Ticker: REIT

ALPS Active REIT ETF

ACTIVE AND FLEXIBLE INVESTMENT APPROACH

Quarterly Insights | Q1 2024

Key Takeaways

- Quarterly earnings and forward guidance for the REIT universe have generally been in line with expectations. With few exceptions, property fundamentals remain healthy with high and stable occupancies and reasonable growth in net operating income. Market sentiment regarding real estate and listed REITs continues to be more negative than warranted, providing an attractive entry point for investment.
- The ALPS Active REIT ETF (REIT ETF) returned -0.84% in Q1 2024, slightly underperforming the S&P US REIT Index (its "benchmark") by 48 basis points (bps).
- Since inception, REIT ETF has returned 5.45% annualized and outperformed its benchmark (48 bps annualized) as well as ETF peer group median (210 bps annualized) and Mutual Fund peer group median (205 bps annualized). It has also outperformed the MSCI US IMI Real Estate 25/50 Index (the largest REIT benchmark by AUM) by 248 bps annualized. The top five sector contributors included Retail (5.09% cumulative contribution to return), Industrial (4.89%), Technology (4.03%), Residential (3.76%) and Hotel (2.72%).
- REIT ETF ranks in the 4th percentile in the Morningstar Real Estate Fund Category over the period inception (2/25/2021) through 3/31/2024.
- At the end of Q1 2024, ALPS Active REIT ETF was overweight Industrial, Technology, Retail, Hotel and Self-Storage REITs while underweight Residential, Healthcare, Net Lease and Office REITs. The top five sectors – Industrial, Residential, Technology, Retail and Healthcare comprise 67% of the portfolio, a slight overweight of 84 bps vs the benchmark for these sectors.
- Public REIT net asset value (NAV) discounts increased slightly in Q1 to -6.0%, just below the 10 year average of -4.7%, indicating that public and private market valuations appear to be converging.
- The office market continues to face significant headwinds as workers prefer work-from-home or hybrid arrangements when made available with office occupancies cresting at 50%. Office vacancy rates hit a staggering 19.8% nationally at the end of the quarter, an increase of 50% since 2019, with little indication that the trend has crested.
- In contrast to distressed office real estate, listed Office REIT valuations appear to have stabilized, driven by strong fundamentals including newer, higher quality properties with fixed rate debt, long debt maturities and high occupancies.

ALPS Active REIT ETF Performance as of 3/31/2024

	Cumulative				Annualized		
Total Returns	**1 M**	**3 M**	**YTD**	**SI†**	**1 Y**	**3 Y**	**SI†**
NAV (Net Asset Value)	1.97%	-0.84%	-0.84%	17.84%	9.73%	4.64%	5.45%
Market Price	2.12%	-0.60%	-0.60%	18.12%	9.94%	4.37%	5.53%
S&P US REIT Index - TR	1.94%	-0.36%	-0.36%	16.18%	10.36%	4.10%	4.97%

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.

† *Fund inception date: 2/25/2021*

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

REIT ETF Performance

Quarterly earnings and forward guidance for the REIT universe have generally been in line with expectations. With few exceptions, property fundamentals remain healthy with high and stable occupancies and reasonable growth in net operating income. Most property types, with the notable exception of office, maintain occupancy rates near their historical highs. Data centers are exhibiting the strongest fundamentals with the potential for abnormally high growth driven by demand from artificial intelligence. The single-family rental business continues to have strong fundamentals, yet the public companies are trading at an 18% discount to net asset value.

