

ALPS Medical Breakthroughs ETF

Quarterly Insights | Q3 2023

Key Takeaways

- The ALPS Medical Breakthroughs ETF (SBIO) returned -13.68% during the third quarter of 2023 as biotechnology companies pulled back on tighter economic conditions, despite a number of holdings in the fund surging on merger & acquisition (M&A) activity and above-consensus earnings.
- SBIO's Rare & Orphan Diseases treatment segment was the best performer among the four biotech segments in the fund during Q3 of 2023.
- **Company Spotlight:** Immunovant Inc. (IMVT, 4.02% weight*) skyrocketed 102.37% in Q3 following impressive top-line results for its autoimmune disease therapy, which caused the biotechnology space to rally on the best-case results.

Performance Notes

- SBIO returned -13.68% in the third quarter of 2023, slightly underperforming the S&P Biotech Select Industry Index (-11.87%) for the same period, and large-cap biotech, measured by the ICE Biotechnology Index (-2.82%). While large and small-cap biotech companies digest higher interest rates and tighter lending conditions, SBIO names have seen tailwinds in the form of rising M&A activity and positive drug trial data in recent months.
- As is typical when valuations are depressed in the space, SMid-cap biotech companies continue to be acquired at large premiums over their pre-announcement share price. On top of the seven SBIO names that had already been acquired in the first half of 2023, EQRx Inc. (EQRX, 0.87% weight*) and Intercept Pharmaceuticals (ICPT, 0.62% weight*) agreed to acquisition terms in Q3, with the average announced acquisition premium of all nine SBIO holdings year-to-date (YTD) reaching an average of +78%.

Performance Summary

	Q3 2023	YTD	1 Y
SBIO (NAV)	-13.68%	-10.56%	-9.40%
S-Network Medical Breakthroughs Index - TR	-13.67%	-10.48%	-9.02%
NASDAQ Biotechnology Index - TR	-2.82%	-5.56%	5.78%
S&P Biotechnology Select Industry Index	-11.87%	-11.80%	-7.62%

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. Performance includes reinvested distributions and capital gains.

For standardized performance please see page 3.

Strategy

- SBIO screens for small- to mid-cap biotech companies with at least one drug or therapy in Phase II or Phase III (late-stage) clinical trials.
 - Late stage drug trials can potentially capture greater odds of success as they are further along the Food and Drug Administration (FDA) drug trial process.
- SBIO constituents must have at least 24 months of cash burn on hand.
 - This quality screen helps to protect against the equity dilution that comes with raising capital to support drug trials.



ALPS Medical Breakthroughs ETF

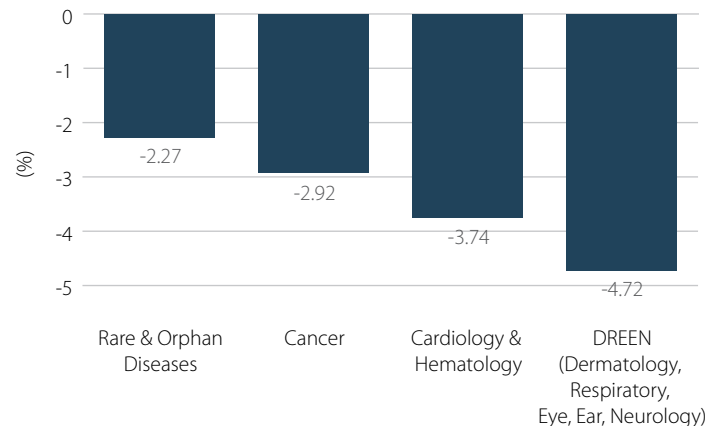
Contribution to Return by Treatment Focus

