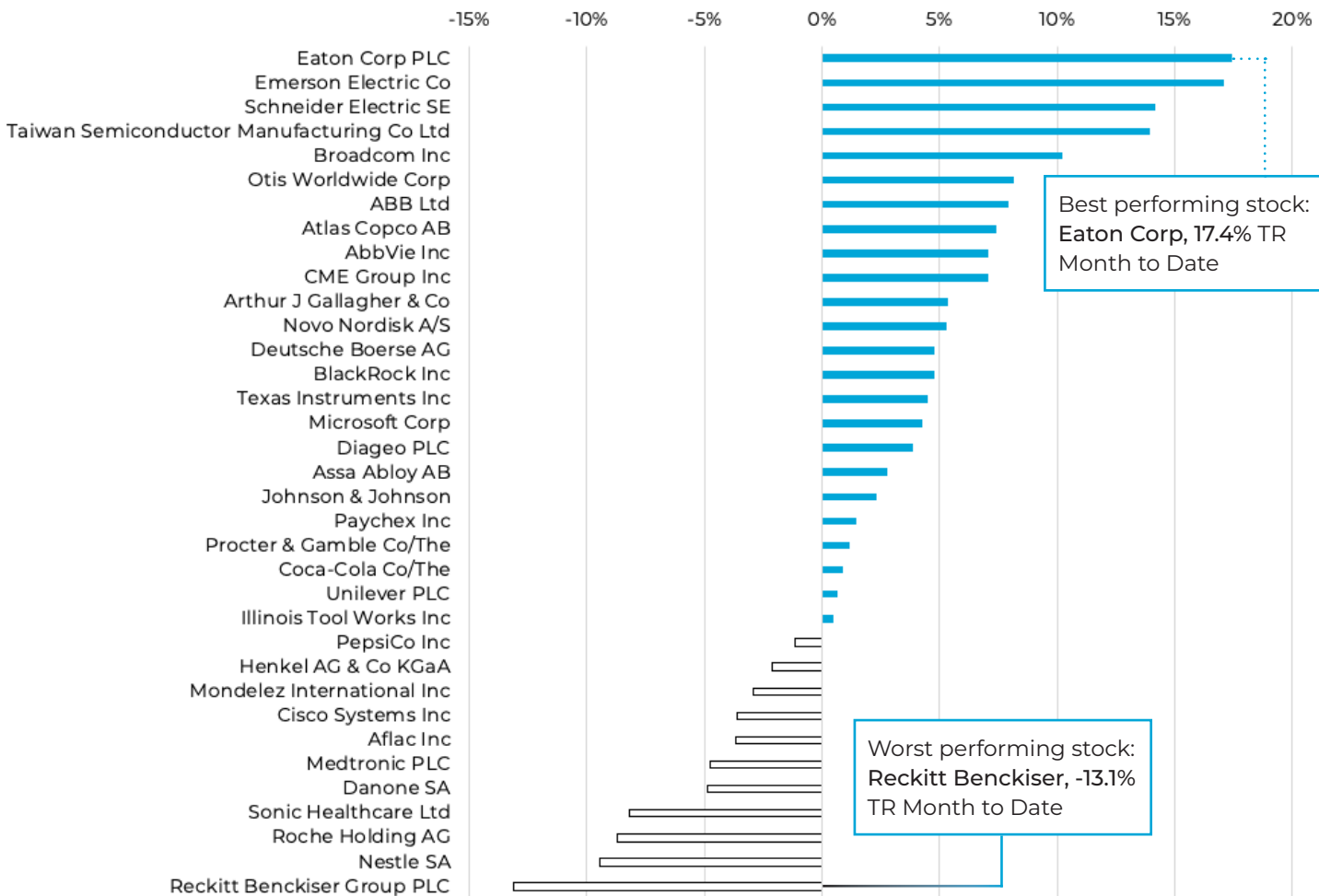
In February, DIVS was up 3.00% (NAV basis, 3.19% market price), while the MSCI World Index benchmark was up 4.24%. February saw strong global equity market performance, fueled by positive earnings reports. With over 90% of S&P 500 companies reporting, more than 75% beat consensus estimates. Additionally, robust economic data, including an expanding US composite Purchasing Managers' Index (PMI) and a strong US jobs report (+353k) in January, boosted market sentiment. While major indices like the S&P 500 rose, broader market participation was evident, with 10 out of 11 MSCI sectors posting gains. Asia Ex-Japan (+5.6% USD) and Emerging Markets (+4.8% USD) led the way, while Europe (2.0% USD) and the UK (+0.0% USD) lagged behind.

Over the month, DIVS underperformance versus the benchmark can be attributed to the following:

- The Fund's underweight allocation to the IT sector, and the zero weighting to the Consumer Discretionary sector were a drag on performance, as these were the two best performing sectors over February.
- The overweight allocation towards Staples was an additional headwind, as the sector underperformed the index. However, the overweight allocation to Industrials was a positive, given good relative performance over the month.
- Additionally, the Fund benefitted from strong stock selection in Industrials, with Eaton, Emerson, and Schneider Electric all substantially outperforming the index in February.

With markets being driven by the usual forces, in this monthly update we will take a deep dive into our largest sector overweight (Consumer Staples) and discuss the current dynamics, the key performance factors, as well as the outlook going forward. Read on for more.

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





Portfolio Performance

Eaton was the Fund's top performer, gaining +17.4% over the month. The industrial power management firm released a strong set of earnings at the beginning of the month and raised its Full Year guidance for 2024 given continued momentum across its end markets. This is particularly the case for their North American operations, which are going from strength to strength. The US Inflation Reduction Act (IRA) has pledged ~\$370 billion for climate and energy proposals, which is driving substantial demand for the efficient power products that Eaton sell, with the US geography posting double digit organic growth for 8 consecutive quarters. Looking across the broader business, the demand picture remains healthy as megaprojects (distinguished by having costs of over \$1 billion) have driven record order flow and a companywide backlog that stands at \$12.7bn, an all-time high. Further good news came in the form of a positive dividend update, with management announcing a 9% increase in the dividend, stemming from their healthy free cash flow position. In sum, we remain optimistic about the firm's outlook and are encouraged by the strong performance over the month.

