DIVS

The SmartETFs Dividend Builder ETF

June 2025 Update

SmartETFs by Guinness Atkinson

Portfolio Performance

as of 05/31/2025

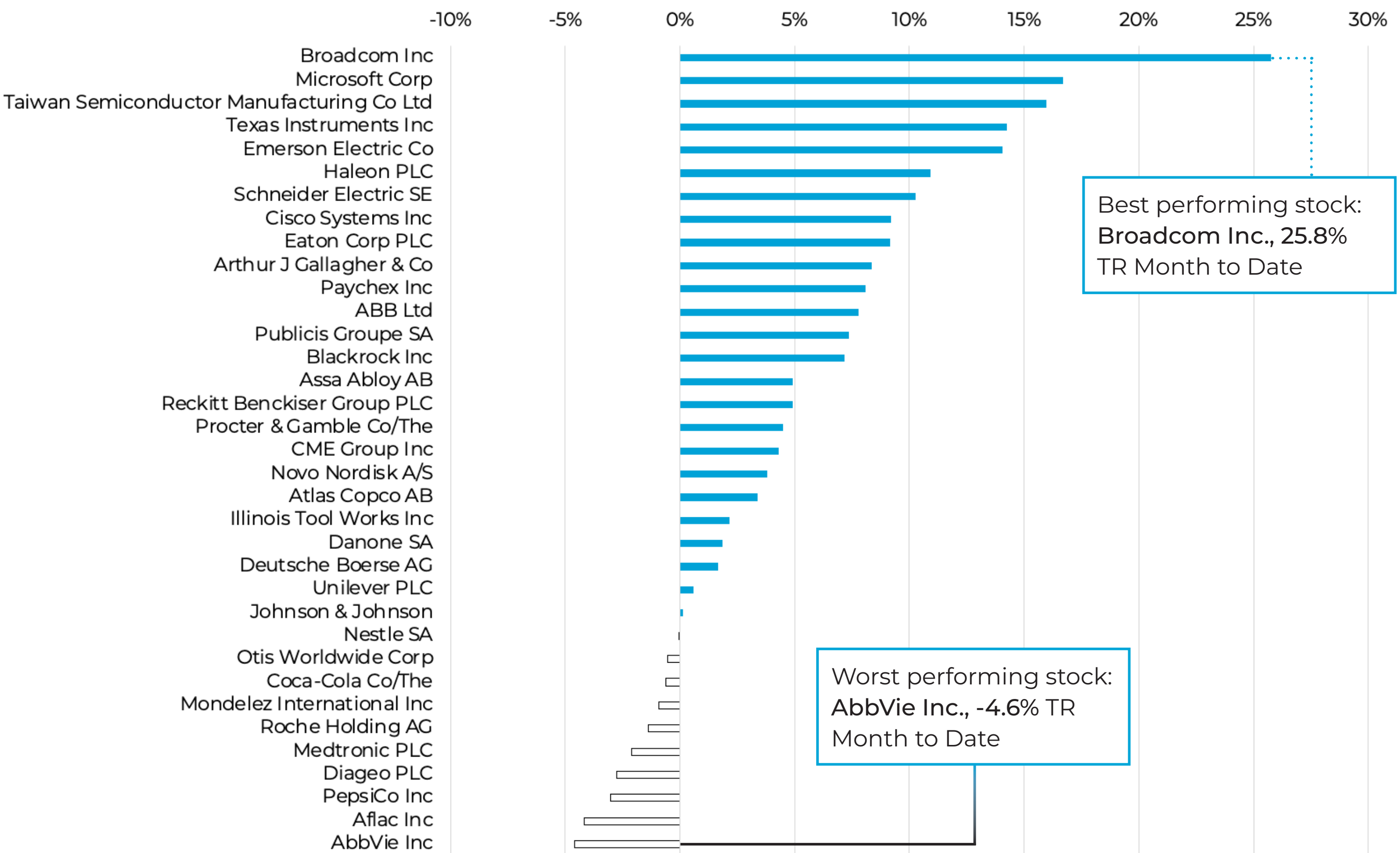
In May, DIVS was up 4.21% (NAV basis, up 4.46% market price), while the MSCI World Index benchmark was up 5.92%. The Fund's underperformance versus the benchmark can be attributed to the following:

- The Fund's zero-weight allocation to Consumer Discretionary and Utilities, which acted as a headwind given both sectors posted strong positive returns.
- The Fund's overweight exposure to Consumer Staples was a detractor to performance during the month as Growth was the best performing factor.
- Further, despite the Fund's underweight allocation to Information Technology and the sector's strong performance during the month, the fund benefited from stock selection that led to relative sector outperformance.

