DIVS

The SmartETFs Dividend Builder ETF

July 2025 Update

SmartETFs
by Guinness Atkinson

Portfolio Performance

as of 06/30/2025

In June, DIVS was up 1.61% (NAV basis, up 1.48% market price), while the MSCI World Index benchmark was up 4.31%. Over Q2 2025, DIVS was up 6.03% (NAV basis, up 5.89% market price), while the MSCI World Index benchmark was up 11.47%. Over the second quarter, the Fund underperformance can be attributed to:

- The underweight allocation to Information Technology (14.1% vs 24.8% for the index) and to Communication Services (2.5% vs 8.2% for the index) as these were the two best performing sectors returning 23.4% and 19.3% (in USD) respectively. Also note, the Fund remains underweight the Magnificent7 (the only name held in the Fund is Microsoft). Over Q2 the Mag7 contributed ~1/3rd of the total index return or ~3.7% of the ~11.5% in USD.
- Additionally, an overweight allocation to Consumer Staples (25.0% vs 6.3% for the index) and an overweight allocation to Healthcare (15.2% vs 10.4% for the index) was a headwind as both sectors underperformed, with Healthcare ending as the second worst performer over the quarter.
- However, the Fund did benefit from a zero-weight allocation to Materials, Real Estate, Utilities and Energy, as all sectors underperformed.
- Finally, strong stock selection within IT was a positive with Broadcom +65.0% and TSMC +32.9% outperforming the IT sector and being overweight in the Fund. Microsoft +32.7% also performed well and added to Fund performance, although the Fund is underweight Microsoft vs the benchmark (2.5% vs 4.7% in benchmark).

In this update, we dive deeper into the factors driving markets more broadly (including tariffs, inflation, the US deficit, treasury yields, & the dollar) and discuss what these indicators are showing as of Q2 2025 versus the start of the year.

Holdings are subject to change. Go to SmartETFs.com/DIVS for current holdings.

-10% -5% 0% 5% 10% 15% 20%

Taiwan Semiconductor Manufacturing Co Ltd
Broadcom Inc
Texas Instruments Inc
Emerson Electric Co
Eaton Corp PLC
Cisco Systems Inc
Microsoft Corp
Blackrock Inc
Medtronic PLC
Schneider Electric SE
ABB Ltd
Otis Worldwide Corp
Publicis Groupe SA
Aflac Inc
PepsiCo Inc
Illinois Tool Works Inc
Deutsche Boerse AG
Novo Nordisk A/S
Roche Holding AG
Mondelez International Inc
Atlas Copco AB
Reckitt Benckiser Group PLC
AbbVie Inc
Coca-Cola Co/The
Johnson & Johnson
Assa Abloy AB
CME Group Inc
Unilever PLC
Danone SA
Procter & Gamble Co/The
Nestle SA
Diageo PLC
Arthur J Gallagher & Co
Haleon PLC
Paychex Inc

Best performing stock: **Taiwan Semiconductor Manufacturing Co., 17.6%** TR Month to Date

Worst performing stock: **Paychex Inc., -7.9%** TR Month to Date

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting SmartETFs.com, or calling (866) 307-5990. The returns shown are cumulative for the period, not annualized. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.

DIVS

The SmartETFs Dividend Builder ETF

July 2025 Update

SmartETFs
by Guinness Atkinson

Portfolio Performance over Q2 2025

Individual Stock Performance over Q2 2025

Stock	Performance
Broadcom Inc	65.0%
Taiwan Semiconductor Manufacturing Co Ltd	32.9%
Microsoft Corp	32.7%
Eaton Corp PLC	31.8%
Emerson Electric Co	22.1%
Publicis Groupe SA	20.0%
Texas Instruments Inc	16.5%
ABB Ltd	16.5%
Cisco Systems Inc	13.2%
Deutsche Boerse AG	11.7%
MSCI World Index	11.6%
Blackrock Inc	11.4%
Danone SA	9.6%
Assa Abloy AB	5.5%
CME Group Inc	4.4%
Reckitt Benckiser Group PLC	3.2%
Unilever PLC	2.8%
Atlas Copco AB	2.7%
Novo Nordisk A/S	1.8%
Nestle SA	1.8%
Illinois Tool Works Inc	0.3%
Mondelez International Inc	0.1%
Coca-Cola Co/The	-0.5%
Roche Holding AG	-0.9%
Medtronic PLC	-2.2%
Diageo PLC	-3.6%
Otis Worldwide Corp	-3.6%
Haleon PLC (Bought 15th May 2025)	-3.8%
Aflac Inc	-4.6%
Paychex Inc	-5.0%
Procter & Gamble Co/The	-5.9%
Sonic Healthcare Ltd (Sold 9th April 2025)	-6.9%
Arthur J Gallagher & Co	-7.1%
Johnson & Johnson	-7.1%
AbbVie Inc	-10.6%
PepsiCo Inc	-11.0%

