

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

Quarterly Insights | Q4 2023

Key Takeaways

- In Q4, The ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSHM) returned 12.10% as OUSHM's portfolio of high-quality, small-cap holdings performed well on the back of better-than-expected earnings and potential interest rate cuts by the Federal Reserve (Fed) into 2024.
- OUSHM's Industrials sector had the highest contribution to return for the fund during the fourth quarter.
- OUSHM exhibits a month-end price-to-earnings (P/E) ratio of 15.09x, which is higher than the Russell 2000 Value Index P/E of 12.04x due to its mix of higher quality holdings with a focus on profitability, lower volatility and dividend income.

Performance Notes

- The ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSHM) returned 12.10% last quarter, underperforming the Russell 2000 Value Index, which returned 15.26%. OUSHM's relative outperformance during the last quarter stemmed from its quality holdings which benefitted from greater profitability and lower volatility during the current high interest rate environment and its relative overweight towards the Industrials and Consumer Discretionary sectors.
- In Q4, U.S. equities rallied late into the quarter as talks around interest rate cuts in 2024 bolstered market sentiment. Inflationary pressures remain valid concerns for small-cap equities, however, quality companies historically fare better as economic growth decelerates. Additionally, quality stock picking within small-caps is important during high-interest rate environments as many small-cap companies do not turn a profit and become financially strained during a Fed-tightening cycle. OUSHM'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 2024.

Performance Summary

	Q4 2023	YTD	1 Y	3 Y
OUSHM (NAV)	12.10%	18.79%	18.79%	9.97%
O'Shares U.S. Small-Cap Quality Dividend Index - TR ¹	12.26%	19.36%	19.36%	10.49%
Morningstar US Small-Cap Broad Value Extended Index - TR	14.91%	16.27%	16.27%	10.62%
Russell 2000 Value Index - TR	15.26%	14.65%	14.65%	7.94%

As of 12/31/2023

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.

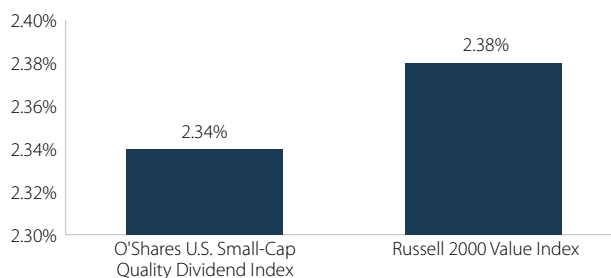
Why OUSHM?

- **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 December 31, 2023, OUSHM's underlying index carries a trailing twelve month (TTM) dividend yield of 2.34% compared to the Russell 2000 Value Index's TTM yield of 2.38%.

Trailing Twelve Month Dividend Yield



Source: Bloomberg L.P., as of 12/31/2023

Past performance is no guarantee of future results.

