

# ALPS Emerging Sector Dividend Dogs ETF

VALUE, INCOME, DIVERSIFICATION

Quarterly Insights | Q4 2023

## Key Takeaways

- The ALPS Emerging Sector Dividend Dogs ETF (EDOG) gained 7.97% in the fourth quarter of 2023 on the back of potential peak interest rates and positive economic growth tailwinds for emerging market stocks.
- EDOG's Materials sector was the top-performing sector in Q4, contributing +1.98% to overall fund performance.
- EDOG's quarter-end price-to-earnings (P/E) ratio of 9.59x remains at a sizeable discount to that of the Morningstar Emerging Markets Index (MEMMN) P/E of 13.44x.

## Performance Notes

- Last quarter, the ALPS Emerging Sector Dividend Dogs ETF (EDOG) rallied 7.97%, outperforming broad-based emerging markets (EM) benchmarks as measured by the Morningstar Emerging Markets Index (MEMMN) by 20 basis points (bps). EDOG's relative overweight to higher-yielding Materials names in Q4 gave the Fund a slight edge over the Morningstar Emerging Markets Index. EDOG's cyclical value exposure to companies that exhibit lower valuation multiples and high dividend yields may continue to be better suited for the current inflationary environment as broad emerging markets and growth equities face falling margins from higher yields.
- Broad emerging markets trailed developed markets in Q4, despite a weakening US dollar. While growth prospects across emerging markets are beginning to improve as nominal rates trend lower, the risk appetite remains low for emerging markets as the strength of the US economy and a stronger-than-expected US dollar have continued the trend of US outperformance. China's lackluster recovery and weak property sector also drove broad EM stocks lower in 2023 despite the country's reopening earlier this year. The elevated interest rate environment continues to favor EDOG's higher-yielding cyclical value sectors including Energy, Materials and Industrials, which have benefitted from pricing power amidst higher prices as well as relative underweights to China.

## Performance Summary

	Q4 2023	YTD	1 Y	3 Y
EDOG (NAV)	7.97%	11.33%	11.33%	3.78%
S-Network Emerging Sector Dividend Dogs Index - NTR	7.68%	11.40%	11.40%	4.33%
Morningstar Emerging Markets Index - NTR	7.77%	11.54%	11.54%	-3.15%

As of 12/31/2023

**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

- EDOG is an Exchange-Traded Fund that applies the 'Dogs of the Dow Theory' on a sector-by-sector basis, using the S-Network Emerging Markets Liquid 500 Index as its starting universe of eligible securities.
- The strategy provides high dividend exposure across all sectors of the market by selecting the five highest yielding securities in 10 of the 11 GICS sectors (Real Estate sector excluded). In addition, the country representation is capped at five eligible securities per country.
- Equally weighting at the stock and sector level may provide diversification while avoiding sector biases.



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## Dividend Yields of Broad Market Indexes

- As of December 31, 2023, EDOG's underlying index carries a higher trailing twelve month dividend yield relative to major emerging market indices due to its relative overweight to higher-yielding names in Chile, South Africa and Indonesia.
- EDOG has a 5.15%\* overweight to Chile, a 7.66%\* overweight to South Africa and a 7.31%\* overweight to Indonesia relative to the Morningstar Emerging Markets Index.

## Contribution to Return by Sector

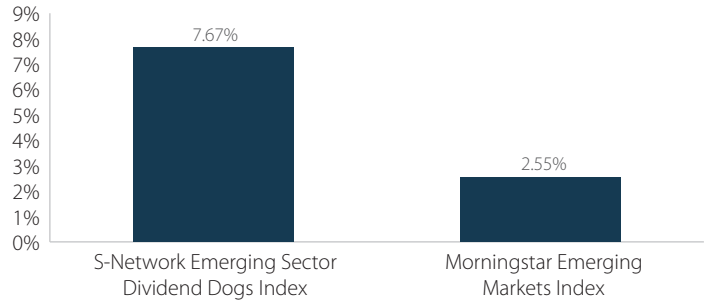
- All 10 of EDOG's sector allocations (ex-Real Estate) posted positive performance in Q4. EDOG's top-performing sectors in Q4 of 2023 were Materials (+1.98%), Information Technology (+1.71%) and Consumer Staples (+1.63%), while Health Care (+0.06%) lagged other sectors in the fund. Within EDOG's Materials sector, mining company, African Rainbow Minerals Ltd. (**ARI SJ, 2.36% weight\* as of December reconstitution**), rose over 17% in Q4 of 2023 on the back of yearly highs of iron ore prices, improving company margins.
- EDOG Information Technology name, Totvs SA (**TOTS3 BZ, 3.09% weight\* as of December reconstitution**), gained nearly 28% last quarter after the software solutions provider posted strong Q3 revenues, highlighting the better-than-expected growth and top-line numbers from the company's finance-related division, Techfin.
- Within EDOG's Consumer Staples sector, meat producer, JBS SA (**JBSS3 BZ, 2.60% weight\* as of December reconstitution**), rallied over 33% last quarter following a rise in profit margins of the company's pork and chicken business from the year prior, also moving higher on an optimistic outlook from company management in 2024, where the company looks to benefit from expanded operations in Brazil.