May was yet another eventful month for investors, dominated by headlines around US-China tariff negotiations, the US-UK trade deal, geopolitical uncertainty in India and Pakistan, and rising US debt yields. Despite these challenges, a solid earnings season buoyed investor sentiment, sending world equity indices higher, led by the US (+6.5%), following a 90-day pause on US-China tariffs and a mutual reduction of tariff rates by 115%. From a factor perspective, Growth (+8.7%) significantly outperformed Value (+3.2%), as the earnings season fuelled hopes for a continued AI-driven rally.

In this commentary, we dive deeper into the current state of the market. We discuss recent market developments following the close of the latest earnings season, including management commentary on inflation, shifts in Treasury yields, and the ongoing divergence between hard and soft economic data. Read on for more!

Holdings are subject to change. Go to SmartETFs.com/DIVS for current holdings.



Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting SmartETFs.com, or calling (866) 307-5990. The returns shown are cumulative for the period, not annualized. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.

DIVS

The SmartETFs Dividend Builder ETF

June 2025 Update

SmartETFs by Guinness Atkinson

Portfolio Performance

Broadcom was the Fund's best performing stock in May, gaining +25.8%. Broadcom is the global leader in application-specific integrated circuits (ASICs), which are custom-designed chips optimized for specific tasks, offering higher performance, greater efficiency and lower power consumption versus general-purpose processers like CPUs or GPUs. ASICs have taken a growing role in powering AI workloads, particularly on the inference side, given their speed and lower energy constraints. While GPUs still dominate the accelerated computing market with 80+% share, ASICs have done well to grow share to the 10% to 15% range. Broadcom, along with other AI-exposed names, saw a pullback over the start of 2025 given escalating trade tensions and a broader cooling of AI sentiment, but they have since rebounded sharply, reflecting a broader risk-on trade where growthier parts of the market have outperformed. Broadcom is yet to report its Q2 2025 earnings, but the stock has nonetheless benefited given positive read-across from other industry peers with strong results from Nvidia & Marvell highlighting continued strength in AI infrastructure demand. Furthermore, when looking at commentary from the hyperscalers, there seems to be no change in their bullish CapEx forecasts, which still call for hundreds of billions in AI infrastructure investments over the mid-term. Off the back of this strong set-up, Broadcom guided for AI-related revenues to exceed $10bn in FY25, a substantial milestone for the firm, with AI networking alone expected to grow 50%+ YoY, reflecting the buoyant demand environment.

Microsoft was the Fund's second-best performing stock over the month, gaining +16.7%. The US tech giant reported a great set of quarterly results as topline growth came in above estimates driven by virtually all segments, with particular strength from Azure, their cloud computing division. This is one of the crown jewels in the broader Microsoft business, given its strong growth characteristics and strategic importance to the company's cloud & AI ambitions. The segment posted 35% YoY organic growth which, even by the segments' high standards, was a stellar showing, led by AI services (demand for Microsoft AI Copilot & Azure OpenAI) as well as Non-AI workloads in more traditional areas including databases & storage. Microsoft also beat on the bottom line, given better than expected margins which aided profitability. Operating margins of 45.7% were a 110bp YoY improvement, driven by operating leverage, and was a positive reminder of the firm's focus on highly profitable growth. To this extent, management reiterated their firm wide CapEx guidance, expecting to spend ~$80bn in 2025 and see a further step up in 2026. Whilst CapEx growth is likely to outpace Cloud growth in the short-term, Microsoft are prioritizing long-duration investments that they believe will pay off significantly and will create a strong cloud infrastructure advantage for the firm. To round off the quarter, Microsoft issued healthy forward guidance, expecting Q4 revenues of $73.25bn at the midpoint, $50mn ahead of consensus, led primarily by a reacceleration in the Azure business.

AbbVie was the Fund's weakest performer over May, falling -4.6%. US healthcare stocks faced a challenging month amid a range of policy updates that gave investors pause. While pharmaceuticals were exempt from Trump's sweeping "Liberation Day" tariffs, the administration has made public its desire to implement legislative changes to the pharmaceutical industry in an aim to cut nationwide drug costs. During the month, Trump signed an executive order aimed at reducing prices via a "Most Favored Na-

continued on following page...

