DIVS

The SmartETFs Dividend Builder ETF

April 2024 Update

Portfolio Performance

as of 03/31/2024

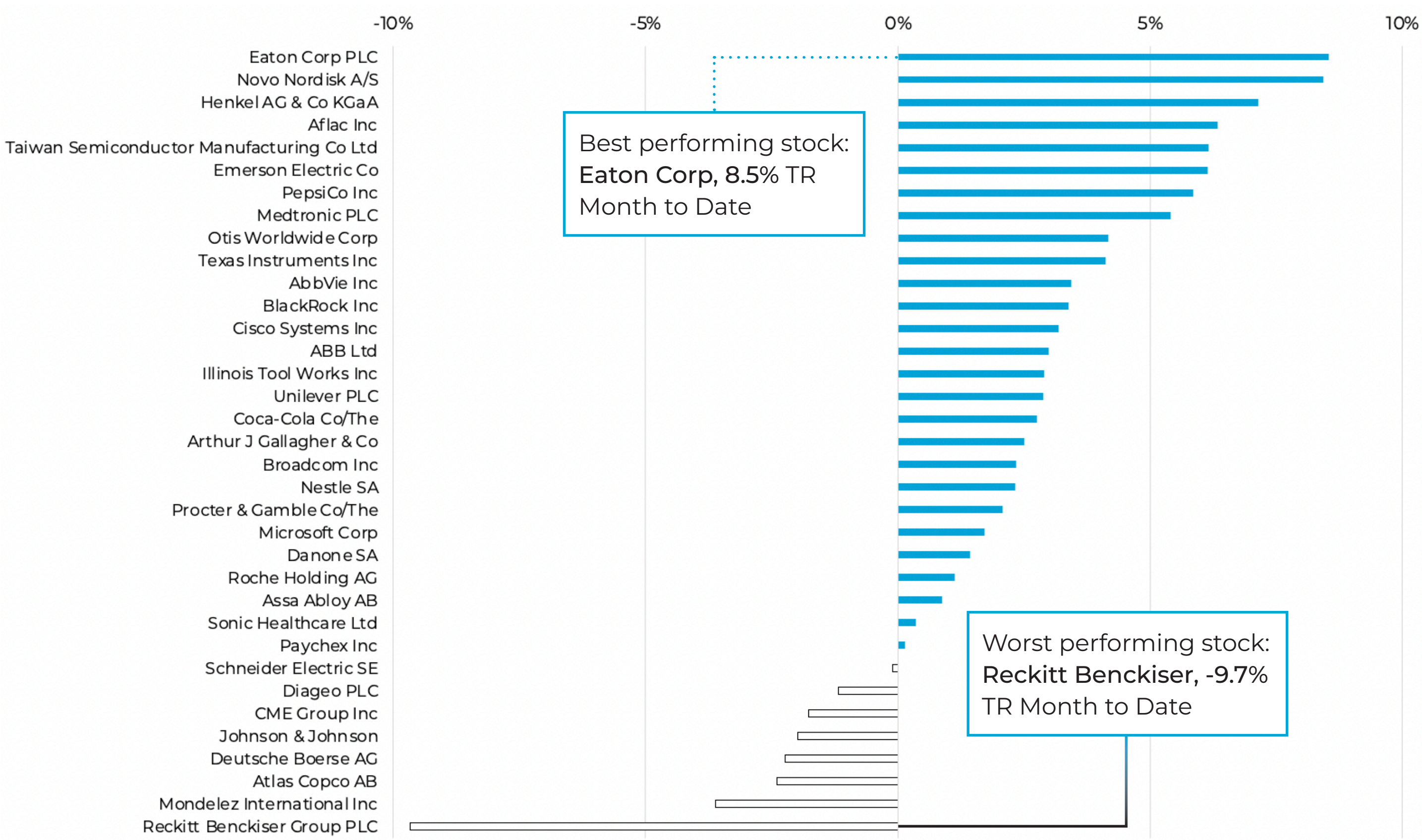
In March, DIVS was up 2.20% (NAV basis, 2.16% market price), while the MSCI World Index benchmark was up 3.21%. Equity markets continued their strong performance over the first quarter of 2024, with broad based gains across all major indexes. This may seem surprising to many given the tumultuous macroeconomic and geopolitical backdrop, notably the ongoing conflicts in Ukraine and the Middle East, news of two major economies entering recession (UK and Germany), as well as surprise inflation reads in the US. Nonetheless, markets continued their march higher as investors looked beyond this noise and focused on the long-awaited rate cutting cycle to begin. With a softening global economic outlook and inflation coming back under control, this sets the stage for accommodative monetary policy over the back half of the year.

Over the first quarter, DIVS underperformed the MSCI World Index, which can be attributed to:

- The Fund's large overweight to the Consumer Staples sector (25.3% allocation vs 6.3% Index). The sector underperformed the index by over 5% and therefore acted as a headwind.
- Additionally, the underweight allocation to IT alongside the zero allocation to Energy and Communication Services also acted as a drag, as these were 3 of the 4 best performing sectors in the index.

In this update, we outline the major movements in global markets, summarize the changes to the macro-economic outlook, and then delve deeper into the concentration of equity indexes, both at the stock level and the index level. Read on for more.

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.