- SBIO's Rare & Orphan Diseases treatment segment was the top performer in Q3. Intercept Pharmaceuticals Inc. (**ICPT, 0.62% weight***) was the high-flyer in the segment last quarter, rising 67.63% after entering into a pact to be acquired by Alfasigma SpA (private company, not in SBIO) at a premium of +82% over the prior day's closing price. Crinetics Pharmaceuticals Inc. (**CRNX, 1.30% weight***) also surged 65.04% in the Rare & Orphan Diseases segment during Q3 on the back of a data release for its late-stage hormonal disorder drug, which met primary and secondary endpoints.
- Within SBIO's DREEN (Dermatology, Respiratory, Eye, Ear, Neurology) treatment segment last quarter, Corcept Therapeutics Inc. (**CORT, 2.24% weight***), rallied over 22% after boosting full-year (FY) revenue guidance, due to a double-digit rise in sales of the company's Cushing's syndrome drug. Also moving higher on positive earnings news in Q3, Kiniksa Pharmaceuticals (**KNSA, 0.98% weight***), gained over 23% after reporting earnings above analyst estimates, led by the biotech company's treatment for recurrent pericarditis, where tissues surrounding the heart become inflamed.
- Rounding out top gainers in SBIO for Q3, Cancer treatment segment name, IDEAYA Biosciences Inc. (**IDYA, 1.25% weight***), jumped nearly 15% on positive drug-trial results for Mirati Therapeutic's (MRTX, not in SBIO) cancer cell inhibitor, of which IDEAYA is in the process of producing a similar treatment.

Valuation Update

- The S-Network Medical Breakthroughs Index (PMBI) has a weighted average cash-burn of 63 months that continues to exceed peer biotechnology indices and is a distinguishing defensive characteristic for the fund.
- PMBI's holdings have an average market value of \$2.178 billion, with 46.09% classified as mid-caps, and 53.91% classified as small-caps.

SBIO Company Focus Contribution To Return



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

Past performance is no guarantee of future results.

Index Characteristics

	S-Network Medical Breakthroughs Index	S&P Biotechnology Select Industry Index	ICE Biotechnology Index
Number of Constituents	102	133	260
Weighted Average Market Cap (in Mil, \$)	\$2,178	\$13,824	\$47,265
Price/Sales Ratio	7.97x	5.87x	5.53x
Cash Burn (months)	62.58	47.18	79.84

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

Past performance is no guarantee of future results.

Q3 2023 Company Spotlight

Company: Immunovant Inc. (IMVT, 4.02% weight*)

Focus Group: DREEN (Dermatology, Respiratory, Eye, Ear, Neurology)

- Immunovant Inc. is a global biopharmaceutical company that specializes in manufacturing drugs for patients with autoimmune diseases.
- Immunovant Inc. skyrocketed 102.37% in the third quarter after announcing early-stage trial results for its antibody drug for the treatment of IgG-mediated (immunoglobulin) autoimmune diseases, IMVT-1402. Several analysts increased their price targets following the announcement, with a JPMorgan analyst citing the data implies "a clear home run scenario".

* Weight in SBIO as of 9/30/2023

ALPS Medical Breakthroughs ETF (SBIO) Performance as of 9/30/2023

Total Returns	Cumulative				Annualized			
	1 M	3 M	YTD	SI ¹	1 Y	3 Y	5 Y	SI ¹
NAV (Net Asset Value)	-8.27%	-13.68%	-10.56%	15.87%	-9.40%	-12.82%	-6.53%	1.70%
Market Price	-8.28%	-13.68%	-10.51%	15.83%	-9.41%	-12.80%	-6.54%	1.69%
S-Network Medical Breakthroughs Index - TR	-8.29%	-13.67%	-10.48%	19.71%	-9.02%	-12.40%	-6.15%	2.08%
NASDAQ Biotechnology Index - TR	-3.84%	-2.82%	-5.56%	30.57%	5.78%	-1.68%	1.31%	3.10%

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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.