It was a difficult month for a couple of our Staples names including **Reckitt Benckiser** (-13.0%) and **Nestle** (-9.3%). It was also a difficult month for **Roche** (-8.6%). The Swiss-based Pharmaceutical and Diagnostics giant has faced recent growing pressures from biosimilar knock-off drugs as some of their core portfolio comes off patent. The latest set of quarterly earnings show particularly strong competition for their Cancer treatments (Avastin, Herceptin, and Rituxan) as well as their macular degeneration drug (Lucentis), which has seen intense pressure from the US market. Additionally, the firm faces some shorter-term headwinds including real relative strength in the Swiss Franc and the continued fall off from COVID diagnostic revenues. Management expects COVID headwinds and erosion from generics and biosimilars to amount to CHF 2.7 billion (\$3.04 billion USD) in top-line pressure in 2024, however this is down from the CHF 6.4 billion (\$7.21 billion USD) faced in 2023 and we believe that the negative reaction to Roche's earnings was overdone. On a more positive note, Roche is rightsizing its product pipeline, focusing on the highest-value programs (while discontinuing those that aren't currently viable), in a bid to make the R&D spend more efficient. The core business (ex-COVID products) remains in good shape, with organic topline growth of 8% and a margin profile meaningfully ahead of peer averages. The underlying business continues to perform well, and we therefore believe that Roche can rebound from the short-term headwinds that affected the stock in February.

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DIVS

The SmartETFs Dividend Builder ETF

March 2024 Update



SmartETFs

Portfolio Performance

| As of 02/29/2024 | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception (03/30/2012) |
|----------------------|-------|--------|--------|--------|---------|------------------------------|
| DIVS at NAV | 3.64% | 19.27% | 10.94% | 12.01% | 9.17% | 10.48% |
| DIVS at Market Price | 3.63% | 19.05% | 11.05% | 12.07% | 9.20% | 10.51% |
| MSCI World NR | 5.49% | 25.31% | 7.90% | 11.54% | 9.06% | 10.15% |

| 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 02/29/24): 1.19% subsidized | 0.80% 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.



A Special Look at Consumer Staples

The SmartETFs Dividend Builder ETF currently holds 10 high quality US & European Consumer Staples names, which is ~30% of the portfolio's weighting and is the largest sector overweight.

DIAGEO

Mondelēz
International

P&G

Henkel



PEPSICO

Coca-Cola



Unilever

reckitt

DANONE



Nestlé

It is worth stressing that this overweight position is a function of our bottom-up process (where we seek to identify good quality companies, with consistently high returns on capital, strong balance sheets and a growing dividend). As a reminder, our bottom-up approach has four key tenets:

1. **Quality:** We focus on companies with a long history of persistent high return on capital and avoid highly leveraged companies.
2. **Value:** We try to identify companies that are cheap vs market, peers, and their own history.
3. **Dividend:** DIVS targets a moderate dividend yield (we do not screen for high dividend yield companies). DIVS aims to grow the dividend stream year-on-year.
4. **Conviction:** DIVS typically has 35 equally weighted positions. We target a low turnover with average of 3 – 5-year investment horizon.

However, alongside this bottom-up approach, we also maintain a favorable view on the Sector as a whole, given a range of attractive characteristics. In this deep-dive, we will explore the underlying drivers of the sector, outline the current market conditions, and look into the Fund's specific holdings alongside why we believe that the current set up may present a favorable opportunity for these businesses.

Industry Mix: It's Not Just Snacks!

The Consumer Staples sector is often referred to in the absolute, with associated businesses grouped together under one name. However, in reality the sector is much more diverse, comprised of 12 varied sub-industry groups from Brewers to Agricultural Products and Tobacco as well as the better-known parts of the market including Household Products and Food Retail.

At time of writing, the Fund has a ~29% weighting to Consumer Staples but when drilling down into the end markets, the Fund's exposure is much more diversified. Of these 10 Staples names, the largest single allocation on a revenue basis is to Snacks (17%), followed by Beverages (15%) and Nutrition (11%). The remaining 57% allocation is split across 10 additional themes, which leaves the Staples exposure relatively well diversified.

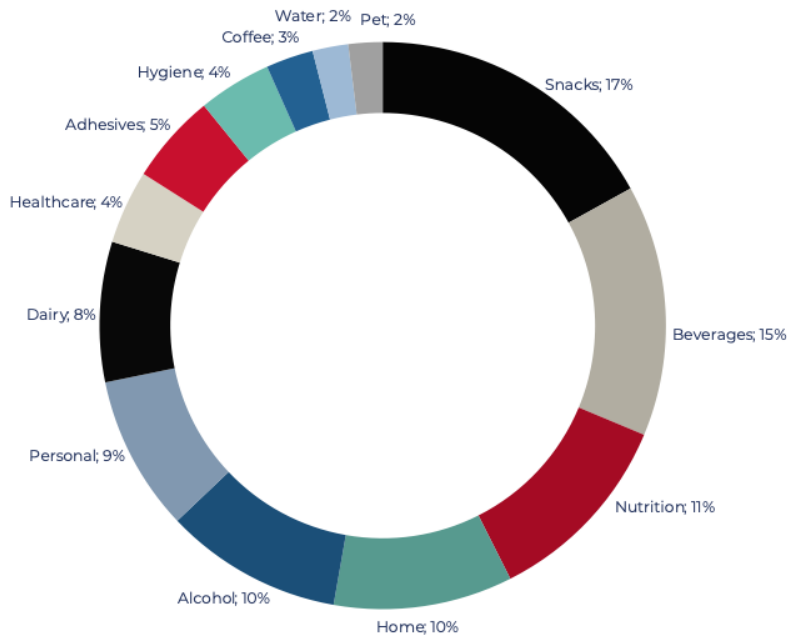
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A Special Look at Consumer Staples (continued)