DIVS

The SmartETFs Dividend Builder ETF

April 2024 Update

Portfolio Performance

Eaton was the Fund's best performer over the month, gaining 8.5%. The US industrial power management company demonstrated continued strength, reporting robust earnings midway through the quarter. Buoyed by strong demand across their end markets, they surpassed expectations on both revenue and profit, while also raising their Full Year guidance for 2024 due to a promising outlook. One important measure to analyze is their Book to Bill ratio, illustrating the ratio of orders received to units shipped for the period. Currently at 1.2X, this figure suggests a robust backlog and implies strong future demand, with a ratio above 1 indicating a healthy backlog and favorable demand outlook. This success is partly attributed to the US Inflation Reduction Act, which allocated approximately $370 billion for climate and energy initiatives, driving significant demand for Eaton's efficient power products. Additionally, shareholders received positive news with a 9% dividend increase, reflecting the company's solid free cash flow position. Overall, it was a positive quarter for Eaton, demonstrating sustained momentum across all fronts.

Reckitt Benckiser was the Fund's weakest performer, falling -9.7%. After a solid start to the year, the consumer goods giant saw a ~20% selloff on news that a US court had awarded $60mn in damages to a claimant, following allegations about Reckitt's infant formula. This is the first of hundreds of similar cases against Reckitt's infant formula business (Mead Johnson), and therefore the market sold off sharply on fears that this may set a future precedent for further damages. It is worth noting that Reckitt plans to appeal the verdict and while the outcome is clearly impossible to predict, Reckitt will likely push back firmly given the reputation to the business and the potential economic damages. Even as the legal process remains ongoing, we feel that the selloff is broadly overdone. Reckitt remains a well-diversified business (broad category of products across Nutrition, Health, and Hygiene) which generate strong free cash flows and support a healthy growing dividend. We don't believe that the latest verdict alters this thesis, and we therefore remain optimistic about the long-term outlook for the business.

continued on following page...

DIVS
The SmartETFs Dividend Builder ETF
April 2024 Update

SmartETFs

Portfolio Performance

As of 03/31/2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	5.92%	16.10%	9.78%	11.83%	9.26%	10.60%
DIVS at Market Price	5.86%	16.00%	9.67%	11.89%	9.29%	10.63%
MSCI World NR	8.88%	25.11%	8.60%	12.06%	9.39%	10.36%

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

30-Day SEC Yield (as of 03/31/24): 1.15% subsidized | 0.77% 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.

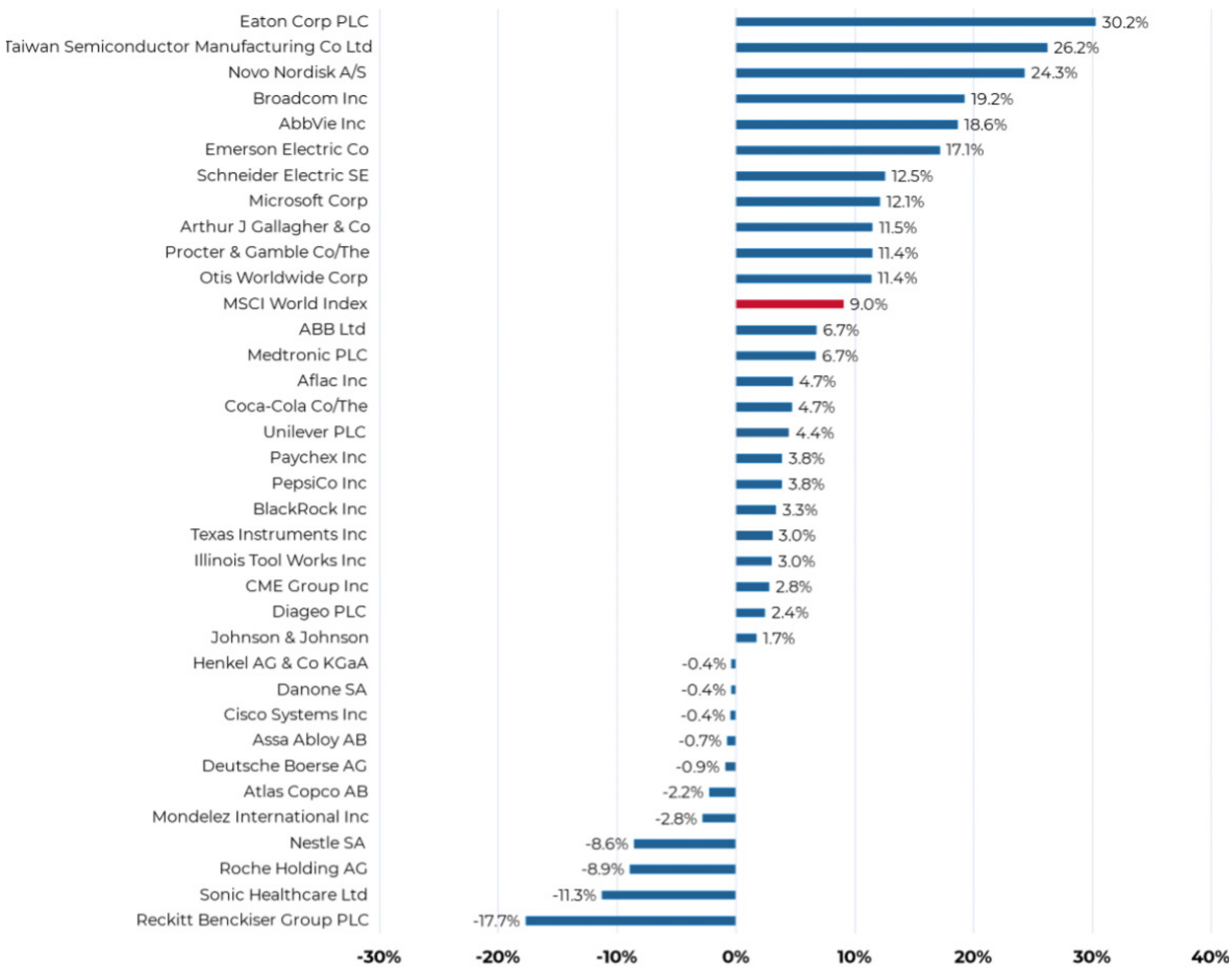
DIVS

The SmartETFs Dividend Builder ETF

April 2024 Update

SmartETFs

Individual Stock Performance over Q1 2024



Source: SmartETFs, Bloomberg. Data as of March 31, 2024.
Total return in USD.

