Ticker: SDOG

ALPS Sector Dividend Dogs ETF

Anatomy of a Value Cycle | December 31, 2024

Do US Large-Cap Value Stocks Look Cheap?

The price dispersion between growth and value stocks is still at extreme levels on a relative price basis to the S&P 500, wider than during the Dot-com bubble in 1999-00 when growth stocks subsequently collapsed on similarly stretched valuations. As of December 31, 2024, Value's Price-to-Earnings Ratio (P/E) is 44.9% lower than Growth's P/E (or nearly 16x EPS), while Value's P/E is 26.6% lower than the S&P 500's P/E (or nearly 7x EPS).

**Figure 1: S&P Value & Growth Index Price Relative to the S&P 500 Index**
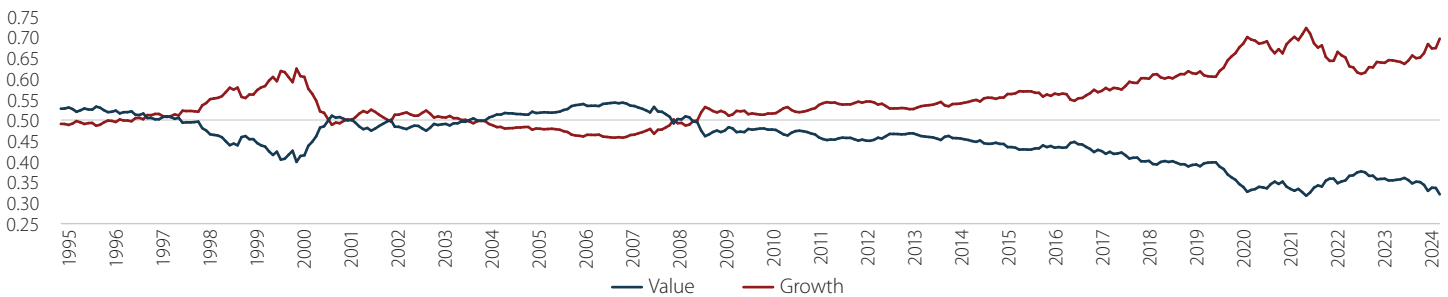
Past performance is no guarantee of future results. *Source: Bloomberg L.P., as of 12/31/2024*

Is the Current Rotation to Value Sustainable?

Market rotations between growth and value tend to occur at the extremes, with value rotations (cycles) historically persisting for an average duration of 5 years. Since the early 1980s, value rotations have occurred at increasingly lower levels of return relative to growth (red trend line). After bouncing off the trend line in September 2020 with a powerful value rotation, growth's recent resurgence is not uncommon within historical value cycles but the setup for value continues to remain with elevated interest rates.

Figure 2: Value vs. Growth Relative Returns
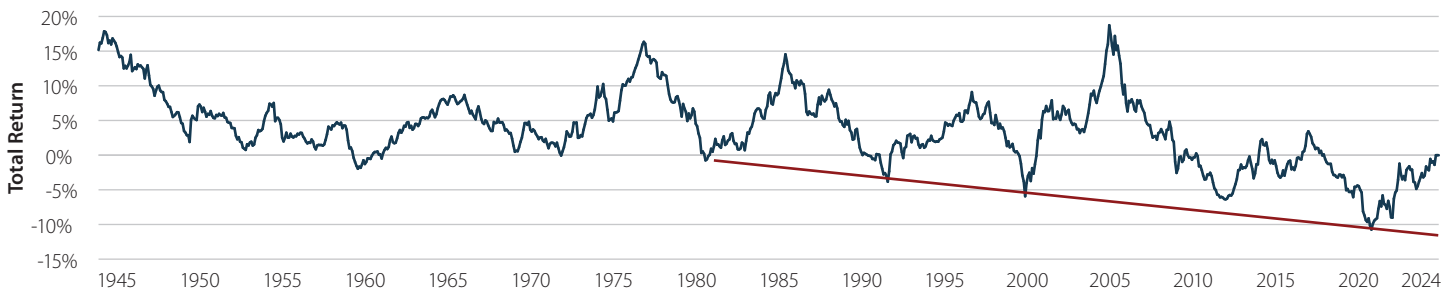
Past performance is no guarantee of future results. *Source: Fama French 3 Factor, Kevin French's Data Library - Dartmouth College, as of 12/31/2024*