Portfolio Performance

tion" pricing strategy. This policy mandates that U.S. drug prices should match the lowest prices paid by other developed countries, particularly those within the OECD. This primarily targets Medicare, the US government-funded program that offers health insurance to people aged 65+, along with Medicaid which covers low-income citizens. Collectively they account for ~40% of total US drug sales and, if enacted, this legalization would pose a substantial disruption. That said, it is unclear whether this will cause prices to fall in the US, prices to rise overseas, or a combination of the two, with the resulting impact on pharma sales anything but clear. However, despite this overhang, AbbVie continue to perform well, posting a solid set of earnings towards the end of April. Quarterly revenues grew 8.4%, well ahead of consensus, led by strength in their Immunology franchise with Skyrizi & Rinvoq both having stand-out quarters. Management commentary was also constructive around the firm's obesity strategy, with AbbVie entering the obesity market through a licensing agreement with Danish biotech company Gubra to develop a long-acting amylin analog. Management are encouraged by early feedback and showed continued interest in expanding their investments into this growth market. AbbVie also upgraded their FY EPS guidance by ~1% given positive topline momentum expected to carry forward.

Aflac also underperformed in May, closing down -4.2%. The US-based supplemental and life insurer reported earnings over the month, with mixed investor reactions. The big focus for Aflac is the Japanese market, where it derives ~60% of its revenues and ~70% of its profits. The business set-up in Japan is, in many ways, highly favorable given a sticky customer base (Aflac persistency running north of 90%) and a profitable operating environment with 30%+ pre-tax profit margins. However, Aflac's Japanese business has been struggling more recently as policies reach "paid up" status. This is where, after holding a policy for an extended period of time, policy holders no longer pay monthly premiums but remain insured. This encourages loyalty and minimizes churn, but it also means Aflac must constantly sell new policies to maintain their premiums income. Of late, sales growth has been sluggish in Japan and the latest quarter was no different. While overall sales saw an uptick, they still lagged consensus, with Aflac's new life insurance product not getting the strong uptake initially expected and investors reacted negatively to the news. However, there were also several bright spots from the quarter. The business beat on EPS given more favorable benefit & expense ratios, two key metrics in assessing the profitability of insurance policies. Additionally, persistency across the firm remained high, showing the strength of the Aflac brand as well as the benefit provided by the associated policies. Finally, Aflac continue to return large amounts of capital to shareholders, with record Q2 buybacks of $900m and a $0.58 per share dividend which grew 16% YoY. Aflac have also been freeing up capital via their reinsurance entity and have several billion dollars of excess cash on the balance sheet, positioning them well for capital returns and to also support EPS growth via ongoing share buybacks.

DIVS

The SmartETFs Dividend Builder ETF

June 2025 Update

SmartETFs by Guinness Atkinson

Portfolio Performance

As of 5/31/2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	7.09%	12.95%	11.73%	14.17%	10.07%	10.76%
DIVS at Market Price	7.58%	13.07%	11.66%	14.19%	10.08%	10.77%
MSCI World NR	4.95%	13.72%	13.17%	14.17%	9.92%	10.52%

As of 3/31/2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	2.63%	9.83%	8.26%	15.81%	9.91%	10.54%
DIVS at Market Price	3.10%	9.63%	8.16%	15.82%	9.91%	10.55%
MSCI World NR	-1.79%	7.04%	7.57%	16.12%	9.49%	10.10%

Expense Ratio: 0.66% (net) | 1.01% (gross)

30-Day SEC Yield (as of 05/31/2025): 1.01% subsidized | 0.70% 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, 2028.

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.

DIVS

The SmartETFs Dividend Builder ETF

June 2025 Update

SmartETFs
by Guinness Atkinson

May in Review

Over May, world equities trended upwards. This resilience came despite persistent macroeconomic headwinds, including trade policy uncertainty, geopolitical tensions, and growing concerns over the U.S. fiscal deficit. Despite equities rallying, investor sentiment appeared increasingly shaped by developments in the bond market. U.S. Treasury yields, particularly the 10-year, climbed above 4.5%, reflecting elevated inflation expectations and concerns over government borrowing. As a result, yields have emerged as a key barometer of market risk, drawing significant attention from market participants and influencing equity valuation frameworks under the current U.S. policy landscape.