-20% -10% 0% 10% 20% 30% 40% 50% 60% 70%

Source: Bloomberg. Total return in USD. Data as of June 30, 2025.

Broadcom was the Fund's top performer over the quarter, gaining +65.0%. It has been a volatile year for the semiconductor firm, which saw a sharp pullback in Q1 as investor sentiment shifted away from the AI winners. This was driven initially by the DeepSeek announcement in February and followed by concerns over trade policy volatility and rising macro uncertainty. However, over the second quarter of 2025, these names came back into favor as Growthier parts of the market performed particularly well. This performance was aided by strong Q2 results as Broadcom noted impressive growth from AI related revenues

continued on following page...

Portfolio Performance over Q2 2025

(+42% YoY off an already high base), offsetting weakness in legacy end-markets that remain at a cyclical low. Software also came in ahead of consensus, with Broadcom making further progress on converting customers to the full software stack following their acquisition of VMware. Management guidance for Q3 was slightly ahead of consensus, and they spoke encouragingly about the medium-term outlook, which supported the view that Broadcom is strategically positioned to benefit from growing demand for advanced chips. During the quarter, the company also returned over $7bn to shareholders via buybacks and dividends, highlighting the strong free cash flow generated by the firm.

TSMC also performed well during the quarter (+32.9%). The chip manufacturer reported strong April results, exceeding both top- and bottom-line expectations, as AI-related demand offset typical seasonal weakness in smartphone sales. During the earnings call, management reaffirmed their full-year 2025 revenue growth guidance in the mid-20% range, driven primarily by robust demand for High Performance Computing (HPC) applications. Notably, they also reiterated their expectation for AI-related revenue to double in 2025, alleviating investor concerns about a potential slowdown in AI demand. While export restrictions to China remain a headwind, strength in other regions—particularly the U.S.—has more than made up the shortfall. Demand for CoWoS (Chip-on-Wafer-on-Substrate), TSMC's advanced packaging technology critical to AI workloads, still exceeds supply and TSMC plan to double CoWoS capacity in 2025 to execute against this burgeoning demand. Importantly, management has not observed any changes in customer order behavior thus far, which is reassuring given ongoing tariff-related uncertainties. We continue to monitor how evolving trade policies may impact the business but remain optimistic on TSMC's outlook as the company is well-positioned to benefit from the infrastructure buildout required to support AI applications.

PepsiCo was the Fund's worst performer in Q2 falling –11.0%. The company continued to face headwinds in its North American snacking division, where volume softness and pricing pressure weighed heavily on performance. This was compounded by heightened concerns over tariffs, which led management to revise down its full-year guidance. Management linked the underperformance in North American Foods to a broader deterioration in consumer health trends, suggesting that any turnaround in this segment may not be imminent. Despite the domestic pressures, there are reasons for optimism. The International segment remains a strong performer, registering 5% growth during the quarter, with management expressing continued confidence in long-term international expansion. Additionally, PepsiCo's historical ability to manage input cost pressures, demonstrated during the COVID-19 period, suggests it can mitigate the worst of the tariff-related inflation headwinds through strategic pricing and cost control. Encouragingly, the company also narrowed its relative underperformance versus peers, an early indication that its competitive positioning may be stabilizing. Looking ahead, we remain confident in the company's diversified global footprint, extensive brand portfolio across beverages and snacks, and proven pricing power which should support sustainable growth over the long term.

continued on following page...