DIVS

The SmartETFs Dividend Builder ETF

April 2024 Update

Dividend Summary

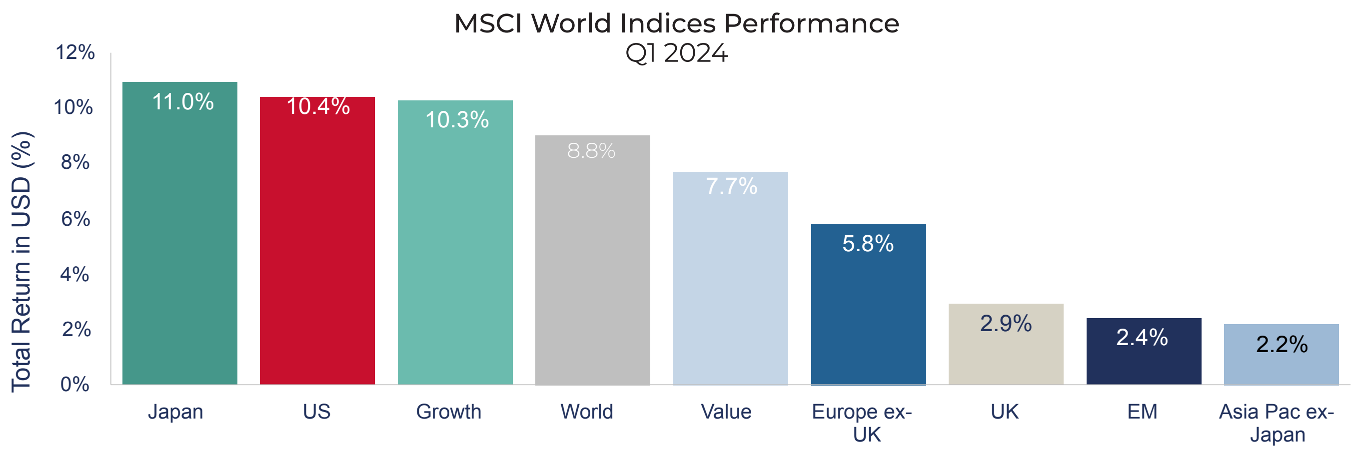
So far, in 2024, we have had dividend updates from 21 of our 35 holdings.

- 19 companies announced increases for their 2024 dividend vs 2023.
  The average dividend growth these companies announced was 8.5%.
- 2 companies announced a flat dividend vs 2023.
- 0 company announced a dividend cut.
- 0 companies announced dividend cancellations.

Q1 2024 Review

What Happened?

The first quarter of 2024 was an excellent start to the year for equities with positive performance across the board and limited volatility in financial markets. Despite a backdrop of political and economic disruptions, global equities continued from the strong end to 2023, with the MSCI World gaining 8.8%.



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

While much of this review will focus on the changing dynamics within equity markets, it is also worth discussing the high-level macro events that have moved markets year to date:

Global Growth

- **What Happened:** Economic growth figures are certainly starting to moderate, albeit remaining in positive territory. In the US, GDP grew 3.4% in Q4 2023, down substantially from the 4.9% just one quarter prior. Furthermore, the Atlanta Fed's GDPNow model is tracking growth of 2.1% for the first quarter of 2024.
- **So What?:** The US economy appears to be moderating back toward trend growth from a seemingly unsustainable pace. Despite the slowdown in the headline growth figures, markets were broadly constructive given that a more stable mid-term growth picture is positive for the disinflation outlook and points to a return to more normalized levels.

continued on following page...

Q1 2024 Review (continued)

Jobs

- **What Happened:** the February jobs report, although strong, did show signs of a cooling US labor market. Unemployment rose to 3.9% (up from 3.7%, the highest in two years), growth in average hourly earnings slowed to just 0.1% month over month and broader measures of labor market slack such as the quits rate and jobs-workers gap have continued to ease in recent months.
- **So What?**: The Federal Reserve, and indeed many central banks, have remained clear that labor market conditions are key factors in determining the monetary policy outlook. With labor markets that are strong in the absolute but starting to cool, this once more presents an encouraging backdrop for a potential rate cutting cycle.

Inflation

- **What Happened:** The global inflation picture is broadly encouraging, despite US headline CPI ticking up to 3.2% YoY (+0.1% from January). This was mainly led by increases in health and insurance costs. Nonetheless, the headline rate stood at 2.6% in the EU, 3.4% in the UK, and 2.8% in Japan.
- **So What?:** Inflation remains slightly sticky as we near long term target rates however, the direction of travel is positive. As a result, global equities have remained resilient but it is worth staying cautious given the range of ongoing geopolitical events that could pose further shocks down the line.
- **Note on rate cuts:** These developments have been reflected in the market expectations for rate cuts. At the end of 2023, seven rate cuts were priced in for the US in 2024, which quickly became six and now stands at just three for the year.