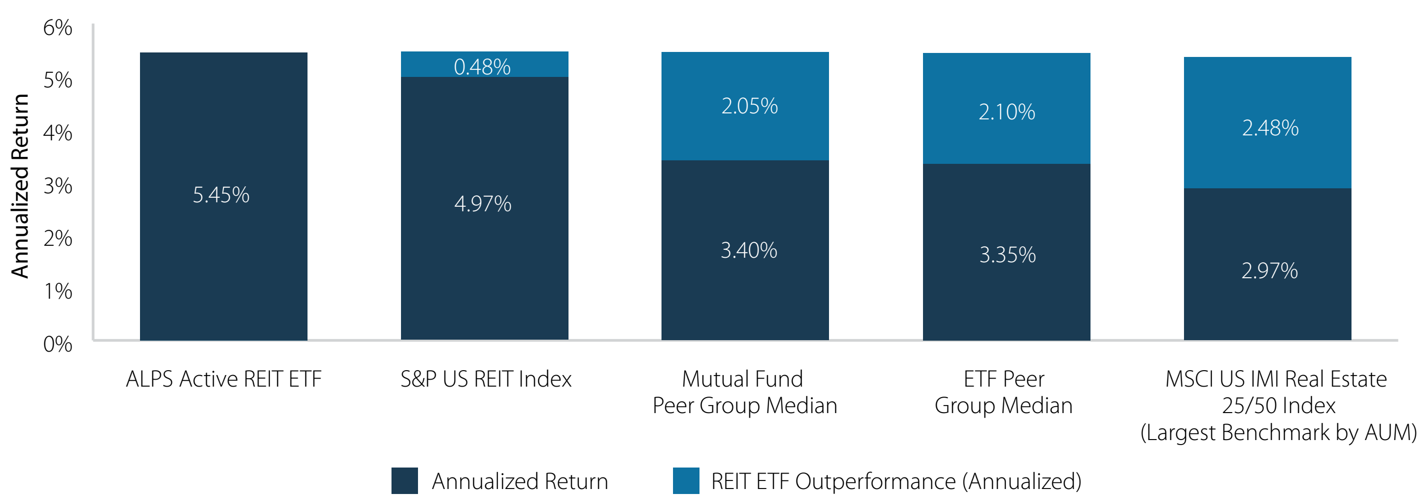
After recent cumulative declines of 20% - 30%, property values have stabilized at an average cap rate of 6.8%. Values derived from actual transactions have ceased declining over the last four months, with emerging evidence of modest increases in some property sectors. The listed REIT market is trading at an implied cap rate of 7.2% and an average 6% discount to net asset value. Property sectors trading at the largest discounts to net asset value include office, hotels, apartments and single-family rentals. A recent positive signal was sent to the market when Blackstone announced it had entered into an agreement to acquire Apartment Income REIT Corp, an apartment REIT, in a $9.5 billion transaction that represented a 25% premium to where the shares of the company had been trading.

Market sentiment regarding real estate and listed REITs continues to be more negative than warranted, providing an attractive entry point for investment. Most notably, we believe:

- Valuations for both property and listed REITs have bottomed
- The sector headwinds that have existed over the past few years are subsiding
- Strong secular tailwinds and favorable market conditions persist in certain property sectors
- Listed REITs are advantaged players in the property markets given their access to more attractively priced debt capital, and those that trade at parity or premiums to net asset value are well-positioned to capitalize on investment opportunities

Since inception, REIT ETF has returned 5.45% annualized and outperformed its benchmark (48 bps annualized) as well as ETF peer group median (210 bps annualized) and Mutual Fund peer group median (205 bps annualized). It has also outperformed the MSCI US IMI Real Estate 25/50 Index (the largest REIT benchmark by AUM) by 248 bps annualized. REIT ETF ranks in the 4th percentile in the Morningstar Real Estate Fund Category over this period.[1]

REIT ETF Outperformance Since Inception



Past performance is no guarantee of future results. *One may not invest directly in an index.*

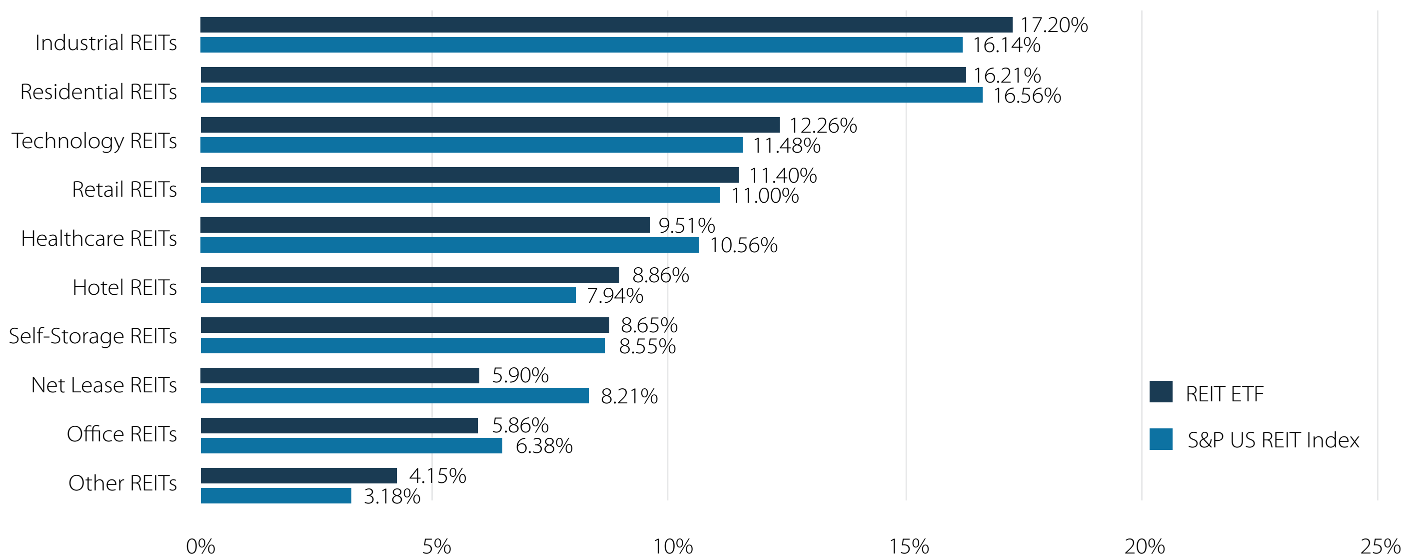
Source: SS&C ALPS Advisors, Morningstar, 2/25/2021 - 3/31/2024

