

ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF

Quarterly Insights | Q3 2023

Key Takeaways

- In Q3, The ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) returned -3.87% as U.S. stocks and small-caps pulled back amidst the continued challenging macro environment of elevated inflation and high interest rates.
- OUSM's Financials sector had the highest contribution to return for the fund during the third quarter of 2023.
- OUSM exhibits a month-end price-to-earnings ratio (P/E ratio) of 13.57x, which is higher than the Russell 2000 Value Index P/E of 9.71x due to its mix of higher quality holdings with a focus on quality, lower volatility and dividend income.

Performance Notes

- The ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) returned -3.87% last quarter, slightly underperforming the Russell 2000 Value Index (RUJ), which returned -2.96%. OUSM saw relative outperformance over the RUJ Index during the third quarter across a number of sectors, led by Financials, Health Care and Consumer Discretionary holdings with positive earnings trends.
- 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 small-cap 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. OUSM's quality small-cap dividend growth strategy may continue to provide investors with a more defensive posturing to their portfolio amidst an uncertain outlook for U.S. equities in 2023.

Performance Summary

	Q3 2023	YTD	1 Y	3 Y
OUSM (NAV)	-3.87%	5.97%	19.39%	12.28%
O'Shares U.S. Small-Cap Quality Dividend Index - TR ¹	-3.76%	6.33%	19.93%	12.81%
Morningstar US Small-Cap Broad Value Extended Index - TR	-3.37%	1.18%	11.69%	16.12%
Russell 2000 Value Index - TR	-2.96%	-0.53%	7.84%	13.32%

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.

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.

¹ The O'Shares U.S. Small-Cap Quality Dividend Index performance information reflects the blended performance of the FTSE USA Small Cap Qual/Vol/Yield 3% Capped Factor Index through 5/3/2018, the FTSE USA Small Cap ex Real Estate 2Qual/Vol/Yield 3% Capped Factor Index from 5/4/2018 through 5/31/2020 and the O'Shares U.S. Small-Cap Quality Dividend Index thereafter.

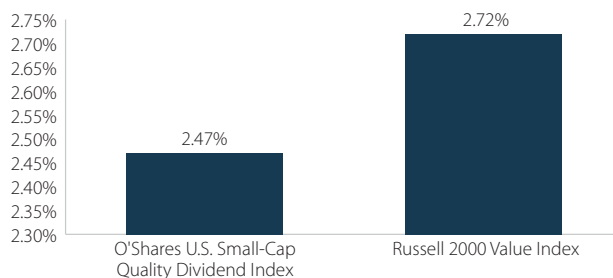
Why OUSM?

- **Quality Dividend Growth Stocks:** Seeks small-cap 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, OUSM's underlying index carries a trailing twelve month (TTM) dividend yield of 2.47% compared to the Russell 2000 Value Index's TTM yield of 2.72%.

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

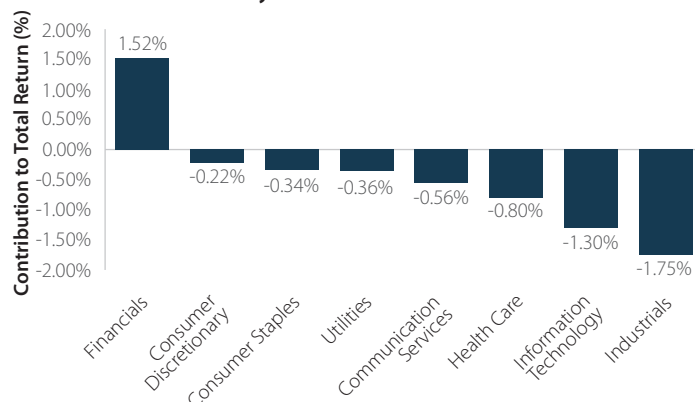
- OUSM's leading contributors to performance by sector in Q3 '23 were Financials (+1.52%) and Consumer Discretionary (-0.22%), while Industrials (-1.75%) and Information Technology (-1.30%) were the largest detractors. Property and casualty insurance provider, Erie Indemnity Co. (ERIE, 2.43% weight* as of September reconstitution), was the top performer within OUSM's Financials allocation, surging nearly 37% last quarter following an announcement that the company would be added to the S&P 400 Index. Also moving higher in Q3, Morningstar Inc. (MORN, 0.48% weight* as of September reconstitution), gained 27.75% last quarter within OUSM after the investment data provider reported better-than-expected revenues for Q2 and a ~37% increase in year-over-year earnings per share (EPS).
- Last quarter, within OUSM's Consumer Discretionary allocation, H&R Block Inc. (HRB, 1.34% weight*), rose over 36% on the back of the tax preparation provider's fiscal Q4 earnings report, highlighting above consensus EPS for the quarter as well as a reaffirmation of a high-end EPS growth target of +13% for fiscal year (FY) 2024. Gentex Corp. (GNTX, 1.69% weight*), an electro-optic technology designer and OUSM Consumer Discretionary name, also gained nearly 12% in Q3 following a top-line quarterly earnings beat and a slight boost in FY revenue forecasts.
- Rounding out high-flying names in OUSM for Q3, Consumer Staples name and convenience store operator, Casey's General Stores, Inc. (CASY, 1.56% weight*), rallied 11.52% after reporting a surprise beat in quarterly EPS, driven by higher fuel margins stemming from elevated gas prices and rising sales of its newly-launched thin crust pizza.