DIVS

The SmartETFs Dividend Builder ETF

July 2025 Update

Portfolio Performance over Q2 2025

AbbVie also had a difficult quarter (-10.6%). In May, the U.S. administration announced plans to implement international reference pricing, aiming to reduce prescription drug costs for patients. The move sparked a broad sell-off in pharmaceutical stocks, including AbbVie, due to concerns over potential revenue impacts if U.S. drug prices were benchmarked against lower prices in foreign markets, thereby eroding margins and profitability. At a company level, sales of Humira continue to decline given biosimilar competition, while growth in the Aesthetics segment has been sluggish amid weak consumer sentiment and a generally tepid macro environment. That said, there are several encouraging signs that reinforce confidence in AbbVie's long-term trajectory. The company's Immunology franchise continues to perform strongly, with Skyrizi and Rinvoq now accounting for approximately 40% of total revenues. Both drugs delivered robust growth during the latest quarter, prompting management to raise full-year earnings guidance. This signals both commercial momentum and increased visibility into the durability of these assets. While the Aesthetics business remains under pressure, the strength of the Immunology portfolio has more than offset this weakness, demonstrating the resilience and diversification of AbbVie's revenue base. Looking ahead, the company benefits from a deep pipeline, a global commercial infrastructure, and a proven ability to scale new therapies which set them up well to navigate the headwinds facing the industry at present.

Dividends Summary

So far, in 2025, we have had dividend updates from 27 of our 35 holdings.

- 26 companies announced increases for their 2025 dividend vs 2024. The average dividend growth of these companies was 6.7%.
- 1 company announced a flat dividend vs 2024.
- 0 companies announced a dividend cut.
- 0 companies announced dividend cancellations.

The Fund's dividend-based return at the end of the quarter was 2.1% (net of withholding tax) vs the MSCI World Index's 1.7% (gross of withholding tax).

A moderate dividend-based return, albeit ahead of the Index, is characteristic of the Fund because our focus is not on simply finding the highest-yielding companies, but instead on finding high-quality, cash-generative businesses which can consistently grow their dividend stream year-on-year.

Explicitly screening for persistently profitable companies also means that many industries – regulated sectors such as Utilities, Telecommunications and Banks, and commodity-led sectors such as Energy and Materials – tend not to appear in our investible universe. These excluded industries often contain companies that exhibit the highest dividend yields, though we believe these same companies have a relatively greater risk of dividend cuts (as we saw in 2020) and are less likely to grow their dividend over time.

SmartETFs
by Guinness Atkinson

Buys & Sells over Q2 2025

Over the quarter, we sold our position in Sonic Healthcare and, as part of our one-in-one-out process, we initiated a new position in Haleon. Our sector allocation has not changed, as we sold one Healthcare stock and replaced it with another. We have switched from holding a company listed in Australia to one based in the United Kingdom. That said, both names have internationally diversified revenues so the underlying changes in the geographical positioning of the Fund are relatively lower.

Sells

- **Sonic Healthcare**, a provider of clinical laboratory testing, has been through a challenging period as it transitioned from pandemic-driven operations back to its core business activities. Following the COVID-19 boom, Sonic retained much of its workforce and diagnostics infrastructure, which increased its cost base and led to earnings falling below consensus expectations previously. Margin pressure was further compounded by Sonic's reinvestment of pandemic-era supernormal profits into strategic initiatives, the benefits of which are yet to materialize. Management sought to actively address these challenges through a cost-cutting program aimed at restoring its margin profile. Although the latest set of results indicated that expenses as a percentage of sales were starting to move in the right direction as we had expected, this was not translating to share price performance, likely as a result of prolonged negative investor sentiment. We are also concerned by the declining quality of the business; in 2024, cash flow return on investment declined for the second year running, dropping further below our 10% threshold. We still view Sonic as a business with exposure to structural growth drivers such as population growth and aging demographics. However, we lost confidence in their ability to arrest the decline in margins, and thus to higher returns on capital we seek. Consequently, we saw a better opportunity elsewhere and decided to exit the stock.

