DIVS

The SmartETFs Dividend Builder ETF

October 2024 Update

SmartETFs
by Guinness Atkinson

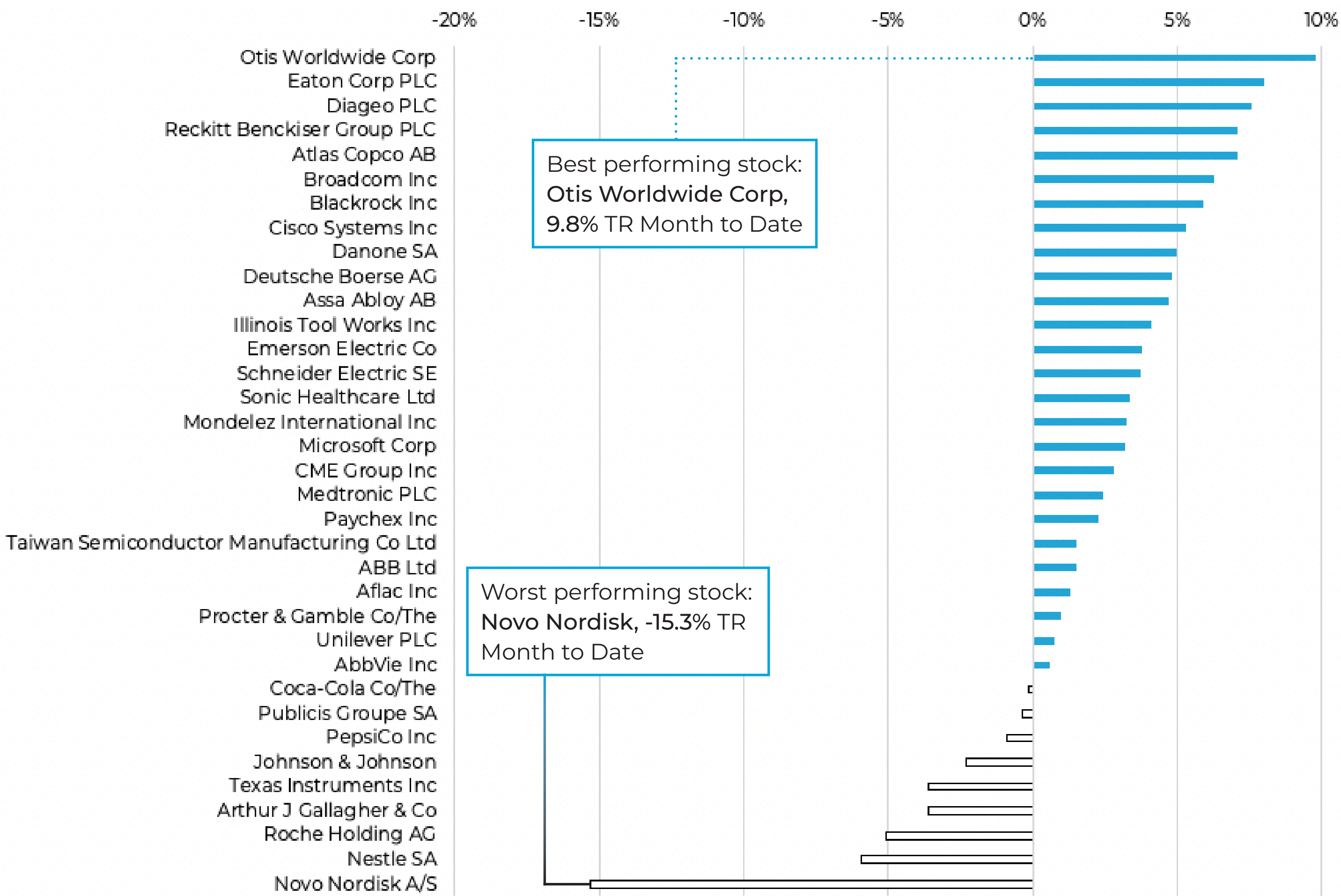
Portfolio Performance

as of 09/30/2024

In September, DIVS was up 1.64% (NAV basis, 1.68% market price), while the MSCI World Index benchmark was up 1.83%. Over Q3, DIVS gained 9.17% on a NAV basis (8.96% at market price), while the MSCI World Index benchmark was up 6.36%. This outperformance can be attributed to:

- Value outperforming Growth over the period, which acted as a tailwind to Fund relative performance.
- Additionally, the overweight to Consumer Staples and Industrials (the Fund's two largest overweight allocations) were a positive, with both sectors outperforming the index.
- This was somewhat offset by the zero allocation to Utilities and Real Estate, the two best performing sectors over the quarter.
- Good stock selection within Financials (Aflac, BlackRock), Healthcare (Roche, Medtronic) and Information Technology (Paychex) was also a source of outperformance for DIVS.
- At a high level, it is worth noting that the Fund performed well in the market volatility and drawdowns over July/August protecting on the downside, but also kept up well in the subsequent rally through late August and September – as the market rewarded defensive companies.