[1] *Morningstar US Fund Real Estate Category. The Funds ranking is based on total return during the specified time periods. The Funds return reflects fee waivers and expense reimbursements. Number of funds in category for period was 233. ETF Peer Group: 30 funds. Mutual Fund Peer Group: 203 funds.*

Sector Allocation Highlights

At the end of Q1, ALPS Active REIT ETF was overweight Industrial, Technology, Retail, Hotel and Self-Storage REITs while underweight Residential, Healthcare, Net Lease and Office REITs. The top five sectors – Industrial, Residential, Technology, Retail and Healthcare comprise 67% of the portfolio, a slight overweight of 84 bps vs the benchmark for these sectors.

Sector Allocations

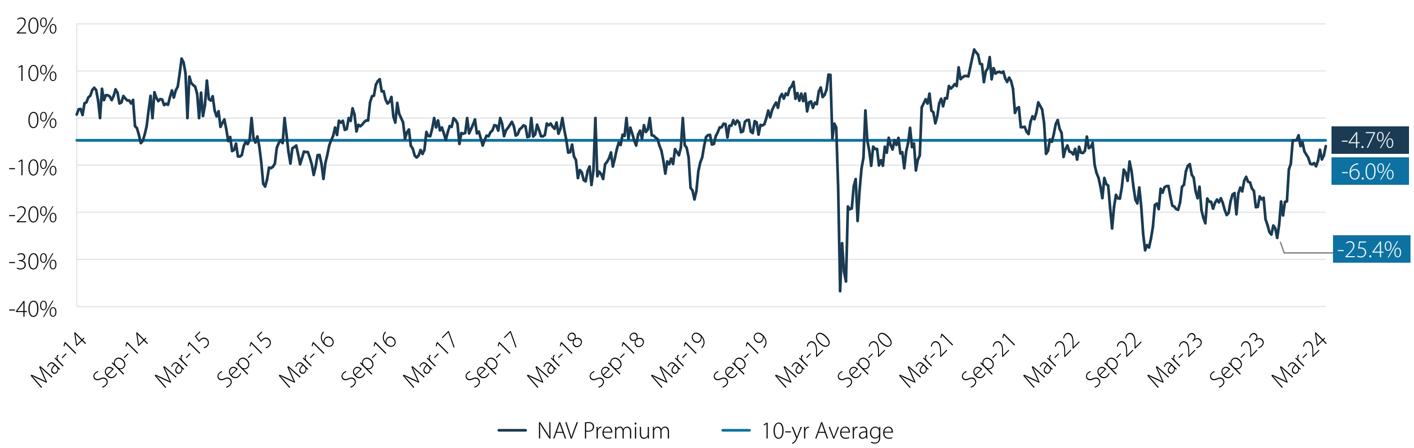


Source: SS&C ALPS Advisors, Bloomberg, as of 3/31/2024

REIT NAV Discounts Continue to be Narrow in Q1

Public REIT NAV discounts increased slightly in Q1 to -6.0%, just below the 10 year average of -4.7%, indicating that public and private market valuations appear to be converging.

Green Street Net Asset Value (NAV) Premium Weekly



Source: Green Street, as of 3/31/2024

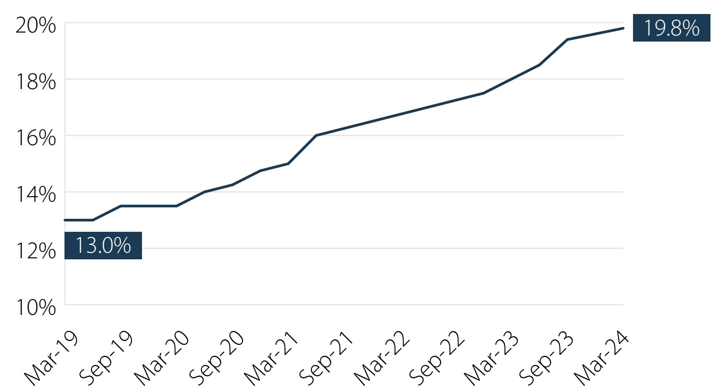
Office Real Estate Update

The office market continues to face significant headwinds as workers prefer work-from-home or hybrid arrangements when made available with office occupancies cresting at 50%. Office vacancy rates hit a staggering 19.8% nationally at the end of the quarter, an increase of 50% since 2019, with little indication that the trend has crested.

