

# ALPS | O'Shares Europe Quality Dividend ETF

Quarterly Insights | Q3 2023

## Key Takeaways

- The ALPS | O'Shares Europe Quality Dividend ETF (OEUR) returned -7.53% in the third quarter of 2023 as European markets digested higher interest rates and a strong US dollar.
- OEUR's Financials sector was the top-performing sector in Q3, contributing +0.45% to overall fund performance.
- OEUR exhibits a modestly higher month-end price-to-earnings ratio (P/E ratio) of 13.94x compared to the EURO STOXX 50 Net Return (NR) USD Index P/E of 11.81x due to its higher quality holdings.

## Performance Notes

- Last quarter, the ALPS | O'Shares Europe Quality Dividend ETF (OEUR) returned -7.53%, outperforming international developed markets as measured by the EURO STOXX 50 NR USD Index, which returned -7.70%. OEUR's allocation to quality, dividend-paying names across the Financials and Health Care sectors helped boost performance against the EURO STOXX 50 NR USD Index during the last quarter, while the fund's 0% exposure to the lower-quality Energy sector dragged on relative sector performance.
- In Q3 2023, European markets pulled back on tightening economic conditions and a surge in the US dollar. Although the macro environment remains challenging, multiple companies within OEUR's quality portfolio posted better-than-expected earnings for the period, showing the importance of investing in high-quality companies. Quality company valuations historically fare better as economic growth prospects deteriorate, providing a positive outlook for OEUR's quality dividend strategy, despite uncertainty around elevated levels of inflation and continued rate hikes in Europe.

## Performance Summary

	Q3 2023	YTD	1 Y	3 Y
OEUR (NAV)	-7.53%	10.97%	30.36%	5.60%
O'Shares Europe Quality Dividend Index - NTR <sup>1</sup>	-7.43%	11.21%	30.88%	6.02%
EURO STOXX 50 Net Return USD Index - NTR	-7.70%	11.70%	39.41%	8.13%

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.**

Performance data prior to 6/21/2022 reflects the performance of the Fund as managed under the OSI ETF Trust.

For standardized performance please see page 3.

<sup>1</sup> The O'Shares Europe Quality Dividend Index performance information reflects the blended performance of the FTSE Developed Europe Qual/Vol/ Yield 5% Capped Factor Index through 5/31/2020 and the O'Shares Europe Quality Dividend Index thereafter.

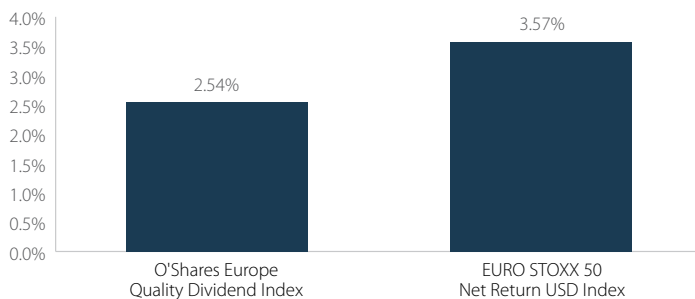
## Why OEUR?

- **Quality Europe Growth Stocks:** Seeks European companies with strong balance sheets, profitability and dividend quality.
- **Performance:** Aims to provide strong performance with less risk.
- **Reduced Risk of Yield Traps:** Emphasis on dividend quality to help avoid dividend cuts and suspensions.

## Dividend Yields of Broad Market Indexes

- As of Q3 2023, OEUR's underlying index carries a trailing twelve month (TTM) dividend yield of 2.54%, compared to the EURO STOXX 50 NR USD Index TTM yield of 3.57%.