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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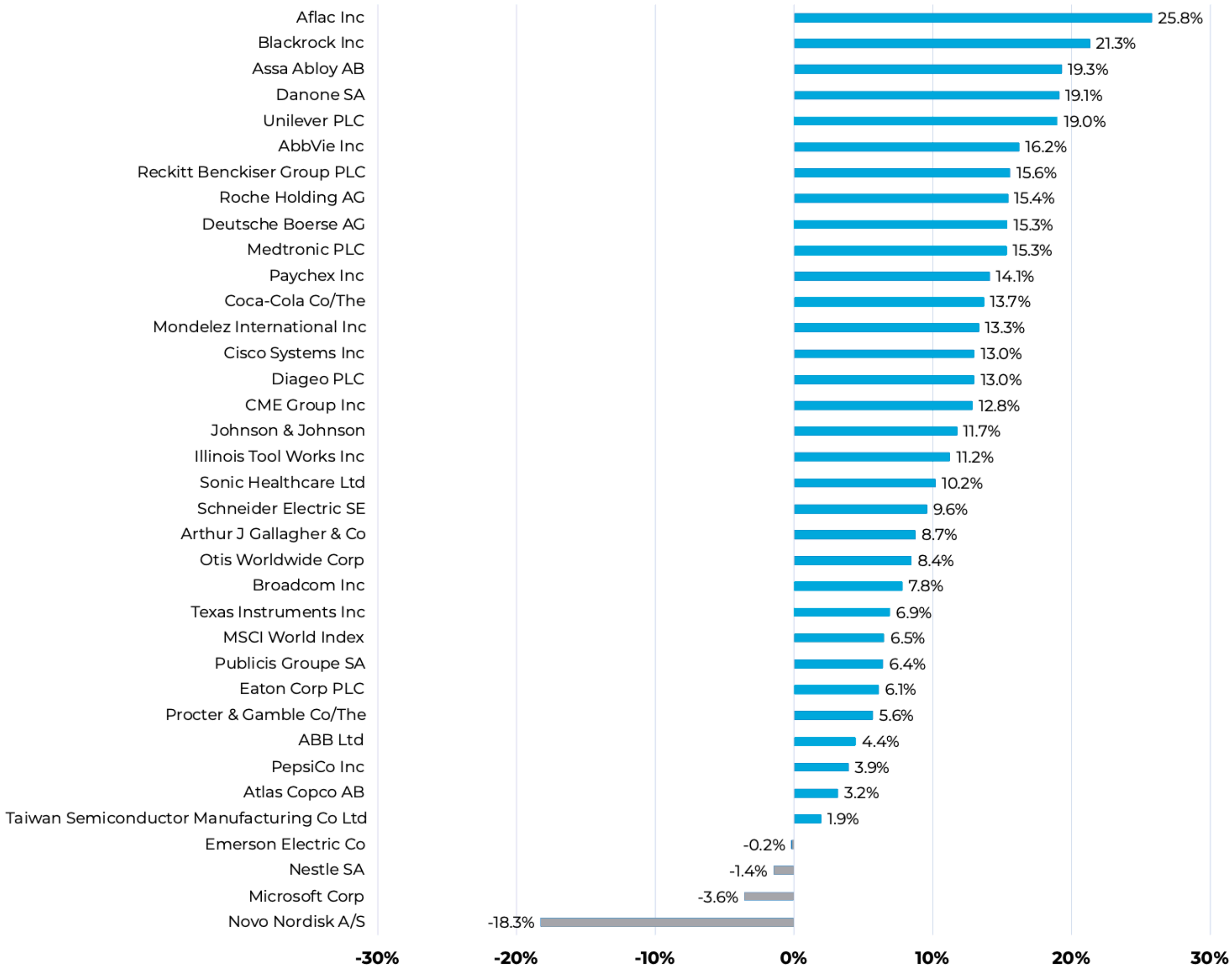
Portfolio Performance over Q3 2024



Aflac was the Fund's best performer over the quarter. The US supplemental health and life insurer, who derive ~2/3rds of their revenues from Japan, saw strong performance off the back of a promising set of quarterly results. Despite beats on both the top and bottom lines, the main source of encouragement was a positive sales update from the Japanese business. The Japanese insurance market has traditionally served Aflac well, as customers tend to be very sticky (Aflac Japan's retention rate is often more than 93%) and the benefit ratio (a key metric which indicates the profitability of the average insurance policy) continues to trend in the right direction. However, despite low churn of customers, much of the focus for the Japanese segment is on restarting new-policy sales growth, which has been sluggish over the mid-term. However, over the quarter, new sales increased 4.5% to ¥16.8 billion (approximately $112.6 million USD),

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an encouraging step in the right direction. This was primarily driven by a very healthy uptake of a new life insurance product which offers savings & nursing care benefit and saw sales more than double YoY, despite admittedly weaker comps. The US business also remains in good shape, having grown sales at a ~9% compound annual growth rate (CAGR) since 2020 and there remain further runway ahead as the shift toward high-deductible medical plans leaves gaps in the market for Aflac to fill. As a result, Investors were encouraged by the latest updates and Aflac showed strong performance over Q3.

CME Group also performed well in what was a news-worthy quarter for the world's largest derivatives exchange operator. The firm continues to benefit from the ongoing market volatility and reported good results early in the quarter. CEO Terry Duffy noted the "escalating uncertainties (which) drove an increased need for risk management across all asset classes". CME achieved record average daily volume (25.9m contracts per day) over Q3 and also noted record revenues and adjusted EPS. Even though CME offer derivative products across 6 different asset classes, Interest Rates and Equities make up over three quarters of their overall exchange volumes. This gives CME a real advantage over competitors as they have built up strong liquidity pools in these areas, allowing them to offer superior execution with lower bid-ask spreads. This keeps the implicit cost of trading down for clients, who are therefore incentivised to use CME as their primary trading platform, regardless of the transaction fees (which make up a relatively small part of the overall trading costs). To this extent, the significant news over the quarter was that FMX, a new start-up platform, is launching a platform to compete with CME's interest rates business. FMX have been backed by large financial institutions as well as the London Stock Exchange, who will provide clearing services. While they are unlikely to match the overall platform liquidity of CME, their emergence does raise a new level of competition for the industry and is a key area of focus going forward. That said, we remain confident in the quality of CMEs product and their numerous competitive advantages, also noting that CME remain well diversified across 6 end markets, which provide a useful counterbalance to volatility in any one complex.