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

Contribution to Return

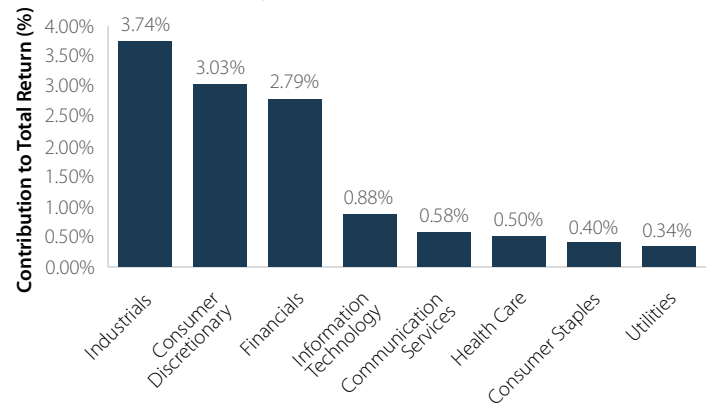
- OUSHM's sector contribution to return in the fourth quarter was led by Industrials (+3.74%) and Consumer Discretionary (+3.03%). All sectors performed positively during the fourth quarter, with the Utilities (0.34%) and Consumer Staples (0.40%) sectors contributing the least. Wood and concrete manufacturer, Simpson Manufacturing Inc. (SSD, **1.43% weight***), was the top performer within OUSHM's Industrials sector, returning over 32% last quarter after reporting earnings per share (EPS) and sales above estimates, led by improving volume within their North American segment. Continuing the positive earnings trends for OUSHM's Industrials sector, AAON, Inc. (AAON, **0.82% weight***), returned over 30% last quarter after the HVAC supplier reported better-than-expected EPS and sales on the back of stronger pricing and improved efficiencies which drove margins higher.
- Last quarter, within OUSHM's Consumer Discretionary sector allocation, sporting goods retailer, Dick's Sporting Goods, Inc. (DKS, **1.64% weight***), rallied 36.27% after the company raised its profit forecast as sports gear demand outweighed the typical slowdown of spending before the holiday season. MDC Holdings, Inc. (MDC, **0.63% weight***), a leading homebuilder within OUSHM's Consumer Discretionary allocation rallied 35.75% in Q4 on broad-based gains for the Consumer Discretionary segment as the November '23 retail spending report came in stronger-than-expected.
- Lastly, trading platform operator, MarketAxess Holdings, Inc. (MKTX, **2.36% weight***), boosted OUSHM's Financials sector in the fourth quarter, rising over 37% after the company reported monthly metrics that saw a significant quarter-over-quarter increase to its average daily trading volume. Analysts cited strong industry volume across the board as the reason for the significant increase.

Valuation Update

- The O'Shares U.S. Small-Cap Quality Dividend Index (OUSHMX) current P/E ratio of 15.09x is higher compared to the Russell 2000 Value Index's current P/E ratio of 12.04x due to its mix of higher quality holdings with a focus on profitability, lower volatility and dividend income.

* Weight in OUSHM as of 12/31/2023

Contribution to Return by Sector



Source: Bloomberg L.P., as of 12/31/2023

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	15.09x	16.20x	12.04x	12.90x
Price/Book Ratio	2.96x	3.00x	1.40x	1.50x
Price/Cash Flow Ratio	15.43x	13.75x	8.03x	10.09x
Trailing Twelve Month Yield	2.34%	2.33%	2.38%	2.17%
OUSHM 30-Day SEC Yield	1.52%			

Source: Bloomberg L.P., as of 12/31/2023

Past performance is no guarantee of future results.

ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSHM) Performance as of 12/31/2023

Total Returns	Cumulative				Annualized			
	1 M	3 M	YTD	SI [^]	1 Y	3 Y	5 Y	SI [^]
NAV (Net Asset Value)	8.17%	12.10%	18.79%	81.05%	18.79%	9.97%	12.80%	8.84%
Market Price	8.19%	12.13%	18.85%	81.14%	18.85%	9.96%	12.82%	8.85%
O'Shares U.S. Small-Cap Quality Dividend Index - TR ¹	8.24%	12.26%	19.36%	87.39%	19.36%	10.49%	13.35%	9.38%
Morningstar US Small-Cap Broad Value Extended Index - TR ²	11.88%	14.91%	16.27%	59.87%	16.27%	10.62%	11.64%	6.93%
Russell 2000 Value Index - TR	12.45%	15.26%	14.65%	50.68%	14.65%	7.94%	10.00%	6.03%

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	2.49%	Tradeweb Markets Inc	1.94%
MarketAxess Holdings Inc	2.36%	New York Times Co/The	1.90%
Teleflex Inc	2.21%	Owens Corning	1.89%
Lincoln Electric Holdings Inc	2.18%	Juniper Networks Inc	1.88%
Chemed Corp	2.14%	Old Republic International Corp	1.84%

Source: Bloomberg L.P., as of 12/31/2023, 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.

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.

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.

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

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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