

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

Quarterly Insights | Q1 2024

Key Takeaways

- In Q1, The ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) gained 9.10% as OUSM'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) in the second half of 2024.
- OUSM's Consumer Discretionary sector had the highest contribution to return for the fund during the first quarter of 2024.
- OUSM exhibits a month-end price-to-earnings (P/E) ratio of 16.10x, which is higher than the Russell 2000 Value Index P/E of 13.71x due to its mix of higher quality holdings with a focus on profitability, lower leverage, lower volatility and dividend income.

Performance Notes

- The ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) returned 9.10% last quarter, outperforming the Russell 2000 Value Index, which returned 2.90%. OUSM's relative outperformance during the first quarter stemmed from its higher-quality holdings which benefitted from more desirable fundamental attributes including profitability and lower volatility as interest rates and inflation remained above historical levels (note: OUSM's quality methodology excludes low-quality cyclical sectors: Energy, Materials and Real Estate).
- During the first quarter of 2024, U.S. equities rallied on Fed-speak that signaled potential rate cuts in the back half of 2024. While markets remain somewhat optimistic regarding rate cuts this year, the recent resurgence in core inflation is likely to make the outlook for broad equities more challenging than anticipated, specifically for small-caps. Despite inflationary pressures and tighter lending standards remaining a valid concern for small-cap equities, 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. 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 2024.

Performance Summary

	Q1 2024	YTD	1 Y	3 Y
OUSM (NAV)	9.10%	9.10%	22.69%	9.69%
O'Shares U.S. Small-Cap Quality Dividend Index - TR ¹	9.23%	9.23%	23.28%	10.20%
Morningstar US Small-Cap Broad Value Extended Index - TR	3.90%	3.90%	19.95%	5.16%
Russell 2000 Value Index - TR	2.90%	2.90%	18.75%	2.22%

As of 3/31/2024

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. 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.

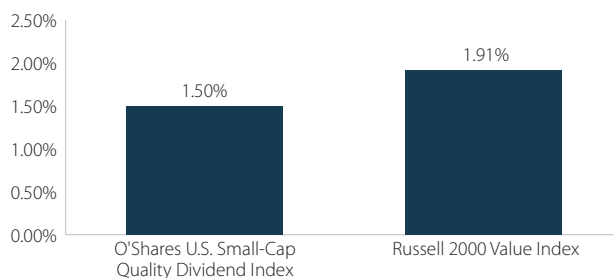
Why OUSM?

- **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 March 31, 2024, OUSM's underlying index carries a trailing twelve month (TTM) dividend yield of 1.50% compared to the Russell 2000 Value Index's TTM yield of 1.91%.

Trailing Twelve Month Dividend Yield



Source: Bloomberg L.P., as of 3/31/2024

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Contribution to Return

- OUSM's sector contribution to return in the first quarter was led by Consumer Discretionary (+3.79%), Financials (+2.75%) and Utilities (+0.57%), while the fund's Communication Services (-0.35%) allocation was the only sector that contributed negative performance. Home furnishing retailer, Williams-Sonoma Inc. (**WSM, 3.61% weight***), was the top performer within OUSM's Consumer Discretionary allocation in Q1, returning a staggering 58.05% after reporting earnings per share (EPS) above analyst estimates as well as gross margins of 46%, spurred by strong product demand and supply chain efficiencies. Continuing the positive earnings trend for OUSM's Consumer Discretionary names, Dick's Sporting Goods Inc. (**DKS, 2.31% weight***) gained nearly 54% last quarter after posting better-than-expected quarterly sales and profit numbers on the back of positive consumer demand trends in what has been a difficult environment for sports retailers.
- Within OUSM's Financials allocation last quarter, sporting goods retailer, Primerica Inc. (**PRI, 1.91% weight***), rallied 23.31% on analyst expectations of a rise in quarterly EPS backed by higher term insurance sales, while also moving higher on a broad rebound and catch-up trade for quality financials as banking stress in the system showed signs of dissipating.
- OUSM Utilities name and energy producer, Vistra Corp. (**VST, 0.95% weight***), led all names in the fund last quarter, surging over 81% following regulatory approval for the company's acquisition offer for rival nuclear and fossil-fuel energy producer, Energy Harbor Corp. (not in OUSM), in a deal worth \$6.8 billion.
- Rounding out top gainers in OUSM for Q1, internet infrastructure provider and Information Technology name, Juniper Networks Inc. (**JNPR, 2.18% weight***), gained 26.46% last quarter on reports that the company was in advanced talks to be acquired by Hewlett Packard Enterprise (HPE, not in OUSM) for ~\$13 billion in a deal that would look to expand HPE's cloud and data center footprint.

