Fund Summary

In 2024 the SmartETFs Dividend Builder ETF produced a total return of 13.35% (NAV basis, 12.57% market price), compared to the MSCI World Index return of 18.67%.[1] The Fund therefore underperformed the Index.

- 2024 was marked by significant market turbulence amid a complex economic and geopolitical environment. Despite these challenges, global equities posted impressive gains. The macroeconomic landscape was defined by persistent inflationary pressures, escalating trade tensions, and a series of rate cuts after the aggressive rate-hiking cycle of previous years. In parallel, geopolitical developments, such as ongoing conflict in Ukraine and the Middle East added layers of complexity. That said, resilience emerged as the prevailing theme. The transformative potential of Artificial Intelligence continued to captivate investor sentiment, fueling gains in technology stocks and associated areas including the so called "AI-enablers" and other "AI-integrators". However, over the final parts of the year, sentiment turned cautious as a result of a hawkish tone set by Fed Chair Jerome Powell during the last Federal Open Market Committee (FOMC) meeting which signaled a slower pace of rate cuts in 2025. This led to a more reserved investor outlook, as market participants weighed the implications of slower monetary easing as well as the potential impacts of the incoming US administration.
- Over the course of 2024, the Fund's underweight allocation to Communication Services and IT acted as a headwind as these were the top 2 performing sectors.
- Additionally, the overweight to Consumer Staples was a drag as the sector returned just 4.2% over the year, well behind the index.
- However, a zero allocation to Materials, Real Estate, Utilities and Energy was a positive as all four sectors underperformed the index.
- Finally, strong stock selection in Industrials and IT was a tailwind, with notably good performance from names like Eaton, Emerson, TSMC, and Broadcom.
    - In the Fund, our focus on quality companies with strong balance sheets and long histories of high returns on capital meant that 34 out of our 35 holdings grew their dividend in 2024, 1 kept their dividend flat, and no companies cut their dividend.
- The philosophy and process behind the Fund has been the same since we launched the Fund:
    - We look to invest in good quality businesses with persistently high returns on capital, solid balance sheets, that are highly cash generative, and that are trading at attractive valuations. We believe that such businesses are best placed to pay a sustainable and growing dividend in the future.
    - We take a long-term view, holding companies for 3-5 years on average, and the Fund is a concentrated portfolio (approximately 35 stocks) of equally weighted positions, with an active share typically c.90% vs the benchmark.
    - We believe the balanced approach of the fund – seeking a return from a combination of cash flow growth, multiple expansion, and dividends – alongside a focus on quality characteristics mean the Fund remains well placed whatever the future market direction in 2024, and beyond.

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[1] *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.*

Dividend Actions

In 2024, out of our 35 holdings:

- 34 companies grew their dividend. The average dividend growth of these companies was 8.4%.
- 1 company kept their dividend flat
- 0 companies cut their dividend
- 0 companies cancelled their dividend

In the Fund, the average dividend growth across all 35 companies was 8.2%, and 8.4% for the 34 companies that grew their dividend.

A moderate dividend yield 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 & Banks, and commodity-led sectors such as Energy & 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 greater risk of dividend cuts (as we saw in 2020) and are less likely to grow their dividend over time.

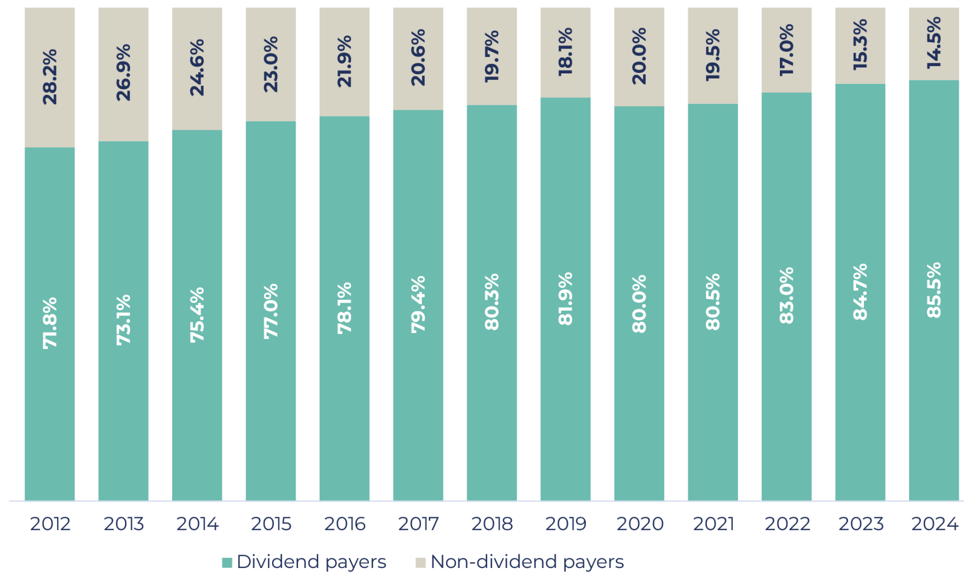
We try to strike a balance between capital growth and income and, in the past few years after the pandemic, we have witnessed a very volatile and uncertain economic environment. Consequently, we have been pleased with how well the Fund has navigated this difficult period. In many cases recently, the opportunity for finding high yielding opportunities has been linked to companies that have one or a combination of factors of being cyclical, economically sensitive, or in distress of some kind. We have erred on the side of caution and preferred to invest "up in quality" over this period, which in some cases has meant capturing a lower dividend income stream alongside. We believe this has been a sensible approach and one that has served to provide a better overall total return.

Indeed, the overall organic growth in dividend payments we have seen from companies held across the current portfolio is very encouraging, and we believe the Fund should be well placed to continue with good dividend growth in the future.

Expanding Universe: The Number of Dividend Paying Stocks Continues to Grow

2024 saw several new firms, especially those in the IT sector, initiate dividend payments. Notable examples include Booking.Com, Alphabet, Salesforce, and Meta. These names join a host of other large cap technology firms that have initiated dividends over the past 12 months and are challenging the notion that large-cap tech prefers to reinvest excess cash into the business instead of paying distributions to shareholders. Perhaps this shows that the sector is maturing and is entering a new phase of capital allocation decision making. Namely that in a higher rate environment returning capital via dividends instead of via buybacks may be coming into favor. Furthermore, the chart below shows that when we launched the Fund in 2012, only two thirds of companies in the MSCI World paid a dividend however this figure now stands at 85.5%. Encouragingly, many of these firms that now pay a dividend meet the criteria to be in the Fund's universe which therefore expands the number of high-quality stocks that the Fund can pick from.

