

# ALPS | O'Shares U.S. Quality Dividend ETF

Quarterly Insights | Q3 2023

## Key Takeaways

- In Q3 of 2023, The ALPS | O'Shares U.S. Quality Dividend ETF (OUSA) returned -4.26% as U.S. stocks pulled back amidst the continued challenging macro environment of elevated inflation and high interest rates.
- OUSA's Communication Services sector provided the best sector performance during the third quarter of 2023.
- OUSA exhibits a month-end price-to-earnings (P/E) ratio of 20.27x, which is modestly higher than the Russell 1000 Value Index P/E of 15.12x due to its higher quality holdings that tend to be more expensive.

## Performance Notes

- The ALPS | O'Shares U.S. Quality Dividend ETF (OUSA) returned -4.26% last quarter, slightly underperforming the Russell 1000 Value Index (RLV), which returned -3.17%. OUSA saw relative outperformance over the RLV Index across Health Care, Consumer Discretionary and Communication Services sectors due to the fund's quality methodology, with relative underperformance stemming from the fund's 0% exposure to the lower-quality Energy sector.
- During the third quarter of 2023, U.S. equities pulled back on tightening economic conditions and a surge in volatility for what is a seasonally weak period for stocks. Further pressuring stocks in Q3, government bond yields continued to trend higher, on par with the Federal Reserve's messaging of higher-for-longer interest rates. Despite the negative sentiment, quality names generally perform well amidst a high-interest rate backdrop that tends to result in a softening economy, as investors seek to hide out in high-quality companies that exhibit high profitability and lower volatility. OUSA's high-quality, dividend-growing names also historically fare better as economic growth prospects deteriorate, providing a positive outlook for OUSA's quality dividend strategy.

## Performance Summary

	Q3 2023	YTD	1 Y	3 Y
OUSA (NAV)	-4.26%	2.64%	2.64%	15.59%
O'Shares U.S. Quality Dividend Index - TR <sup>1</sup>	-4.13%	3.04%	3.04%	16.20%
Morningstar US Large-Mid Cap Broad Value Index - TR	-1.97%	4.19%	17.49%	12.09%
Russell 1000 Value Index - TR	-3.17%	1.79%	1.79%	14.44%

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 2.

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

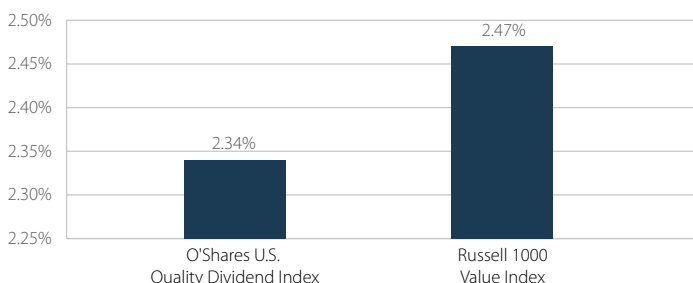
## Why OUSA?

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

## Dividend Yields of Broad Market Indexes

- As of September 30, 2023, OUSA's underlying index carries a trailing twelve month (TTM) dividend yield of 2.34% compared to the Russell 1000 Value Index TTM yield of 2.47%.