| 0% < X <= 10% | DIAGEO | Mondelēz | P&G | Henkel | PEPSICO | Coca-Cola | Unilever | reckitt | DANONE | NESTLE |
|----------------------------|--------|----------|-----|--------|---------|-----------|----------|---------|--------|--------|
| 10% < X <= 50% | Diageo | Mondelez | P&G | Henkel | PepsiCo | Coca Cola | Unilever | Reckitt | Danone | Nestle |
| 50% < X <= 100% | Diageo | Mondelez | P&G | Henkel | PepsiCo | Coca Cola | Unilever | Reckitt | Danone | Nestle |
| Where 'X' = Sales Exposure | Diageo | Mondelez | P&G | Henkel | PepsiCo | Coca Cola | Unilever | Reckitt | Danone | Nestle |
| Snacks | | ■ | | | ■ | | | | | ■ |
| Beverages | | | | | ■ | ■ | | | | |
| Nutrition | | | ■ | | | | ■ | ■ | ■ | ■ |
| Home | | | ■ | ■ | | | ■ | | | ■ |
| Alcohol | ■ | | | | | | | | | |
| Personal | | | ■ | ■ | | | ■ | | | |
| Diary | | | | | | | ■ | | ■ | ■ |
| Health | | | ■ | | | | | ■ | | |
| Adhesives | | | | ■ | | | | | | |
| Hygiene | | | | | | | | ■ | | |
| Coffee | | | | | | | | | | ■ |
| Water | | | | | | | | | ■ | |
| Pet | | | | | | | | | | ■ |

Consumer Staples Category Exposures



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

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A Special Look at Consumer Staples (continued)

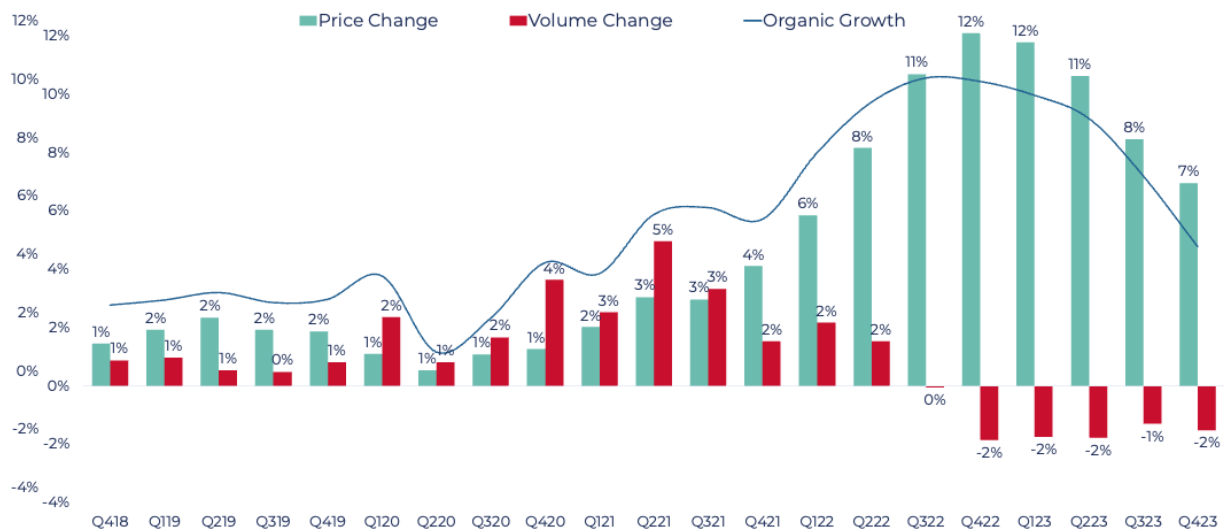
The Fundamentals: Prices + Volumes + Mix

At a basic level, there are 3 key drivers that dictate the organic growth outlook for the Consumer Staples Industry: Pricing, Volumes, and Mix. We explore these 3 in more detail below:

Pricing

Pricing strategy and pricing power is a key component of the organic growth picture. This has been the case in particular since the end of 2021, where price increases have driven the majority of sector growth, as volumes for many sub-categories have faced more substantial headwinds. It comes as no surprise that this has coincided with the large increase in global inflation rates, as product price increases are often constrained by the broader pricing levels in the economy. This said, numerous Staples businesses (owing to strong branding and customer loyalty – see section below) have managed to pass through price increases in excess of inflation rates, and have therefore seen healthy organic growth figures. As inflation returns back towards more normalized levels in many major economies, the ability to sustain these pricing levels has cooled off substantially, but we are still seeing mid to high single digit price increases in many cases being passed through to the end consumer. The chart below shows how price increases have accelerated over the last 5 years, before moderating over the past 4-5 quarters.

Consumer Staples Organic Price Drivers



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

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A Special Look at Consumer Staples (continued)

Volumes

In contrast to price increases, which have been strong across the board, volume trends have painted a more varied picture. At the industry level, the chart above shows that volume growth peaked in mid-2021, and growth rates have since been declining. This is most likely a reflection of an increasingly price sensitive and (in some cases) hard-up consumer, although the US market and parts of Europe are still holding up relatively well. It is worth stressing that, despite the more recent net volume declines, organic growth has continued to remain strong. This is particularly noteworthy given that the “down-trading” (switching from branded to cheaper alternatives) that many investors feared, has been far less widespread than expected. This can be demonstrated by management commentary from a range of DIVS’ holdings.

Mondelez CEO Dirk Van de Put (on pricing dynamics in the European market): “There is very little or low down-trading ... because everybody will have to (raise) prices. So, it’s a joint movement between all the brands... we don’t expect that there will be huge shifting of consumers.”

Coca Cola CEO & Chairman James Quincey: “If you’ve got to save money, you don’t trade down averagely across everything ... our objective is to make sure (consumers) value our brands so that they make the choices in the shopping occasion...we preserve our brand strengths because we deliver value for them in the product, in the marketing and innovation.”