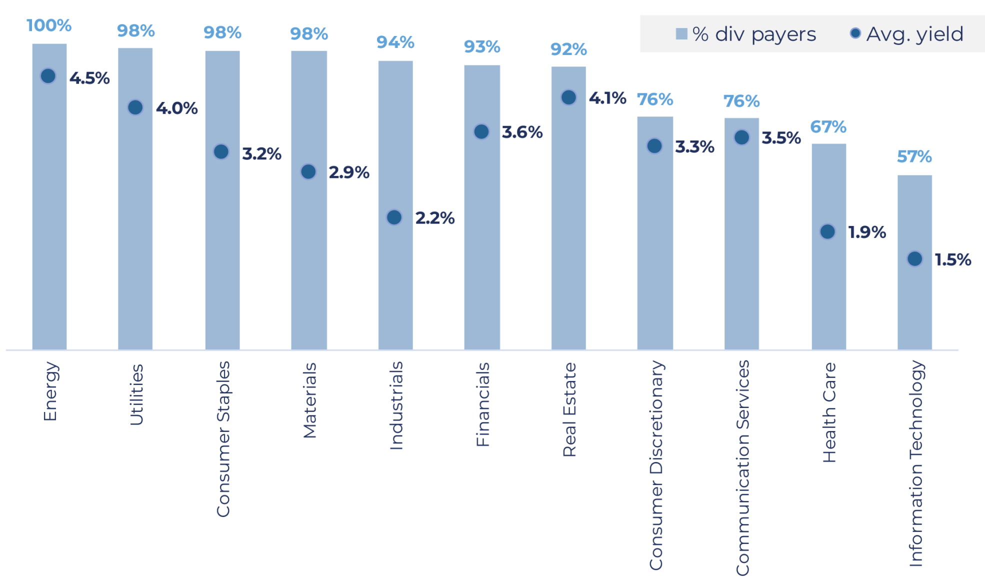
MSCI World Dividend Payers



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

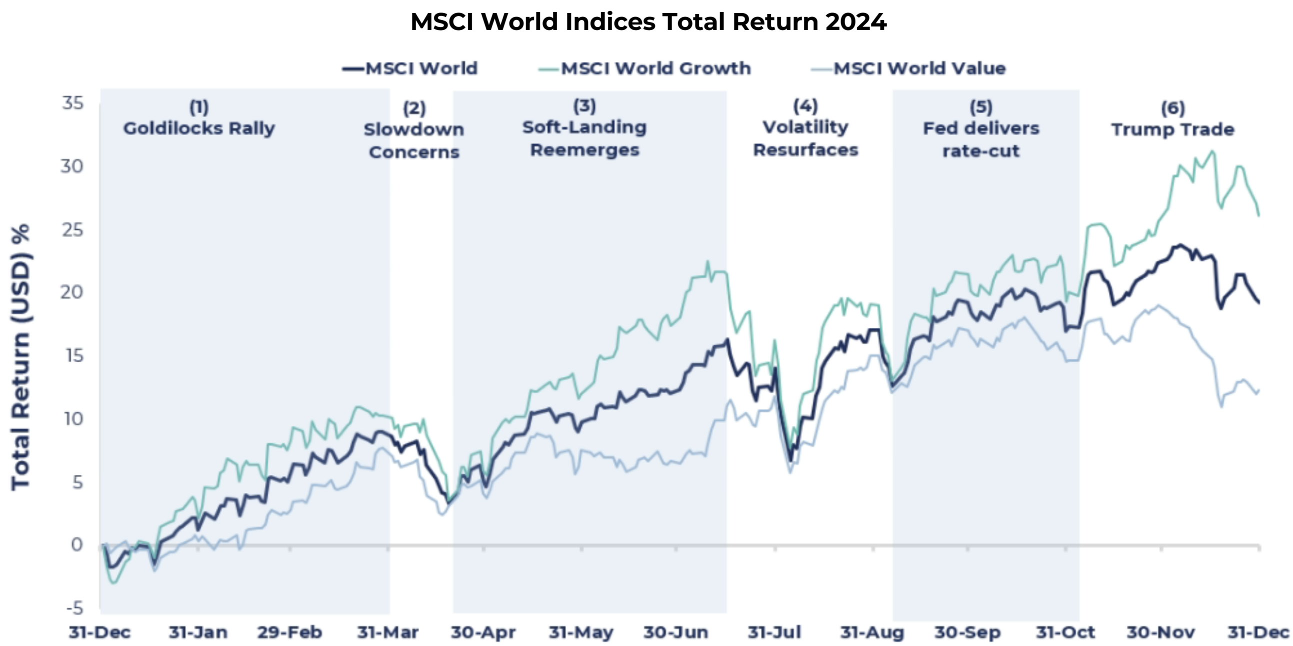
The chart below shows the percentage of dividend paying stocks within the MSCI World on a sector-by-sector basis. While at present the percentage of IT stocks that pay a dividend is 57% (the lowest of all MSCI Sectors) this is up from ~50% just one decade ago and therefore shows a meaningful improvement in the direction of travel. The IT sector also has a relatively low average yield of 1.5% (below that of the index) but the vast free cash flow generation of many firms in the sector means that there is a real opportunity for IT firms to grow their dividend meaningfully over the coming years.

% of Dividend Payers within the MSCI World & Average Yield



Source: Guinness Atkinson Asset Management, Bloomberg, Data as of December 31, 2024.

2024 in Review



Source: MSCI, Data as of December 31, 2024.

(1) Goldilocks Rally (Jan-March):

- What Happened: Equity markets saw broad-based gains, defying a challenging macroeconomic and geopolitical backdrop. Despite global conflicts, recessions in the UK and Germany, and unexpected U.S. inflation data, investors remained optimistic. Markets rallied on expectations of accommodative monetary policy, driven by signs of a softening global economy and easing inflation pressures, which prompted hopes of central bank support.
- Fund Performance: The rally was largely driven by speculative growth as well as some lower quality areas of the market. The Fund underperformed due to its underweight allocation to IT and zero allocation to Energy & Communication Services, three of the index's top-performing sectors.

(2) Slowdown Concerns (April 1st – April 19th):

- What Happened: Sentiment turned as weaker economic data and sticky inflation undermined the "Goldilocks" narrative. Disappointing Q1 US GDP and manufacturing PMI data eroded confidence, shifting focus to "stagflation" concerns. Hawkish remarks from Fed Chair Jerome Powell heightened fears of further rate hikes.
- Fund Performance: The Fund outperformed, as we would have hoped. The high-quality nature of the portfolio resulted in a less severe sell-off compared to other more growth-oriented and speculative areas of the market.

(3) Soft-Landing Reemerges (April 20th – July 15th):

- What Happened: Negative sentiment quickly reversed as strong corporate earnings and positive economic data restored confidence. May US CPI of 3.4% signaled price normalization, boosting hopes for a soft landing. Market-implied rate cuts rose from 1.1 in April to 1.8 in June, driving a notable divergence between Growth and Value stocks, with the Mag7 leading the gains.
- Fund Performance: The Fund underperformed during this period, with longer duration names benefiting from lower interest rate expectations. The more speculative part of the market, namely unprofitable technology companies, also rallied.

(4) Volatility Resurfaces (July 16th – September 6th)

- What Happened: July's US economic data and signs of a struggling consumer reignited volatility. Additionally, the Bank of Japan's surprise rate hike which unwound the "Yen Carry Trade" triggered a sharp sell-off. Markets subsequently rebounded on positive inflation and retail sales data, coupled with dovish remarks from Fed Chair Powell.
- Fund Performance: Encouragingly, the Fund outperformed during the volatile period, which was led by the high-quality parts of the portfolio, particularly Consumer Staples, which held up well in the sharp August drawdown.

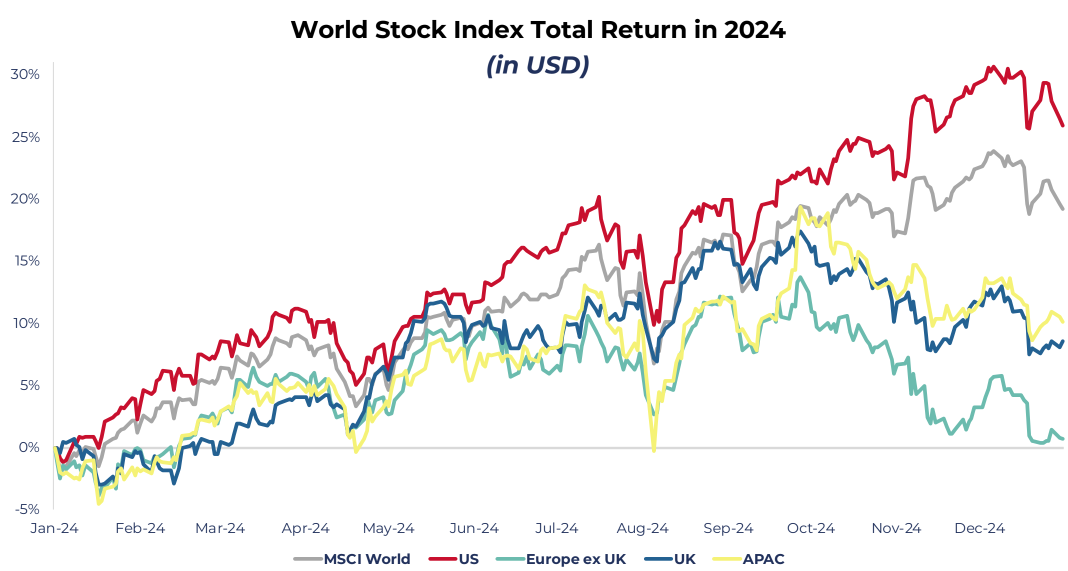
(5) Fed Delivers Rate-Cut (September 7th – November 4th)

- What Happened: On the September 18th, the Fed finally decided to cut rates (by a bumper 50bps) after the fastest rate hiking cycle on record. Markets rallied on news of the cut, with the S&P 500 reaching record highs and large-cap technology stocks leading the move.
- Fund Performance: The 50bp rate cut benefited long duration assets, leading to a market rally in which the more speculative part of the market significantly outperformed. As such, growth outperformed value, and the Fund underperformed.

(6) Trump Trade (November 5th – December 31st)

- What Happened: Donald Trump's 2024 presidential victory sparked an initial market rally, driven by expectations of tax cuts and deregulation favoring Financials, Industrials, and Energy. However, hawkish remarks from Jerome Powell towards year end caused investor outlooks for 2025 to shift.
- Fund Performance: The Trump Trade rally was driven by lower quality sectors as well as small cap stocks. US equities also performed particularly well. The Fund underperformance given its overweight allocation to non-US Equities (UK and EU) as well as its focus on high-quality parts of the market. The Fund's lack of exposure to Consumer Discretionary, the top-performing sector, acted as a drag to performance.