Are the Bond Vigilantes Back in the US?

Global investors grew increasingly wary about the creditworthiness of the world's largest economy, driven by several interconnected factors that have fueled this upward movement in yields.

Source: Bloomberg, SmartETFs. Data as of May 31, 2025.

Moody's Mood Swings: US Debt Downgraded

Credit rating agency Moody's was the last of the big three ratings agencies to cut its rating on US Treasuries from AAA to Aa1, noting that successive US administrations had failed to contain ballooning deficits and interest costs. While some analysts argue that the downgrade is more of a symbolic warning than an immediate risk to the US's borrowing capacity, it nonetheless reflects growing concerns about the trajectory of America's fiscal health and the political gridlock surrounding the debt ceiling. The Congressional Budget Office estimates that unless the debt limit is lifted, the government's ability to borrow using extraordinary measures will probably be exhausted in August or September 2025.

Big Beautiful Bill

A key factor now aggravating the situation both in the short and long term and likely serving as the main driver behind the recent rise in Treasury yields. The One Big Beautiful Bill Act (OBBBA), aimed at making permanent the Tax Cuts and Jobs Act provisions introduced during Trump's first term, has at the time of writing cleared a narrow vote in the House of Representatives and is now under consideration in the Senate. As the tax cuts are set to expire this year, they are not factored into the Congressional Budget Office's

continued on following page...

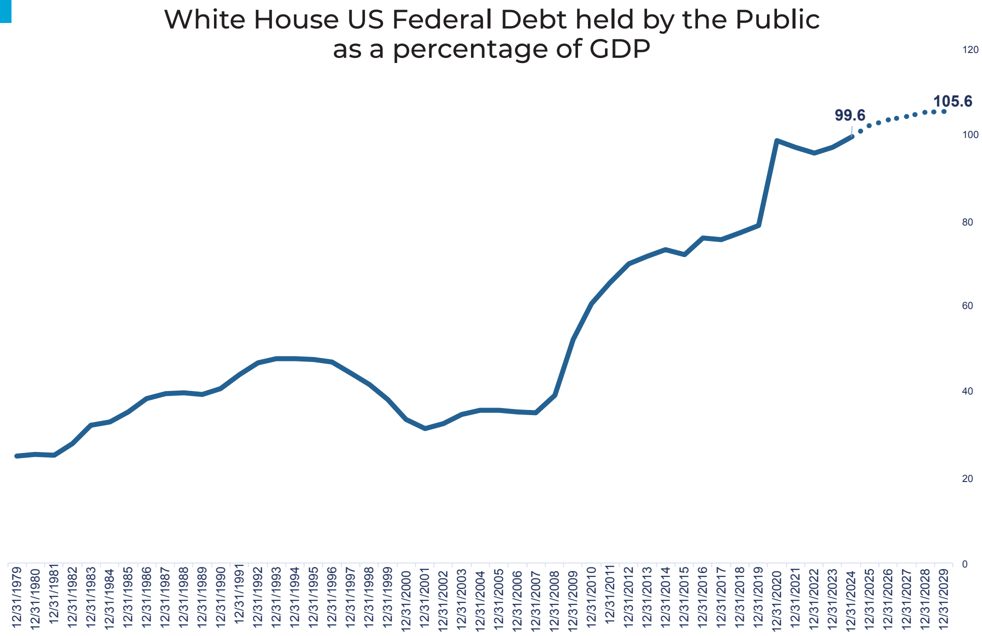
DIVS

The SmartETFs Dividend Builder ETF

June 2025 Update

May in Review (continued)

current projections, meaning that if extended, they would increase the federal deficit by an estimated $4 trillion over the next decade and $275bn next year alone, adding to the already difficult situation of balancing income and spending.



Source: Bloomberg, SmartETFs. Data as of May 31, 2025.

Are Tariffs illegal?

