

# ALPS Disruptive Technologies ETF

Quarterly Insights | Q3 2023

## Key Takeaways

- The ALPS Disruptive Technologies ETF (DTEC) fell -9.62% in the third quarter of 2023 as global technology stocks fell in tandem with the broad markets amid inflation and interest rate uncertainty.
- FinTech was DTEC's best performing theme for Q3 2023, with five underlying names gaining over 10%.
- Splunk Inc. (**SPLK, 1.26% weight\***), a Data & Analytics name, was the top performer in DTEC for Q3, soaring 37.85% after it was announced it will be acquired by Cisco Systems (CSCO, not in DTEC) in an all-cash deal.

## Performance Notes

- The ALPS Disruptive Technologies ETF (DTEC) fell -9.62% in the third quarter, underperforming the Morningstar Global Markets Index (MSGMUSDN) as global growth stocks took a hit in Q3 amid inflation and interest rate uncertainty.
- DTEC's overweight to Information Technology and lack of exposure to the Energy sector led to underperformance compared to the MSGMUSDN Index in Q3. DTEC has no allocation to Energy stocks, which rallied in the quarter, while Information Technology names struggled. DTEC's stock selection within Financials also led to underperformance. One name within the sector, Adyen N.V. (**ADYEN NA, 1.00% weight\***), fell -56.87% and was the worst performer this quarter. Payment solutions provider, Adyen, fell after poor earnings, which the company attributed to increased hiring and a shift in North American customer habits. The stock has slowly recovered as various analysts have upgraded on valuation.

## Performance Summary

	Q3 2023	YTD	1 Y
DTEC (NAV)	-9.62%	6.48%	12.51%
IDTEC Index - NTR	-9.49%	6.91%	12.98%
Morningstar Global Markets Index - NTR	-3.29%	9.26%	20.35%

As of 9/30/2023

**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](http://www.alpsfunds.com). Performance includes reinvested distributions and capital gains.**

For standardized performance please see page 3.

## Strategy

- **Diversification:** Access to 10 Equally Weighted Disruptive Technology Themes
- **Long-term Capital Appreciation:** Thematic Alpha
- **Exposure:** Global All-Cap Equity Exposure

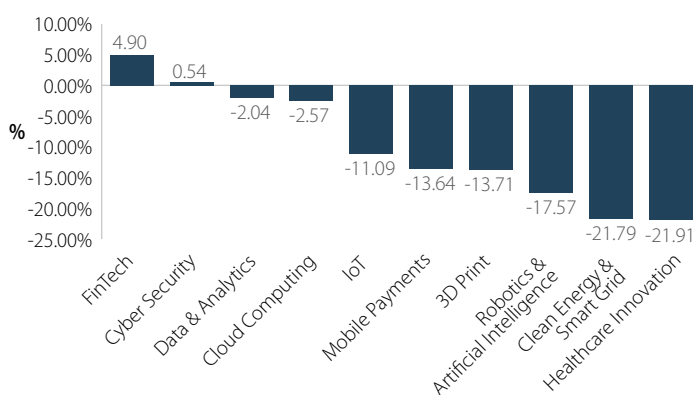


## Attribution

- FinTech (+4.90%) and Cyber Security (+0.54%) were the leaders in Q3 2023 among DTEC's 10 disruptive technology themes, while the Healthcare Innovation (-21.91%) theme was the largest detractor to overall fund performance. Within the Healthcare Innovation theme, medical device company Insulet Corp (**PODD, 0.96% weight\***) was the worst performer, falling -44.69%. Insulet fell on the expected costs of its patent infringement suit against EOFLOW Co. Ltd for violating its intellectual property rights, as well as on the potential impact of new diabetes and obesity drugs hitting the market.
- FinTech, the best performing theme in Q3, was spearheaded by Black Knight Inc. (**BKI, acquired**) and its +26.84% gain after completing its acquisition by Intercontinental Exchange Inc. (ICE, not in DTEC) in early September. Another FinTech name, Kaspi.kz (**KSPI LI, 1.12% weight\***) had a strong month, +23.67%, after announcing a global depository receipt (GDR) buy-back program in July.
- Cyber Security name Qualys Inc. (**QLYS, 1.06% weight\***) gained 18.10% for the quarter. The company, which offers risk and compliance solutions, had strong earnings that led to several price target upgrades for the California-based firm. Another Cyber Security name, Okta Inc. (**OKTA, 1.00% weight\***), gained +17.53% in Q3 after beating earnings estimates and raising guidance. Analysts on Wall Street were impressed by the company's improved execution, leading to several price target upgrades.