P&G CFO Andre Schulten: “The U.S. continues to be very solid and continues to impress. Consumers that are choosing P&G products continue to trade up within our portfolio... This speaks to the health of our proposition, but also the health of the consumer and their willingness to invest. Some consumers will look for value in private label, but an equal, if not higher amount find better value in our propositions as we drive continued superiority via innovation”.

Mix

Often overlooked, the product mix is also an important part of the overall growth story. This refers to the different product forms offered by a company including the type of product sold, the quantity it is sold in (single buy / multibuy) as well as the actual size of the packet itself. Faced with rising costs and an increasingly price sensitive consumer, Staples businesses have been reducing the size of certain product ranges. Even alongside flat pricing, this has the effect of increasing the average cost per quantity sold and contributes to organic growth.

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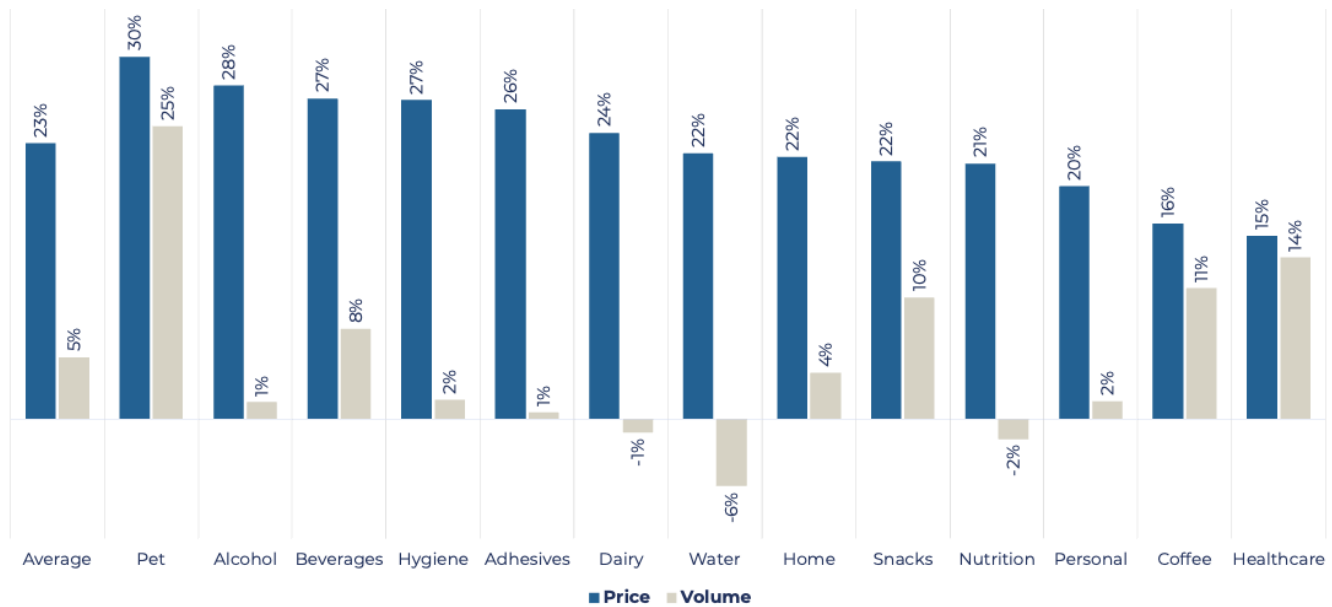


A Special Look at Consumer Staples (continued)

Putting this Together at the Category Level

At a category level, the picture varies widely. Some categories (Pet, Beverage, & Healthcare) have seen healthy tailwinds, and have therefore managed to grow both volumes and price. However, other areas (notably Water, Dairy, and Alcohol) have seen greater challenges, particularly on the volumes side, as highlighted by the chart below.

2019 - 2023 Cumulative Growth Drivers: Price vs Volume



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

And at the Fund Level

| | LFY | | | Since COVID | | |
|-----------------------------|----------------|-----------|------------|----------------|-----------|------------|
| | Organic Growth | Price Chg | Volume Chg | Organic Growth | Price Chg | Volume Chg |
| Reckitt Benckiser Group PLC | 7.6% | 9.8% | -2.2% | 24.5% | 24.9% | 3.4% |
| Procter & Gamble Co/The | 7.0% | 9.0% | -3.0% | 28.6% | 15.6% | 6.0% |
| Unilever PLC | 7.0% | 6.8% | 0.2% | 24.2% | 22.7% | 1.3% |
| Diageo PLC | 6.0% | 7.0% | -7.0% | 36.9% | 28.1% | -1.0% |
| PepsiCo Inc | 9.5% | 13.0% | -3.0% | 43.1% | 38.0% | 2.9% |
| Coca-Cola Co/The | 12.0% | 10.0% | 2.0% | 37.1% | 26.8% | 8.6% |
| Henkel AG & Co KGaA | 8.8% | 12.6% | -3.8% | 16.5% | 26.1% | -4.9% |
| Nestle SA | 8.3% | 8.2% | 0.1% | 20.6% | 19.1% | 9.1% |
| Danone SA | 7.8% | 8.7% | - | 9.8% | 16.2% | -1.1% |
| Mondelez International Inc | 14.7% | 13.4% | 1.3% | 40.5% | 29.9% | 8.7% |

Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

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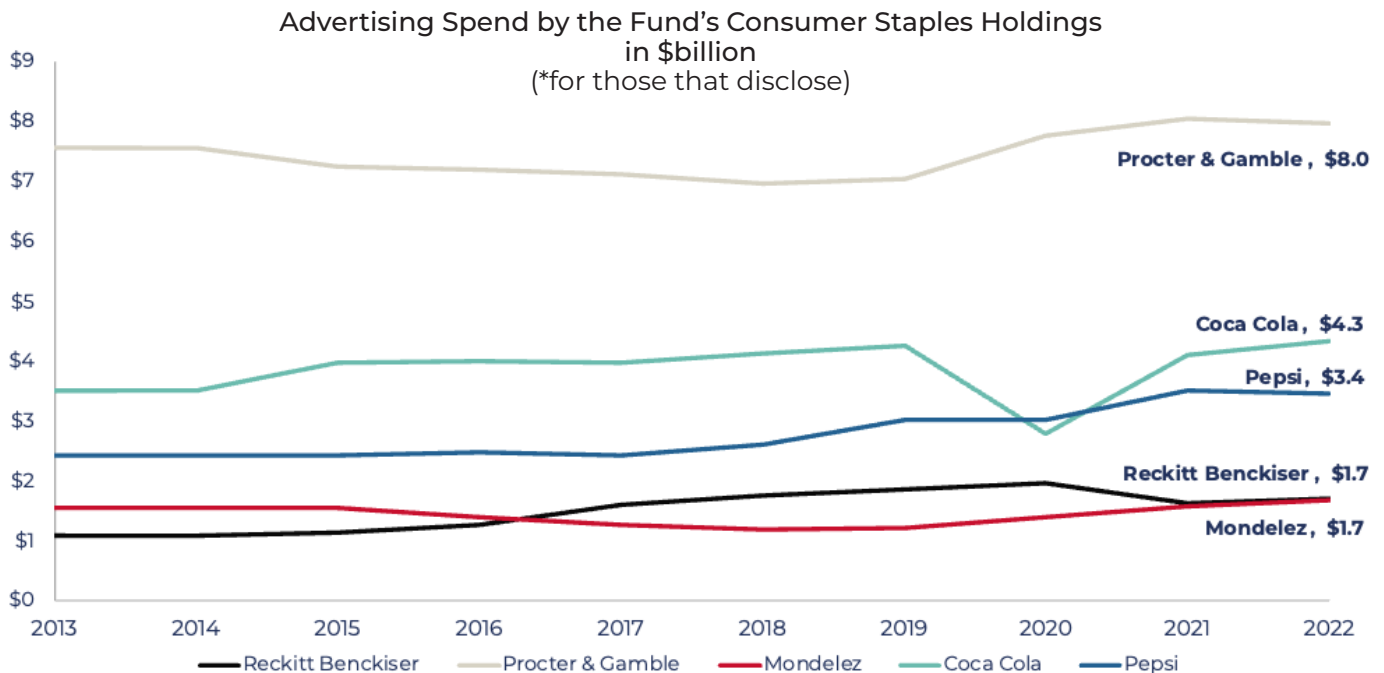


A Special Look at Consumer Staples (continued)

- Pricing growth has been strong for the Fund's Consumer Staples holdings, both on a one-year basis and since COVID (Q1 2020). On a four-year basis, across all holdings, the average price increase has been 24.7%.
- Even though volumes have lagged behind pricing, net volume growth still stands at 3.3% over the same time period, with all but 3 companies seeing positive growth.
- As a result, organic growth has remained robust, averaging 28.2% or a ~6.5% compound annual growth rate.

It's All About the Brands

Branding is a key differentiator for Consumer Staples, perhaps more so than other sectors given the core industry dynamics. Products are often purchased on a regular basis, and the purchasing decisions take place with limited planning or thought, given their generally low cost. As such, the need to stay front of mind is absolutely paramount. This is achieved via consistent advertising campaigns which highlight the value proposition as well as the latest product innovations, helping to reinforce strong brand messaging & personal attachments. Such is its importance, Advertising & Promotional Spend (A&P) is seen as an essential cost of doing business as without it, sales would likely tail-off quickly. The Fund's consumer staples holdings have, we believe, a superior brand portfolio which continue to grow sales organically and this is partly explained by their sizeable A&P investments. Not all businesses disclose their A&P spend, but for those that do (shown below) the total figures are substantial.



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

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A Special Look at Consumer Staples (continued)

Innovation Case Study: A Focus on Alcohol

Sectors that have struggled to grow volumes organically have often turned to innovation to improve the value proposition of their products and drive growth in other ways. This has sometimes meant focusing on product niches, as is the case for the Alcohol category, which is seeing an ongoing change in consumption patterns. IWSR (a Drinks Market Analysis Firm) noted that alcohol consumption by US adults (18 to 34) has declined 14% over the past decade and other major markets are also seeing similar declines. However, ongoing innovation (alongside large marketing budgets) has seen new product categories emerge with demand

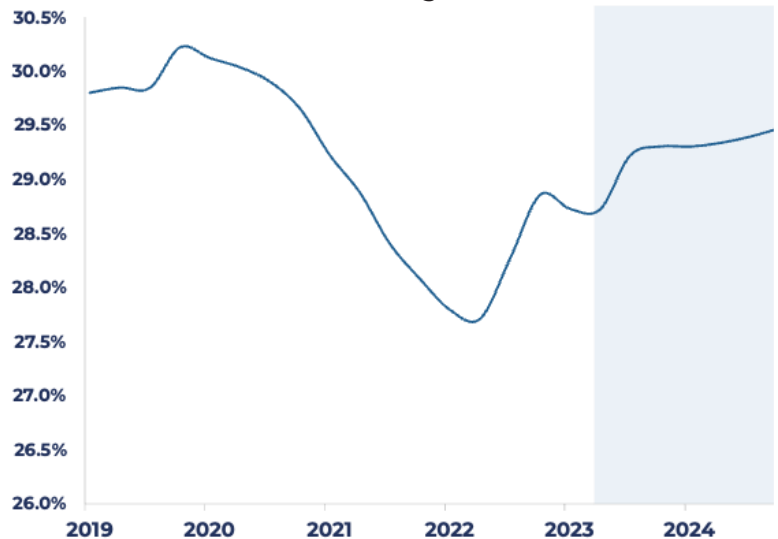
for zero alcohol product lines exploding, reaching a total addressable market of \$13bn in 2023. In addition, the category has pivoted towards premiumization, both in terms of ingredient quality and brand advertising, which has proven popular with consumers, as they increasingly switch to higher quality areas of the market, enabling greater pricing growth. Given the ongoing product development and continued investments into brand & quality, the Alcohol category has seen a 26% growth in price over the past 4 years, more than any other staples category.