Novo Nordisk was the Fund's weakest performer over the quarter. Despite a strong start to the year, underperformance from the Danish-based pharmaceutical giant can be attributed to increased competition from peers including Roche, Amgen, Pfizer, and AstraZeneca, who have all shown early progress in developing rival GLP-1 drugs. This has been compounded by quarterly results that fell slightly short of expectations. In its August earnings report, despite noting robust growth within its GLP-1 franchise (+53% for Wegovy and +30% for Ozempic), sales for both products missed lofty analyst projections. On the competition front, to address the rising threat from biopharma peers, Novo Nordisk has adopted a multi-pronged strategy aimed at maintaining its market leadership. This includes potential price adjustments to remain competitive, tackling supply constraints, and boosting manufacturing capacity. Notably, the company announced a $6 billion investment plan to expand its production capabilities over the next six years. This move is intended to resolve ongoing supply shortages and meet the rising demand for its obesity and diabetes treatments, including Ozempic and Wegovy. While a rapidly growing market like the GLP-1 industry is bound to attract new entrants, we believe Novo Nordisk, with its first-mover advantage and increased

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manufacturing capabilities, is strengthening its competitive position. These efforts are likely to raise barriers to entry in the potentially $200 billion GLP-1 market, allowing the company to maintain its leadership going forward.

Emerson was also one of the weakest performers. The global technology, software and engineering firm, which provides solutions for industrial automation and climate technologies, had a tough quarter and the market reacted negatively to their earnings results. Despite overall sales growth of 3% YoY and general strength across a broad base of segments, the major disappointment came from their "Discrete Automation" business. The segment, which focuses on providing automation solutions for a range of industries (automotive, packaging, electronics) saw underlying sales decline by 6% and orders decreased by "low single digits" due to continued weakness in factory automation in these end markets. Management also provided scant forward guidance but expects a slower recovery in the business than previously thought as hopes of a quick turnaround have been dashed as Emerson continues to struggle with a range of cyclical headwinds. However, we remain constructive on the firm's outlook. Management raised the bottom end of its FY 2024 EPS guidance which implies underlying sales growth of 6%, a solid showing despite some challenged end markets. Additionally, the firm retains its dominant competitive positioning, holding first or second positions across most of its product categories. Additionally, there remain several bright spots, not least AspenTech (a leader in asset performance optimisation that Emerson acquired in 2021). Since then, AspenTech has grown faster than the group average and is forecast to contribute over 6% to firm wide profitability in FY2024, a small but growing figure as the offering continues to benefit from strong demand for its industrial software solutions.

Dividend Update

So far, in 2024, we have had dividend updates from 33 of our 35 holdings.

- 31 companies announced increases for their 2024 dividend vs 2023. The average dividend growth these companies announced was 8.4%.
- 2 companies announced a flat dividend vs 2023.
- 0 companies announced a dividend cut.
- 0 companies announced dividend cancellations.

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As of 09/30/2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	18.35%	29.00%	11.20%	13.37%	10.15%	11.14%
DIVS at Market Price	17.63%	28.39%	11.16%	13.30%	10.12%	11.11%
MSCI World NR	18.86%	32.43%	9.07%	13.03%	10.07%	10.70%

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

30-Day SEC Yield (as of 09/30/24): 1.03% subsidized | 0.72% 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.

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.

Subsidized yields reflect any fee waivers or reimbursements that may be in effect during a period, while unsubsidized yields do not.

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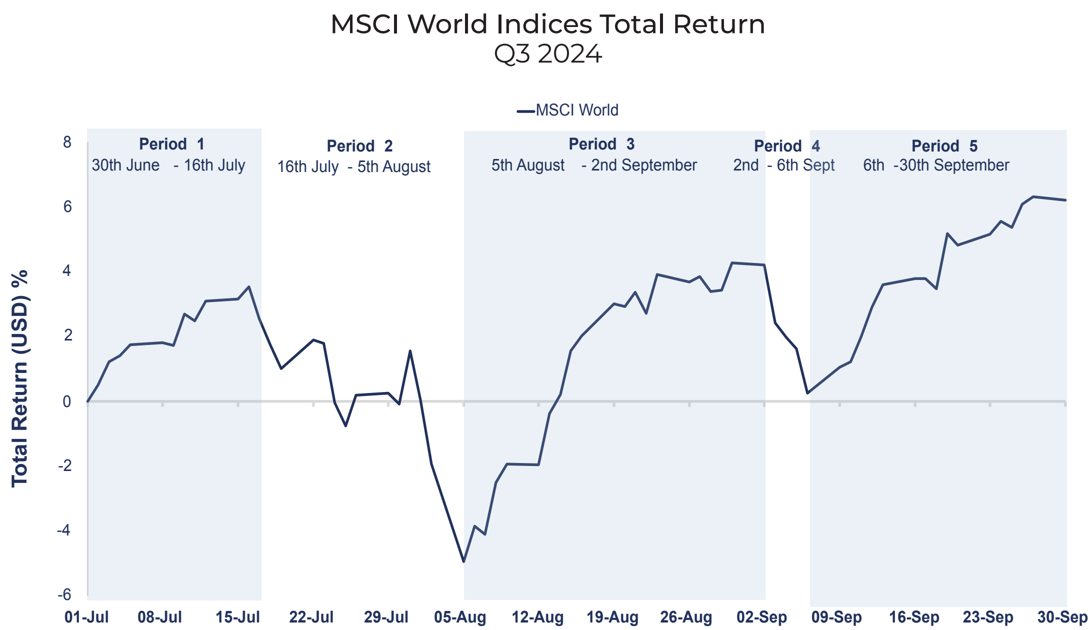


Source: MSCI. Data as of September 30 2024.

