DIVS

The SmartETFs Dividend Builder ETF

July 2024 Update

Portfolio Performance

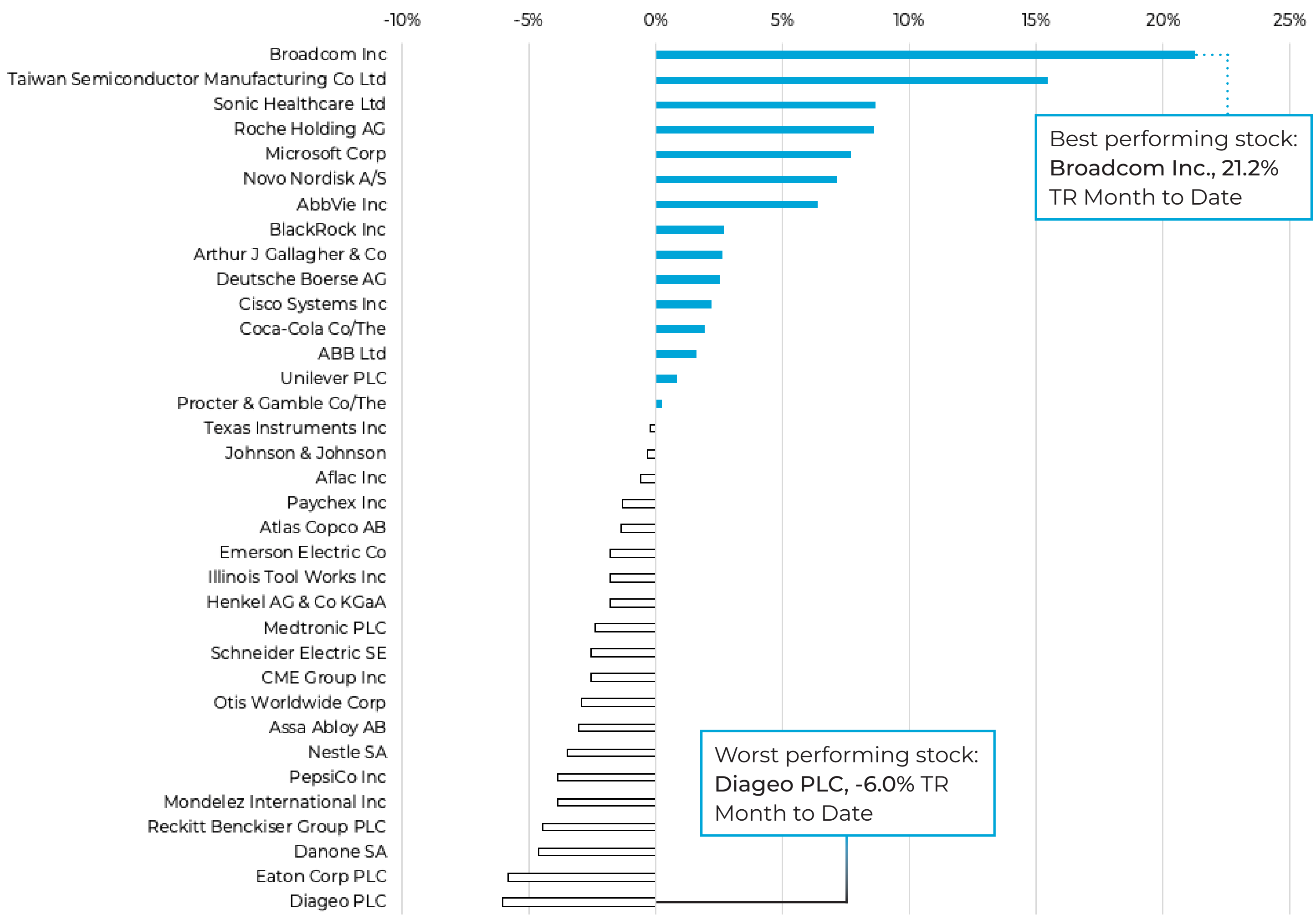
as of 06/30/2024

In June, DIVS was up 0.87% (NAV basis, 0.80% market price), while the MSCI World Index benchmark was up 2.03%. Over the second quarter, DIVS underperformed the MSCI World Index, which can be attributed to:

- The Fund's underweight allocations to Information Technology and Communication Services were the most significant drag on performance as these were the best two performing sectors over the quarter by some distance.
- Additionally, an overweight allocation to Consumer Staples (the Fund's largest overweight allocation) was a headwind, as the sector underperformed the index.
- However, a zero weighting to Consumer Discretionary, Energy, Materials, and Real Estate acted as a positive, with all sectors posting negative returns.
- Finally, good stock selection in Industrials was a further tailwind, given particularly strong performance from ABB (+19.6%), Atlas Copco (12.0%) and Schneider electric (+7.9%).

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.

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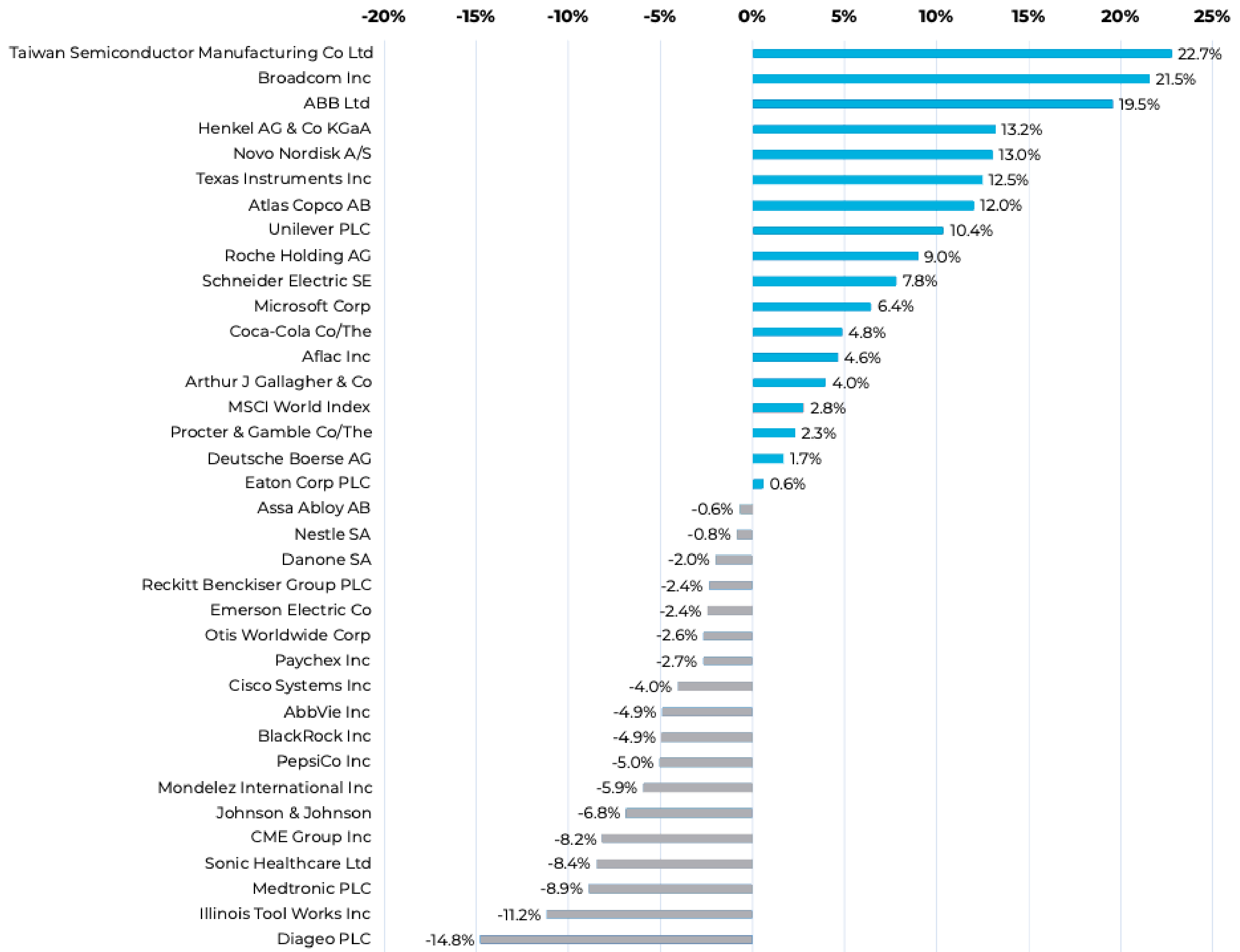
Portfolio Performance over Q2 2024