President Trump has long argued that increased tariff revenues from his recently announced tariff hikes would help offset the budget deficit and bolster the fiscal position of the U.S. However, this hinges on the assumption that these tariffs can be legally enforced, something that is not a given. In May, President Trump's sweeping tariffs on goods imported from nearly every nation were ruled illegal by the U.S. Court of International Trade. Although this decision was temporarily halted by a federal appeals court shortly after the first ruling, it has unequivocally added uncertainty to Trump's overall trade policy and raised questions about some of the assumptions underlying his efforts to balance the government's income and spending. Trump, however, might have more than one ace up his sleeve, including the clause number 899 of the One Big Beautiful Bill Act. If approved, the Treasury secretary would gain the power to levy retaliatory taxes on the US investments of foreign countries that have applied "unfair taxes" on US companies. One such example could be the EU's digital services tax, which could result in a 5% to 20% tax surcharge on their investments in the US. The effects of this measure could be significant considering that as of the end of 2024, international investors owned a record 18% of the US equity market (49% of which is owned by European investors), compared to less than 10% in the year 2000.

While this would give the U.S. a powerful new tool in trade negotiations, especially given the magnitude of capital that could potentially be taxed (with the U.S. net international investment position at $26 trillion), it also carries a significant risk of backfiring. American stocks and bonds could be viewed as riskier by foreign investors, potentially increasing borrowing costs and dampening market sentiment.

Economic principles in a relatively free market would argue that higher yields (especially if the subject asset is considered the quintessential safe-haven asset) would spur yield-seeking investor demand, leading to relative currency appreciation. This has worked brilliantly for the US as foreign demand for US assets has

continued on following page...

DIVS

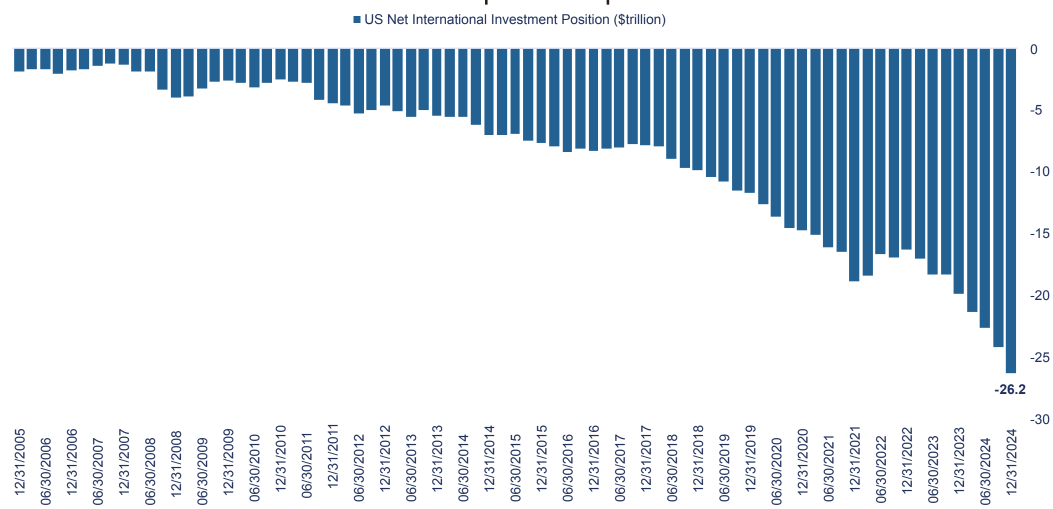
The SmartETFs Dividend Builder ETF

June 2025 Update

May in Review (continued)

historically reduced American yields, lowering borrowing costs for the US to refinance its deficit and for companies to raise equity capital. This correlation between Treasury yields and relative currency appreciation, however, has been losing strength recently, likely driven by the notably worsening US fiscal prospects.

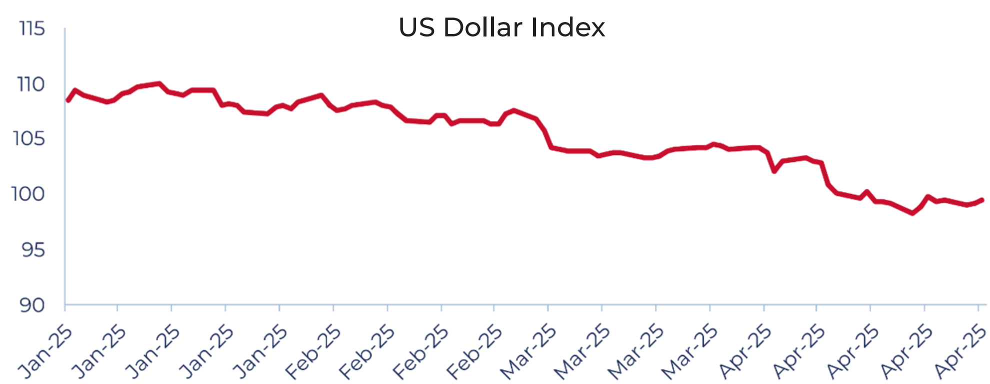
US Net International Investment Position Leaves Massive Scope for Repatriation



Source: Bloomberg, International Monetary Fund. Data as of May 31, 2025.