Period 1: The quarter started well for equities with the unloved parts of the market (namely Small Caps and Defensives) showing positive gains. Furthermore, the release of inflation data, jobs data, and manufacturing purchasing managers indices (PMIs) all pointed to a constructive set up for US rate cuts and the market rallied on the outlook.

Period 2: Mid-way through July, sentiment shifted and there was a fairly pronounced retraction in equities. New economic data alongside earning call commentary from bellwether names showed signs of a struggling consumer. Concerns grew that the Fed had kept monetary policy too restrictive for too long and that cracks were emerging in the real economy. This was compounded by the Bank of Japan's decision to unexpectedly raise interest rates, leading to an unwinding of the so called "Yen Carry Trade" (Yen appreciation caused margin calls for investors who had borrowed in Yen to invest in higher-yielding assets abroad). The Nikkei 225 recorded its largest decline in history based on index points, surpassing the 1987 Black Monday crash. Global markets fell less than the official 10% correction territory, but Growth as a factor fell >10%, a substantial decline over just a few weeks.

Period 3: This fall was, however, quickly reversed as equities made up the entirety of these losses over August. The catalysts here were positive inflation and retail sales data that quelled recessionary fears, and a rather dovish tone set by Fed Chair Powell prompted improved market confidence. Gains were generally broad based with Small & Large Cap, Growth & Value, and Defensives & Cyclicals all seeing relatively

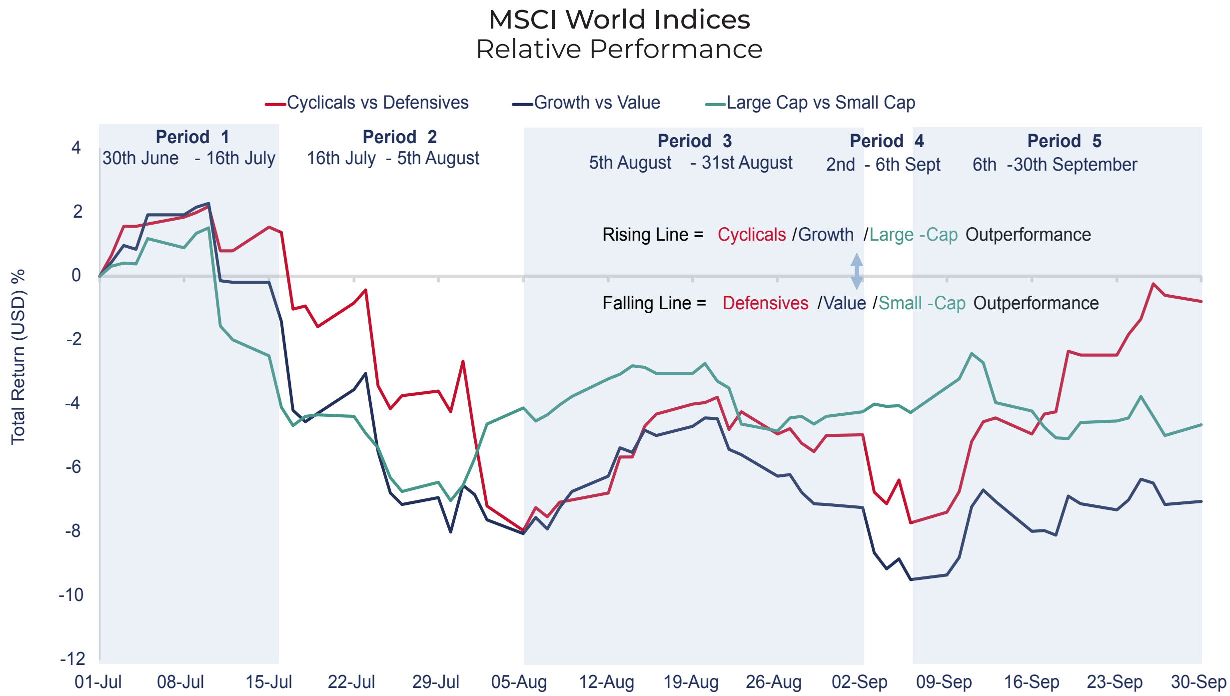
continued on following page...

Review of Q3 2024 (continued)

similar performance over the rally.

Period 4: Volatility returned to the fore with the VIX index rising to 20.7, its highest level in a month. Weak manufacturing data and disappointing non-farm payrolls once more raised concerns about the state of the US economy amidst growing evidence of a domestic slowdown. The sell off was led by IT with growthier parts of the market, notably Semiconductors, also performing particularly poorly.

Period 5: The major news over the quarter came on September 18th as, following the fastest rate hiking cycle on record, the Fed (finally) decided to cut the Federal Funds Rate by 50bps. Markets rallied on news of the bumper cut, with the S&P 500 reaching record highs and large cap tech stocks leading the move. Further positive news came from the much-challenged Chinese economy, as Beijing launched an economic stimulus package including a $114bn war chest to boost the stock market. Chinese domestic equities rallied over 15%, the best week since 2008.



