ADIV

The SmartETFs Asia Pacific Dividend Builder ETF

April 2024 Update

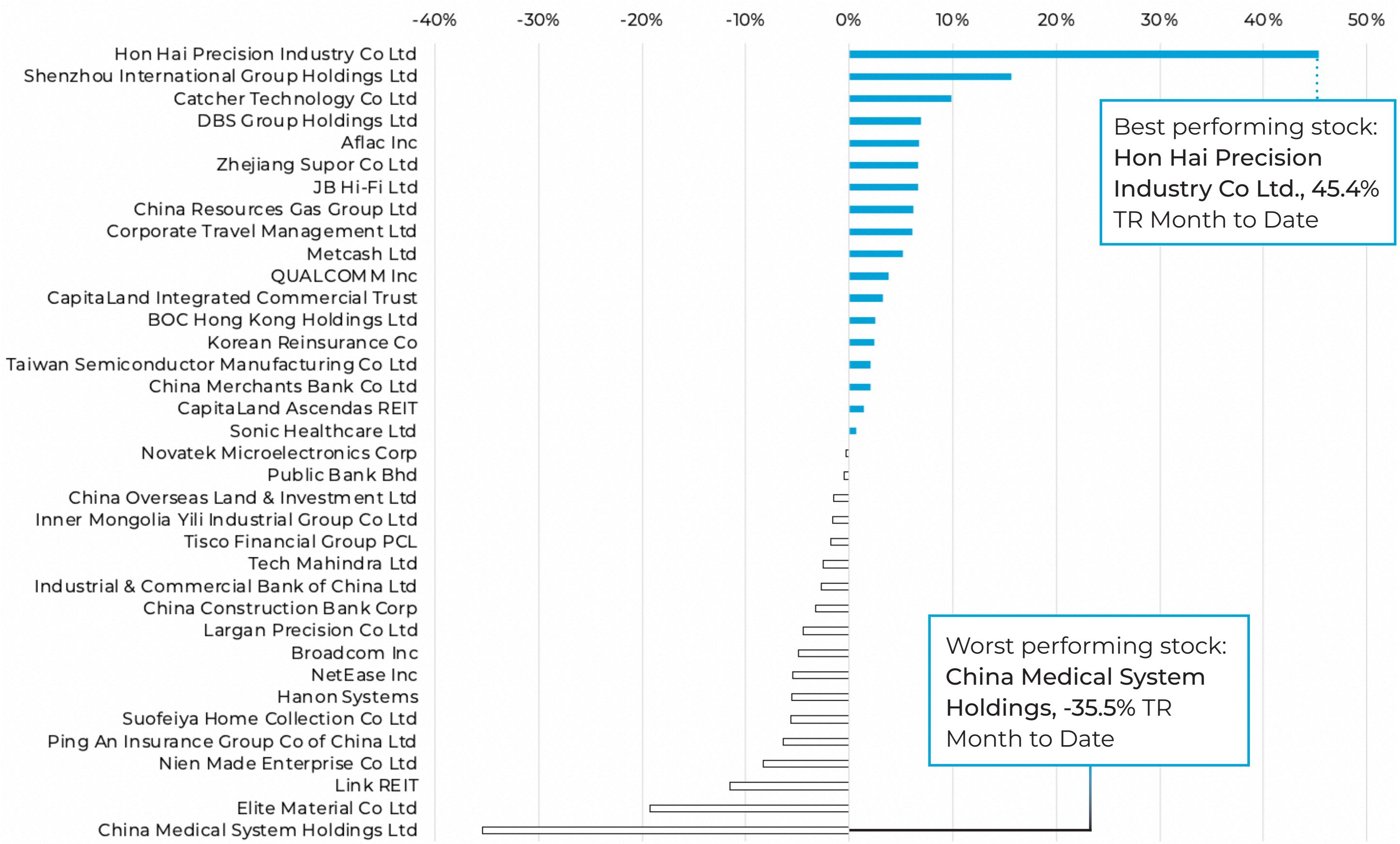
Portfolio Performance

as of 03/31/2024

ADIV underperformed the index in March, delivering 0.00% on a NAV basis, 0.14% on a market price basis, while the MSCI AC Pacific ex Japan Net Total Return Index benchmark rose 2.98%. The best three performing stocks in March were Hon Hai Precision, Shenzhou International and Taiwan Semiconductor Manufacturing (TSMC). The weakest stocks were China Medical System, Elite Material and Link REIT. The performance of these two groups largely cancelled each other out. The best stocks over the whole quarter were Hon Hai, TSMC and JB HiFi while the weakest were China Medical System, Link REIT and Hanon Systems. Markets that were notably strong were Taiwan and India while the weakest were Hong Kong and Thailand. Of the other major markets, Korea performed in line with region while Australia and China were little changed. On a sector basis it is technology that has had the biggest positive impact.

The Artificial Intelligence (AI) theme is proving to be very a powerful investment theme. Unlike the speculative technology hype of the late 1990s, AI's influence distinguishes itself with substantial and immediate returns. Semiconductor chip demand, particularly in logic chips, remains robust, fueled by AI as well as by Personal Computers, Smartphones, and Datacenters, all experiencing tight inventories. The Fund strategically holds positions in key players like TSMC, Broadcom, and Elite Material, benefiting from earnings growth driven by technology infrastructure spending, while also capitalizing on consumer electronics through investments in companies like Largan Precision, Qualcomm, Novatek Microelectronics, and Hon Hai Precision. Read on for more!

Holdings are subject to change. Go to SmartETFs.com/ADIV 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.

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Contributors

Hon Hai Precision was the leading contributor over the month and the quarter. Trading under the Foxconn brand, the company is a major assembler of consumer electronics products, most notably for Apple. However, in recent weeks the focus has switched to its server business and specifically, Nvidia's own Brand AI servers which should drive earnings growth, and which has driven a valuation re-rating.

