

Ticker: LGRO

# Level Four Large Cap Growth Active ETF

Quarterly Insights | Q2 2024

## Key Takeaways

- In Q2 2024 the Level Four Large Cap Growth Active ETF (LGRO) returned 2.27%, underperforming the benchmark and the broader equities market. Narrow market concentration from mega-cap tech continued to drive stock market returns and detract from relative performance.
- LGRO's Information Technology sector had the best contribution to the overall fund returns in Q2 2024 as artificial intelligence (AI)-related tech stocks continue to outperform.
- LGRO's free cash flow-driven valuation discipline exhibited a price/free cash flow (P/FCF) ratio of 32.47x, trading at a notable discount to the Bloomberg US 1000 Growth Total Return Index's P/FCF of 36.76x.

## Performance Notes

- The Level Four Large Cap Growth Active ETF (LGRO, the "Fund") returned 2.27% in Q2 2024, lagging the Bloomberg US 1000 Growth Total Return Index which returned 6.19% during the same time period due to LGRO's relative underperformance from the Information Technology, Consumer Discretionary and Financials sectors. Despite the sustained momentum from mega-cap tech, growth outside of mega-cap tech may offer a better risk-return opportunity as the valuation spread among mega-cap tech and their growth peers remains stretched.
- In Q2 2024, sustained momentum from optimism around AI continued to drive equity markets to new all-time highs. Though the S&P 500 Index advanced 4.3%, the average company in the S&P 500 declined 2.6% as depicted by the total return of the S&P 500 Equal Weight Index. This divergence highlights concerns about market breadth. LGRO's focus on free cash flow and intrinsic valuation positions the Fund well to navigate a potentially softening economic landscape and address valuation concerns within the broader S&P 500.

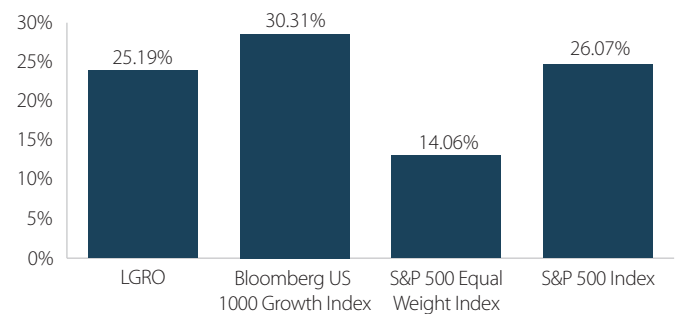
## Market Concentration of Growth Indexes

- As of June 30, 2024, LGRO's underlying index carried a 28.86% weighting among the five largest positions in the portfolio, compared to the Bloomberg US 1000 Growth Total Return Index's 34.76%, due to a relative underweight among the Magnificent 7 (Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla and Meta).
- LGRO was underweight Nvidia by 4.43%, Microsoft by 3.50%, Alphabet by 0.58% and Apple by 0.51%. LGRO does not own any Tesla.

## Performance Summary

	Q2 2024	YTD	SI
LGRO (NAV)	2.27%	10.77%	25.19%
Bloomberg US 1000 Growth Index - TR	6.19%	17.60%	30.31%

## Since Inception Return



Source: Bloomberg L.P., 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.**

For standardized performance please see page 2.

## Investment Philosophy

- Invest primarily in equity securities of carefully selected, high-quality US companies that are trading at or below their intrinsic value.
- Seek high return on capital, high quality financial reporting, a strong management team and powerful product, service or market position.
- Adhere to a long-term, portfolio-oriented approach.