Source: MSCI. Data as of September 30 2024.

The chart above takes these 5 distinct periods and decomposes returns from both a stylistic and a factor perspective. Over the quarter, Small Caps outperformed Large Caps, Value outperformed Growth and Defensives did marginally outperform Cyclicals. However, we can see a more detailed break of the intra-quarter movements as shown by the three colored lines. While Defensives initially performed very well over the volatile July / August months, as news of rate cuts fed through, Cyclicals outperformed and closed the relative gap.

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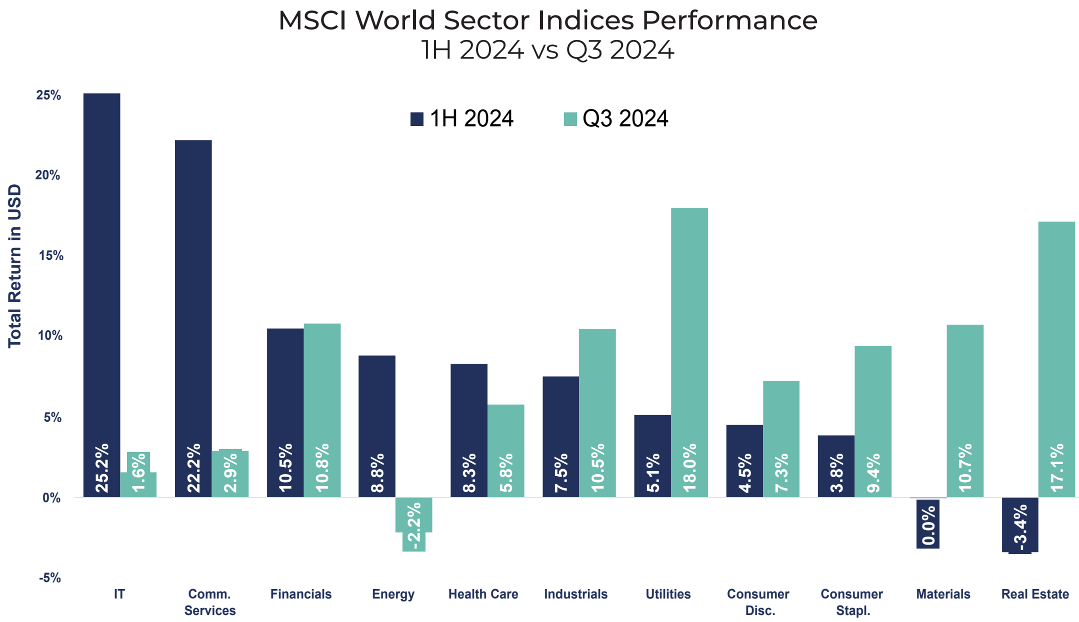
Review of Q3 2024 (continued)

New Leaders



Source: Bloomberg. Data as of September 30 2024.

While the market has rallied sharply over the quarter, its structure has changed substantially. Over H1 2024, gains were overwhelmingly driven by IT and Communication Services. However, over Q3, these sectors saw relatively muted performance as gains were in fact led by many of the weakest performers YTD (Utilities, Real Estate, Materials and Consumer Staples all leading the market higher). It is therefore encouraging to see a certain amount of breadth returning to the market, following a fairly narrow concentration of equity market winners prior to Q3. To this extent, it's worth noting that the Equal Weighted MSCI World outperformed its Market Cap Weighted counterpart by over 3.5%, once more highlighting the breadth of the new market leadership.

Cuts at Last

And so, it begins … the much-anticipated US rate cutting cycle has started, and it kicked off with a 50bp cut. The market pricing had moved in the days leading up to the decision, implying that there was a marginally better than 50-50 chance this would happen. However, by and large, economists did not see this coming (only 9 out of 113 economists who responded to Bloomberg's expectation survey forecast a cut of this magnitude). This does seem understandable, as cuts of this size tend to only happen at times of great economic stress (Dot Com Bubble, Financial Crisis, Pandemic etc). And, according to the Chicago Fed's National Financial Conditions Index, things are presently about as lenient as they get (with positive values indicating tight financial conditions and vice versa.)