## Contribution to Return by Country

- EDOG's largest contributors to return by country in Q4 2023 were Brazil (+3.70%), South Africa (+0.45%) and Mexico (+0.28%), while Indonesia (-1.34%) and Turkey (-0.80%) detracted from overall fund performance. Last quarter, EDOG's Brazil holdings surged on cooling inflation data as well as news that the country's largest state-owned oil producer, Petroleo Brasileiro SA (**PETR4 BZ, 2.08% weight\***), is planning to invest over \$100 billion across oil and gas exploration, transportation and refinement, spurring optimism across Brazil's cyclical sectors. The news, along with a string of increases and production and earnings beats, sent Petroleo Brasileiro SA 15.60% higher, Companhia Siderurgica Nacional SA (**CSNA3 BZ, 2.20% weight\***) nearly 76% higher, and Engie Brasil Energia SA (**EGIE3 BZ, 2.16% weight\* as of December reconstitution**) over 10% higher in Q4.
- Within EDOG's allocation to Mexico, Coca-Cola FEMSA (**KOF US, 2.31% weight\* as of December reconstitution**), gained nearly 26% in Q4 after reporting previous quarter net income and revenue numbers above analyst expectations. Retail shopping center operator, El Puerto de Liverpool SAB (**LIVEPOLC MM, 2.20% weight\* as of December reconstitution**), also gained 23.71% in EDOG's allocation to Mexico last quarter on a reported net income beat from Q3, with same-store sales rising +5.6%.

\* Weight in EDOG as of 12/31/2023

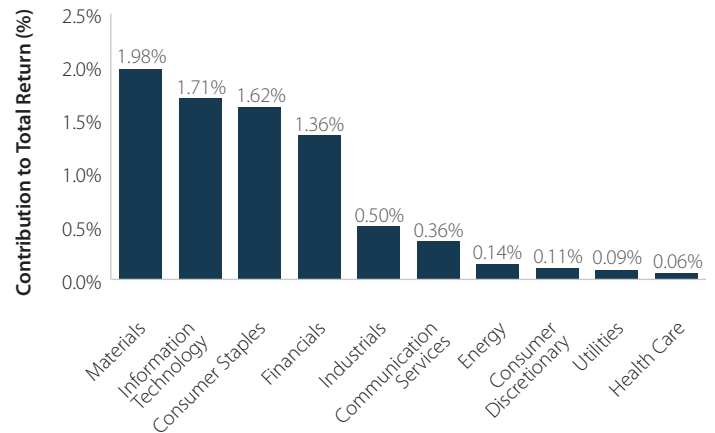
## Trailing Twelve Month Dividend Yield



Source: Bloomberg L.P., as of 12/31/2023

Past performance is no guarantee of future results.

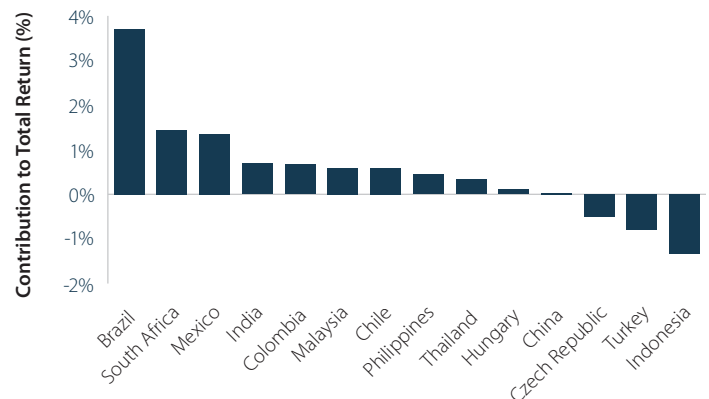
## Contribution to Return by Sector



Source: Bloomberg L.P., as of 12/31/2023

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## Contribution to Return by Country