Despite US Treasury yields hovering near 20-year highs, the dollar has recently not been responding with the same strength it has historically done. Since the start of 2025, the Dollar Index has lost more than 8% of its value, sparking concerns about a broad rotation away from US assets, particularly among foreign investors, which hold about one-quarter of the Treasury market and are increasingly weighing more attractive yields available in their domestic bond markets, particularly after accounting for currency hedging costs.

One could easily take the asset rotation claim at face value, especially after two spotty Treasury auctions, one shortly after "Liberation Day" and another one in late May. However, according to Fed officials during the Fed's most recent meeting, there is no evidence that foreign investors had sold material amounts of US assets, with data pointing to modest outflows from fixed-income securities that were broadly offset by inflows into equities. In summary, while the creditworthiness of the U.S. government remains largely unquestioned, risk factors such as currency volatility and a marginally higher perception of credit risk are contributing to the risk premium demanded by investors.



Source: Bloomberg. Data as of May 31, 2025.

continued on following page...

DIVS

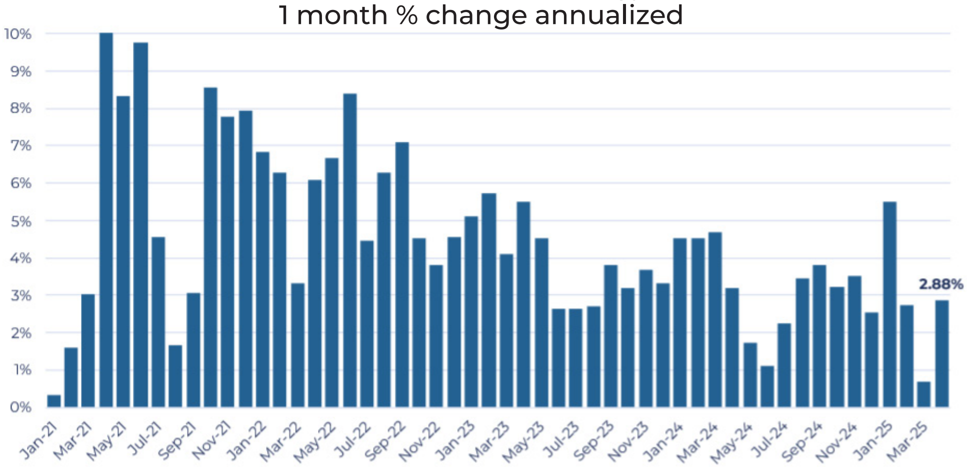
The SmartETFs Dividend Builder ETF

June 2025 Update

May in Review (continued)

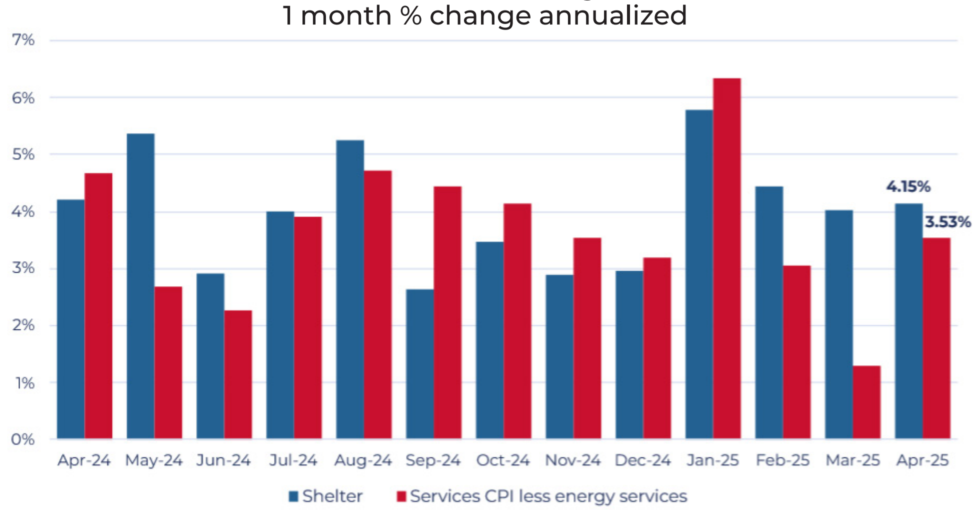
What does CPI tell Us?