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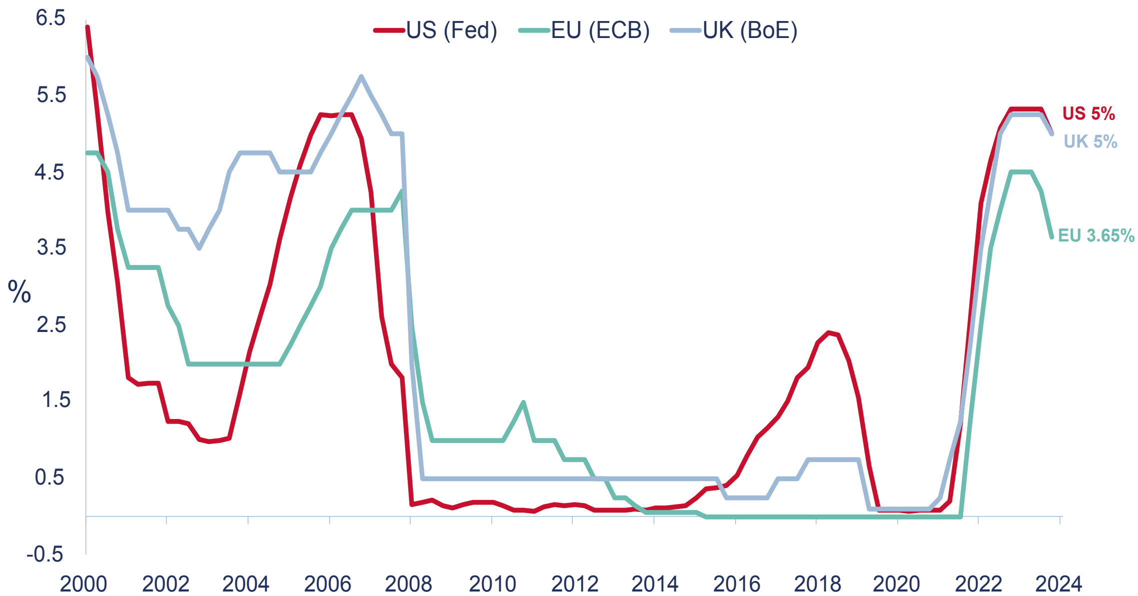
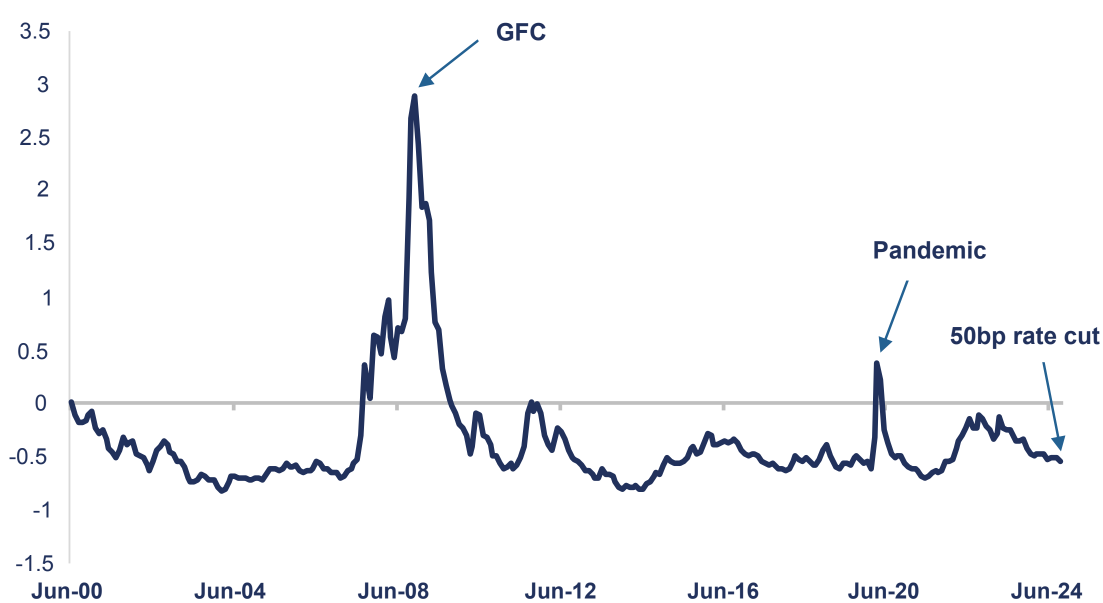
Review of Q3 2024 (continued)

Global Central Bank Policy Rates (%)



Source: Federal Reserve, Bank of England, Eurostat. Data as of September 30 2024.

Chicago Fed National Financial Conditions Index



Source: Chicago Federal Reserve's National Financial Conditions Index. Data as of September 30 2024.

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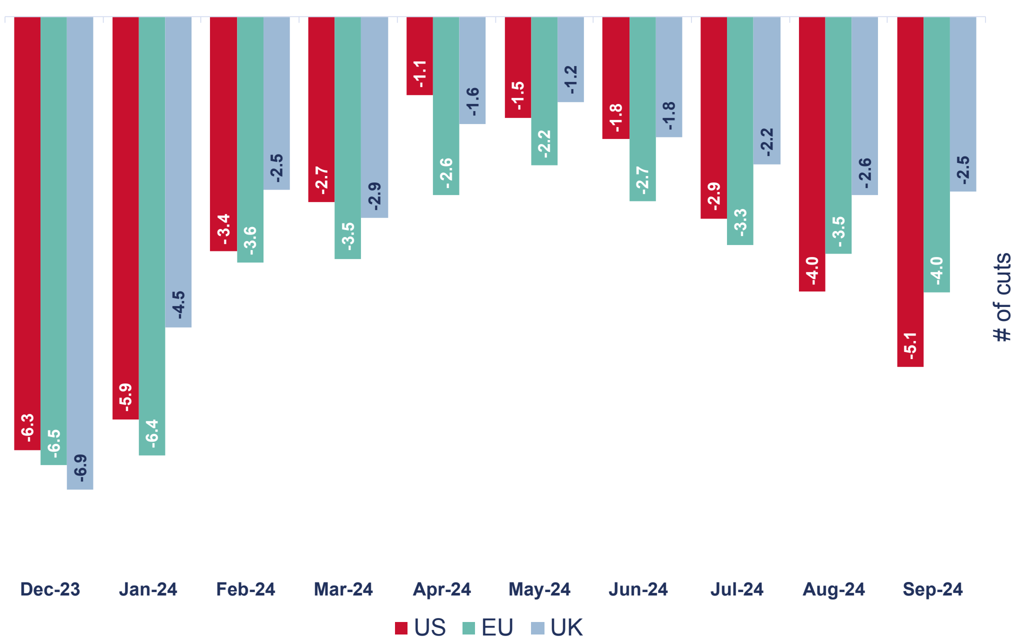
Review of Q3 2024 (continued)