Source: Bloomberg L.P., as of 12/31/2023

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## Valuation Update

- EDOG's underlying index, EDOGX, carries a dividend yield of 7.67%, which far exceeds a comparable benchmark yield for the Morningstar Emerging Markets Index (MEMMN) of 2.55%.
- EDOGX's current P/E ratio of 9.59x currently sits at a sizeable discount to the MEMMN Index P/E of 13.44x.

## Price Multiples

	EDOGX Index		Morningstar Emerging Markets Index	
	Current	3 Year Avg	Current	3 Year Avg
Price/Earnings Ratio	9.59x	8.66x	13.44x	13.27x
Price/Book Ratio	1.21x	1.29x	0.29x	1.48x
Price/Cash Flow Ratio	6.50x	5.20x	5.97x	6.84x
Trailing Twelve Month Yield	7.67%	7.12%	2.55%	2.65%
EDOG 30-Day SEC Yield	6.47%			

Source: Bloomberg L.P., as of 12/31/2023

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

## ALPS Emerging Sector Dividend Dogs ETF (EDOG) Performance as of 12/31/2023

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)	4.96%	7.97%	11.33%	32.42%	11.33%	3.78%	6.34%	2.92%
Market Price	4.77%	8.19%	11.72%	32.18%	11.72%	3.87%	6.44%	2.90%
S-Network Emerging Sector Dividend Dogs Index - NTR	5.20%	7.68%	11.40%	42.42%	11.40%	4.33%	7.02%	3.69%
Morningstar Emerging Markets Index - NTR	4.04%	7.77%	11.54%	44.79%	11.54%	-3.15%	4.90%	3.86%

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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: 3/27/2014

Total Operating Expenses: **0.60%**

## Top 10 Holdings

Delta Electronics Thailand PCL	3.52%
Wipro Ltd	3.51%
Infosys Ltd	3.24%
Grupo Mexico SAB de CV	2.28%
Grupo Aeroportuario del Centro Norte SAB de CV	2.24%
Grupo Aeroportuario del Pacifico SAB de CV	2.24%
Cia Siderurgica Nacional SA	2.20%
Exxaro Resources Ltd	2.14%
COSCO SHIPPING Holdings Co Ltd	2.13%
Vodacom Group Ltd	2.10%

Source: Bloomberg L.P., as of 12/31/2023, subject to change

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

## ALPS Emerging Sector Dividend Dogs ETF

## Important Disclosures &amp; Definitions

**An investor should consider the investment objectives, risks, charges and expenses carefully before investing. This material must be preceded or accompanied by the prospectus. 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.

The Fund is subject to the additional risks associated with concentrating its investments in companies in the market sector.

Diversification does not eliminate the risk of experiencing investment losses.

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.

30-Day SEC Yield: reflects the dividends and interest earned during the period, after the deduction of the Fund's expenses.

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

Dividend Yield: a financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Dogs of the Dow Theory: an investment strategy which proposes that an investor annually select for investment the ten Dow Jones Industrial Average stocks whose dividend is the highest fraction of their price.

Morningstar Emerging Markets Index: captures the performance of the stocks located in the 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.

Price/Book (P/B) Ratio: the weighted average of the price/book ratios of all the stocks in a portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value.

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.

S-Network Emerging Sector Dividend Dogs Index (EDOGX): a rules-based index intended to give investors a means of tracking the overall performance of the highest dividend paying stocks in the S-Network Emerging Markets Liquid 500 Index, a universe of mainly large capitalization stocks domiciled in emerging markets on a sector-by-sector basis. Emerging market countries are countries that major international financial institutions, such as the World Bank, generally consider to be less economically mature than developed nations.

Trailing Twelve Month Yield: refers to the percentage of income a portfolio has returned to investors over the last 12 months.

One may not invest directly in an index.

ALPS Advisors, Inc., registered investment adviser with the SEC, is the investment adviser to the Fund. 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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