CPI less food and energy,
1 month % change annualized



Source: US Bureau of Labor Statistics. Data as of May 31, 2025.

Select Core CPI Categories,
1 month % change annualized



Source: US Bureau of Labor Statistics. Data as of May 31, 2025.

Another driver of rising bond yields is likely higher longer-term inflation expectations, with 5- and 10-year inflation swaps having been increasing since mid-April. This reflects the belief of the bond market that the U.S. will continue to be more inflationary. The latest inflation print seemed encouraging at a surface level with headline CPI in April rising 2.3% versus the prior year. However, looking at core CPI on a month-over-month basis showed the rate at which prices are increasing ticked up again last month; CPI less food and energy grew 2.9% in April. Reviewing underlying spending categories indicates house price inflation has been stubborn, once again exhibiting ~4% growth month-over-month in April. Services inflation was another contributor to the higher monthly core CPI reading, showing a reversal of the promising disinflation seen in March. Underlying inflation proving to be more stubborn than expected makes the path to lower interest rates less clear.

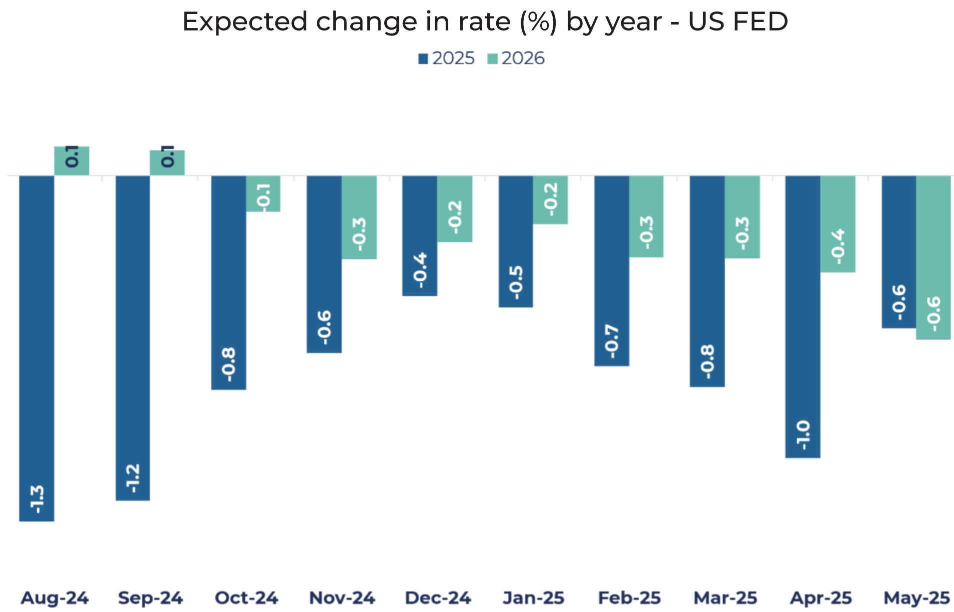
May saw further tariff uncertainty, given the enactment of a 90-day pause followed by the aforementioned legal rulings. The Federal Reserve held their May meeting before tariffs on China were reduced from 145%, showcasing how quickly the backdrop in which they are making decisions has been changing. Based on this and citing concerns that inflation "could prove to be more persistent than expected" the Open Market Committee chose to hold rates steady. Participants also referenced the weakening perception of United States assets as providing a safe haven for capital and its potential to have long-term impacts on the

continued on following page...

DIVS
The SmartETFs Dividend Builder ETF
June 2025 Update

May in Review (continued)

economy. As such, the market is now pricing in fewer cuts to the federal funds rate over the year than earlier forecasts indicated. Higher interest rates can slow growth and impact company earnings, through higher borrowing costs for businesses and consumers leading to weakening sentiment and reduced spending.