Buys

+ We replaced Sonic Healthcare with a position in **Haleon**, a UK-listed consumer health company consisting of strong brands such as Voltaren, Sensodyne, and Centrum. Haleon is the second-largest player in the market behind Kenvue, but it is the leader in the categories in which it competes. Haleon offer a range of products across oral health, over-the-counter medication, and vitamins and supplements. The business is geographically diversified with around two-thirds of sales from developed markets. The remaining exposure to emerging markets is expected to support strong organic growth, with demand driven by the developing middle class and increasing consumer purchasing power in these countries. Haleon is also diversified across categories, with each one exposed to several compelling growth drivers, such as premiumization and penetration opportunities in sensitivity toothpaste. The company has a history of successfully lobbying for a drug to be moved from prescription-only to being available over-the-counter, which improves consumer access to drugs and continues to be a source of potential sales growth for Haleon. We believe Haleon can sustain its position as a frontrunner with its strong track record and relationships with healthcare professionals creating high barriers to entry. Consumers are typically less cost sensitive when purchasing healthcare products, plus brand recognition creates strong pricing power for the company. This makes Haleon more economically resilient and strengthens its robust margin profile. The business has strong cash flow generation, which supports a c.1.7% yield, with one-year dividend growth of 10%. Given 35% cash flow return on investment, strong margins, and leading positions in categories with structural tailwinds, we see the stock as an attractive holding for the fund.

DIVS

The SmartETFs Dividend Builder ETF

July 2025 Update

SmartETFs
by Guinness Atkinson

Portfolio Performance

As of 6/30/2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/30/2012)
DIVS at NAV	8.82%	13.79%	14.28%	13.88%	10.57%	10.82%
DIVS at Market Price	9.17%	13.84%	14.11%	13.86%	10.56%	10.82%
MSCI World NR	9.47%	16.26%	18.29%	14.54%	10.65%	10.81%

Expense Ratio: 0.66% (net) | 1.01% (gross)

30-Day SEC Yield (as of 06/30/2025): 1.04% subsidized | 0.71% unsubsidized

The Adviser has contractually agreed to reduce its fees and/or pay ETF expenses in order to limit the Fund's total annual operating expenses to 0.65% through June 30, 2028.

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting SmartETFs.com, or calling (866) 307-5990. The returns shown are cumulative for the period, not annualized. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.

Effective as of the close of business on March 26, 2021, the fund acquired the assets and assumed the performance, financial and other historical information of the Guinness Atkinson Dividend Builder Fund, an open-end mutual fund (incepted March 30, 2012). The fund's investment objectives, strategies and policies are substantially similar to those of the predecessor mutual fund and it was managed by the same portfolio managers. Performance information for periods prior to March 26, 2021 is the historical performance of the predecessor mutual fund and reflects the higher operating expenses of the predecessor mutual fund. The fund has lower expenses than the predecessor mutual fund. For periods prior to March 29, 2021, the fund's performance would have been higher than shown had it operated with the fund's current expense levels.

A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The market price is the most recent price at which the fund was traded.

Subsidized yields reflect any fee waivers or reimbursements that may be in effect during a period, while unsubsidized yields do not.

DIVS

The SmartETFs Dividend Builder ETF

July 2025 Update

Q2 2025 in Review

Equity Market Review – 2025 year to date

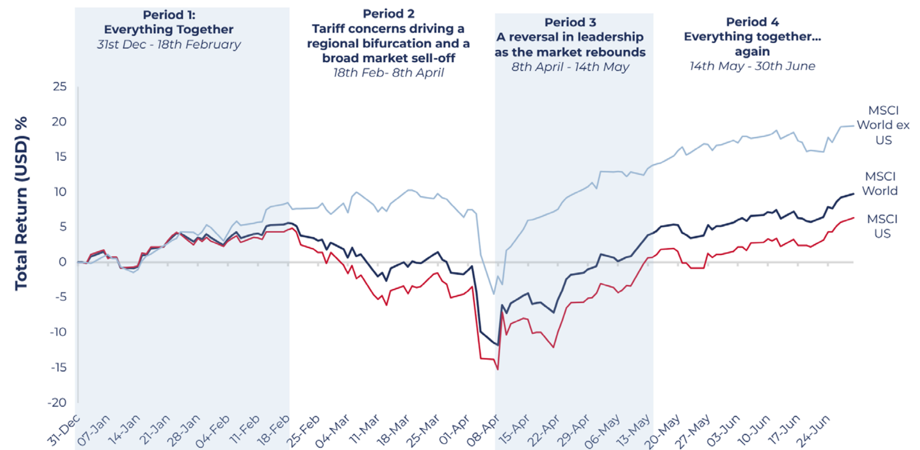
Period 1 – Everything Together (*December 31st – February 18th*)