## Level Four Large Cap Growth Active ETF

### Contribution to Return

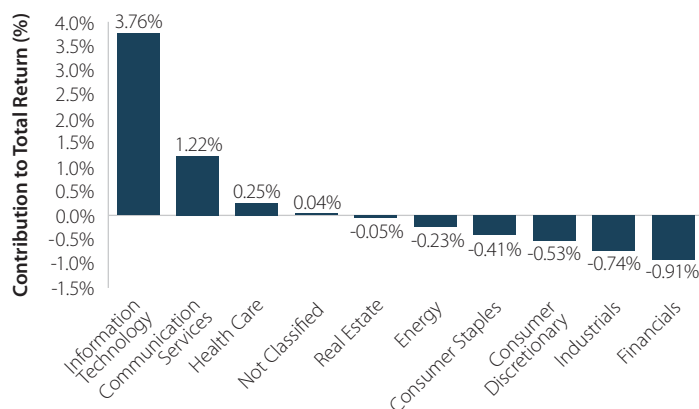
- LGRO's leading contributors to performance by sector in Q2 2024 were Information Technology (+3.76%), Communication Services (+1.22%) and Health Care (+0.25%), while Financials (-0.91%), Industrials (-0.74%) and Consumer Discretionary (-0.53%) were the top detractors. Leading LGRO's Information Technology names, Apple Inc. (AAPL, 8.18% weight\*), gained 22.99%, driven by an earnings beat during the quarter coupled with a \$110 billion buyback, the largest buyback in United States history. Also, Nvidia (NVDA, 4.00% weight\*) continued its historic ascent on sustained AI-fueled demand, gaining 36.74% and over a trillion dollars in market capitalization during the quarter.
- LGRO's Communication Services name, Alphabet Inc. – Class A (GOOGL, 5.01% weight\*) advanced 20.82% on the back of strong earnings, highlighting a 46% year-over-year growth in operating income for the first quarter. Another bright spot for the sector was Netflix (NFLX, 1.98% weight\*), gaining 11.12% despite facing a minor pullback during the quarter after delivering weaker-than-anticipated revenue guidance.
- LGRO's Vertex Pharmaceuticals (VRTX, 1.11% weight\*) gained 12.13% and lifted the Fund's Healthcare sector after completing a \$4.9 billion acquisition of Alpine Immune Sciences Inc.

### Valuation Update

- LGRO continues to offer attractive valuation discounts compared to the Bloomberg US 1000 Growth Total Return index.
- LGRO's P/FCF multiple of 32.47x is notably lower than the Bloomberg US 1000 Growth's Total Return Index's multiple of 36.76x.

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

### Contribution to Return by Sector



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

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

### Price Multiples

	LGRO	Bloomberg US 1000 Growth Index
Price/Earnings Ratio	33.29	36.00
Price/Book Ratio	6.99	8.72
Price/Cash Flow Ratio	23.72	25.63
Price/Free Cash Flow Ratio	32.47	36.76
Trailing Twelve Month Yield <sup>^</sup>	0.47%	0.71%
LGRO 30-Day SEC Yield	0.26%	

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

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

<sup>^</sup> Fund inception date: 8/22/2023; since inception data presented

### Level Four Large Cap Growth Active ETF Performance as of 6/30/2024

Total Returns	1 M	3 M	YTD	SI <sup>†</sup>
NAV	4.64%	2.27%	10.77%	25.19%
Market Price	4.63%	2.33%	10.77%	25.27%
Bloomberg US 1000 Growth Index - TR	5.26%	6.19%	17.60%	30.31%

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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.

<sup>†</sup> Fund inception date: 8/22/2023; cumulative return presented

# Level Four Large Cap Growth Active ETF

## Top 10 Holdings

APPLE INC	8.18%	LAM RESEARCH CORP	3.25%
MICROSOFT CORP	5.93%	META PLATFORMS INC-CLASS A	3.23%
AMAZON.COM INC	5.74%	BOOKING HOLDINGS INC	3.18%
ALPHABET INC-CL A	5.01%	UBER TECHNOLOGIES INC	2.98%
NVIDIA CORP	4.00%	BLACKROCK INC	2.91%

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.

The Fund is new and has limited operating history.

Diversification does not eliminate the risk of experiencing investment losses.

30-Day SEC Yield: reflects the dividends and interest earned during the period, after the deduction of the Fund's expenses.

Bloomberg US 1000 Growth Index: provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield and growth.

Free Cash Flow (FCF): a measure of cash earnings that excludes the non-cash expenses of the income statement but includes capital assets as well as changes in working capital from the balance sheet.

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/Free Cash Flow (P/FCF) Ratio: an equity valuation metric that compares a company's per-share market price to its free cash flow (FCF). This metric is very similar to the valuation metric of price/cash flow but uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available to fund non-asset-related growth.

S&P 500 Equal Weight Index: the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the index is allocated a fixed weight.

S&P 500 Index: widely regarded as the best single gauge of large-cap US equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

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. and Level Four Capital Management, LLC, registered investment advisers with the SEC, are the investment adviser and sub-adviser to the Fund, respectively. ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with Level Four Capital Management, LLC.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Fund.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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