Putting it all Together

While monthly data points are often noisy, when stepping back, the picture seems clearer. Inflation is coming down, labor markets are solid, and economic growth remains positive, which now sets the backdrop for accommodative monetary policy in the coming months. Consensus sees rate cuts beginning in June, not only by the Fed, but also the Bank of England and the ECB, with the latter two potentially set to move faster given their weaker domestic economies. Encouragingly, in March, Fed Chair Jerome Powell stressed that the US central bank is "not far" from having sufficient confidence to cut rates and the fears of a hard landing have therefore been largely dispelled.

Against this backdrop, major equity indexes are trading at, or near, all-time highs. One consequence of the latest market rally has been growing market concentration, which has manifested itself at the:

1. **Stock Level**: a few companies are making up an ever greater % of the index
2. **Sector Level**: certain sectors (namely IT) are becoming increasingly concentrated at the market level
3. **Index Level**: US outperformance has led to growing share of the global index

In this update, we'll delve into the current equity concentration at each of these levels.

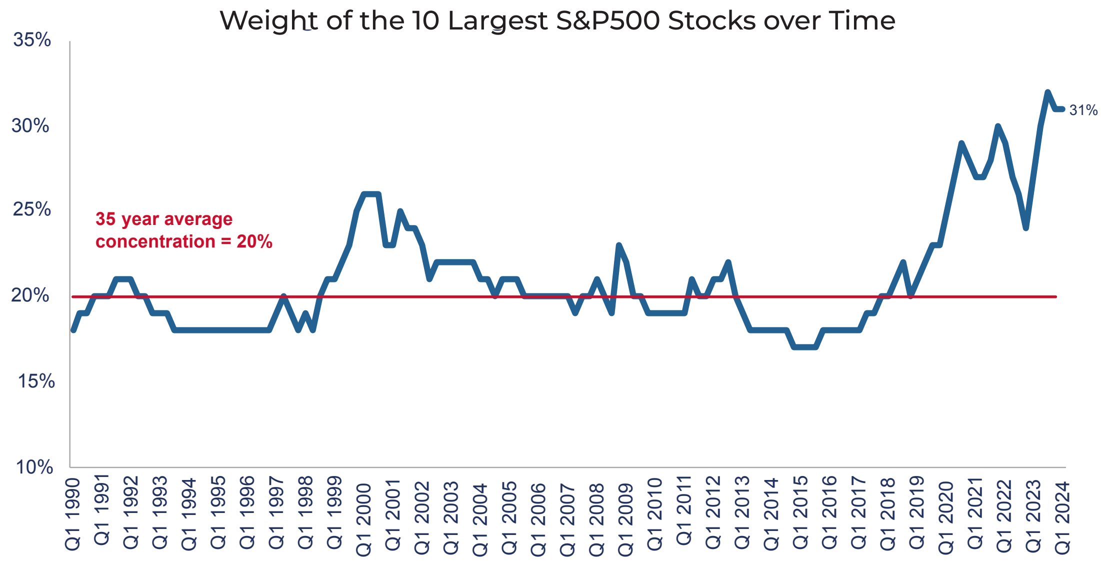
continued on following page...

SmartETFs

Q1 2024 Review (continued)

Concentration Concerns: A Focus on Large Caps

The first quarter of 2024 saw the Magnificent 7 continue their upward march. Given their stellar performance over this period, and indeed over much of the last 12 months, concerns have been raised about the current levels of equity market concentration both in the US, and globally. In the US, the 10 largest companies now constitute over 30% of the S&P500 index value, the highest level since 1980. Furthermore, the largest stock (Microsoft) reached a high of ~7% index concentration in Q1 2024, again, the highest share since IBM in 1980.

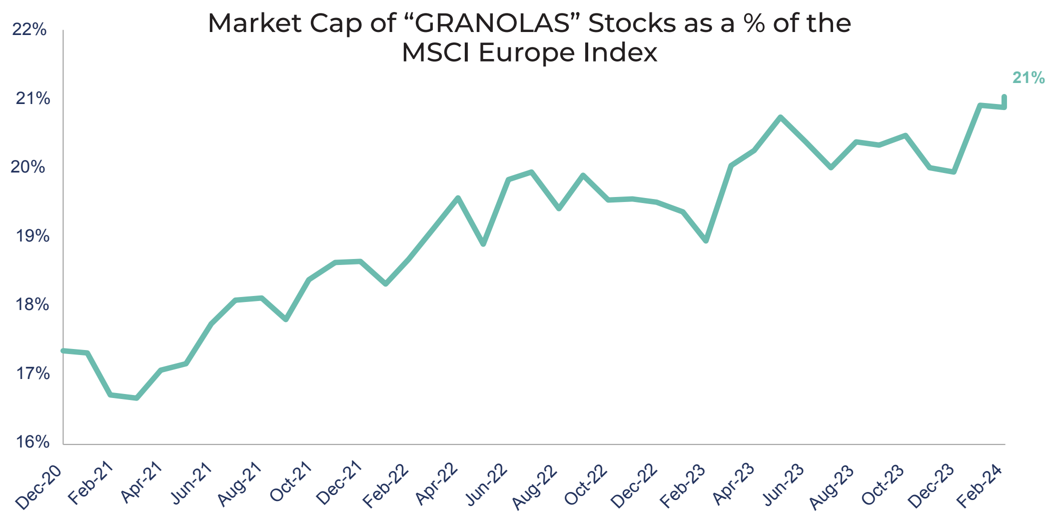


Source: Schroders, LSEG DataStream. Data as of March 31, 2024.