Playing the Value Cycle with SDOG

Since 2000, SDOGX, the index that SDOG tracks, has gained 1,803 basis points (bps) on average over pure growth during the first six months of a value cycle, 2,941 bps (+29.41%) over pure growth during the first year and 4,912 bps (+49.12%) over pure growth during the second year of the value rotation. This aggressive rotation is a testament to how fast and persistent style shifts can occur in the markets. During the recent value rotation that began in September 2020, SDOGX has outperformed pure growth by 3,008 bps thus far.

Figure 3: Value's Snapback is Fast, Aggressive and Difficult to Time

Value Cycle		SDOGX's Outperformance Over Pure Growth						SDOGX's Outperformance Over the S&P 500					
Start Date	End Date	3 Months Into the Cycle	6 Months Into the Cycle	1 Year Into the Cycle	2 Years Into the Cycle	3 Years Into the Cycle	Cycle End	3 Months Into the Cycle	6 Months Into the Cycle	1 Year Into the Cycle	2 Years Into the Cycle	3 Years Into the Cycle	Cycle End
3/24/2000	7/13/2007	16.66%	8.71%	50.67%	80.19%	62.57%	175.69%	10.02%	8.54%	40.66%	62.58%	46.84%	152.28%
3/9/2009	12/3/2014	14.88%	32.03%	35.72%	34.47%	52.79%	74.23%	24.82%	41.71%	58.90%	82.64%	104.61%	188.80%
9/1/2020	–	6.97%	13.35%	1.85%	32.70%	36.88%	–	9.88%	17.05%	10.70%	25.56%	12.98%	–
Average Return:		12.84%	18.03%	29.41%	49.12%	50.75%	124.96%	14.91%	22.43%	36.76%	56.93%	54.81%	170.54%

Past performance is no guarantee of future results. *Source: Bloomberg L.P., as of 12/31/2024*

Important Disclosures & Definitions

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus containing this and other information, call 1-866-759-5679 or visit www.alpsfunds.com. 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 subject to the additional risks associated with concentrating its investments in companies in the market sector.

Diversification does not eliminate the risk of experiencing investment losses.

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.

Figure 1: Value is represented by the S&P 500 Value Index. Growth is represented by the S&P 500 Growth Index. Value and Growth month-end prices were compared against the S&P 500 Index from September 1995 to December 2024.

Figure 2: Value is represented as a portfolio of High Book-to-Market stocks and Growth is represented as a portfolio of Low Book-to-Market stocks. The chart illustrates the performance of a value portfolio minus a growth portfolio on a three-year annual compounded rolling return basis.

Figure 3: Value is represented by the S-Network Sector Dividend Dogs Index (SDOGX). Growth is represented by the S&P 500 Pure Growth Index.

Basis Point (bps): a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Dogs of the Dow Theory: an investment strategy which proposes that an investor annually select for investment the ten Dow Jones Industrial Average stocks whose dividend is the highest fraction of their price.

Price/Earnings (P/E) Ratio: a valuation ratio of a company's current share price compared to its per-share earnings.

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.

S&P 500 Growth Index: a capitalization-weighted index containing the stocks from the S&P 500 Index with Growth characteristics.

S&P 500 Pure Growth Index: a style-concentrated index designed to track the performance of stocks that exhibit the strongest growth characteristics by using a style-attractiveness-weighting scheme.

S&P 500 Value Index: a capitalization-weighted index containing the stocks from the S&P 500 Index with Value characteristics.

S-Network Sector Dividend Dogs Index (SDOGX): a rules-based index intended to give investors a means of tracking the overall performance of the highest dividend paying stocks in the S-Network US Equity WR Large-Cap 500 Index (SNR 500) on a sector-by-sector basis. The SNR 500 includes the 500 largest US stocks by market capitalization.

One may not invest directly in an index.

ALPS Advisors, Inc., registered investment advisor with the SEC, is the investment advisor to the Fund. ALPS Advisors, Inc. is affiliated with ALPS Portfolio Solutions Distributor, Inc.

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

Not FDIC Insured • No Bank Guarantee • May Lose Value

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