After a shaky start in the initial weeks of 2025, US stocks outperformed in the immediate days following Trump's inauguration despite a blitz of executive orders. US outperformance was short-lived, however, as markets instead showed a preference for the value on offer in Europe, given the lack of immediate US tariffs on the region, the rising prospect of peace talks in Ukraine, and improving economic growth expectations.

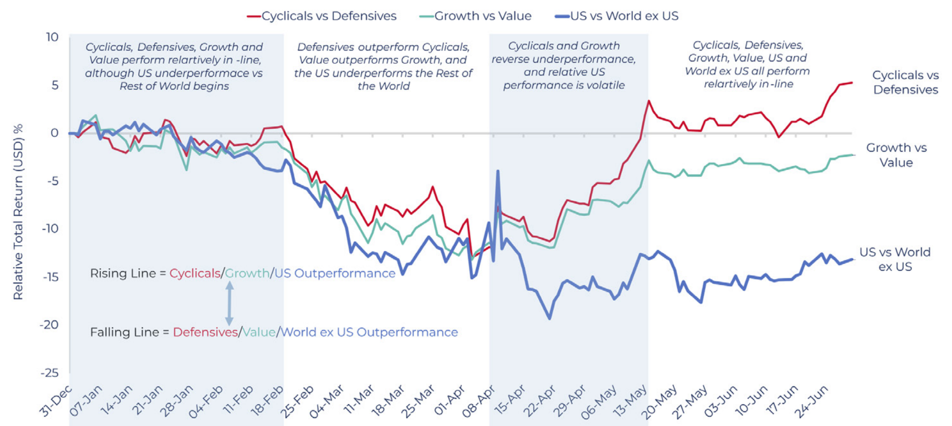
Fund performance: The Fund slightly underperformed over the period. The Fund benefitted from a positive allocation effect, driven by an underweight to bottom performing sectors Information Technology and Consumer Discretionary. However, this was offset by a negative stock selection effect, with weakness in particular from Diageo, Eaton, Novo Nordisk, and Blackrock – all of which underperformed their respective sectors.

MSCI World Indices Total Return - Regional

H1 2025



MSCI World Indices Relative Performance



Source: MSCI. Data as of June 30, 2025

Period 2 – Tariff concerns drive a regional bifurcation and a broad market sell-off (*February 18th – April 8th*)

The MSCI World fell ~17% between the market peak (Feb 18th) and trough (Apr 18th), with a significant bifurcation between US & non-US performance. Given weak US economic data and growing US trade policy uncertainty, investors flocked to more defensive names as cyclicals sold-off. Trump's "Liberation Day" tariffs, far more aggressive than previously thought, caused an -11% drop in the MSCI World. Many countries announced retaliatory tariffs in the aftermath, driving worries of a full-blown trade war. Non-US stocks had held up well until this point, but were not immune to the significant sell-off that followed Liberation day.

continued on following page...

Q2 2025 in Review (continued)

Fund performance: The Fund significantly outperformed during the period, a consequence of both strong stock selection and a positive allocation effect, as the market rotated towards more Defensive and Value orientated stocks. The Fund's overweight to Consumer Staples and Industrials and underweight to Information Technology and Consumer Discretionary drove a significant allocation effect, supported by strong stock selection – particularly within Financials, as our exchanges (Deutsche Boerse and CME) and insurance firms (Arthur J Gallagher and Aflac) significantly outperformed the sector. Other notable strong performers included a number of our Staples holdings (Danone, Unilver, Mondelez and Nestle).

