

Ticker: OUSA

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

Quarterly Insights | Q2 2024

## Key Takeaways

- In Q2 of 2024, The ALPS | O'Shares U.S. Quality Dividend ETF (OUSA) gained 0.94% as questions around consumer demand weighed on U.S. equities.
- OUSA's Information Technology sector provided the best sector performance during the second quarter of 2024.
- OUSA exhibits a month-end price-to-earnings (P/E) ratio of 24.18x, which is slightly higher than the Russell 1000 Value Index P/E of 18.95x 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 0.94% last quarter, outperforming the Russell 1000 Value Index (RLV), which returned -2.17%. OUSA saw relative sector outperformance over the RLV Index due to its overweight towards the Information Technology names, while its underweight to lower quality cyclical sectors including Energy and Materials also helped the fund outperform the Index (note: OUSA's quality methodology excludes low-quality sectors: Energy, Materials and Real Estate).
- During the second quarter of 2024, U.S. equities within the Information Technology sector rallied with ongoing optimism around Artificial Intelligence (AI) while Federal Reserve (Fed)-speak signaled one potential rate cut in the back half of 2024, adding slightly to broad-based gains after inflation saw a slight decline through the quarter. Despite an uncertain outlook for U.S. equities, quality names continue to 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

	Q2 2024	YTD	1 Y	3 Y
OUSA (NAV)	0.94%	8.66%	14.75%	7.69%
O'Shares U.S. Quality Dividend Index - TR <sup>1</sup>	1.06%	8.94%	15.39%	8.24%
Morningstar US Large-Mid Cap Broad Value Index - TR	-0.19%	9.22%	17.49%	8.26%
Russell 1000 Value Index - TR	-2.17%	6.63%	13.06%	5.52%

As of 6/30/2024

**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.

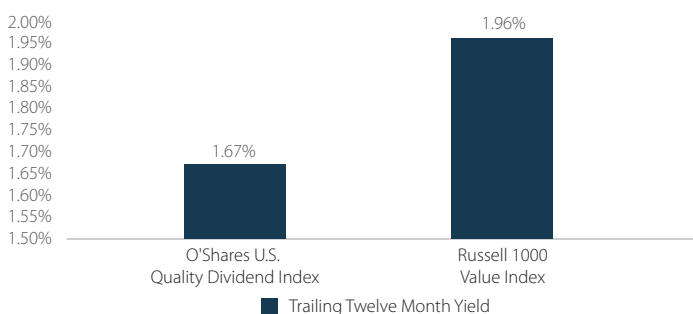
## Why OUSA?

- **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 June 30, 2024, OUSA's underlying index carries a trailing twelve month (TTM) dividend yield of 1.67% compared to the Russell 1000 Value Index TTM yield of 1.96%.