Valuation Update

- The O'Shares U.S. Small-Cap Quality Dividend Index's (OUSMX) current P/E ratio of 13.57x is modestly higher compared to the Russell 2000 Value Index's current P/E ratio of 9.71x due to its mix of higher quality holdings with a focus on profitability, lower volatility and dividend growth.

* Weight in OUSM 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.

Price Multiples

	O'Shares U.S. Small-Cap Quality Dividend Index ¹		Russell 2000 Value Index	
	Current	3 Year Avg	Current	3 Year Avg
Price/Earnings Ratio	13.57x	16.80x	9.71x	13.38x
Price/Book Ratio	2.76x	3.01x	1.22x	1.51x
Price/Cash Flow Ratio	10.23x	13.49x	6.89x	10.18x
Trailing Twelve Month Yield	2.47%	2.32%	2.72%	2.13%
OUSM 30-Day SEC Yield	1.48%			

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

Past performance is no guarantee of future results.

ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) Performance as of 9/30/2023

Total Returns	Cumulative				Annualized			
	1 M	3 M	YTD	SI [^]	1 Y	3 Y	5 Y	SI [^]
NAV (Net Asset Value)	-3.82%	-3.87%	5.97%	61.51%	19.39%	12.28%	6.49%	7.36%
Market Price	-3.80%	-3.87%	6.00%	61.55%	19.42%	12.32%	6.50%	7.36%
O'Shares U.S. Small-Cap Quality Dividend Index - TR ¹	-3.77%	-3.76%	6.33%	66.92%	19.93%	12.81%	7.01%	7.88%
Morningstar US Small-Cap Broad Value Extended Index - TR ²	-5.26%	-3.37%	1.18%	39.12%	11.69%	16.12%	4.00%	5.01%
Russell 2000 Value Index - TR	-5.21%	-2.96%	-0.53%	30.73%	7.84%	13.32%	2.59%	4.05%

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.

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.

[^] Fund inception date: 12/30/2016, date reflects the commencement of investment operations.

¹ The O'Shares U.S. Small-Cap Quality Dividend Index performance information reflects the blended performance of the FTSE USA Small Cap Qual/Vol/Yield 3% Capped Factor Index through 5/3/2018, the FTSE USA Small Cap ex Real Estate 2Qual/Vol/Yield 3% Capped Factor Index from 5/4/2018 through 5/31/2020 and the O'Shares U.S. Small-Cap Quality Dividend Index thereafter.

² Effective 3/31/2023, the Morningstar US Small-Cap Broad Value Extended Index replaced the Russell 2000 Value Index as the Fund's secondary benchmark.

Total Operating Expenses: **0.48%**

Top 10 Holdings

Williams-Sonoma Inc	2.14%	Encompass Health Corp	1.96%
Chemed Corp	2.12%	Owens Corning	1.95%
BorgWarner Inc	2.07%	Teleflex Inc	1.94%
Lincoln Electric Holdings Inc	2.03%	MarketAxess Holdings Inc	1.92%
Juniper Networks Inc	1.98%	Tradeweb Markets Inc	1.91%

Source: Bloomberg L.P., as of 9/30/2023, subject to change
Daily holdings are available at 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 securities of small capitalization companies are often more volatile and less liquid than the stocks of larger companies and may be more affected than other types of securities during market downturns. Compared to larger companies, small capitalization companies may have a shorter history of operations, and may have limited product lines, markets or financial resources.

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.

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

FTSE USA Small Cap ex Real Estate 2Qual/Vol/Yield 3% Capped Factor Index: comprised of securities within the FTSE USA Small-Cap Index, excluding Real Estate. The index is designed to reflect the performance of three recognized equity risk factors: quality, low volatility and yield.

FTSE USA Small Cap Qual/Vol/Yield 3% Capped Factor Index: designed to reflect the performance of high quality US small-cap equities exhibiting low volatility and high dividend yields. Quality is measured by profitability and leverage. Constituents are selected and weighted based on quality, volatility and yield characteristics.

Morningstar US Small-Cap Broad Value Extended Index: designed to provide comprehensive, consistent representation of the small-cap value segment of the US equity market.

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

Russell 2000 Value Index: measures the performance of the small capitalization value sector of the US equity market.

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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