Period 3 – A reversal in leadership as trade concerns dim and the TACO trade emerges (*April 8th – May 14th*)

Areas of the market that experienced the sharpest declines in the prior period, rebounded the strongest, as Cyclical and Growth orientated stocks outperformed their Defensive and Value counterparts. The MSCI World rallied +6.5% on April 9th after a de-escalation in the trade-war as Trump announced a 90 day pause on reciprocal tariffs. Markets continued to rally in the weeks that followed, as a new theory emerged … the TACO trade.

"The recent rally has a lot to do with markets realizing that the US administration does not have a very high tolerance for market and economic pressure, and will be quick to back off when tariffs cause pain. This is the Taco theory: Trump Always Chickens Out."

– Robert Armstrong, Unhedged Column FT.

Fund performance: The tailwinds that benefitted the Fund during "period 2" fully reversed and acted as headwinds to relative Fund performance during "period 3". From an allocation perspective, the Fund's overweight to Consumer Staples acted as a significant headwind, as did an underweight to Information Technology, the top performing sector. From a stock selection perspective, the Fund's exchanges (Deutsche Boerse and CME Group) and insurance firms (Arthur J Gallagher and Aflac) that had supported relative performance in the prior period, did not benefit as much as the wider Financials sector during the market rebound.

Period 4 – Everything together…again (*May 14th – June 30th*)

Equities rallied over the remainder of the quarter, holding up despite a number of significant macro-events that had the potential to derail momentum. Interestingly, factors and regions largely moved in-line with each other from May 14th onwards. Even as the "Big Beautiful Bill" drove concerns over fiscal irresponsibility, a rising debt burden, the escalation of events in the Middle East, equities held up well.

Fund performance: The Fund underperformed during the period, with the Fund's overweight to Consumer Staples and underweight to Information Technology and Communication Services weighing on relative Fund performance. From a stock selection perspective, weakness from our Swedish Industrials

