

2025 Market Themes to Watch

November 30, 2024

While 2024 has seen similar price action to 2023 with mega-cap stocks leading the charge, the broadening out of the market in the second half of 2024 may be set to continue into 2025 at both a sector and thematic level. Although the recent market action has been focused on new policies and potential winners from the election, it is important to balance short-term, long-term and secular drivers in asset allocation decisions.

Domestic Growth

With the US economy expected to accelerate in 2025 on fiscal and monetary tailwinds, along with economic reshoring, small-cap stocks that derive the bulk of their revenues from the US are poised to benefit.

Ticker: **OUSM**

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

Exposure to quality US small-caps to capitalize on domestic economic growth with a focus on profitable companies with lower leverage and growing dividends. 70% of small-cap revenue is tied to domestic US consumer firms.

Stubborn Inflation

The Trump administration's policies are expected to fuel domestic growth with a risk of stoking inflation in 2025. Rising economic growth, coupled with accelerating inflation, is typically bullish for value stocks, Real Estate Investment Trusts (REITs) and commodities.

Ticker: **REIT**

ALPS Active REIT ETF

Active exposure to public REITs capturing valuation opportunities in REIT sectors with enhanced flexibility and strong relative performance to widely held passive REIT ETFs.

Ticker: **SDCI**

USCF SummerHaven Dynamic Commodity
Strategy No K-1 Fund

Dynamic commodities exposure built to hold commodities futures contracts based on fundamental (supply/demand) signals.

Ticker: **SDOG**

ALPS Sector Dividend Dogs ETF

Overweight cyclical value stocks that exhibit attractive yields and valuations that tend to benefit from an inflationary environment.

Energy Infrastructure

Republican control of both the White House and US Congress may provide a regulatory tailwind for energy infrastructure construction approvals, likely with generous tax credits. Increasing global electricity demand from artificial intelligence (AI)-focused data centers and the electrification of the transportation sector are also set to increase global demand for natural gas infrastructure.

Ticker: **ENFR**

Alerian Energy Infrastructure ETF

Diversified energy infrastructure companies combining both C-corporations and master limited partnerships with comprehensive exposure to the North American energy infrastructure industry.

Fixed Income Volatility

Protectionist policies, fiscal rationalization and leadership changes at key positions: Federal Reserve Chair, SEC Chair and Treasury Secretary may create uncertainty and market volatility in 2025 and beyond, particularly in fixed income markets. Sustained volatility in rates markets could undermine performance in passive fixed income products.

Ticker: **SMTH**

ALPS | Smith Core Plus Bond ETF

Actively managed core-plus fixed income—providing flexibility in response to volatile fixed income markets. Access to experienced portfolio management team focused on capital preservation.

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.

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 an investment is available in the prospectus.

The ALPS | CoreCommodity Natural Resources ETF and ALPS | Smith Core Plus Bond ETF are new and have limited operating history.

Diversification does not eliminate the risk of experiencing investment losses. 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. Real estate investments are subject to specific risks, such as risks related to general and local economic conditions and risks related to individual properties. Commodity trading is highly speculative and involves a high degree of risk. Funds focusing on a single sector generally experience greater price volatility. Investments in securities of Master Limited Partnerships (MLPs) involve risks that differ from an investment in common stock. MLPs are controlled by their general partners, which generally have conflicts of interest and limited fiduciary duties to the MLP, which may permit the general partner to favor its own interests over the MLPs. Fixed income securities are subject to interest rate risk, prepayment risk and market risk.

Bull Market: a financial market in which prices are trending upward or are expected to trend upward.

Mega Cap: a designation for the largest companies in the investment universe as measured by market capitalization. While the exact thresholds change with market conditions, mega cap generally refers to companies with a market capitalization above \$200 billion.

Real Estate Investment Trust (REIT): companies that own or finance income-producing real estate across a range of property sectors. Listed REITs have characteristics of both the income potential of bonds and growth potential of stocks.

Thematic Investing: designed to participate in longer term technological disrupters, economic and political developments and social trends.

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