Ticker: REIT

ALPS Active REIT ETF

Commentary | March 31, 2025

Performance as of 3/31/2025

	Cumulative				Annualized		
Total Returns	**1 M**	**3 M**	**YTD**	**SI[1]**	**1 Y**	**3 Y**	**SI[1]**
NAV (Net Asset Value)	-2.83%	0.63%	0.63%	28.43%	8.99%	0.08%	6.30%
Market Price	-2.75%	0.67%	0.67%	28.62%	8.89%	0.13%	6.34%
S&P US REIT Index - TR	-3.59%	0.94%	0.94%	27.63%	9.86%	-0.63%	6.14%

Performance data quoted represents past performance. Past performance is no guarantee of future results so that shares, when redeemed, may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance quoted. For current month-end performance call 1-866-759-5679 or visit www.alpsfunds.com. Performance includes reinvested distributions and capital gains.

Market Price is based on the midpoint of the bid/ask spread at 4 p.m. ET and does not represent the returns an investor would receive if shares were traded at other times.

[1] Fund inception date: 2/25/2021

Total Operating Expenses: ***0.68%***

Q1 Fund Performance Review

Real Estate Investment Trusts (REITs) provided stability and a relative safe haven in the equity markets during the first quarter of 2025 with the S&P US REIT Index up 0.94%, while the S&P 500 Index and many other sectors and strategies within equities declined, some significantly. Volatility remains extremely elevated due to high levels of economic uncertainty and a wide dispersion of potential outcomes, with limited visibility. The primary cause of this market volatility is the lack of clarity concerning fiscal policy, global trade policy and geopolitical events. It is far too early to know how these issues will get resolved and if or how one should amend their investment strategy or portfolio construction.

Amidst this market uncertainty, it is our belief that US real estate is reasonably well positioned relative to other industries in light of tariff and global trade uncertainty. While real estate will not be immune to a broader economic recession that could stem from a global trade war, the direct effects of tariffs on real estate owners should be limited. If tariffs drive an increase in construction costs, new supply could further contract, thereby benefiting existing owners.

The ALPS Active REIT ETF (Ticker: REIT, the "Fund") returns were up 0.63% for the quarter, slightly lagging its benchmark, the S&P US REIT Index, as excess returns from stock selection were offset by relative underperformance from property sector allocation. The quarter produced a wide dispersion in performance from certain property sectors and sub-sectors. The higher-yielding and more defensive sectors of net leased property, gaming (which is also essentially a net lease business model) and cell towers outperformed, reflecting investor desirability to reduce risk. Senior housing REITs also performed well driven by superior fundamentals and earnings growth, which are expected to continue. These sectors were all up more than 10% in the first quarter.

On the opposite side of the spectrum, the hotel, office and data center sectors underperformed, all down more than 8% in the quarter. The decline in hotel and office REITs was driven by their higher correlation to GDP and economic activity, in this case an expected slowdown. The data center decline was fueled by the sell-off in technology and technology-related companies. It is our view that data center fundamentals are healthy and the magnitude of this sell-off is unwarranted.

Our investment team has spent more than three decades researching and investing in publicly traded real estate securities, including REITs. We believe that our experience with different cycles and uncertainty over the years has caused us to have a good understanding of what we know, what we don't know and where our expertise and edge can add value. We spend our time understanding the data, trends and implications for our strategy, but spend little time attempting to predict the future of macroeconomic trends, fiscal policy, geopolitical issues, or the direction of interest rates as it cannot be accurately or consistently accomplished. We concentrate our efforts on property and company research, relative valuation, portfolio construction and stock selection, wherein we believe we have a skill and an edge, and where this can reasonably be expected to deliver excess risk-adjusted returns.

Given the high level of economic and market uncertainty, the portfolio is well diversified with disciplined portfolio construction designed to limit downside risk. The portfolio is less concentrated than our historical averages, with 31 holdings and the top ten positions representing approximately half the portfolio. The active weight of the portfolio, which measures the difference of the portfolio from its benchmark, is 41%, is also below historical levels. Notwithstanding adjusting the overall portfolio construction and risk level due to the economic environment, we continue to implement our relative value philosophy with the same discipline we have employed since inception.

We also find it useful in market environments like this to step back from the minutiae and details of investing and think about the economic backdrop for our strategy, property fundamentals, relative valuation and outlook for real estate and listed REITs. With a clear head, objectivity and the humility that three decades of experience brings, we focus our thoughts and views. Recognizing the inherent uncertainty in this exercise, our highest conviction views at this moment include the following:

- We believe REIT share prices set a cyclical bottom in October of 2023 and we are now in the early stages of a recovering growth cycle for property investment, earnings and valuations, which will be led by publicly traded real estate securities.
- Operating fundamentals, net operating income and dividends are generally healthy and well supported, with visible growth.
- New construction in popular property types such as industrial and multifamily is declining and future supply is expected to be constrained by capital market conditions and increased replacement costs which will serve to tighten market conditions and support higher rents.
- We believe a reversion to the mean opportunity is playing out in the market and there is still significant ground for REITs to make up relative to equities. This partially occurred in the first quarter, and we expect this trend to continue.
- Listed REITs are shifting from defense to offense as we start a new real estate cycle. Public real estate companies currently possess a cost of capital advantage over private entities that could fuel transaction activity, resulting in higher earnings growth.

Top 10 Holdings

EQUINIX INC	8.30%	FIRST INDUSTRIAL REALTY TR	4.18%
PROLOGIS INC	7.28%	ESSEX PROPERTY TRUST INC	3.88%
WELLTOWER INC	6.37%	REALTY INCOME CORP	3.88%
VICI PROPERTIES INC	4.62%	SIMON PROPERTY GROUP INC	3.85%
PUBLIC STORAGE	4.46%	CUBESMART	3.59%

As of 3/31/2025, subject to change

Important Disclosures & Definitions

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus containing this and other information, call 1-866-759-5679 or visit www.alpsfunds.com. Read the prospectus carefully before investing.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemable.

Performance data quoted represents past performance. Past performance is no guarantee of future results; current performance may be higher or lower than performance quoted.

All investments are subject to risks, including the loss of money and the possible loss of the entire principal amount invested. Additional information regarding the risks of this investment is available in the prospectus.

Diversification does not eliminate the risk of experiencing investment losses.

Ownership of real estate is subject to fluctuations in the value of underlying properties, the impact of economic conditions on real estate values, the strength of specific industries renting properties and defaults by borrowers or tenants. Real estate is a cyclical business, highly sensitive to general and local economic conditions and developments, and characterized by intense competition and periodic overbuilding. Credit and interest rate risk may affect real estate companies' ability to borrow or lend money.

The Fund will primarily invest in publicly traded common equity securities of US REITs. The Fund may also invest a portion of its assets in publicly traded common equity of US real estate operating companies (not structured as REITs), publicly traded preferred equity of US REITs and real estate operating companies, and cash and cash equivalents.

Real Estate Investment Trust (REIT): companies that own or finance income-producing real estate across a range of property sectors. Listed REITs have characteristics of both the income potential of bonds and growth potential of stocks.

S&P US REIT Index: defines and measures the investable universe of publicly traded real estate investment trusts (REITs) domiciled in the United States.

S&P 500 Index: widely regarded as the best single gauge of large-cap US equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

One may not invest directly in an index.

ALPS Advisors, Inc. and GSI Capital Advisors, LLC, registered investment advisers with the SEC, are the investment adviser and sub-adviser to the Fund, respectively. ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with GSI Capital Advisors, LLC.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Fund.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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