continued on following page…

DIVS

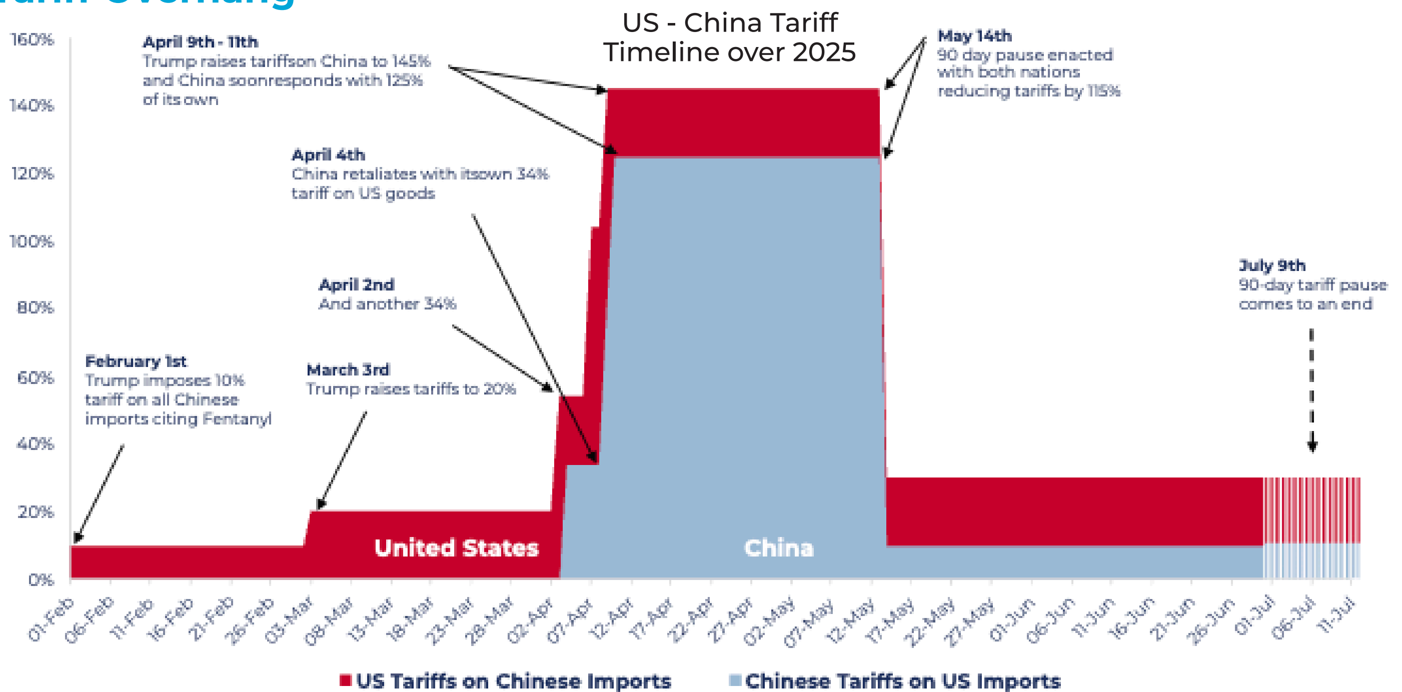
The SmartETFs Dividend Builder ETF

July 2025 Update

Q2 2025 in Review (continued)

(Atlas Copco and Assa Abloy) alongside relative weaker performance from European consumer staples firms (Diageo, Nestle, Danone and Unilever) acted as a detractors to relative performance in the final period.

Tariff Overhang



Source: Reuters, CNN Business, Guinness Atkinson. Data as of April 30, 2025.

The big story year to date has been tariffs. This is a topic we have discussed previously in much detail and, whilst we won't go over it again in this commentary, it is worth noting that the current 90 day pause (which saw US - China tariffs fall from 145% & 125% to 30% & 10% respectively) comes to an end on July 9th. At time of writing, the prospect of a re-escalation in tariffs looms large if no extension is agreed. Whilethis would pose a real headwind for global equities, the key question for investors at present is the extent to which tariff pressures are starting to show up more meaningfully in the US inflation data.

continued on following page...

DIVS

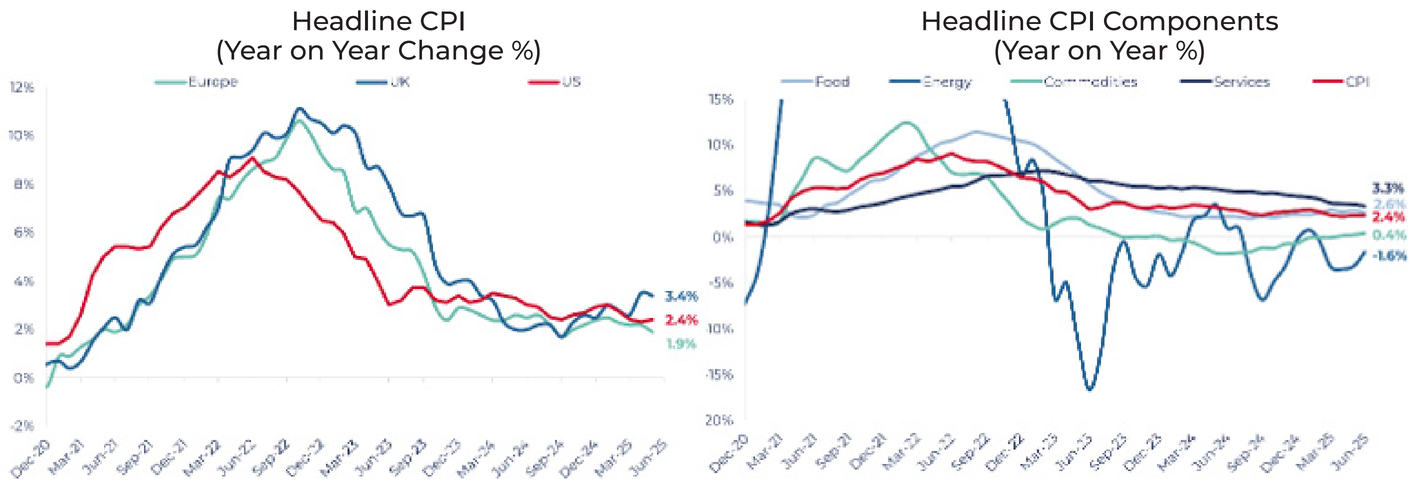
The SmartETFs Dividend Builder ETF

July 2025 Update

SmartETFs
by Guinness Atkinson

Q2 2025 in Review (continued)