But it is not just the US where a handful of stocks are dominating. European markets now have the highest concentration since the Global Financial Crisis and are approaching the record levels seen during the Dot Com Bubble. This is in large part due to the rise of the “GRANOLAS”, a moniker for 11 large cap EU listed stocks that have far outperformed the broader MSCI Europe (by ~38% since Q1 2020). While the GRANOLAS are more diversified than the Magnificent 7 (with sector exposure to Healthcare, Consumer Discretionary, and Staples), they now account for over 1/5th of the entire European market.

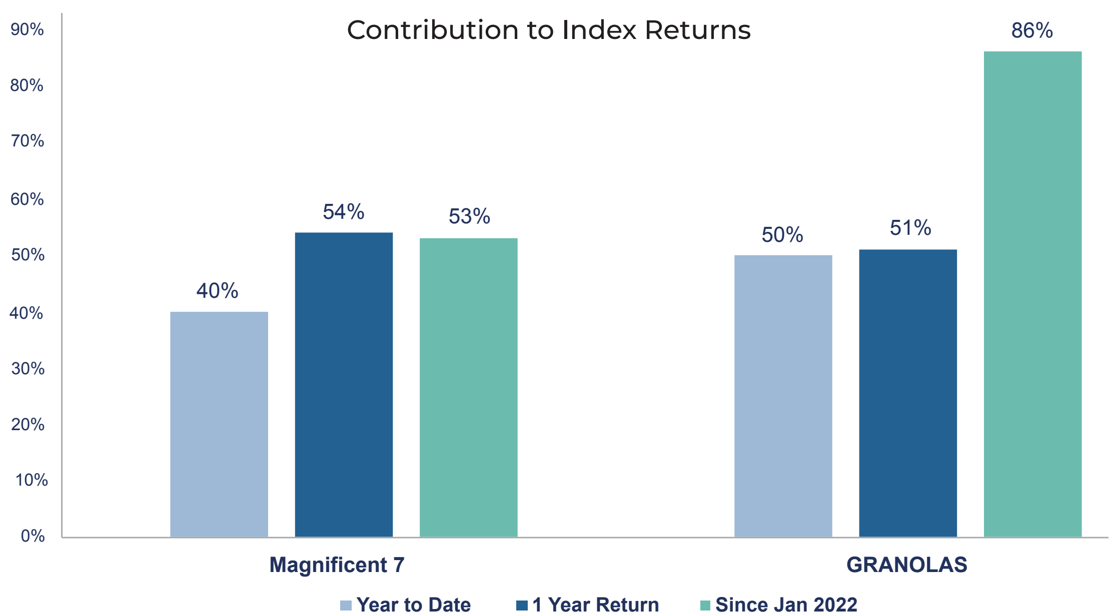
continued on following page...

Q1 2024 Review (continued)



Source: Bloomberg, MSCI. Data as of March 31, 2024.

Both the Magnificent 7 and the GRANOLAS have contributed to over half of their respective market's 1-year gains. This is particularly noteworthy for the GRANOLAS, which have driven a substantial 86% of European returns since the start of January 2022. While European markets have not seen the same performance as their US counterpart, the rise of these 11 names has been striking.



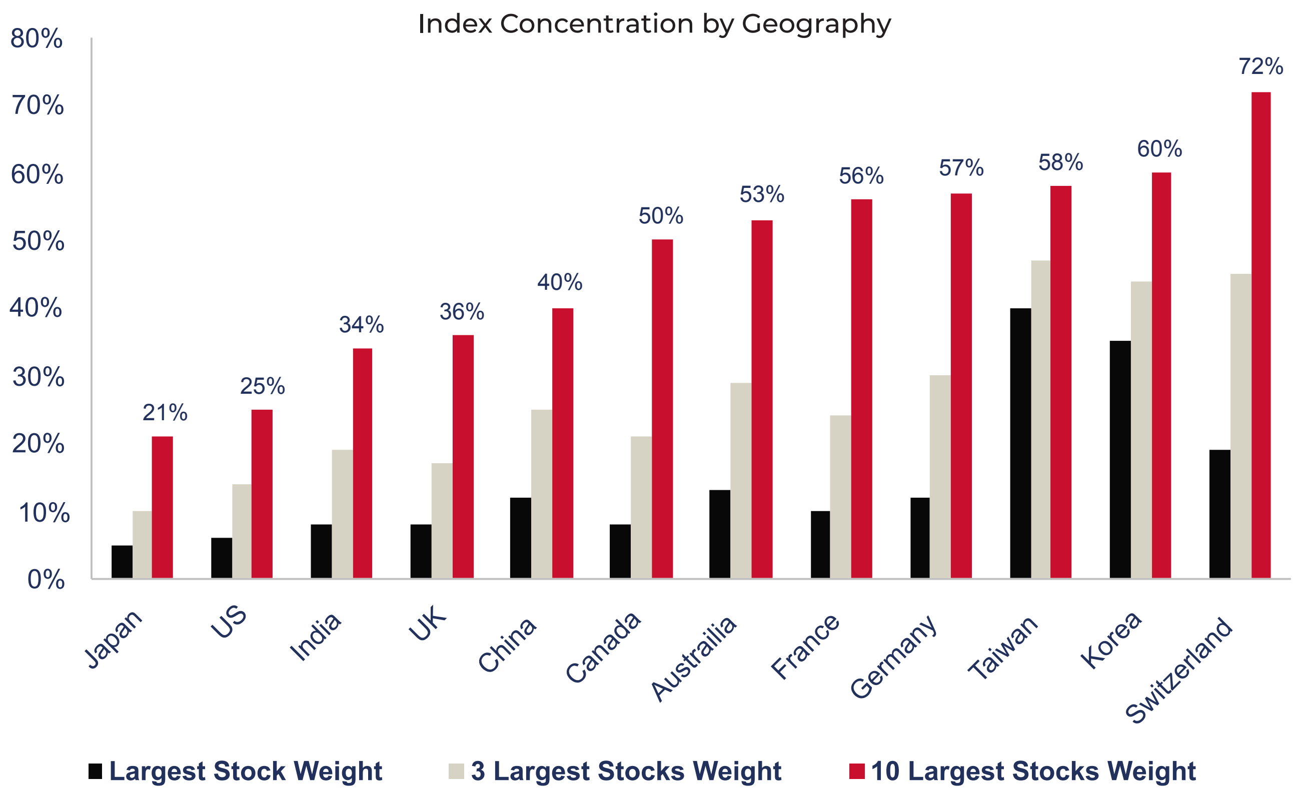
Source: Goldman Sachs, Bloomberg. Data as of March 31, 2024.