Margin for Error: Current Margin Picture & Outlook

Gross Margins

Like many other industries, Staples businesses have faced a difficult few years, given rising costs across the entire supply chain. Commodity, shipping, manufacturing, labor, and storage costs have all seen large increases and, as a result, the margin profile in mid-2022 deteriorated to the lowest level in the past 5 years. However, we have seen margins rebound more recently, given input prices that are moderating (& even falling in some cases). As a result, sector gross margins have started to rebound, reaching ~29% as of year-end 2023, and are poised for even further expansion.

Consumer Staples Index:
Gross Margins



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

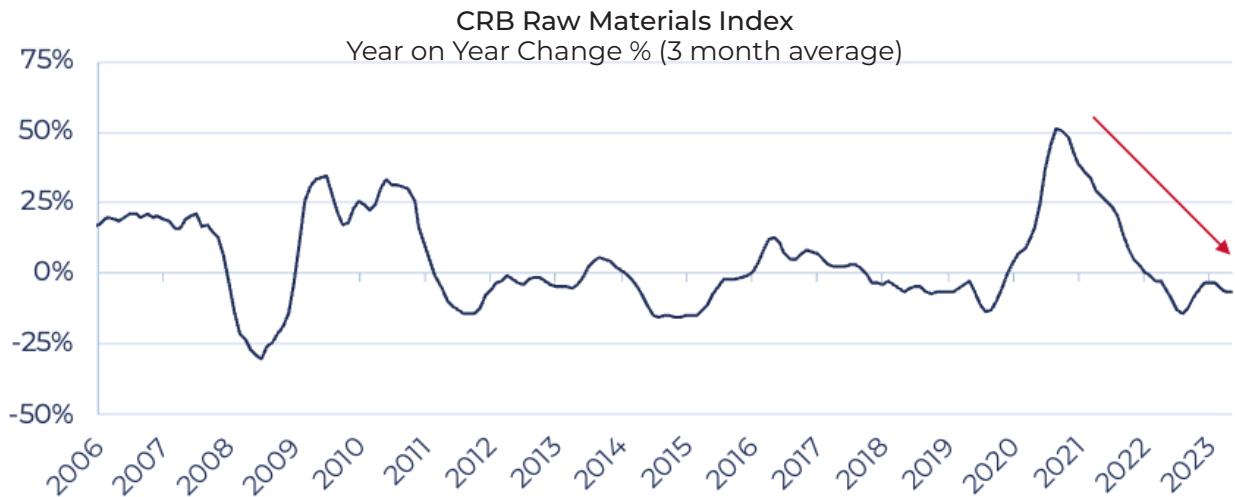
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A Special Look at Consumer Staples (continued)

Inputs Trending Nicely

Much of the potential expansion is due to moderating input costs. The CRB Raw Materials Index, which tracks 19 global commodities, has seen substantial year over year declines from its 2021 peak and is now in negative territory on a 3-month rolling average basis. As input costs continue to fall, and topline growth continues, the potential for meaningful margin expansion grows.



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

So Long as Pricing Holds

We have already discussed the industry pricing dynamics, but another way to conceptualize price increases is via excess pricing power. This demonstrates the spread between the price increases companies are passing through and the rate of global inflation. As inflation began to rise in early 2021, the Staples industry was slow to raise prices and therefore excess pricing was negative (demonstrated by the red bars in the chart below). However, as companies continued to pass through higher prices to the consumer, alongside falling headline inflation figures, excess pricing power has reemerged.

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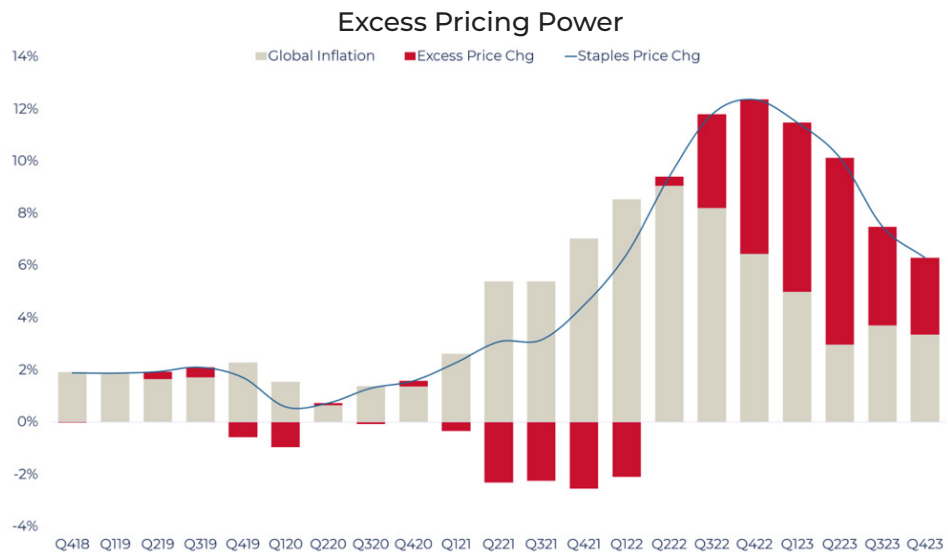


A Special Look at Consumer Staples (continued)

Attractive Dividends: Growth & Yield

The Consumer Staples sector is characterized by companies that have stable revenues and defensive business models that often produce high levels of free cash flow. As such, these businesses are often able to pay healthy dividends. Not only are the dividend yields solid in absolute terms, but the strong underlying free cash flows allow for

healthy dividend growth over time. The average dividend yield across the Fund's 10 Staples names at end of month was 3.1%, well ahead of the Fund average and the MSCI's gross yield of 1.88%.