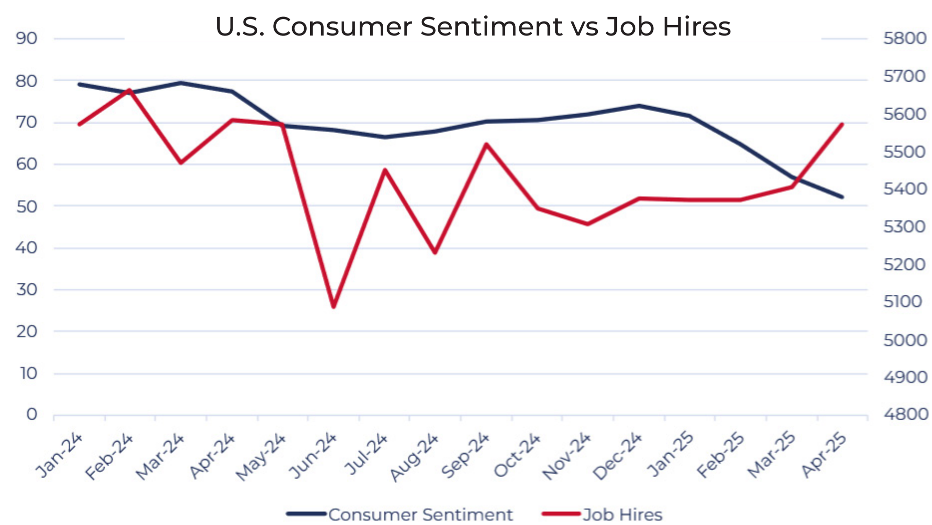


Source: Bloomberg. Data as of May 31, 2025.

The Contradictory Consumer?

Previous months have seen a deterioration in consumer sentiment across the United States, with May survey data showing no sign of improvement from the previous month. Below average economic optimism has also been seen in other geographies, with the United Kingdom and Eurozone exhibiting similar trends. However, this has been at odds with some of recent hard data releases on consumer spending. Additionally, employment numbers have been positive; the U.S. economy continued to add jobs in April ahead of consensus forecasts. As such, the hiring index has been suggesting the consumer is in good health, despite the consumer seeming increasingly concerned about the economy. Historically, there has been a strong correlation between consumer sentiment and consumption behavior, but lately there has been a disconnect between the two indicators.

This earnings season saw retailers generally posting solid first quarter results, supporting the strong jobs and spending data over soft consumer sentiment surveys. Going forward, there remains the question of how the ongoing macroeconomic uncertainty will impact the prices paid by consumers. We have been monitoring earnings calls for management commentary on how they expect to mitigate, or pass on, higher costs resulting from changes in trade policy.



Source: University of Michigan Index of Consumer Sentiment, U.S. Bureau of Labor Statistics. Data as of May 31, 2025.

continued on following page...

May in Review (continued)

What Are Retailers Saying?

Companies sounded hesitant to push through pricing, given their expectations of consumers demonstrating value-seeking behavior.

- Walmart CEO Doug McMillon: *"Given the magnitude of the tariffs, even at the reduced levels announced this week, we aren't able to absorb all the pressure given the reality of narrow retail margins... we can adjust the forecast and partner with our suppliers to adjust quantities over time as we navigate tariff impacts on costs".*

- Target CEO Brian Cornell: *"The difficulty level has been incredibly high, given the magnitude of the [tariff] rates we're facing and a high degree of uncertainty on how these rates and impacted categories might evolve... We're building our plans to preserve maximum flexibility while protecting our business in the face of massive potential costs."*

- Costco CEO Ron Vachris: *"As we navigate an evolving environment with tariffs, we are working closely with our suppliers to find ways to mitigate the impact on cost, including moving production and sourcing to other countries where it makes sense to do so."*

- BJ's Wholesale Club CEO Robert Eddy: *"Tariffs have been top of mind for companies and consumers alike in recent months... Our teams across merchandising, supply chain, finance, and analytics have remained agile in navigating these challenges."*

- Tractor Supply Company CEO Harry Lawton: *"In our view, it is likely that the new tariffs will lead to some level of inflationary pressures with that amount being determined... This management team has a strong track record of navigating complexity with discipline and clarity... whether it was during the prior round of tariffs, inflationary spikes, or supply chain disruption."*

There's more where that came from!

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

Important Information

Basis Points (bps) are a unit of measurement used to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,583 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

S&P 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

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.