continued on following page...

Q1 2024 Review (continued)

Not So Unusual? A Look at Everyone Else

While the previous charts have illustrated the growing concentration of the US (and even European markets), when looking at equity indexes across the world, an interesting picture emerges. Namely, that the US is in fact one of the least concentrated indexes on an absolute basis. Developed markets like Switzerland, Korea, and Taiwan all show significantly greater concentration with the largest 10 stocks representing 72%, 60% and 58% of the domestic index respectively. Clearly the caveat here is that the size of the US market is unrivalled, and is therefore home to the largest, most dynamic, and most innovative companies in the world. A lower market concentration would therefore be expected given the substantial range of large-cap businesses that constitute the index.



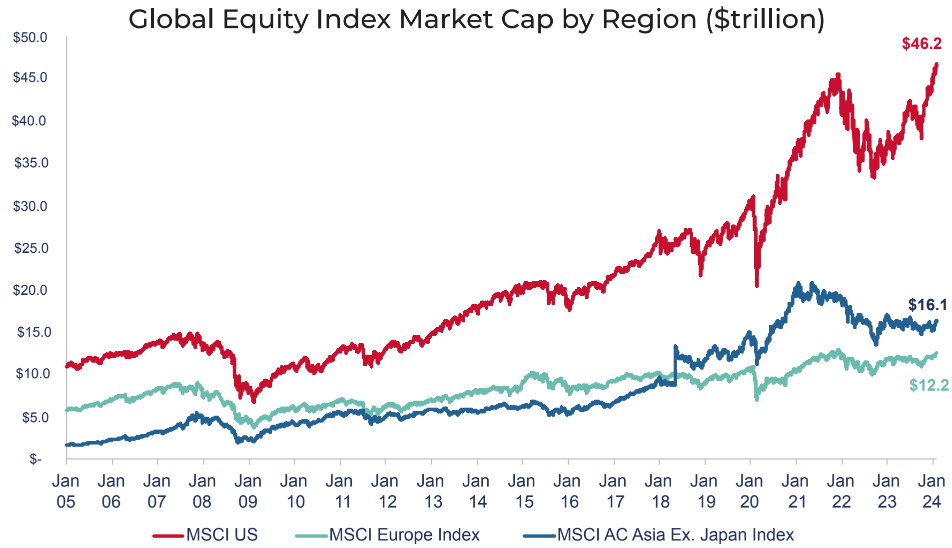
Source: CRSP Database (US), London Share Price Database (UK), FTSE World Index (other markets). Data as of March 31, 2024.

The US Juggernaut

Looking at the US equity market as a whole, the relative increase in value compared to other indexes has been staggering. Since the GFC, US equity performance has vastly outpaced other major markets and now makes up over half of the global equity market by value.

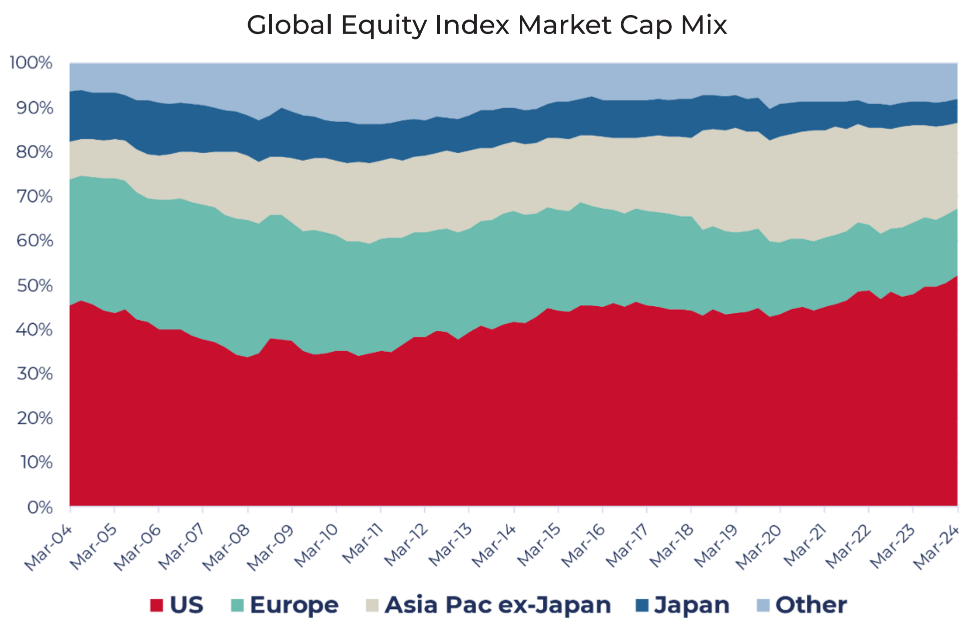
continued on following page...