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

| Dividend Growth | | | | | |
|----------------------------|-------|-------|-------|--------|--------------|
| | 2020 | 2021 | 2022 | 2023 | 2023 vs 2019 |
| World | -4.1% | 10.8% | 7.0% | 6.1% | 20.6% |
| Staples | 4.3% | 4.0% | 2.4% | 9.1% | 21.1% |
| Reckitt Benckiser Group P | 0.0% | 0.0% | 5.0% | 3.7% | 8.9% |
| Procter & Gamble Co/The | 4.5% | 7.0% | 8.7% | 4.5% | 27.0% |
| Unilever PLC | 1.5% | 3.0% | -0.2% | -13.3% | -9.6% |
| Diageo PLC | -0.7% | 7.7% | 3.7% | -5.0% | 5.4% |
| PepsiCo Inc | 6.1% | 5.6% | 6.5% | 9.3% | 30.4% |
| Coca-Cola Co/The | 2.5% | 2.4% | 4.8% | 4.5% | 15.0% |
| Henkel AG & Co KGaA | 0.0% | 0.0% | 0.0% | 1.9% | 1.9% |
| Nestle SA | 1.9% | 1.8% | 5.4% | 4.4% | 14.1% |
| Danone SA | -7.6% | 0.0% | 3.1% | 3.0% | -1.9% |
| Mondelez International Inc | 10.1% | 10.8% | 10.5% | 10.2% | 48.6% |

Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

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A Special Look at Consumer Staples (continued)

When focusing on dividend growth, we can see that the Staples sector has grown faster than the MSCI world by ~50bps (basis points) over the last 4 years. Within the Fund's Consumer Staples, Mondelez, PepsiCo and P&G have performed particularly well, growing their dividend well above the market over this period. However, even as names like Reckitt Benckiser, Henkel and Danone have not grown their dividend as fast over this period, it is encouraging to see that dividend growth is starting to reaccelerate, as these firms show positive momentum within their dividend growth over the last 1-2 years.

Solid in Defense: the Merits of Staples in a Downturn

Stemming from their defensive businesses and predictable cash flows, Staples firms tend to outperform in a downturn, with a relative downside capture of just 78%. Looking back over the last eleven significant drawdowns (each characterized by a market pullback of 7%+), the Consumer Staples sector has outperformed the MSCI World Index in all but the most recent example. Additionally, the average out-performance has been 5.9%, a substantial difference. When compared to the Fund itself, the sector has outperformed in all but 3 cases. The chart below succinctly summarizes the merits of the Staples sector, particularly given periods of greater volatility as the more defensive and less cyclical characteristics, can often lead to relative outperformance.

| Reason for sell off | Start date | End date | MSCI World Index | Guinness Global Equity Income | MSCI Consumer Staples |
|--|------------|------------|------------------|-------------------------------|-----------------------|
| 1. European crisis / Greece | 02/05/2011 | 04/10/2011 | -22.0% | -15.6% | -8.7% |
| 2. US credit rating downgrade | 19/03/2012 | 04/06/2012 | -12.5% | -8.9% | -4.1% |
| 3. "Taper tantrum" | 21/05/2013 | 24/06/2013 | -7.7% | 5.2% | -6.8% |
| 4. Oil price sell off | 27/08/2014 | 16/10/2014 | -8.8% | -8.3% | -5.6% |
| 5. Chinese stock market decline | 17/08/2015 | 25/08/2015 | -9.4% | -8.5% | -7.6% |
| 6. China growth concerns | 31/12/2015 | 11/02/2016 | -11.5% | -6.1% | -3.0% |
| 7. Volatility spike / inflation concerns | 26/01/2018 | 08/02/2018 | -9.0% | -7.1% | -7.9% |
| 8. Tech sell off / US-China trade issues | 03/10/2018 | 25/12/2018 | -17.5% | -12.0% | -8.8% |
| 9. Coronavirus | 19/02/2020 | 23/03/2020 | -34.0% | -32.5% | -23.8% |
| 10. Inflation concerns / Ukraine war | 04/01/2022 | 12/10/2022 | -26.1% | -20.8% | -16.5% |
| 11. 'Higher for Longer' Interest Rates | 31/07/2023 | 27/10/2023 | -10.5% | -9.0% | -11.0% |

Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

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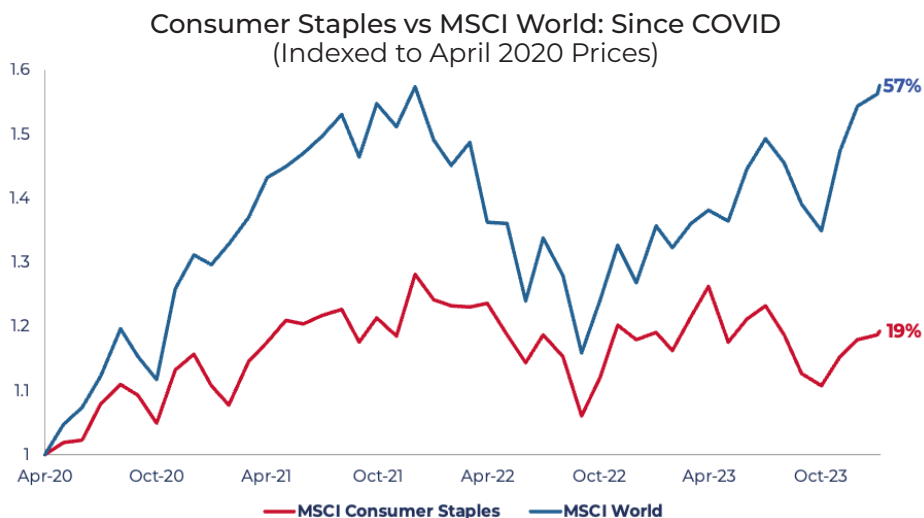


A Special Look at Consumer Staples (continued)