¹ Fund inception date: 12/30/2014

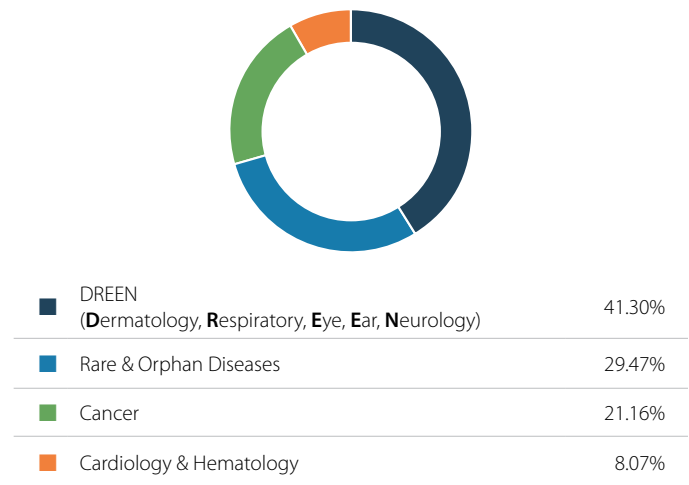
Total Operating Expenses: **0.50%**

Top 10 Holdings

IMMUNOVANT INC	4.02%
VAXCYTE INC	3.84%
ALKERMES PLC	3.74%
INSMED INC	2.91%
AMICUS THERAPEUTICS INC	2.80%
CEREVEL THERAPEUTICS HOLDING	2.76%
ACADIA PHARMACEUTICALS INC	2.74%
AXSOME THERAPEUTICS INC	2.65%
KRYSTAL BIOTECH INC	2.60%
DENALI THERAPEUTICS INC	2.27%

Source: SS&C ALPS Advisors, as of 9/30/2023, subject to change
Daily holdings are available at www.alpsfunds.com.

Treatment Focus Breakdown



Source: S-Network Global Indexes, as of 9/30/2023, holdings subject to change

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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.

The Fund's investments are concentrated in the pharmaceuticals and biotechnology industries, and underperformance in these areas will result in underperformance in the Fund. Investments in small and micro capitalization companies are more volatile than companies with larger market capitalizations. Companies in the pharmaceuticals and biotechnology industry may be subject to extensive litigation based on product liability and similar claims. Legislation introduced or considered by certain governments on such industries or on the healthcare sector cannot be predicted.

Companies in the pharmaceuticals industry are subject to competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting. The profitability of some companies in the pharmaceuticals industry may be dependent on a relatively limited number of products. In addition, their products can become obsolete due to industry innovation, changes in technologies or other market developments. Many new products in the pharmaceuticals industry are subject to government approvals, regulation and reimbursement rates. The process of obtaining government approvals may be long and costly. Many companies in the pharmaceuticals industry are heavily dependent on patents and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The development of new drugs generally has a high failure rate, and such failures may negatively impact the stock price of the company developing the failed drug. Biotechnology companies may have persistent losses during a new product's transition from development to production. In order to fund operations, biotechnology companies may require financing from the capital markets, which may not always be available on satisfactory terms or at all.

The Fund is considered nondiversified and as a result may experience greater volatility than a diversified fund.

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.

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.

ICE Biotechnology Index: a rules-based, modified float-adjusted market capitalization-weighted index that tracks the performance of qualifying US listed biotechnology companies.

NASDAQ Biotechnology Index: designed to track the performance of a set of securities listed on The NASDAQ Stock Market (NASDAQ) that are classified as either biotechnology or pharmaceutical companies, and is a modified market capitalization weighted index.

S&P Biotechnology Select Industry Index: comprises stocks in the S&P Total Market Index that are classified in the GICS biotechnology sub-industry.

S-Network Medical Breakthroughs Index: comprised of small and mid-cap stocks of biotechnology companies that have one or more drugs in either Phase II or Phase III of the US Food and Drug Administration ("FDA") clinical trials.

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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