According to Bloomberg columnist John Authers, the last time the Fed cut this much when financial conditions were this fair was back in 1992. We have spoken in many previous commentaries about the importance of cutting from a position of strength as opposed to weakness, and the chart above would suggest just that. Powell was quick to flag that this cut was a "catch up", 25bps for this meeting and 25bps for the previous meeting (where surprisingly good inflation numbers were published shortly after they voted to keep rates flat). Given the lack of external market crises, Powell could clearly present this decision as wholly good news, given it was unforced by circumstances. Instead, the framing of a "pre-emptive" cut, intended to keep the US economy in good shape, may put investor jitters to bed.

Connect the Dots

The Fed accompanied the large cut with a big shift downwards in its forward rate prediction. Their updated Dot Plot alludes to significant easing ahead with a projected year-end policy rate of 4.4% for 2024 (from 5.1%), 3.4% for 2025 (from 4.1%), and 2.9% for 2026 (from 3.1%). The latest market predictions show a striking level of unanimity with the Fed vis-a-vis the end terminal rate. The area of disagreement is the pace at which we get there. The chart below tracks the market implied number of rate cuts for 2024, with the current consensus for ~125bps, in other words implying a further 75bps of cuts before year end. BlackRock CEO Larry Fink made his view clear: "the amount of easing that's in the forward curve is crazy!". In sum, there is consensus about the direction and the final destination, but the speed of travel is still up for debate.

Number of 25bp Interest Rate Cuts Expected in 2024



Source: Fed Funds Futures and OIS Swaps. Data as of September 30 2024.

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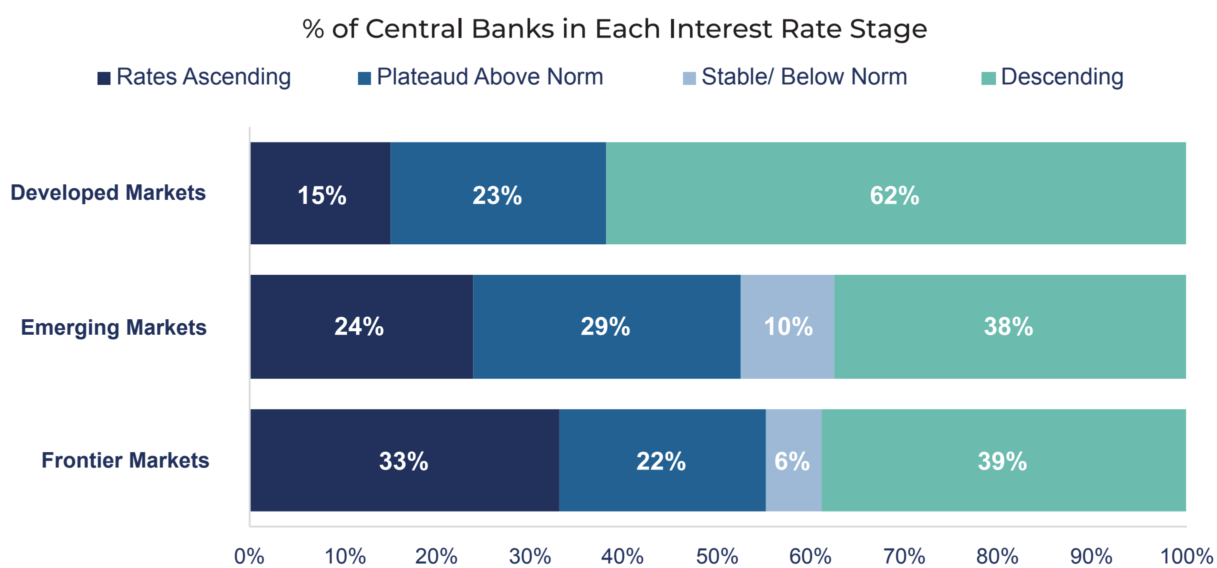
Actions Speak Louder than Words

It seems that the Fed heeded this parable in choosing to cut rates by 50bps. That said, Jerome Powell's accompanying policy speech also played an important role in shaping the narrative. Over the past couple of years, Powell's lexicon has been the subject of much attention. His initial mantra, that inflation was "transitory", quickly moved on to "data dependent" and now stands with "recalibrate" as his term du jour. Recalibrate is an attempt to acknowledge that monetary policy needs to change to reflect the current conditions as the PCE Index (the Fed's preferred gauge) is "softening much faster than (they) thought". As ever, markets will continue to dissect what Powell says so here are a few excerpts from his latest policy speech:

- On the Decision: "Our policy rate had been at a two-decade high since the July 2023 meeting. It was time for a recalibration of our policy stance."
- On the Pace of Future Cuts: "We are not on any preset course…I do not think anyone should look at this and say, this is the new pace."
- On the US Economy: "it is in a good place and our decision today is designed to keep it there."
- On Inflation Progress: "Inflation is now much closer to our objective, and we have gained greater confidence that (it's) moving sustainably toward 2 percent."
- On Remaining Data Dependent: "Our patient approach over the past year has paid dividends."

What in the World! A Look at the Global Picture



Source: Bloomberg. Data as of September 30 2024.