Kastle Back to Work Barometer Office Occupancy

Source: Bloomberg, as of 3/31/2024

US Office Vacancies Are Up 50% From Pre-COVID-19 Levels



Sources: Moody's, Cushman & Wakefield, as of 3/31/2024

Listed Office REITs vs Distressed Office Real Estate

Although recent headlines have emphasized the many challenges faced by the office real estate market, there appear to be some positives when looking at listed REITs. Listed Office REITs generally provide newer, higher quality properties with fixed rate debt, long debt maturities and high occupancies.

The pricing of listed securities is generally forward looking, so bad news and valuation discounts appear to be priced-in for office REITs. The FTSE NAREIT Equity Office REIT Index peaked on March 31, 2022. As of March 31, 2024, REIT office valuations had declined -38.36% and appear to have stabilized.[2]

Listed Office REITs vs Distressed Office Real Estate

	Listed Office REITs	Distressed Office Owners
Quality of Property	Generally A	B/C
Type of Debt	Generally Fixed	Floating Rate
Weighted Average Debt Term	5 Years	<24 months
Leased Occupany	87%	<70%

Source: NAREIT, as of 3/31/2024

[2] *Source: Morningstar, as of 3/31/2024*

REIT Balance Sheets Appear to Be Well Positioned

Publicly listed REITs generally have solid balance sheets with low leverage ratios, healthy debt/EBITDA ratios, a high percentage of fixed debt, low debt costs and sufficient refinancing windows, with Office, Retail, Lodging and Healthcare as notable exceptions.

REIT Sector Balance Sheet Data
as of 3/31/2024

Sector	Leverage Ratio	Debt/EBITDA	% Debt Fixed	Weighted Average Time to Maturity	Weighted Average Cost Fixed Rate
Residential					
Apartment	29.94%	6.03	92.39%	6.04	3.95%
Single-Family Rental	28.07%	5.20	98.84%	6.48	3.90%
Manufactured Home	29.93%	5.57	89.55%	9.07	3.88%
Lodging	39.05%	3.86	62.27%	3.27	4.86%
Retail					
Mall	45.35%	6.78	96.23%	5.29	4.54%
Strip Center	37.56%	5.73	91.92%	4.70	4.31%
Office	48.38%	7.68	83.16%	4.51	3.75%
Industrial	22.61%	4.58	89.53%	5.40	3.56%
Cell Towers	22.61%	4.58	89.53%	5.40	3.56%
Data Centers	34.42%	5.81	88.78%	6.40	2.75%
Healthcare	42.45%	6.58	90.05%	4.89	4.08%
Self-Storage	28.44%	4.73	87.23%	5.63	3.71%

Source: Green Street, as of 3/31/2024

Top 10 Holdings

Equinix Inc	9.31%
Vici Properties Inc	6.51%
Public Storage	5.97%
Avalonbay Communities Inc	5.56%
Prologis Inc	5.30%
Simon Property Group Inc	5.10%
Rexford Industrial Realty Inc	5.02%
Invitation Homes Inc	4.93%
First Industrial Realty Trust	4.84%
Welltower Inc	3.93%

Source: SS&C ALPS Advisors, as of 3/31/2024, 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.

Effective 8/22/2023, the Fund will no longer operate as a semi-transparent actively-managed ETF and will instead operate as a traditional, fully transparent activelymanaged ETF in reliance on Rule 6c-11 under the Investment Company Act of 1940.

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.

Basis Point (bps): a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Debt-to-EBITDA Ratio: compares a company's total obligations to the actual cash the company brings in from its operations. It reveals how capable the firm is of paying its debt and other liabilities if taxes and the expenses from depreciation and amortization are deferred.

FTSE NAREIT Equity Office Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Office REITs in the parent index.

Kastle Back to Work Barometer: a measure of current average weekly (first time a day) swipe activity across a 10-city sample of commercial office buildings which utilize Kastle building security, compared to a weekly average from before office use dropped due to COVID-19. The 10-city sample includes: Houston, Chicago, Austin, New York, Dallas, Los Angeles, San Francisco, Washington D.C., San Jose and Philadelphia.

MSCI US IMI Real Estate 25/50 Index: designed to capture the large, mid and small cap segments of the US equity universe. All securities in the index are classified in the Real Estate sector as per the Global Industry Classification Standard (GICS). The Index also applies certain investment limits to help ensure diversification - limits that are imposed on regulated investment companies, or RICs, under the current US Internal Revenue Code.

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.

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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