Detractors

China Medical System is probably the leading pharmaceutical in licensor (i.e. acquirer of licensed product, technology, or intellectual property) in China with growing in-house R&D and strong sales network. There are over twelve new products that could come through over the next two to three years. However, the company reported results for 2023 that fell well short of market expectations through a combination of larger price cuts for drugs included in China's Volume-based procurement program (VBP) and lower sales of non-VBP drugs, due to the anti-graft campaign. This has triggered significant downgrades to earnings forecasts in the near-term, although the investment thesis for the stock outlined above remains unchanged. The stock sold off sharply and, we believe, reflects more than fully the changed outlook. For the present, the stock remains in the portfolio and with limited downside from here in our opinion, we have added to it in line with our portfolio approach.

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As of 03/31/2024	YTD	1 Year	3 Year	5 Year	10 Year
ADIV at NAV	0.64%	7.90%	-1.62%	4.61%	6.27%
ADIV at Market Price	0.29%	7.62%	-2.00%	4.50%	6.22%
MSCI AC Pacific Ex-Japan NR	1.33%	0.79%	-7.33%	1.52%	3.31%

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.

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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

In March, ADIV underperformed the index, returning 0.00% on a NAV basis (0.14% on a market price basis) versus an index rise of 2.98%.

Security selection was the main driver of returns and within the technology sector this accounted for almost -1.6% of the underperformance. Of the technology stocks we own, Elite Material detracted most (-1.3%) while Hon Hai Precision contributed most (+0.9%). Broadcom, Novatek Microelectronics, Tech Mahindra, and Largan Precision also detracted bringing the overall "cost" of the stocks we held to -1.2%. The remaining cost was from the stocks we did not hold, especially Samsung Electronics and SK Hynix. The other detractors from performance were in the health care and real estate sectors. China Medical System reported poor results triggering a sharp fall in the share price that detracted -0.9%. In real estate, Link REIT was the one the weighed and detracted -0.4% as the company announced weaker sales from its shopping malls in Hong Kong with consumers preferring to head into Shenzhen in Mainland China.

Consumer discretionary stocks in the portfolio contributed 0.4% of relative performance with textile maker Shenzhou International the largest contributor and supported by JB HiFi and Zhejiang Supor. In the first quarter of 2024, as a result of the weaker performance in March, the Fund is performing behind the Index. The contributors were led by Hon Hai, JB HiFi, TSMC, Metcash, China Merchants Bank Korean Reinsurance, Zhejiang Supor and NetEase. Detractors were led by China Medical System, Largan Precision, Link REIT, Hanon Systems, Tech Mahindra, China Overseas Land, Elite Material and Ping An Insurance.

Over the period, we had some positive contribution from asset allocation with an overweight to technology and a zero weight to materials, offset slightly by our exposure to real estate and zero weight to energy. However, security selection remains the main driver: in contrast to the month of March, our stock selection in technology had a neutral effect; selection in health care (China Medical System) and real estate (Link REIT) detracted, offset by some positive contributions from stocks in consumer staples (Metcash) and communication services (NetEase).

Macro

We noted last month that higher than expected US headline inflation had slightly tempered market expectations of further Fed rate cuts in the near term. And we also said, "As ever, we maintain our belief that while we continue to see strength in the jobs market and inflationary pressures persist (even if somewhat lower than at the peak in 2023), it will be unlikely that the Fed will move to cut rates."

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Macro

The market has been slow to adopt this view but comments from Federal reserve Chairman Powell over the Easter weekend have forced this issue to the fore. There is a paradox here that sets the scene for some market volatility this year: while the market celebrates US economic strength, the Federal Reserve has made clear that rates will not fall while this strength persists. The warning from history lies in twin inflation spikes of 1974 followed by a higher peak in 1980. Therefore, forecasts of interest rate cuts must be predicated on an economic slowdown and, as we have seen, the market's assessment of these two factors appears to be muddled.

In Asia, there has been little change in the news from China, however, over the last few months there has been an interesting theme developing in Korea. While the Korean economy has long since reached advanced, high-income status, the stock market remains in the Emerging category. Complex company structures, questionable governance, a restricted currency (i.e. only tradeable within Korea), a foreign investor registration system that limits market access are some of the features that have contributed to the "Korean discount". In aggregate, Korean companies trade at around a 33% discount to the rest of the region on a price to book basis and getting on for a 50% discount to developed markets.

At the end of February, Korea launched the "Corporate Value-up Program" led by the Financial Services Commission (FSC) in which the government will encourage and support companies' voluntary efforts to return more capital to shareholders and improve governance. In this endeavor, Korea appears to be following Japan's roadmap. The FSC has launched a Value-Up Index composed of best-practice companies. The foreign investor registration certificated system was finally abolished in December last year but much more needs to be done. However, there is now strong domestic economic and political impetus. The economic pressure relates to Korean investors' historic preference of property which has resulted in high levels of household debt underpinned by overpriced housing. The number of investor registrations for stock market investing has increased in recent years, suggesting a willingness to diversify, and this brings in the political motivation. Since COVID, domestic investor registrations have increased from ~6m in 2019 to ~14m today, which equates to almost a third of registered voters.

There is much to be done and government announcements so far have lacked force, but more is expected in in the first half of this year. Tax reforms on dividends would help, as would changes to punitive inheritance taxes. Market reforms that would permit inclusion into developed market indices would also trigger inflows, at the very least from passive funds. The Asian Equity Income Fund holds two Korean positions, Hanon Systems and Korean Reinsurance. The issues that we have discussed above lead to very few Korean companies making it into our quality universe.

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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.

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.