Relatively Attractive Valuations

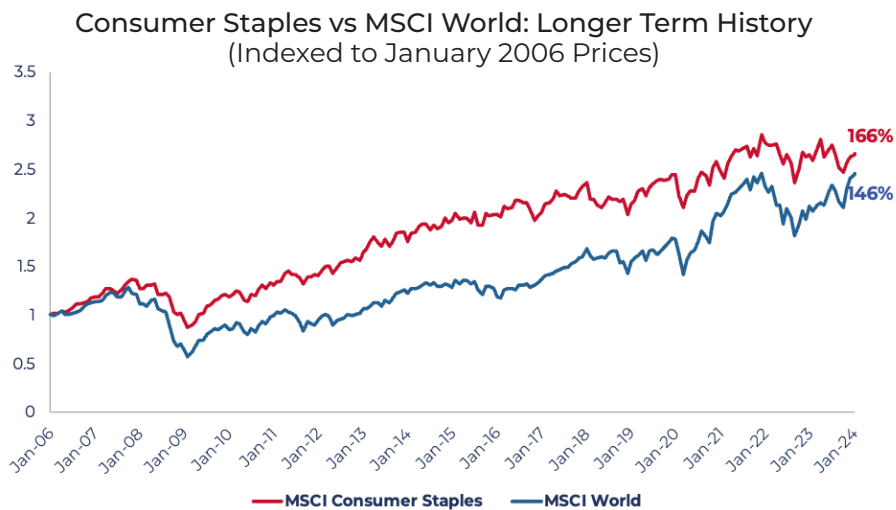
Performance

As a starting point, looking at relative performance over the past ~4 years, it is clear that the Consumer Staples sector has underperformed the broader index:



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

However, over a longer period of time, we can see outperformance from the sector with lower volatility:



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

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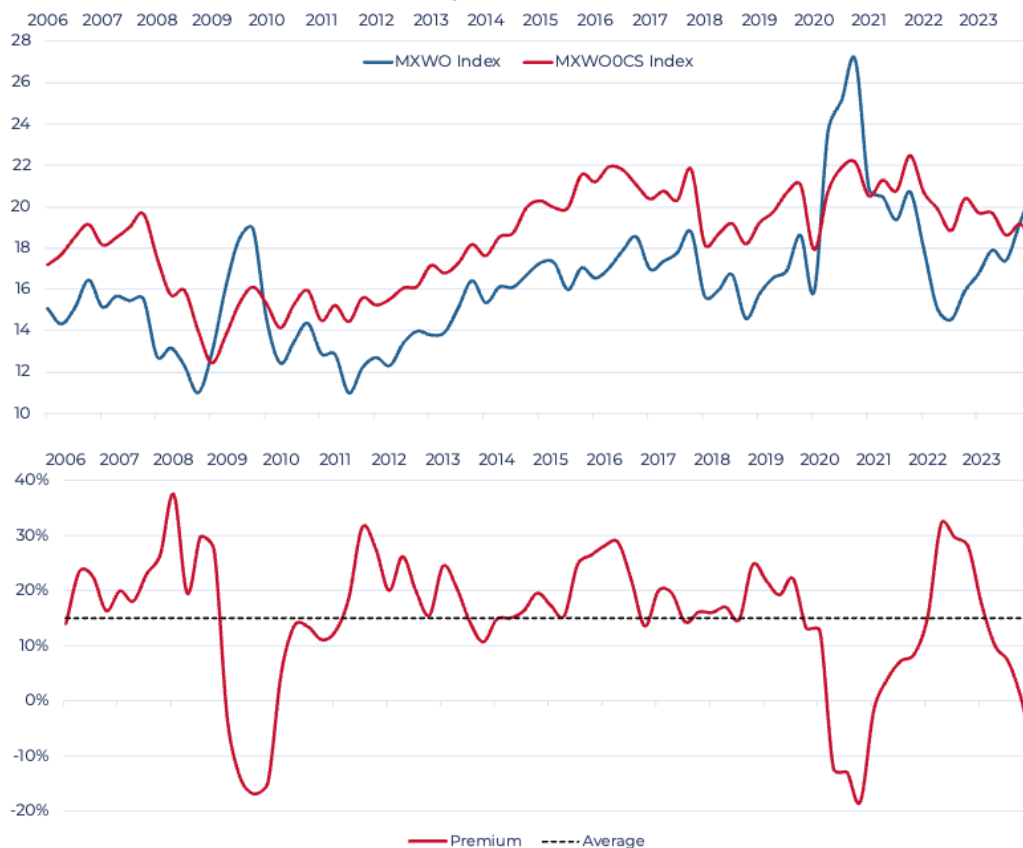
A Special Look at Consumer Staples (continued)

Valuations

This superior performance over much of the past two decades has meant that the Staples Sector has traded at an average premium of 15% to the MSCI World. This premium has in fact stood closer to ~20+% over much of the past decade, as the high-quality characteristics of the sector and the compounded organic growth commanded a higher market multiple. However, since COVID, the valuation picture has been more volatile:

- **March 2020 to March 2021:** markets rebounded sharply following the COVID crash as record low interest rates benefitted growth stocks in particular. Staples therefore underperformed and began trading at a discount to the wider market.
- **March 2021 to December 2022:** As inflation began to feed through, Staples businesses managed to raise prices substantially which, in many cases, reached double digits and spurred strong organic growth. Staples came back into favor and sector earnings multiples climbed above 22x, an all-time high. This was a 30% premium to the broader market.
- **2023 to present:** As inflation began to moderate, the sector underperformed, and earnings multiples fell to ~18x. This stands close to a 10% discount to the index at present.

Consumer Staples Valuation vs MSCI World



Source: SmartETFs, Bloomberg. Data as of February 29, 2024.

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A Special Look at Consumer Staples (continued)

On a relative basis, vs history and vs the index, the Staples sector is looking attractive from a valuation standpoint. Even as the price increases that companies pass through are decelerating, Consumer Staples businesses are still capturing excess pricing, which is aided by falling input costs. The margin picture has improved substantially year over year, and this expansion looks set to continue. Despite their recent relative underperformance vs the index, there is a good case to be made for the Staples sector as a whole. The growth outlook looks solid, and we remain confident in the long-term quality of the Sector. We therefore believe that these high-quality businesses with solid returns on capital and strong compounding characteristics can continue to perform well over the long term, and represent a good source of dividend income, alongside steady compounded price returns.

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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 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.

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