\* Weight in DTEC as of 9/30/2023

## DTEC Theme Performance - Q3 2023



Source: Bloomberg L.P., as of 9/30/2023

**Past performance is no guarantee of future results.**

## ALPS Disruptive Technologies ETF

## Valuation Update

- As of the end of September 2023, DTEC's underlying index (IDTEC) had a price-to-earnings (P/E) ratio of 30.20x and a price-to-cash flow (P/CF) ratio of 16.86x.

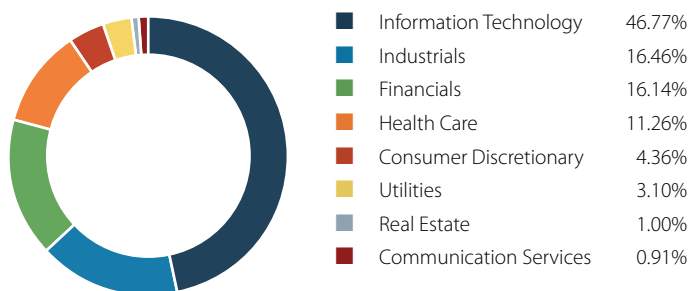
DTEC Top/Bottom Performers  
Q3 2023

Leaders	Performance	Theme
SPLUNK INC (SPLK US)	37.85%	Data & Analytics
BLACK KNIGHT INC (BKI US)	26.84%	FinTech
JSC KASPI.KZ GDR-REG S (KSPI LI)	23.67%	FinTech
Laggards	Performance	Theme
ADYEN NA (CUTR US)	-56.87%	Mobile Payments
SOLAREEDGE TECHNOLOGIES INC (SEDG US)	-51.86%	Clean Energy & Smart Grid
INSULET CORP (PODD US)	-44.69%	Healthcare Innovation

Source: SS&C ALPS Advisors, as of 9/30/2023

**Past performance is no guarantee of future results.**

## Sector Allocations



\*Weight in DTEC as of 9/30/2023

## Price Multiples

	IDTEC Index	Morningstar Global Markets Index
Price/Earnings Ratio	30.20x	16.86x
Price/Cash Flow Ratio	17.27x	9.87x
Price/Sales Ratio	3.48x	1.66x
Average Market Capitalization (in Mil, \$)	50,085	363,263

Source: Morningstar, as of 9/30/2023

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## Q3 2023 Company Spotlight

Company: **Splunk Inc.**  
(SPLK, 1.26% weight\*)



Theme:  
**Data & Analytics**

- Splunk is a San Francisco-based data & analytics company that develops web based application software. The company soared 37.85% in Q3 after announcing an acquisition by Cisco Systems Inc. (CSCO, not in DTEC) late in the quarter.
- Cisco will acquire Splunk in a \$28 billion all-cash deal that represented a 31% premium at the time of announcement. Cisco is looking to tap further in to the artificial intelligence (AI) craze with the acquisition that will create one of the largest software companies in the world. The acquisition is expected to close in 9-12 months.