While much of the focus thus far has been on the US, it is worth considering the picture in other leading economies. The EU started cutting rates in June, the Bank of England followed suit in August, both cit-

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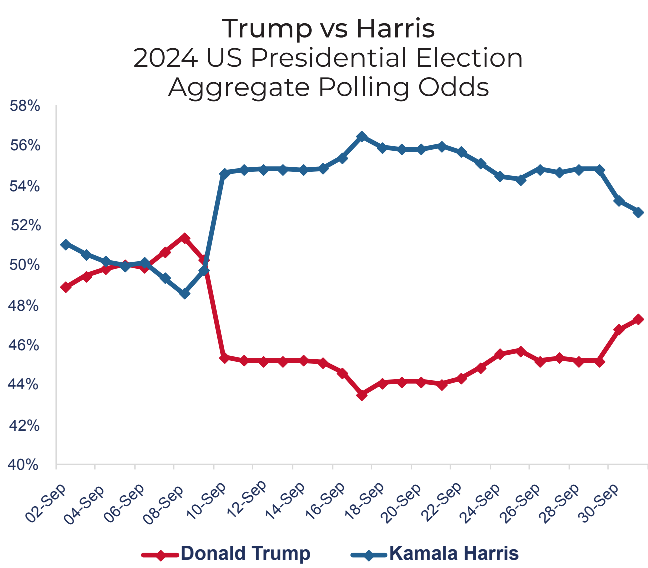
Review of Q3 2024 (continued)

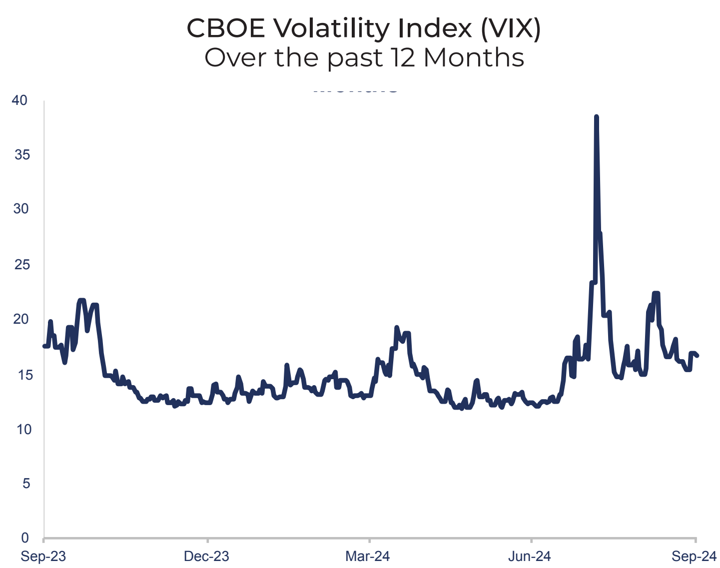
ing strong inflationary progress across their respective remits. Zooming out even further, the majority of so-called "Developed Markets" (DM) are in the process of cutting rates. However, this is in fairly stark contrast to Emerging and Frontier Markets (EM & FM) which are still seeing rates either climb or held steady at levels above the long-term averages. This may be, in part, due to the broader stability of DM economies, which have largely avoided the issues that many EM & FM geographies are grappling with, namely weaker currencies and higher levels of imported inflation (with Turkey, Venezuela, Argentina, Lebanon, and Sudan as notable examples).

Beijing's Big Bet

With weak investor sentiment hanging over the Chinese market for a number of years, Q3 saw some welcome relief. The Chinese government announced sweeping policy support from easing monetary policy, to help for the indebted property sector, a $100bn+ stock market package, and measures to boost a struggling consumer. Chinese equities rallied 15+% over the last part of September, and while the Fund does not own direct Chinese listed companies, it does have a degree of indirect exposure. At present, the Fund's holdings derive 6% of their total revenues from China, with standout names including Broadcom (32% exposure), Atlas Copco (20%), Texas Instruments (19%), Otis (17%), and ABB (14%) all performing well given their above-average allocation. This, in part, explained the Fund's outperformance vs the benchmark over this period.

What Comes Next?





Source: UBS Evidence Labs and CBOE Volatility Index. Data as of September 30 2024.

While we have spoken about this topic in greater detail over previous monthly commentaries, it is worth reiterating the numerous potential headwinds that still have the potential to disrupt equity markets.

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Even with the rate cutting cycle commencing in full, there remains the risk of recession, a US election which is too tight to call, a hallmark upcoming UK Budget, growing strains in the energy markets and, of course, the ongoing and escalating global conflict zones (both in Ukraine and the Middle East). Add to that the uncertainty of when and by how much central banks will cut rates, we have a recipe for ongoing volatility over the coming months which has already shown some pronounced spikes in the most recent quarter (see VIX index above). As ever, we therefore believe that the Fund's mix of cyclical and defensive names, focus on high-quality companies with solid balance sheets, and strong returns of capital over a cycle, alongside its mix of cyclical and defensive names, leave it well placed to handle whatever market conditions are yet to come.

There's more where that came from!

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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.

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.

Compound Annual Growth Rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span.

Purchasing Managers Index (PMI) is an index that measures the month over month change in the economic activity within the manufacturing sector.

Nikkei 225 is a price-weighted index of Japan's top 225 blue-chip stocks.

VIX Index is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 index.

Chicago Fed National Financial Conditions Index provides a comprehensive weekly update on US financial conditions in money markets, debt and equity markets, and the traditional and "shadow" banking sytems.

Personal Consumption Expenditures (PCE) Index is a measure of the prices that US consumers pay for goods and services.

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.