TSMC was the Fund's best performer over the quarter. The world's largest semiconductor foundry has continued its strong performance of late, buoyed by ongoing demand for high performance AI Chips. TSMC has roughly 60% of global fab market share but, more notably, produces over 90% of the world's most advanced semiconductor chips (3nm - 5nm nodes), which are used to power everything from smartphones to AI applications. Despite some seasonal weakness in consumer electronic end-markets, this was more than offset by demand for high-performance computing, which saw the Taiwanese based firm post revenues of $18.87B in their latest quarter, up 13% year-on-year. Later on in the quarter, news of Nvidia's exemplary quarterly results had a positive read across for TSMC. TSMC derives over 10% of its revenues from the leading US-based GPU player, so the bullish market outlook for Nvidia was a further tailwind for TSMC. Finally, the firm announced two further investments into its global fab footprint,

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Portfolio Performance over Q2 2024

including a $5.3bn capital injection into a Japanese Fab to produce 6-nm and 40-nm chips for automotive, industrial and high-performance-computing applications. This came alongside a $5bn allocation to build a second Arizona fab, upgrading its process technology to 2 nanometers to support customers' continued demand for artificial intelligence (AI) chips. The new Arizona fab will enter volume production in 2028, about three years after the first Arizona fab ramps up production in the first half of next year. In sum, it was a strong quarter for TSMC.

Diageo was the Fund's weakest performer over the quarter. The world's largest alcoholic beverage company has been struggling over the past 12 months. This was exacerbated by a press release in late 2023 that cut profit guidance for 2024, and forecast group margin decline given a very weak set-up in their Latin American (LATAM) markets. Investors grew increasingly concerned over the lack of clear explanation provided for the -20% expected decline in LATAM sales. Over the quarter, the stock continued to suffer as investor sentiment grapples with a soft discretionary consumer spending environment and concerns over the growth outlook. However, we remain constructive on the longer-term opportunity for Diageo. The British-based firm has a broad beverage portfolio (over 200 high quality brands sold in more than 180 countries), which is helping to offset some of the LATAM weakness. Additionally, Diageo's H1 2024 results released earlier in the year showed the premiumization trend continues to gather steam with the firm's high-end premium brands growing faster than the value segment. Diageo's portfolio is now more heavily weighted toward premium segments, which have generally higher margins and are leading the growth story. Additionally, bright spots in the portfolio continue to shine with their Guinness beer brand growing sales at 14% YoY, a positive development, particularly given its existing size and scale. While Diageo undoubtedly faces macroeconomic headwinds at present, the firm is continuing to invest in advertising & promotion to turnaround LATAM performance, and is leaning into growth trends in its developed markets to offset weakness elsewhere. We therefore remain confident that they are well placed to benefit from the recovery, once present headwinds subside.

Portfolio Changes

Over the quarter, we sold our position in Henkel and, as part of our one-in-one-out process, we bought a new position in Publicis. In terms of sector allocation, we sold one Consumer Staples stock and replaced it with a Communication Services stock. Both stocks are European listed therefore the broader geographical positioning of DIVS remains unchanged.