ALPS Disruptive Technologies ETF (DTEC) Performance as of 9/30/2023

Total Returns	Cumulative				Annualized			
	1 M	3 M	YTD	SI <sup>1</sup>	1 Y	3 Y	5 Y	SI <sup>1</sup>
NAV (Net Asset Value)	-6.18%	-9.62%	6.48%	43.55%	12.51%	-2.41%	4.00%	6.48%
Market Price	-6.26%	-9.82%	6.55%	43.39%	12.49%	-2.50%	3.84%	6.46%
Indxx Disruptive Technologies Index - NTR	-6.09%	-9.49%	6.91%	46.17%	12.98%	-2.05%	4.30%	6.82%
Morningstar Global Markets Index - NTR	-4.11%	-3.29%	9.26%	39.05%	20.35%	6.74%	6.07%	5.89%

**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](http://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.

<sup>1</sup> Fund inception date: 12/28/2017

Total Operating Expenses: **0.50%**

Top 10 Holdings

SPLUNK INC	1.26%	ALARM.COM HOLDINGS INC	1.11%
SHANGHAI MICROPORT MEDBOT GR	1.15%	ADT INC	1.10%
GUIDEWIRE SOFTWARE INC	1.14%	GARMIN LTD	1.10%
JSC KASPI.KZ GDR-REG S	1.12%	SENSATA TECHNOLOGIES HOLDING	1.10%
CHINA LONGYUAN POWER GROUP-H	1.12%	HEALTH EQUITY INC	1.10%

Source: Bloomberg L.P., as of 9/30/2023, subject to change

Daily holdings are available at [www.alpsfunds.com](http://www.alpsfunds.com).

## ALPS Disruptive Technologies ETF

## Important Disclosures &amp; 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](http://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.

Companies that the Index Provider believes are developing disruptive technologies may not in fact do so or may not be able to capitalize on those technologies. Companies that develop disruptive technologies may face political, legal or regulatory challenges. Such companies may also be exposed to risks applicable to industries or sectors other than the disruptive technology Theme for which they are chosen and may underperform relative to other companies that are also focused on a particular Theme.

Smaller and mid-size companies often have a more limited track record, narrower markets, less liquidity, more limited managerial and financial resources and a less diversified product offering than larger, more established companies. As a result, their performance can be more volatile, which may increase the volatility of the Fund's portfolio.

The large capitalization companies in which the Fund invests may underperform other segments of the equity market or the equity market as a whole.

The Fund's investments in non-US issuers may involve unique risks compared to investing in securities of US issuers, including, among others, less liquidity generally, greater market volatility than US securities and less complete financial information than for US issuers. In addition, adverse political, economic or social developments could undermine the value of the Fund's investments or prevent the Fund from realizing the full value of its investments. Finally, the value of the currency of the country in which the Fund has invested could decline relative to the value of the US dollar, which may affect the value of the investment to US investors.

The Fund employs a "passive management" - or indexing - investment approach and seeks investment results that correspond (before fees and expenses) generally to the performance of its underlying index. Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell or buy a security unless that security is removed from or added to the underlying index, respectively.

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

Price/Cash Flow (P/CF) Ratio: represents the weighted average of the price/cash flow ratios of the stocks in a portfolio. Price/cash flow represents the amount an investor is willing to pay for a dollar generated from a particular company's operations.

Price/Earnings (P/E) Ratio: a valuation ratio of a company's current share price compared to its per-share earnings.

Price/Sales (P/S) Ratio: represents the weighted average of the price/sales ratios of the stocks in a portfolio. Price/sales represent the amount an investor is willing to pay for a dollar generated from a particular company's operations.

Thematic Alpha: the excess return of an investment relative to the return of a benchmark index that can be attributed to thematic investment strategies.

Thematic Investing: designed to participate in longer term technological disrupters, economic and political developments and social trends.

Indxx Disruptive Technologies Index (IDTEC): designed to track the performance of companies that are likely to disrupt an existing market and value network, displace established market leading firms, products and alliances and increasingly gain market share.

Morningstar Global Markets Index: measures the performance of the stocks located in the developed and emerging countries across the world. Stocks in the index are weighted by their float capital, which removes corporate cross ownership, government holdings and other locked-in shares.

One may not invest directly in an index.

ALPS Advisors, Inc. is affiliated with ALPS Portfolio Solutions Distributor, Inc.

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

Not FDIC Insured • No Bank Guarantee • May Lose Value

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