## Trailing Twelve Month Dividend Yield



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

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

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## Contribution to Return

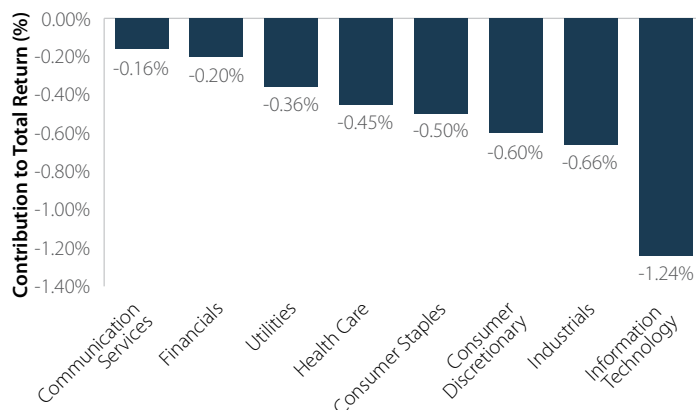
- OUSA's sector allocations saw muted performance during the third quarter of 2023, with Communication Services (-0.16%), Financials (-0.20%) and Utilities (-0.36%) leading overall sector contribution returns for the fund. Streaming service and cable provider, Comcast Corp. (CMCSA, 4.87% weight\*), was the top performer within the fund's exposure to the Communication Services sector last quarter, gaining 7.46% following the company's second-quarter earnings beat that highlighted ~5% average revenue per user (ARPU) growth and an 8% quarter-over-quarter rise in free cash flow. OUSA financials name, Blackstone Inc. (BX, 1.18% weight\* as of September reconstitution), also surged over 23% in Q3 on the back of an announced partial sale of the conglomerate's Las Vegas Bellagio assets (selling a 22% stake valued at \$1.1 billion), as well as rising on total assets under management reaching \$1 trillion.
- Within OUSA's Health Care sector, Amgen Inc. (AMGN, 0.89% weight\*), a biotechnology company, rose over 22% in Q3 after reporting quarterly earnings per share (EPS) and revenues above analyst estimates, led by a bounce-back in product sale volumes on the company's leading pharmaceutical drugs. Similarly, pharmaceutical developer, Eli Lilly & Co. (LLY, 0.89% weight), gained nearly 15% last quarter after boosting full-year revenue guidance, following a quarterly EPS and revenue beat as the company's weight-loss drugs gain traction.
- Additionally, semiconductor manufacturer, Intel Corp. (INTC, 0.60% weight\* as of September reconstitution), rallied 13.68% last quarter within OUSA after the company delivered a surprise profit beat on its strong central processing unit (CPU) sales in Q2, with management expecting an improved outlook for PC sales.

## Valuation Update

- The O'Shares U.S. Quality Dividend Index's (OUSAX) current P/E ratio of 20.27x is slightly higher compared to the Russell 1000 Value Index's current P/E ratio of 15.12x due to its mix of higher quality holdings with a focus on profitability, lower volatility and dividend growth.

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

## Contribution to Return by Segment



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

Past performance is no guarantee of future results.

## Price Multiples

	O'Shares U.S. Quality Dividend Index <sup>1</sup>		Russell 1000 Value Index	
	Current	3 Year Avg	Current	3 Year Avg
Price/Earnings Ratio	20.27x	21.83x	15.12x	18.11x
Price/Book Ratio	4.76x	6.02x	2.28x	2.50x
Price/Cash Flow Ratio	13.57x	15.32x	11.15x	12.54x
Trailing Twelve Month Yield	2.34%	2.35%	2.47%	2.18%
OUSA 30-Day SEC Yield	1.66%			

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

Past performance is no guarantee of future results.

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

## ALPS | O'Shares U.S. Quality Dividend ETF (OUSA) 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)	-4.95%	-4.26%	2.64%	102.08%	15.59%	6.98%	7.32%	8.94%
Market Price	-4.93%	-4.22%	2.64%	102.08%	15.52%	7.00%	7.33%	8.94%
O'Shares U.S. Quality Dividend Index - TR <sup>1</sup>	-4.92%	-4.13%	3.04%	110.58%	16.20%	7.51%	7.85%	9.49%
Morningstar US Large-Mid Cap Broad Value Index - TR <sup>2</sup>	-3.45%	-1.97%	4.19%	106.97%	17.49%	12.09%	7.91%	9.26%
Russell 1000 Value Index - TR	-3.86%	-3.17%	1.79%	79.42%	14.44%	11.05%	6.23%	7.37%

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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>1</sup> Fund inception date: 7/14/2015, date reflects the commencement of investment operations.

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

<sup>2</sup> Effective 3/31/2023, the Morningstar US Large-Mid Cap Broad Value Index replaced the Russell 1000 Value Index as the Fund's secondary benchmark.

Total Operating Expenses: **0.48%**

## ALPS | O'Shares U.S. Quality Dividend ETF

## Top 10 Holdings

Apple Inc	5.01%	JPMorgan Chase & Co	3.76%
Microsoft Corp	4.97%	Mastercard Inc	3.31%
Comcast Corp	4.87%	Home Depot Inc/The	3.24%
Verizon Communications Inc	3.96%	UnitedHealth Group Inc	2.91%
Visa Inc	3.83%	Eli Lilly & Co	2.79%

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

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

## 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.

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.

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.

Price/Funds from Operations (P/FFO) Ratio: a valuation ratio of a company's current share price compared to its per-share funds from operations.

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

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

Morningstar US Large-Mid Cap Broad Value Index: designed to provide comprehensive, consistent representation of the large-mid cap value segment of the US equity market.

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

Russell 1000 Value Index: measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

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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