## Trailing Twelve Month Dividend Yield



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

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

### Contribution to Return by Sector

- OEUR's Financials (+0.45%), Health Care (+0.36%) and Communication Services (-0.32%) sectors led overall contributions to fund returns in Q3, while Industrials (-1.99%) and Consumer Discretionary (-1.98%) sector allocations detracted from fund performance. Within OEUR's Financials sector, private investment firm, Partners Group Holding AG (**PGHN SW, 0.84% weight\***), rose over 20% last quarter after reporting strong first-half results, exceeding analyst estimates with impressive profitability numbers, namely, earnings before interest and taxes (EBIT) margins and return on equity (ROE) both over 50%.
- OEUR Health Care name and pharmaceutical maker, Novo Nordisk A/S (**NOVOB DC, 4.81% weight\***), surged over 14% last quarter following a significant rise in demand for the company's popular weight loss drugs, Ozempic & Wegovy. A number of analysts boosted the company's price target by double digits based on Ozempic's overwhelming success and potential for best-in-sector growth in what is estimated to be a \$71 billion weight loss drug market by 2030. Also rising within OEUR's Health Care sector allocation, Merck KGaA (**MRK GR, 0.61% weight\* as of September reconstitution**), gained 6.75% last quarter after receiving a positive opinion from the European Medicine Agency regarding the company's cancer immunotherapy treatment, Keytruda.

### Contribution to Return by Country

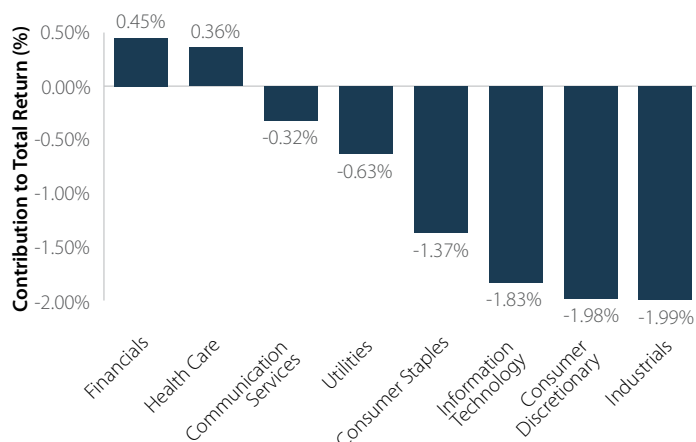
- For Q3 of 2023, OEUR's exposure to Denmark (+0.58%) led country gains in the fund, while France (-2.40%) and Germany (-1.36%) detracted from overall fund performance. Within OEUR's exposure to the Netherlands, automobile manufacturer, Stellantis NV (**STLAM IM, 2.61% weight\***), rallied nearly 10% last quarter following the company's strong first-half results above analyst expectations, highlighting strong global sales and a slight rise in inventories.
- Additionally, pharmaceutical and medicine producer, GSK PLC (**GSK LN, 1.94% weight\***), gained 4.18% in OEUR's country allocation to the United Kingdom last quarter, moving higher on analyst reports outlining strong sales for the company's adult respiratory syncytial virus (RSV) vaccine.

### Valuation Update

- As of last month-end, OEURX exhibits a P/E ratio of 13.94x, which is slightly higher than the EURO STOXX 50 NR USD Index P/E of 11.81x due to its higher-quality holdings.

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

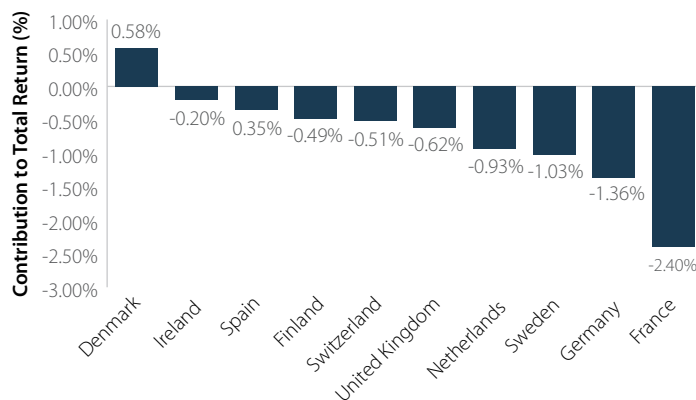
### Contribution to Return by Sector



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

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

### Contribution to Return by Country



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

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

### Price Multiples

	O'Shares Europe Quality Dividend Index <sup>1</sup>		EURO STOXX 50 Net Return USD Index	
	Current	3 Year Avg	Current	3 Year Avg
Price/Earnings Ratio	13.94x	19.03x	11.81x	17.44x
Price/Book Ratio	2.60x	3.74x	1.79x	1.88x
Price/Cash Flow Ratio	9.71x	13.40x	12.89x	7.63x
Trailing Twelve Month Yield	2.54%	2.46%	3.57%	2.82%
OEUR 30-Day SEC Yield	2.02%			

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

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<sup>1</sup> The O'Shares Europe Quality Dividend Index performance information reflects the blended performance of the FTSE Developed Europe Qual/Vol/ Yield 5% Capped Factor Index through 5/31/2020 and the O'Shares Europe Quality Dividend Index thereafter.