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SmartETFs
by Guinness Atkinson

Portfolio Changes

Sells

- **Henkel** Henkel, the chemical and consumer goods giant, has been struggling with slower growth in recent years. Half of the firm's sales come from their Consumer Staple Brands (across Beauty and Laundry & Homecare) with the remaining half derived from Adhesives & Sealants. The Staples side of the business has been struggling of late, given under-pressure brands and increased competition. Since time of purchase (August 2019), gross sales volumes have fallen 18% with broad based market share losses. The Adhesives part of the business has performed relatively better; it is the global leader and 3x the size of its closest competitor, but the end markets are cyclical and the growth outlook uncertain. We were also concerned by the declining quality of the business. Over our ~5 year holding period, both operating margins (-400bps) and net margins (-370bps) have declined given SG&A costs growing substantially faster than revenues. This has also caused CFROI to decline from ~22% at time of purchase to 14% at present. The firm has turned to acquisitions to restart the growth story, but this gives us limited visibility on their outlook and raises the risk of poor capital allocation via either increased debt or overpriced M&A. Given these operational challenges, management have kept the dividend flat for 5 consecutive years. In the latest quarterly earnings (Q1 2024) Henkel alluded to progress on their turnaround efforts, and the stock has rallied almost 20% from recent March troughs. We felt that this presented a good selling opportunity, as ultimately Henkel has not done what we expected at purchase. With CFROI declining, margins down, a flat dividend and a modest growth outlook, we feel there are better ideas that fit more in line with the Fund's philosophy. We therefore decided to sell the full position.

Buys

+ **Publicis** We replaced Henkel with a full position in Publicis. Publicis are a French advertising & media agency, comprised of over a hundred smaller brands that sit under the Publicis umbrella. They are the 3rd largest player behind WPP and Omnicom, providing a range of services including creative design, media buying, ad monitoring, data analytics, and consulting. Publicis have been very successful in transitioning their business away from traditional forms of media (print, billboards, cable tv) towards a complete solution provider by adding digital capabilities (online video, mobile, social media etc.). This has been enabled by the transformative acquisitions of Sapient (a business transformation consulting firm) and Epsilon (a unique data provider) which, between them, allow Publicis to offer their customers (~3000 mid to large sized corporations) a differentiated service across all parts of the media and advertising value chain. Publicis are now widely regarded as a complete "one-stop-shop". As a result, they have outgrown the other "Big Four" Ad players over the previous eight consecutive quarters, enabling solid operating leverage and margin expansion. They have also invested heavily into their own business via an internal AI-run operating platform which connects all their agencies and brings together insights from their proprietary data sets. The business has strong free cash flow generation, which supports a ~3.5% yield and they are growing the dividend at a 10% 5-year CAGR. With 30% CFROI, peer leading margins, and a favorable growth outlook the stock looks attractively valued at 13.8X 1yr forward PE.

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Portfolio Performance

As of 06/30/2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	8.41%	13.44%	7.64%	11.74%	8.85%	10.59%
DIVS at Market Price	7.96%	12.51%	7.57%	11.72%	8.83%	10.58%
MSCI World NR	11.75%	20.19%	6.85%	11.76%	9.15%	10.38%

Expense Ratio: 0.65% (net) | 1.09% (gross)

30-Day SEC Yield (as of 06/30/24): 1.23% subsidized | 0.90% 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, 2027.

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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 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.

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by Guinness Atkinson

Dividend Summary

So far, in 2024, we have had dividend updates from 27 of our 35 holdings.

- 25 companies announced increases for their 2024 dividend vs 2023.
  The average dividend growth these companies announced was 8.3%.
- 2 companies announced a flat dividend vs 2023.
- 0 company announced a dividend cut.
- 0 companies announced dividend cancellations.

The Fund's dividend yield at the end of the quarter was 1.9% (net of withholding tax) vs the MSCI World Index's 1.8% (gross of withholding tax).

A moderate dividend yield, albeit ahead of the Index, is characteristic of DIVS because our focus is not on simply finding the highest-yielding companies, but instead on finding high-quality, cash-generative businesses which can consistently grow their dividend stream year-on-year.

Explicitly screening for persistently profitable companies also means that many industries – regulated sectors such as Utilities, Telecommunications and Banks, and commodity-led sectors such as Energy and Materials – tend not to appear in our investible universe. These excluded industries often contain companies that exhibit the highest dividend yields, though we believe these same companies have a relatively greater risk of dividend cuts (as we saw in 2020) and are less likely to grow their dividend over time.

There's more where that came from!

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

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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.

Personal Consumption Expenditures Index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

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.