2024: The Events that Moved Markets

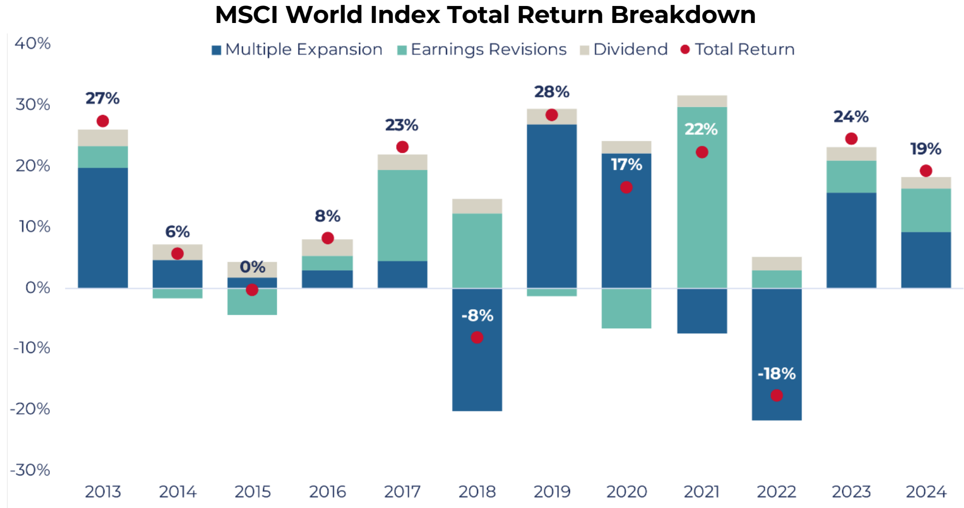


Source: MSCI, Bloomberg, Data as of December 31, 2024.

2024 was another bumper year for equities, with the MSCI World notching +19.2% in USD. While all major regions saw positive gains, the US was for the second year running the top regional performer rising +25.1% (in USD). European and

Asian markets performed well until September however the final quarter of the year saw a divergence in performance, with these indices falling over Q4 and ended the year substantially behind the index.

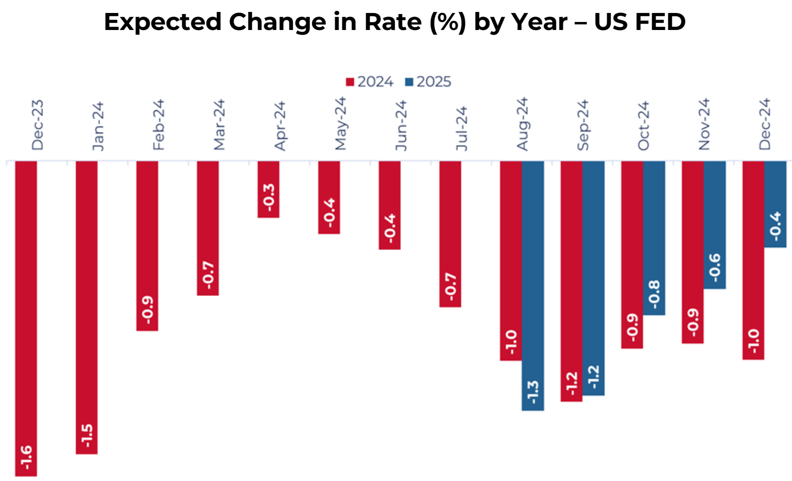
Multiple Reasons for Caution



Sources: Bloomberg, Data as of December 31, 2024.

Looking back over the past two years, it is clear that multiple expansion has contributed substantially to the index gains. In 2023, the multiple accounted for 67% of the return and in 2024 this figure stood at over 50%. That said, in 2024 there was encouragingly a solid contribution from earnings revisions (~40%) with the dividend making up the remaining amount. Even though 2024 earnings revisions fed through, it is still noteworthy that an elevated multiple has driven much of the performance over the past 24 months, as bullish sentiment has caused ongoing equity re-ratings.

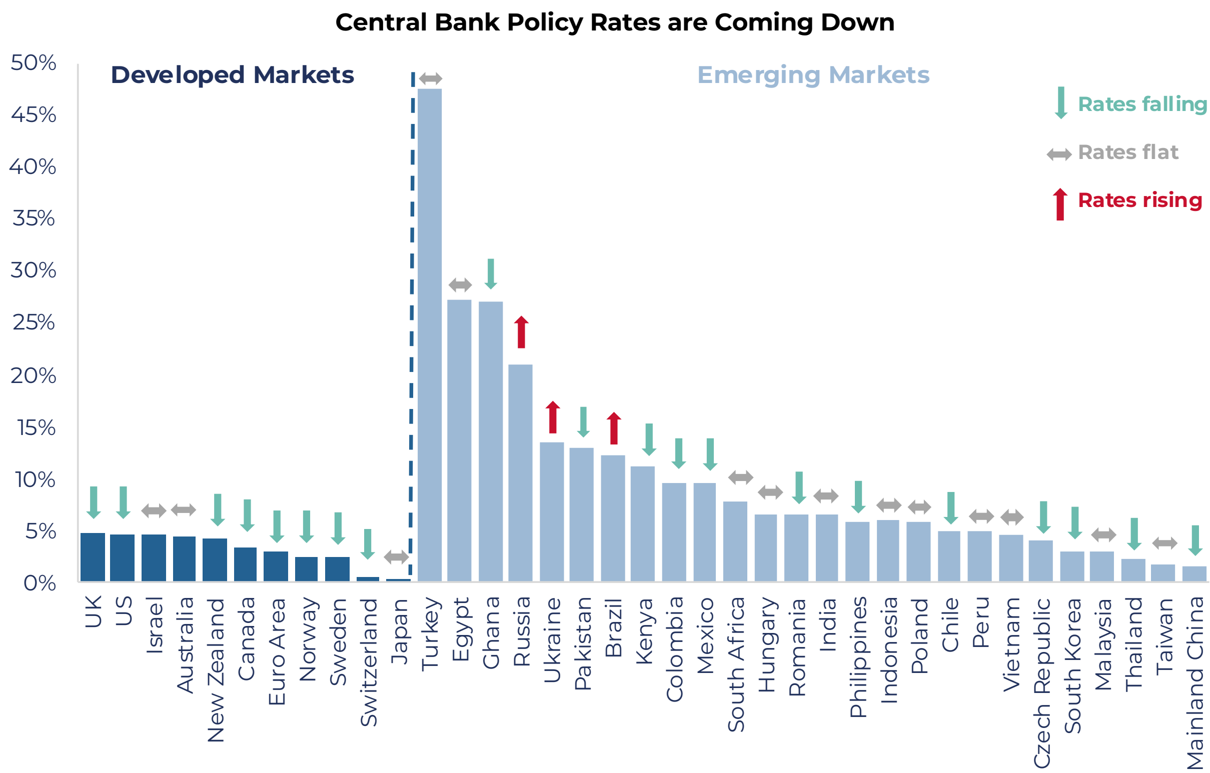
Yo-Yo Expectations



Source: Guinness Atkinson Asset Management, Data as of December 31, 2024.

One of the main driving forces behind markets was, as ever, interest rate expectations (a topic we have covered in many previous updates). Nonetheless, the chart above gives a helpful overview of the change throughout the whole of 2024. Initially, the market was pricing in as many as 7 interest rate cuts for 2024, which saw a sharp contraction to just 30bps of easing by April. However, by August this soon bounced back to a more meaningful 4 cuts and the Fed did indeed end up cutting by 100bps over the year. Interestingly, expectations for 2025 have continued to decline and, as of year-end, they stand at just 40bps of easing for the upcoming year, considerably more hawkish than initially thought.

Global Rates are Falling

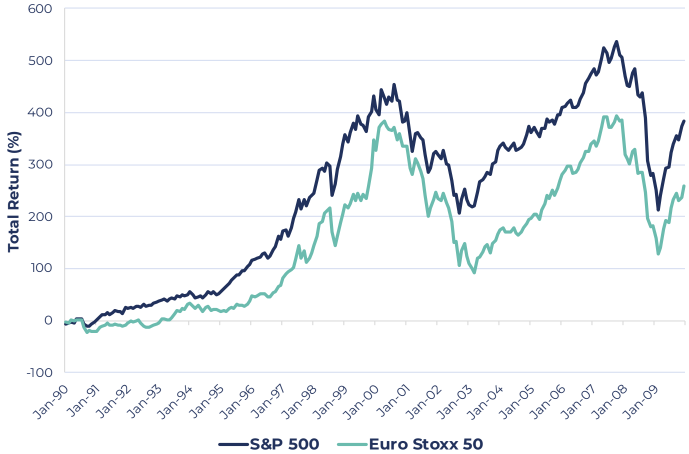


Source: Bloomberg, Data as of December 31, 2024.