## Trailing Twelve Month Dividend Yield



Source: Bloomberg L.P., as of 6/30/2024

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

## Contribution to Return

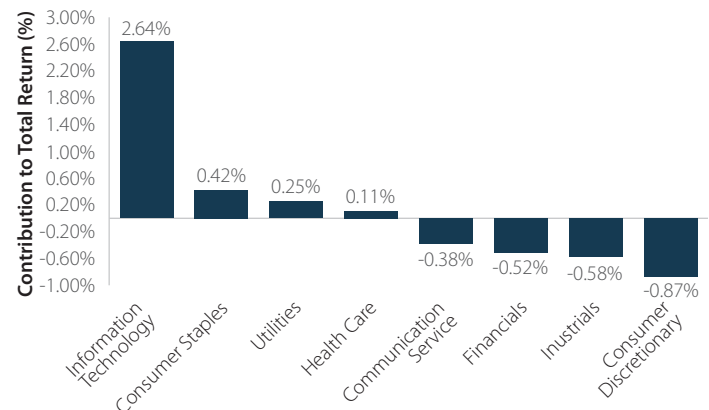
- OUSA's sector allocations had mixed performance during the second quarter of 2024, with half of the sectors adding to returns and the other half detracting. OUSA's sector returns were led by Information Technology (+2.64%), Consumer Staples (+0.42%) and Utilities (+0.25%), while the fund's Consumer Discretionary (-0.87%) allocation contributed the least in terms of overall performance. Leading OUSA's Information Technology names in Q2, Apple Inc. (AAPL, 5.21% weight\*) surged nearly 23% in Q2 after the tech giant introduced its long-awaited AI features which could lead to a new upgrade cycle for the company's popular iPhone. Another AI beneficiary was Broadcom Inc. (AVGO, 4.55% weight\*), which moved 21.53% higher during the quarter after posting second-quarter results that beat expectations supported by strong demand for its AI semiconductor and software products; after posting stellar earnings, the company announced a 10-for-1 stock split further adding to gains.
- Within OUSA's Consumer Staples sector, Walmart Inc. (WMT, 1.16% weight\*), jumped nearly 13% in Q2 after posting an earnings beat and raised full-year guidance thanks to strong sales despite questions around the strength of U.S. consumer demand. Similarly, Costco Wholesale Corp. (COST, 1.55% weight\*) gained 16.21% after posting strong quarterly results, with sales and top-line growth both beating estimates. Much of the company's results came on the back of higher store visits from customers and higher-than-expected member purchases of big-ticket items.
- Lastly, within OUSA's Health Care allocation, Eli Lilly & Co. (LLY, 3.98% weight\*), rallied nearly 17% last quarter after the company raised its full-year guidance as the medical company's newest weight-loss drug, Zepbound, saw sales beat analyst expectations. Investors initially held concerns around the supply of Zepbound as the drug was flying off shelves early in the year, but fears were squashed as Eli Lilly & Co executives re-assured investors they were doing everything they could to meet demand and expect the shortage to not last through the end of the year.

## Valuation Update

- The O'Shares U.S. Quality Dividend Index's (OUSAX) current P/E ratio of 24.18x is slightly higher compared to the Russell 1000 Value Index's current P/E ratio of 18.95x due to its mix of higher quality holdings with a focus on profitability, lower volatility and dividend growth.

\* Weight in OUSA as of 6/30/2024

## Contribution to Return by Segment



Source: Bloomberg L.P., as of 6/30/2024

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	24.18x	21.55x	18.95x	16.70x
Price/Book Ratio	5.41x	5.71x	2.53x	2.48x
Price/Cash Flow Ratio	15.54x	15.25x	13.36x	12.16x
Trailing Twelve Month Yield	1.67%	1.83%	1.96%	2.21%
OUSA 30-Day SEC Yield	1.56%			

Source: Bloomberg L.P., as of 6/30/2024

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 6/30/2024

	Cumulative				Annualized			
Total Returns	1 M	3 M	YTD	SI <sup>^</sup>	1 Y	3 Y	5 Y	SI <sup>^</sup>
NAV (Net Asset Value)	1.97%	0.94%	8.66%	142.21%	14.75%	7.69%	9.95%	10.37%
Market Price	2.01%	1.11%	8.74%	142.45%	14.92%	7.72%	9.99%	10.38%
O'Shares U.S. Quality Dividend Index - TR <sup>1</sup>	2.01%	1.06%	8.94%	153.43%	15.39%	8.24%	10.51%	10.93%
Morningstar US Large-Mid Cap Broad Value Index - TR	0.66%	-0.19%	9.22%	148.07%	17.49%	8.26%	11.47%	10.66%
Russell 1000 Value Index - TR	-0.94%	-2.17%	6.63%	109.48%	13.06%	5.52%	9.01%	8.60%

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.

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: 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.

Total Operating Expenses: 0.48%

## Top 10 Holdings

Microsoft Corp	5.95%	Eli Lilly & Co	3.98%
Apple Inc	5.21%	Verizon Communications Inc	3.70%
Broadcom Inc	4.55%	Comcast Corp	3.64%
JPMorgan Chase & Co	4.43%	Home Depot Inc/The	3.13%
Verizon Communications Inc	4.26%	Mastercard Inc	3.12%

Source: Bloomberg L.P., as of 6/30/2024, subject to change

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

## Important Disclosures & 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.

Consumer Price Index (CPI): a measure of the average change over time in the prices paid by urban consumers for a representative basket of consumer goods and services.

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

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.

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.

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.

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. 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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