Valuation Update

- The O'Shares U.S. Small-Cap Quality Dividend Index's (OUSMX) current P/E ratio of 16.10x is higher compared to the Russell 2000 Value Index's current P/E ratio of 13.71x due to its mix of higher quality holdings with a focus on profitability, lower volatility and dividend income.

* Weight in OUSM as of 3/31/2024

ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) Performance as of 3/31/2024

Total Returns	Cumulative				Annualized			
	1 M	3 M	YTD	SI [^]	1 Y	3 Y	5 Y	SI [^]
NAV (Net Asset Value)	4.98%	9.10%	9.10%	97.52%	22.69%	9.69%	12.05%	9.84%
Market Price	4.98%	8.99%	8.99%	97.43%	22.64%	9.66%	12.04%	9.83%
O'Shares U.S. Small-Cap Quality Dividend Index - TR ¹	5.02%	9.23%	9.23%	104.68%	23.28%	10.20%	12.59%	10.38%
Morningstar US Small-Cap Broad Value Extended Index - TR	5.38%	3.90%	3.90%	66.11%	19.95%	5.16%	9.76%	7.25%
Russell 2000 Value Index - TR	4.38%	2.90%	2.90%	55.05%	18.75%	2.22%	8.17%	6.23%

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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.

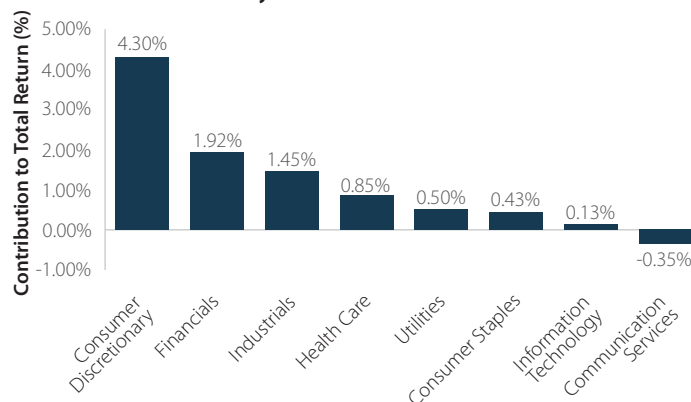
Performance data prior to 6/21/2022 reflects the performance of the Fund as managed under the OSI ETF Trust.

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

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Total Operating Expenses: **0.48%**

Contribution to Return by Sector



Source: Bloomberg L.P., as of 3/31/2024

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	16.10x	15.80x	13.71x	12.32x
Price/Book Ratio	3.03x	2.99x	1.40x	1.48x
Price/Cash Flow Ratio	11.35x	13.17x	8.76x	9.86x
Trailing Twelve Month Yield	1.50%	1.79%	1.91%	1.86%
OUSM 30-Day SEC Yield	1.36%			

Source: Bloomberg L.P., as of 3/31/2024

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Top 10 Holdings

Williams-Sonoma Inc	3.61%	Tradeweb Markets Inc	2.05%
Lincoln Electric Holdings Inc	2.35%	Encompass Health Corp	1.99%
Dick's Sporting Goods Inc	2.31%	Owens Corning	1.96%
Juniper Networks Inc	2.17%	Primerica Inc	1.91%
Chemed Corp	2.16%	Texas Roadhouse Inc	1.88%

Source: Bloomberg L.P., as of 3/31/2024, 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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