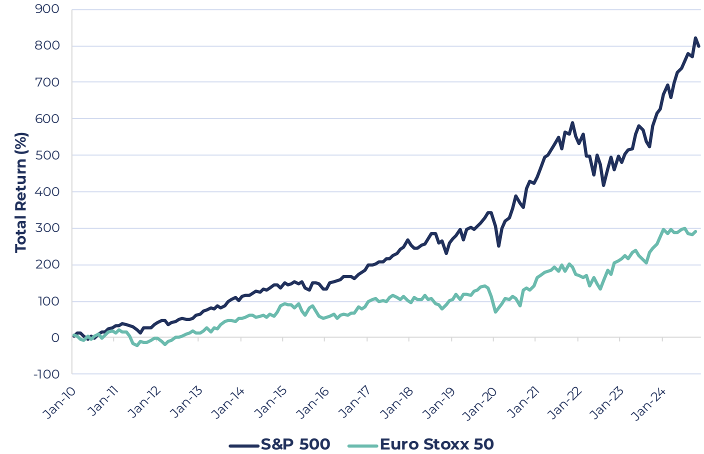
Despite the changing expectations, rates are generally still falling across the board (with the exception of a few emerging market economies experiencing hyperinflation). In the chart above, the arrow shows the direction of rate policy vs the prior meeting and the bar size shows the current central bank policy rate. Clearly the broader picture points to a global set up of easing monetary policy which should be supportive for equities.

Unexceptional Exceptionalism

US vs Europe Equity Performance
1989-2009



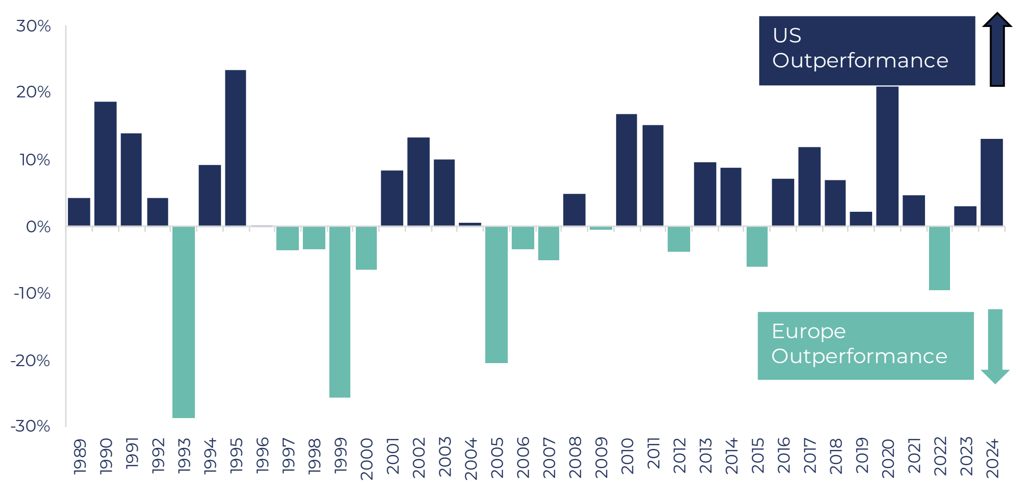
US vs Europe Equity Performance
2010-present



Source: S&P500 Index, Euro Stoxx 50 Index, Bloomberg; Data as of December 31, 2024.

Over the ~20 year period from 1990 to 2009, while the flagship US index did outperform its European counterpart, performance clearly followed a similar trend. However, after the Financial Crisis, there was a far more pronounced divergence. In fact, since 2009 the US has outperformed Europe in 12 of the past 15 years which begs the questions whether American exceptionalism (led by strong economic growth, a generally healthy consumer and a heavy tech bias in the index) is starting to become unexceptional. Skeptics say that this is being driven by the supernormal profits of big tech as well as huge government spending by the latest US administration. Longer term (in six of the past eleven decades) the US has in fact underperformed the rest of the world, most recently in the 2000s when it delivered zero returns and emerging markets tripled in value. Whether American exceptionalism continues into 2025, or we see a reversal towards the mean remains to be seen, but continues to be an area of intense discussion.

Relative Difference in Stock Market Returns
US vs Europe Annual Performance (%)



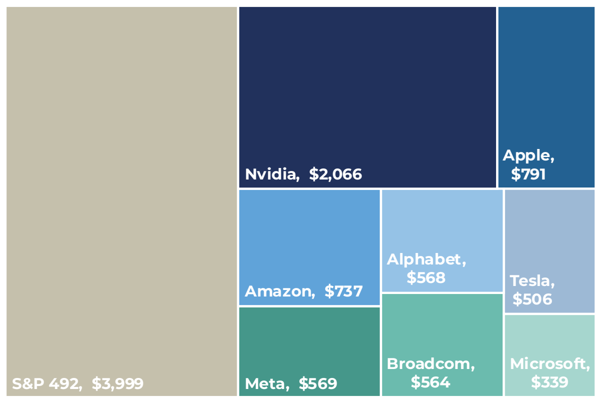
Source: S&P 500 Index, Euro Stoxx 50 Index, Bloomberg, Data as of December 31, 2024

Na Na Na Na BATMMAAN!

The market loves a moniker… first it was "FAANG", then "Mag7" and, now, for 2024 we have BATMMAAN. These were the 8 stocks that added the most market cap over 2024 and is essentially the Mag7 with the inclusion of Broadcom, the California-based semiconductor behemoth. These 8 names added a staggering $6.1tn of market cap over 2024 with all the remaining 492 S&P names adding "only" $4.0tn between them. Such was the BATMMAAN dominance over 2024 that these 8 names now represent 12% of the S&P500's revenues, 26% of its profit and 34% of the total index weighting.

Market Cap Added in 2024 in $bn

BATMMAAN Stocks vs S&P492

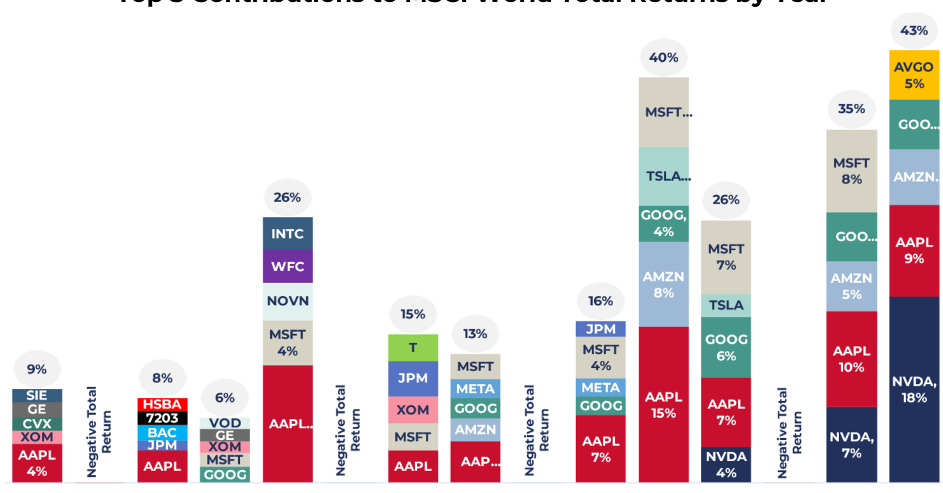


Source: Bloomberg; Data as of December 31, 2024

Concentrate Closely

Is it usual for such a small number of stocks to make up such a large proportion of the index returns? Well, not really. Looking at the MSCI World breakdown, the largest 5 stock contributed more to the index returns in 2024 than in any of the last 15 years. As shown below, Nvidia contributed 18% to the index return and, alongside the other 4 names, drove 43% of the Index wide returns, a notably high proportion vs history.