Q1 2024 Review (continued)



Source: Bloomberg, MSCI. Data as of March 31, 2024.

It is worth noting that the current US share of the global index is not at its most concentrated point in history. The 1970's saw the US garner 65% of the global market (given the strength of the Oil & Automotive sectors) as too did the early 2000's (driven by the speculative Dot Com Bubble). Nonetheless, it is the most concentrated period in over 20 years, which reflects the current strength of the US economy and the growth of US businesses.



Source: Bloomberg, MSCI. Data as of March 31, 2024.

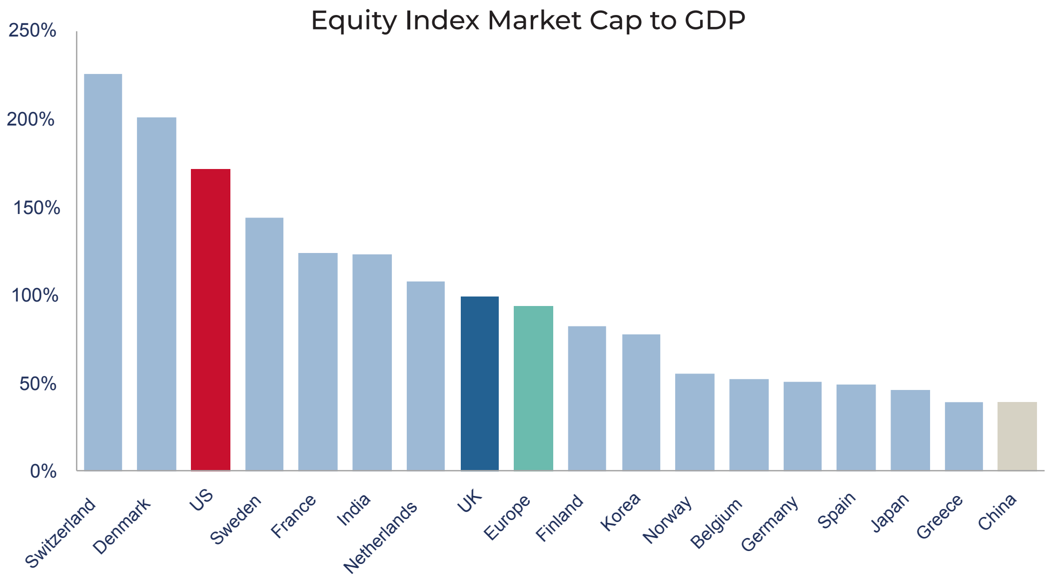
continued on following page...

Source: Bloomberg, MSCI. Data as of March 31, 2024.

DIVS
The SmartETFs Dividend Builder ETF
April 2024 Update

Q1 2024 Review (continued)

Adjusted for Size
The strong performance of US Equities may not seem so surprising given the dominance of the US economy over the past 15 years. However, even when adjusting for Gross Domestic Product, the ratio of US equity market capitalization to GDP surpasses the majority of global markets, only falling behind Switzerland and Denmark. Interestingly, this ratio currently stands at 170% for the US market, up substantially from ~100% in 2012. This is in comparison to the broader EU market which has gone from 50% to 60% over the same time period, a significantly less pronounced move.



Source: Bloomberg, MSCI. Data as of March 31, 2024.

American Exceptionalism: Contextualizing US Dominance
When putting together the charts above, it is clear that the US market has performed particularly well, both in terms of its largest companies but also the index as a whole relative to other markets. These are symptoms of longer-term trends that center around a few key factors:

- **Superior Earnings:** The S&P500 has compounded earnings per share (EPS) 8% over the past decade, well ahead of many other regions including the UK and EU. This has helped US businesses to grow faster and to command higher valuations.
- **Growth in, Value out:** The US index has a heavy Growth bias, and this factor has been in vogue for most of the past decade, with the MSCI World Growth outperforming its Value counterpart by 113.5% since 2014.
- **More Liquid:** The liquidity of the US stock market is substantially higher than other markets, which helps to reduce the risk premium. Alongside this, geopolitical concerns have reduced the appetite for certain emerging markets, notably China. This has led to continued strong demand for US exposure.