ALPS | O'Shares Europe Quality Dividend ETF (OEUR) Performance as of 9/30/2023

Total Returns	Cumulative				Annualized			
	1 M	3 M	YTD	SI <sup>^</sup>	1 Y	3 Y	5 Y	SI <sup>^</sup>
NAV (Net Asset Value)	-4.67%	-7.53%	10.97%	30.32%	30.36%	5.60%	4.20%	3.32%
Market Price	-4.82%	-7.94%	10.81%	29.96%	31.50%	5.58%	4.28%	3.28%
O'Shares Europe Quality Dividend Index - NTR <sup>1</sup>	-4.58%	-7.43%	11.21%	35.21%	30.88%	6.02%	4.66%	3.79%
EURO STOXX 50 Net Return USD Index - NTR	-5.17%	-7.70%	11.70%	39.87%	39.41%	8.13%	4.71%	4.22%

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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.

Performance data prior to 6/21/2022 reflects the performance of the Fund as managed under the OSI ETF Trust.

<sup>^</sup> Fund inception date: 8/19/2015, date reflects the commencement of investment operations.

<sup>1</sup> The O'Shares Europe Quality Dividend Index performance information reflects the blended performance of the FTSE Developed Europe Qual/Vol/Yield 5% Capped Factor Index through 5/31/2020 and the O'Shares Europe Quality Dividend Index thereafter.

Total Operating Expenses: **0.48%**

Top 10 Holdings

Nestle SA	4.91%	Roche Holding AG	3.96%
Novo Nordisk A/S	4.81%	SAP SE	3.32%
ASML Holding NV	4.41%	Sanofi	3.24%
Novartis AG	4.25%	Allianz SE	3.08%
LVMH Moet Hennessy Louis Vuitton SE	4.07%	Siemens AG	3.05%

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 | O'Shares Europe Quality Dividend 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.

Concentration in a particular industry or sector will subject the Fund to loss due to adverse occurrences that may affect that industry or sector. The Fund may use derivatives which may involve risks different from, or greater than, those associated with more traditional investments. A Fund's emphasis on dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and underperform the market. Also, a company may reduce or eliminate its dividend after the Fund's purchase of such a company's securities. Returns on investments in foreign securities could be more volatile than, or trail the returns on, investments in US securities. Exposures to foreign securities entail special risks, including political, diplomatic, economic, foreign market and trading risks. In addition, a Fund's investments in securities denominated in other currencies could decline due to changes in local currency relative to the value of the US dollar, which may affect the Fund's returns.

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.

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

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): a measure of a company's overall financial performance.

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.

Return on Equity (ROE): a measure of financial performance calculated by dividing net income by shareholders' equity. ROE is considered a gauge of profitability.

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

EURO STOXX 50 Net Return USD Index: represents the performance of the 50 largest companies among the 20 supersectors in terms of free-float market cap in Eurozone countries.

FTSE Developed Europe Qual/Vol/Yield 5% Capped Factor Index: designed to measure the performance of publicly-listed large-capitalization and mid-capitalization dividend-paying issuers in Europe that meet certain requirements for market capitalization, liquidity, high quality, low volatility and dividend yield.

O'Shares Europe Quality Dividend Index: designed to reflect the performance of publicly-listed large-capitalization and mid-capitalization dividend-paying issuers in Europe that meet certain market capitalization, liquidity, high quality, low volatility and high dividend yield thresholds. The quality and low volatility requirements are designed to reduce exposure to high dividend equities that have experienced large price declines.

One may not invest directly in an index.

ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with O'Shares Investments.

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

Not FDIC Insured • No Bank Guarantee • May Lose Value

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