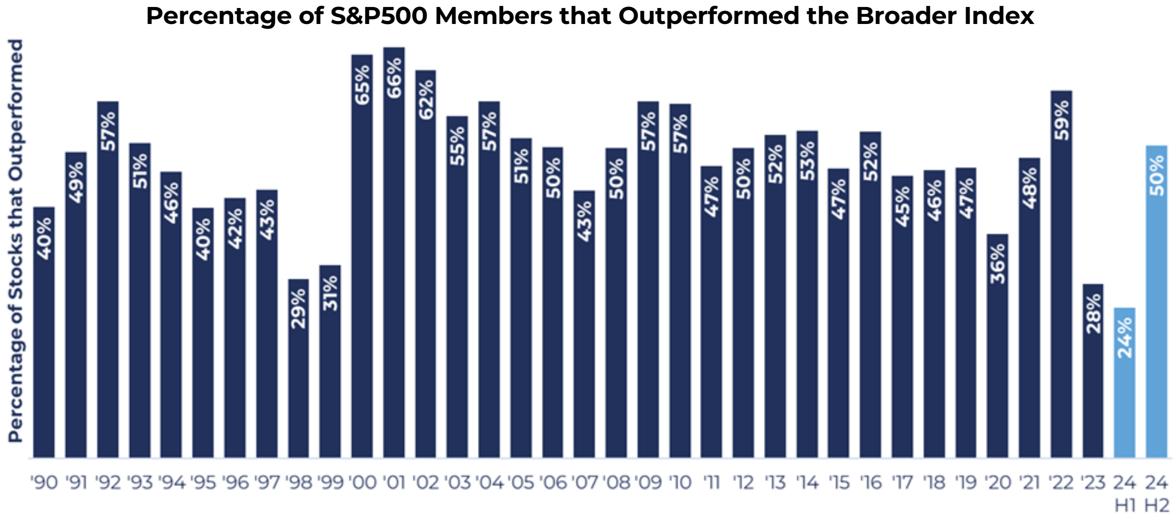
Top 5 Contributions to MSCI World Total Returns by Year



Source: Bloomberg, Data as of December 31, 2024

In Search of Leaders

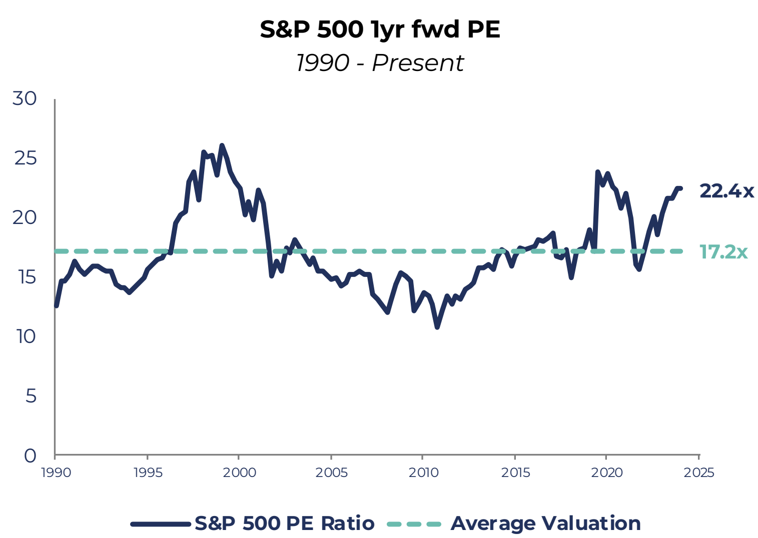
On this note, looking back at the history of market returns, we can see that since the turn of the millennium, roughly 50% of stocks have outperformed the S&P 500 and the other half have not. This points to a relatively broad and healthy index. However, in the past two years, the index gains have narrowed. In 2023 only 28% of stocks beat the index and this fell to 24% for H1 2024. While the rally broadened out in the second half of the year, this still points to a relatively narrow market concentration. As a reminder, the 10 largest firms in the S&P 500 now make up 38% of the index, the highest level by some way over the past 40 years. This will likely remain a big focus going into 2025.



Source: Bloomberg, Data as of December 31, 2024

2025: What Lies in Store

Lofty Valuations?



Source: S&P Indices, Bloomberg, Data as of December 31, 2024

In some ways, valuations are looking fairly elevated, particularly in the US. The chart above shows the S&P 500 on a 1yr fwd PE basis. A clear premium has now opened up with the year-end valuation of 22.4x standing at over 5 turns higher than the long-term average of 17.2x. When looking at the chart below, we can see that this valuation gap has been led by the largest 10 stocks in the index, which now trade at a ~30x fwd PE vs the rest of the index which trades more in line with historical levels.

S&P 500 1yr fwd PE

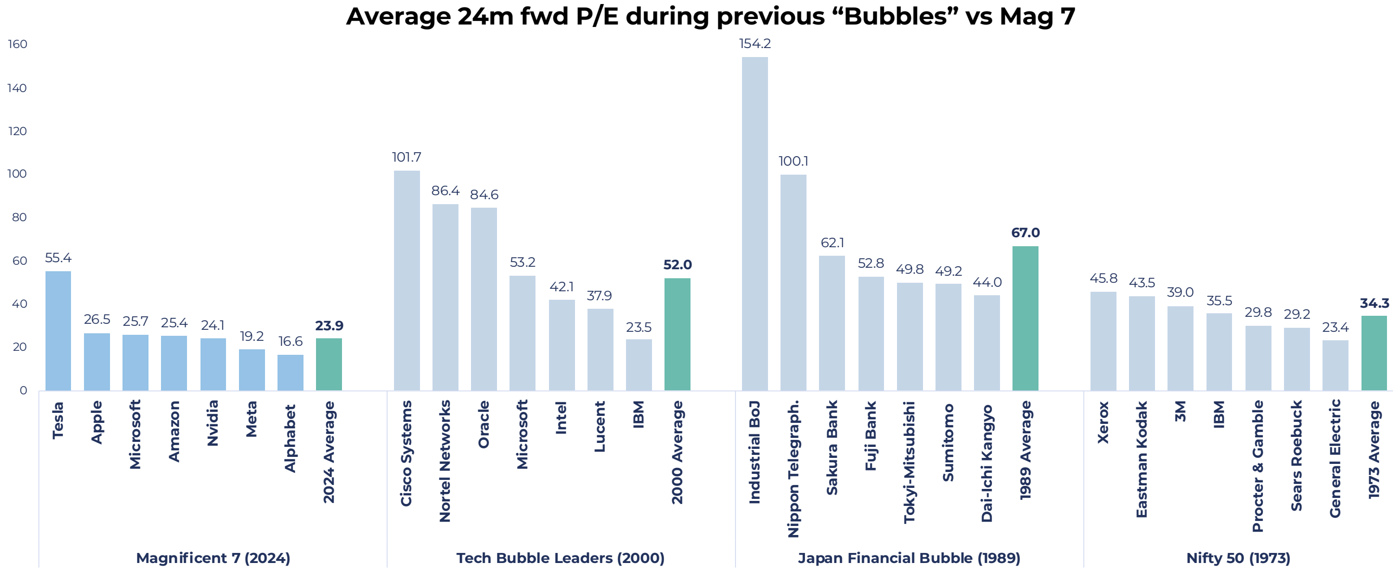
Top 10 vs Remaining 490

Source: Compustat, Goldman Sachs GIR, Data as of December 31, 2024.

What Bubble?

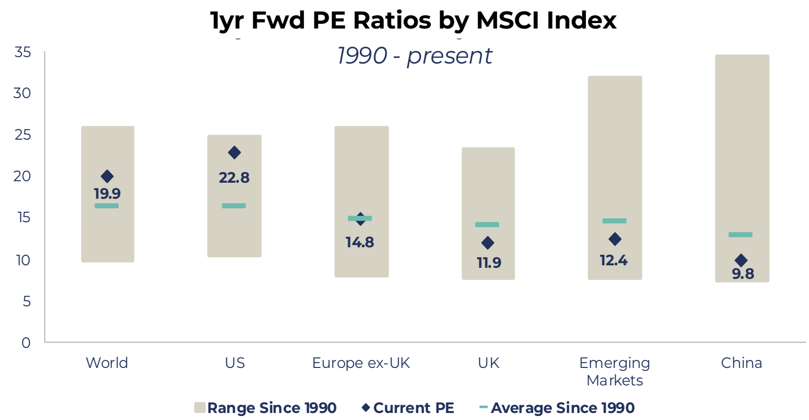
That said, the current market leaders are currently showing valuations that are far less stretched on a 2yr fwd PE basis than previous bubble periods over the past 50 years. The current Mag7 names remain very high quality and continue to show strong earnings growth which helps to justify their elevated premium and makes their valuations seem more reasonable on a midterm outlook. The 2024 average valuation of 23.9x is still far lower than the three previous peak "bubble" valuations in 2000, 1989 and 1973.