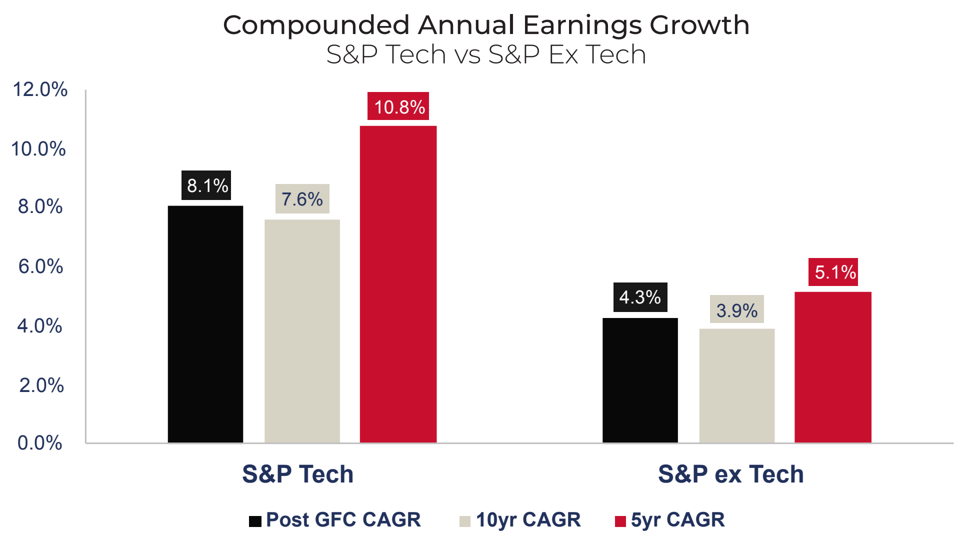
continued on following page...

Q1 2024 Review (continued)

- **Hegemony:** put simply, the US economy is bigger, faster growing, and often seen as the most desirable end market. As a result, there is sustained demand by foreign-based companies for US listings which has further skewed the picture. Many of the world's fastest growing and most profitable businesses are now listed in the US.

It is what IT is: Why Sector Allocation Matters

It is also worth noting that allocation plays an important role in explaining the US market concentration, particularly the dominance of the IT sector, which has grown from 19% of the MSCI US in 2010 to 30% at present. This long-term shift has mirrored the emergence & recent dominance of Big Tech in the US economy. While outperformance led by exuberance may signal a cause for concern, in this case, the growth of IT has been driven by underlying growth in the industry and is reflective of fundamental earnings growth as opposed to simply multiples expanding. This points to a more durable expansion and helps to contextualize the rise of US markets, given their reliance on the flourishing IT sector.



Source: Bloomberg, MSCI. Data as of March 31, 2024.

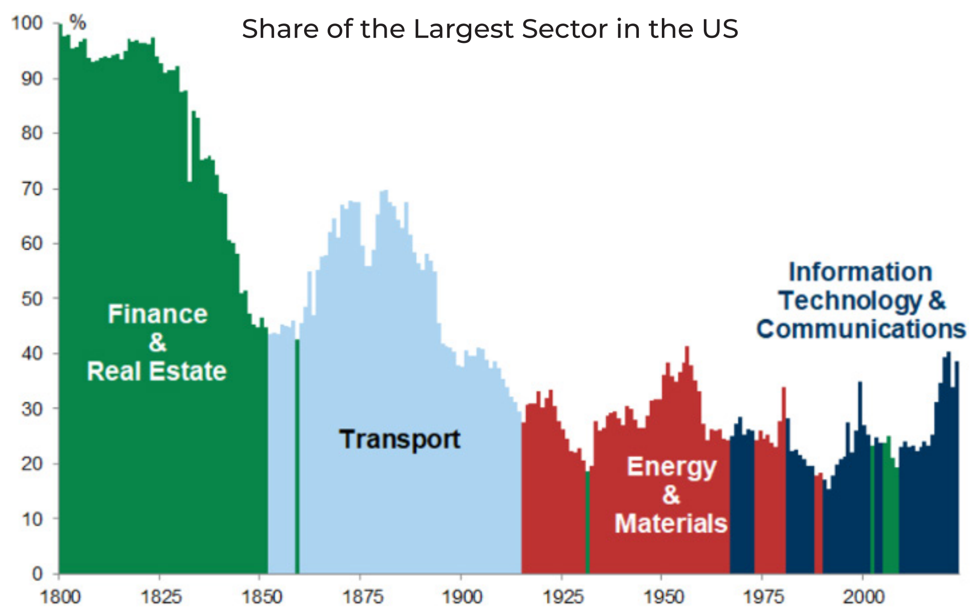
A Lesson from History

Finally, when looking back historically (over the past 200 years), the largest industry in the US stock market has always reflected the major driver of economic growth. The IT sector has taken on the mantle at present, but before that it was the Energy sector (from the mid-1950s onwards), this was preceded by Transport (dominating the 20th century), and before that it was Finance / Real Estate.

continued on following page...

SmartETFs

Q1 2024 Review (continued)



Source: Goldman Sachs, Data Stream. Data as of March 31, 2024.

Putting all of this data together, the picture is clearly nuanced. There certainly has been a pronounced run up in a handful of large cap US technology stocks. Furthermore, this has led to the US index making up an ever-greater percentage share of the global equity market. The question therefore turns to the implications of this set up. Perhaps it can be answered by looking at lessons from the past:

When irrational market exuberance causes multiples to expand (without underlying growth in earnings), this is generally a cause for concern. However, the current market setup seems to be based on a firmer foundation. Even as the US IT sector has surpassed its relative weighting achieved during the Dotcom Bubble and is now roughly the same size as the US Energy & Materials sector at its peak, this rally has been driven by tangible earnings growth. This would suggest a more enduring trend tied to fundamental improvements in the sector. The valuation picture would also support this notion, with the current IT forward PE of 27x comfortably below the Nasdaq 100's peak of around 60x at the height of the Dotcom Bubble. Whether the concentration of large cap technology stocks and the dominance of the US index is a cause for concern is yet to be seen. What is clear however, is that the current market concentration (both at a stock and index level) is notably pronounced and is a trend that has exacerbated over the first quarter of 2024.

DIVS

The SmartETFs Dividend Builder ETF

April 2024 Update

SmartETFs

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 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.