Average 24m fwd P/E during previous "Bubbles" vs Mag 7



Source: Goldman Sachs, Bloomberg, Data as of December 31, 2024

Looking beyond the US, the 19.2x multiple for the MSCI World also seems reasonable, even if it is above its ~30yr average. The chart below shows current index valuation (blue dot), the long-term average (green bar) and the historical valuation range (beige bar). While the US is clearly towards its historical upper bounds, Europe, the UK, Emerging Markets and China are all trading at or below their longer-term averages. The takeaway here is that a clear premium for US markets has opened up, but there still remain geographies with highly attractive valuations. To this point, the Fund maintains a solid, albeit underweight, allocation to the US (58%) and we remain overweight to both Europe and the UK which allows us to continue investing in high quality businesses but gives us confidence that we are not overpaying for them.

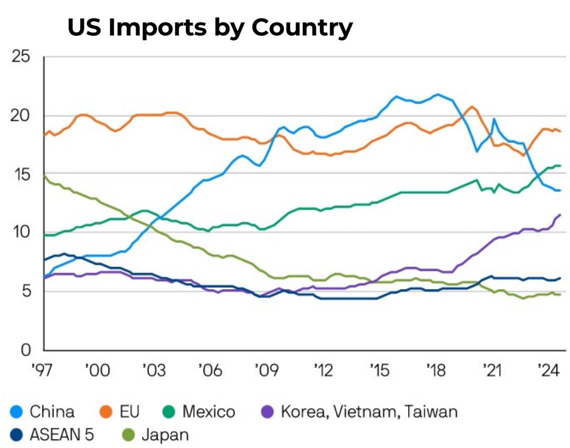


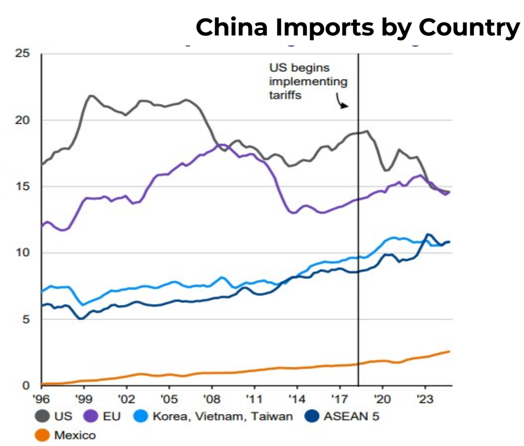
Source: MSCI Indices, JPM Asset Management, Data as of December 31, 2024

Geopolitical Risks Ever Present

While 2025 may be less politically disruptive than 2024 (which saw 70 elections and over half the world's population heading to the polls) the most notable outcome is of course the return of Donald Trump to the White House. Even before he had sworn in for the second time, Trump had already made headlines, including talk of overseas expansion (Greenland, Canada, the Panama Canal) as well as the implications of his unpredictable China policy and of course his stance on the Middle East and Ukraine. Perhaps the only certainty here is uncertainty. Whatever 2025 holds in store, there are likely to be several unforeseen events that take markets by surprise... stay tuned!

Trade Disruptions

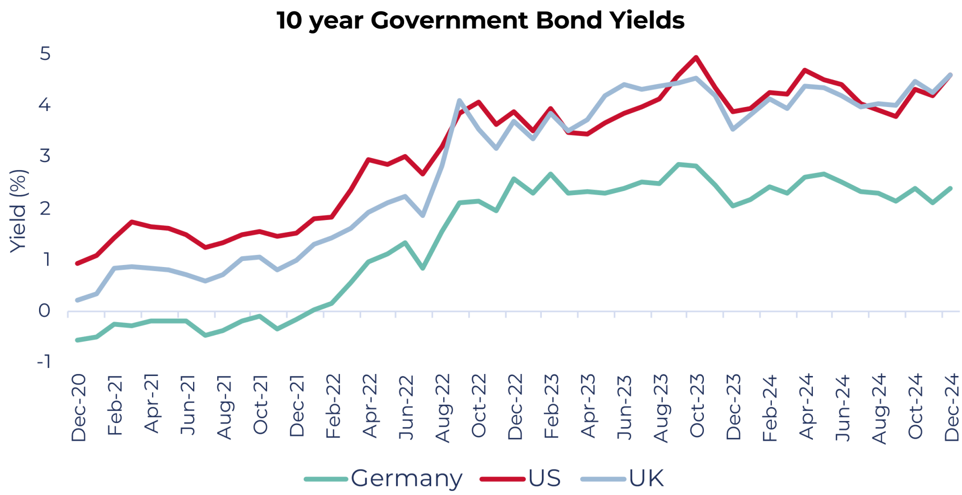




Source: MF, LSEG Datastream, US Census Bureau, J.P. Morgan Asset Management, Data as of December 31, 2024.

One thing that seems less uncertain however is the growing global protectionism impacting free trade routes. Trump has already mooted universal baseline tariffs on all US trading partners, with additional levies on Mexico, Canada and a bumper +60% on all imports from China. Regardless of whether this is a bargaining tool or will play out with some fairly disruptive consequences, there has been a clear trend over the past few decades of shifting trade flows. More specifically, the US has always reduced its trading dependency on any nation as soon as one country makes up ~20% of its total import spend. This happened with Japan in the 90s, China in the 2010s and is happening (to some extent) with Europe more recently. Similarly, China (a net exporter) is redirecting trade flows away from the West (Europe and the US are the two largest purchases of Chinese exports) and instead is pivoting towards more local markets including Korea, Vietnam, Taiwan and other ASEAN nations, in a bid to insulate itself from the impact of tariffs.

The 10 Year Wont Yield: Long Term Rates Remain Stubbornly High



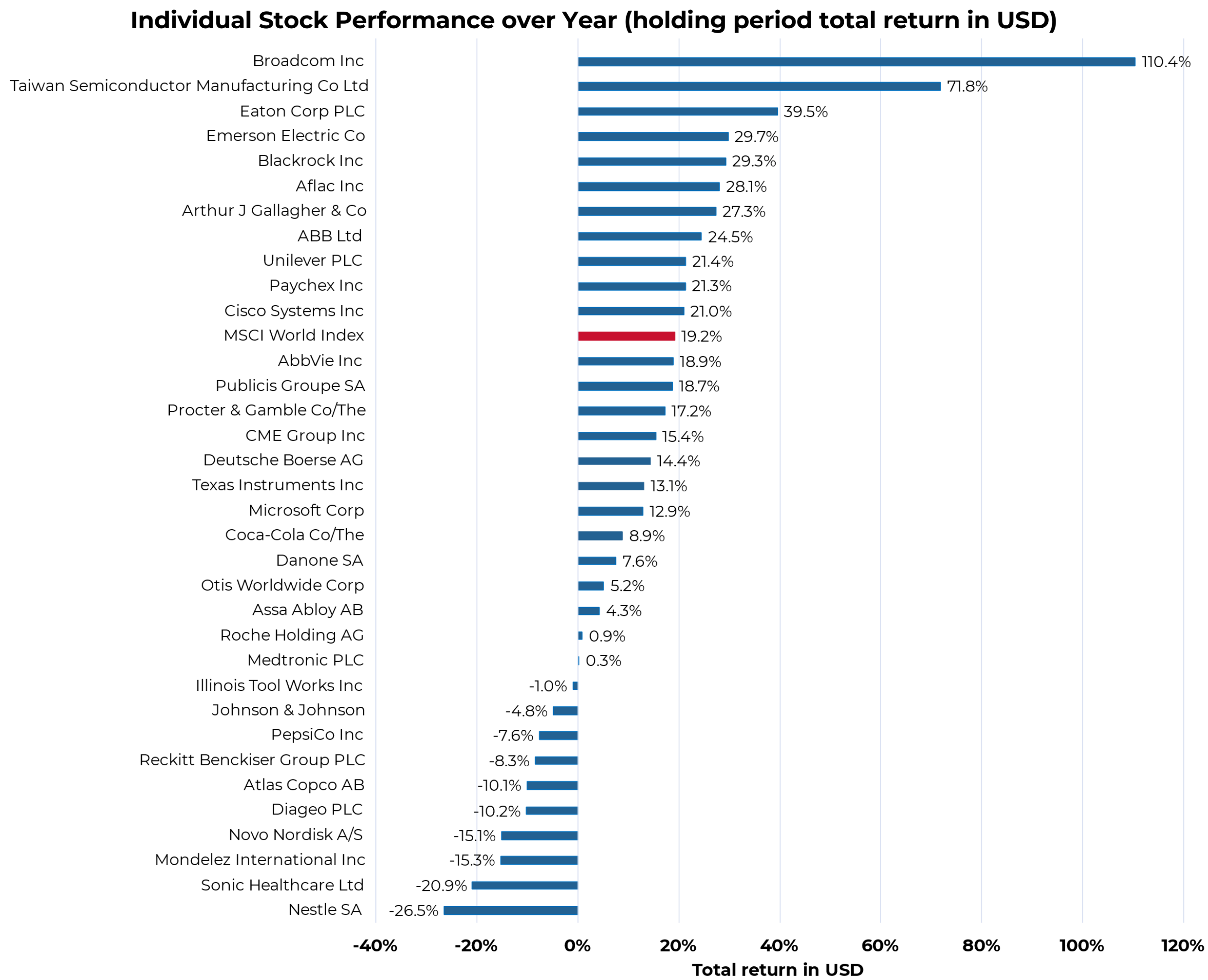
Source: Bloomberg, Data as of December 31, 2024

2024 was the year that decades-high inflation returned to normalized levels, with the headline inflation figure ending the year with a "2" handle across the US, UK, and Eurozone. However, in some economies inflation still remains stubborn, driven by sticky services inflation which investors fear may persist. Interestingly, even as central banks cut policy rates from restrictive levels, the long end of the yield curve remains high (and in fact is starting to rise). The rise in the long end of the curve perhaps signals that investors are concerned about the re-emergence of higher inflation over the mid-term and therefore require a higher premium to hold long-dated bonds. This has had the unwanted impact of raising borrowing costs on government debt and will likely feed through to the rest of the economy via higher interest rates on mortgages repayments and consumer loans etc. The chart above shows the yields on 10-year government debt across a range of geographies, which have ticked up over the back half of 2024 and will remain in focus over 2025 as well.

Individual Stock Performance

When we look at how individual companies within the portfolio performed in 2024, we see that out of the top ten, we have three Industrials, three IT, three Financials and one Consumer Staple. This highlights the benefit of our moderate dividend yield and sector-agnostic approach, which can identify opportunities outside of the traditional high-yield or "defensive" areas typically associated with income funds.

SmartETFs
Right Brain, Left Brain Investing



Source: Bloomberg. Data as of December 31, 2024

Broadcom was the best performing stock over 2024, gaining 110.4%. 2024 was a positive year for the semiconductor market (the SOX Index performed roughly in line with MSCI World Index), however the intra-sector performance was marked by some clear winners on the back of AI sentiment and increased computing demand. Broadcom, one of these beneficiaries, is a leading developer, manufacturer, and supplier of semiconductor software products that is strategically positioned to capitalize on the growing demand for advanced chips. During the year, the company achieved record revenue of $51.6 billion, a 44% increase from the prior year, fueled by significant contributions from its AI-related segment, which surged by 220%, reflecting the firm's leadership in providing custom AI accelerators and high-performance networking chips. Additionally, the successful integration of the VMware acquisition is expected to be a major driver for the firm, expanding its footprint in the infrastructure software market, diversifying revenue streams and strengthening its long-term growth outlook. We are encouraged by the strong performance over 2024 and remain confident about the firm's opportunity to achieve a leading market share as the AI opportunity continues to gather steam.

TSMC (+71.8%) also performed well over 2024, gaining +84.3%. The world's largest fab saw strong performance given its ongoing strategic importance in the global semiconductor supply chain. As a leader in advanced-node manufacturing, TSMC continued to showcase its unmatched expertise in producing chips at cutting-edge process nodes, including 3nm and beyond. The firm significantly benefited from surging demand for AI and high-performance computing (HPC), both of which rely heavily on advanced microchips. Following a challenging 2023 marked by a cyclical industry downturn, TSMC returned to strong growth, with annual revenues up 34% YoY to its highest ever level. Furthermore, higher fab utilization rates throughout the year and cost-cutting efforts contributed to rising operating margins, further reinforcing the company's solid financial position. TSMC also made aggressive investments in expanding its CoWoS (Chip-on-Wafer-on-Substrate) capacity in 2024, positioning itself to double capacity again in 2025 in response to the growing need for advanced packaging solutions. Alongside their dominance in advanced-node manufacturing, TSMC's CoWoS 2.5D and SoIC 3D packaging technologies have emerged as essential components for next-generation AI chip production in data centers. These cutting-edge packaging solutions highlight TSMC's promising outlook as a pivotal driver of innovation in data center infrastructure and high-performance computing.

Nestle was the Fund's worst performing stock in 2024, falling -26.5%. This comes amidst the context of both heightened competition from private labels as well as sluggish sales growth, which has dampened investor sentiment. In the third quarter, Nestle reported organic and pricing growth below consensus and management revised its organic sales growth guidance down from 4% to 3%, after having previously cut guidance in July. However, in September, CEO Mark Schneider was replaced by Laurent Freixe, who has initiated a comprehensive strategy to rejuvenate growth and enhance operational efficiency. We are encouraged by these plans which include a cost reduction program to deliver CHF 2.5 billion (approximately $2.7bn USD) of savings by 2027, increased marketing investments on its core brands to strengthen brand visibility and consumer engagement, and an organizational restructuring that will set its water and premium beverages businesses as a standalone global unit. While we are aware of the challenges that new management is currently facing, we remain positive on the long-term outlook for the company. Nestle remain a high-quality company with a diverse brand portfolio, strong pricing power, persistent high returns on capital and also offer a healthy dividend yield approaching 4%.

Sonic Healthcare was the second worst performer (-20.9%). The pathology provider experienced a challenging transitional period as it shifted from pandemic-driven operations back to its core business activities. In May, the company lowered its guidance, citing inflationary cost pressures and delays in adjusting labor costs to align with post-pandemic conditions. Following the COVID-19 boom, Sonic retained much of its labor force and diagnostics infrastructure, which increased its cost base and led to earnings falling below consensus expectations. Margin pressure was further compounded by Sonic's reinvestment of pandemic-era supernormal profits into strategic initiatives, the benefits of which are yet to materialize. However, management is actively addressing these challenges through a cost-cutting program aimed at restoring its margin profile. Despite these challenges, revenue in the core business has continued to grow steadily, and management reaffirmed operating profit guidance for fiscal year 2025, signaling a more positive outlook and potential recovery. The long-term investment thesis for Sonic remains on track. The company is well-positioned to bridge gaps in routine healthcare by offering effective diagnostic services, benefiting from clear industry tailwinds such as population growth and aging demographics. These structural growth drivers, combined with easing cost inflation and the elimination of unnecessary expenses, are expected to support margin recovery. Additionally, synergies from recent acquisitions, operational efficiencies from scale, and average fee increases through stronger pricing are likely to contribute to improving profitability and drive long-term growth in the bottom line.

Changes to the Portfolio

In 2024, we sold one position (Henkel) and replaced it with Publicis, leaving the portfolio with 35 positions at the end of the year.

Over the second quarter, we sold our positions 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 the Fund remains unchanged.

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 DIVS philosophy. We therefore decided to sell the full position.

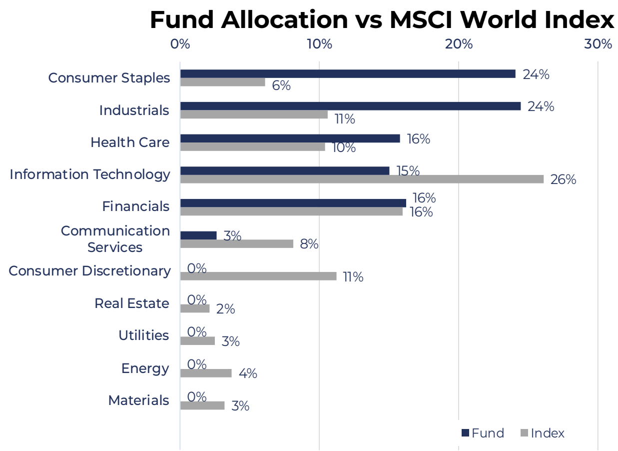
We replaced Henkel with a full position in Publicis. Publicis are a French advertising & media agency, comprised of over a hundred smaller brands that sit under the Publicis umbrella. They are the 3rd largest player behind WPP and Omnicom, providing a range of services incl. creative design, media buying, 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 corporates) 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 fwd PE.

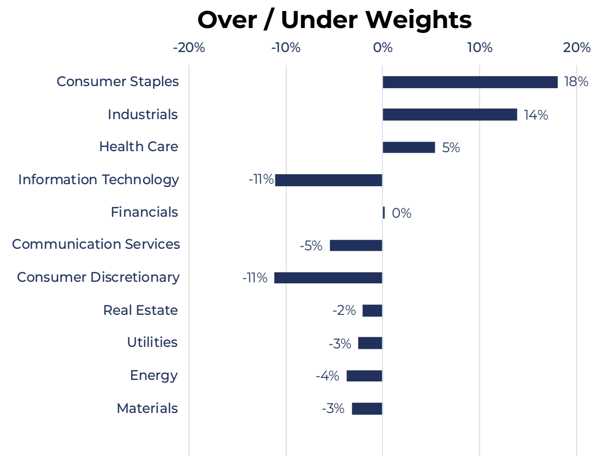
Portfolio Positioning

We continue to maintain a fairly even balance between quality defensive and quality cyclical/growth companies. We have approximately 45% in quality defensive companies (e.g. Consumer Staples and Healthcare companies) and around 55% in quality cyclical or growth-oriented companies (e.g. Industrials, Financials, Consumer Discretionary, Information Technology).

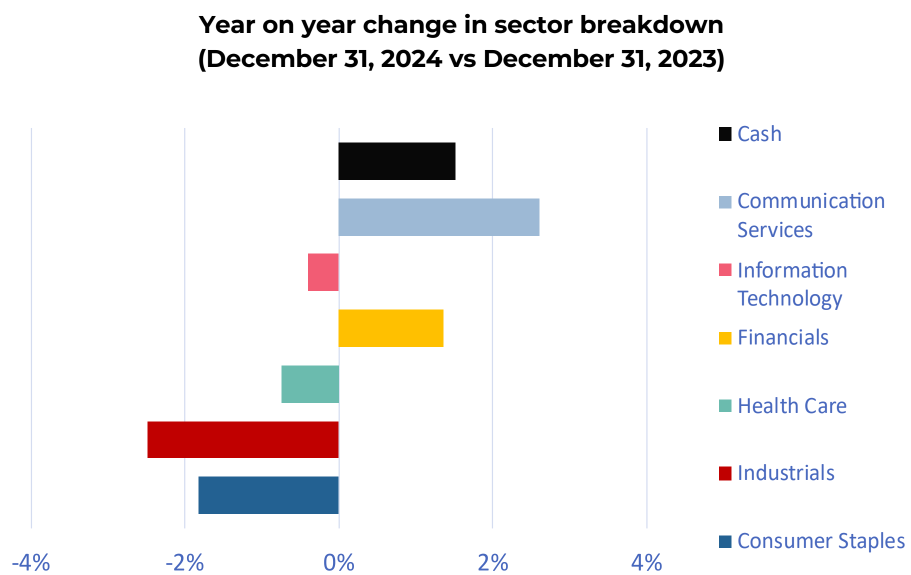
While the defensive names tend to have lower beta and hold up better when markets are falling, the cyclical holdings allow the Fund to maintain performance when markets are rebounding and rising. We believe that within these more cyclical sectors we are owning the "quality" businesses. All the companies we seek to invest in have strong balance sheets and a history of performing well in difficult market environments. Within Financials, for example, although we do not own any Banks, which helps to dampen the cyclicality of our Financials, we do own exchange groups such as CME and Deutsche Boerse (which tend to do better in periods of market volatility as volumes tend to increase at these times which results in higher revenues for the exchanges).

The Fund also has zero weighting to Energy, Utilities, Materials, Real Estate, and Consumer Discretionary. The largest overweight is to Consumer Staples.





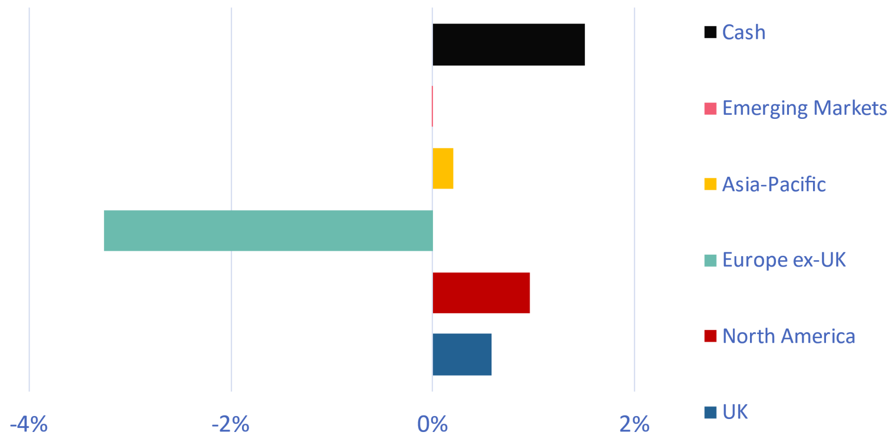
Source: Guinness Atkinson Asset Management, Bloomberg; Data as of December 31, 2024.



Source: Guinness Atkinson Asset Management; Data as of December 31, 2024.

In terms of geographic exposure (following chart), the largest overweight remains Europe ex-UK, though we are diversified around the world with 58% in the US, 35% in Europe & UK and 6% in Asia-Pacific. Within the Asia-Pacific region we have one company listed in Taiwan (Taiwan Semiconductor) and one company listed in Australia (Sonic Healthcare).

Year on year change in geographic breakdown (December 31, 2024 vs December 31, 2023)



Source: Guinness Atkinson Asset Management; Data as of December 31, 2024.

Outlook

The four key tenets to our approach are: quality, value, dividend, and conviction:

		Fund	MSCI World Index
Quality	Median return on capital	23.7%	8.6%
	Weighted median debt / equity	44.1%	39.1%
Value	P/E (2025e)	19.2	19.2
	FCF Yield (LTM)	4.2%	3.5%
Dividend	Weighted average payout ratio	61%	46%
Conviction	Number of stocks	35	1650
	Active share	90%	-

Portfolio metrics versus index. Data as of December 31, 2024.

Source: Guinness Atkinson Asset Management, Bloomberg

At present, the Fund is currently trading in line with the broader market from a price/earnings perspective (19.2x 2025 expected earnings). However, the Fund does trade at a valuation discount when looking at FCF yield with the fund on a FCF yield of 4.2%, which is ahead of the MSCI World Index figure of 3.5%. We are encouraged to see that, despite the in-line valuation, the Fund still shows superior characteristics from a Quality perspective. The Fund continues to invest in high quality companies, and this is exhibited by a median return on capital of 23.7%, far ahead of the 8.6% for the index and these companies have strong balance sheets albeit with marginally higher leverage than the index (44.1% vs 39.1%).

As we look ahead to 2025, we are confident that the companies we own in the Fund will continue to navigate the changing macroeconomic environment, as has been the case in previous years as well. In last year's annual outlook we noted that "it is reasonable to expect a number of rate cuts over 2024. However, there is of course the risk that the market is overly optimistic with regards to both timing and magnitude." While this has seemingly played out over the latter half of 2024, there still remains many risks on the horizon, from stubborn inflation reads, rising cost of government debt, a consumer that is showing signs of weakness, elevated geopolitical tensions, a return of volatility to financial markets and a whole host of uncertainties from a new US administration. Clearly these issues will play out in unexpected ways that few can foresee therefore we do not try to predict what will happen from a macro perspective, instead we try to create a portfolio that can weather different economic environments and provide the return outcomes we seek to provide on a consistent basis.

As such, we believe that focusing on the high-quality businesses that have shown the ability to perform over numerous economic cycles provides the Fund with a good balance and helps to mitigate against some of these downside risks. We also note that the defensive nature of the portfolio – which has outperformed in all market corrections since launch in 2010 – gives us confidence heading into 2025. Additionally, we believe the holdings we have selected in the Fund remain robust and our perpetual approach of focusing on quality compounders and dividend-growers should continue to stand us in good stead in our search for rising income streams and long-term capital growth.

As ever, we would like to thank you for your continued support, and we wish you all a prosperous 2025.

Performance

As of 12/31/2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
DIVS at NAV	13.35%	13.35%	6.01%	10.58%	9.63%	10.53%
DIVS at Market Price	12.57%	12.57%	5.91%	10.49%	9.59%	10.50%
MSCI World Index NR	18.67%	18.67%	6.33%	11.15%	9.94%	10.46%

All returns after 1 year annualized.

Inception 03.30.2012 Expense ratio* 0.65% (net); 1.09% (gross)

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.

*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. This is subject to change at any time.

Important Information

Top 10 Fund Holdings as of 12/31/2024:

1. Broadcom Inc	4.51%
2. Cisco Systems Inc	3.47%
3. Taiwan Semiconductor Manufacturing Co Ltd	3.44%
4. BlackRock Inc	3.26%
5. Arthur J Gallagher & Co	3.23%
6. Aflac Inc	3.18%
7. AbbVie Inc	3.09%
8. Roche Holding AG	3.06%
9. Paychex Inc	3.03%
10. Emerson Electric Co	3.01%

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.

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.