Inflation Check

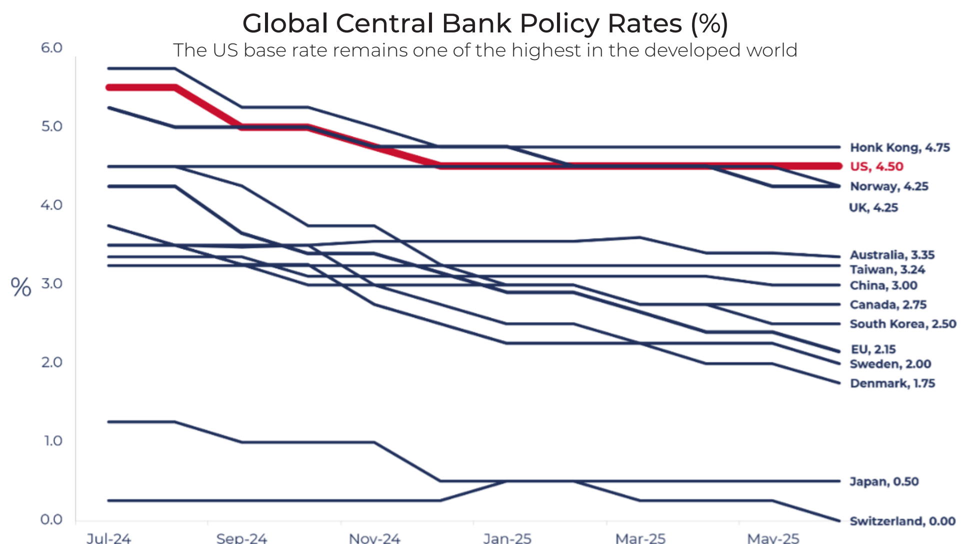


Source: Federal Reserve, Bank of England, ECB, Bloomberg. Data as of June 30, 2025.

The latest CPI report showed US prices increasing 2.4% in May, up marginally from the 2.3% in April, but strong progress overall on the dis-inflation front. Europe has made even better progress, posting just 1.9% in the latest print. We are yet to see the meaningful tariff-related uptick in inflation that many predicted but the true extent of this will appear over the coming months as the delayed timing effects of price increases work their way through the system. Ongoing data will remain of high importance, particularly the Fed's preferred PCE measure, in determining the path of future monetary policy. Powell has made clear his reluctance to cut rates more aggressively given the potential inflationary overhang from tariffs, much to Trump's growing annoyance...

"Mr. Too Late"

"Don't fight the Fed" is a well-known market dictum but this seemingly doesn't apply to Trump, who has made his views on Powell's hawkish stance abundantly clear; "Mr. Too Late... a major loser... a numbskull ... (whose) termination cannot come fast enough". Looking across a variety of major world economies, US rates are certainly towards the higher end of the spectrum, prompting Trump to suggest rates should be as



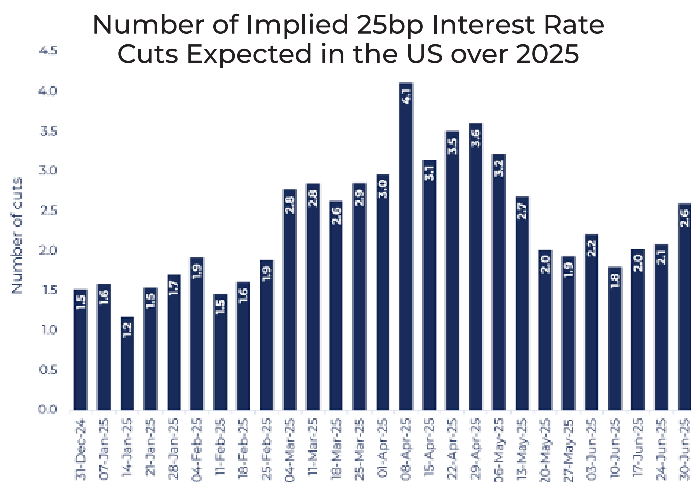
Source: Federal Reserve, Bank of England, ECB, & Other Central Bank Data, Bloomberg. Data as of June 30, 2025.

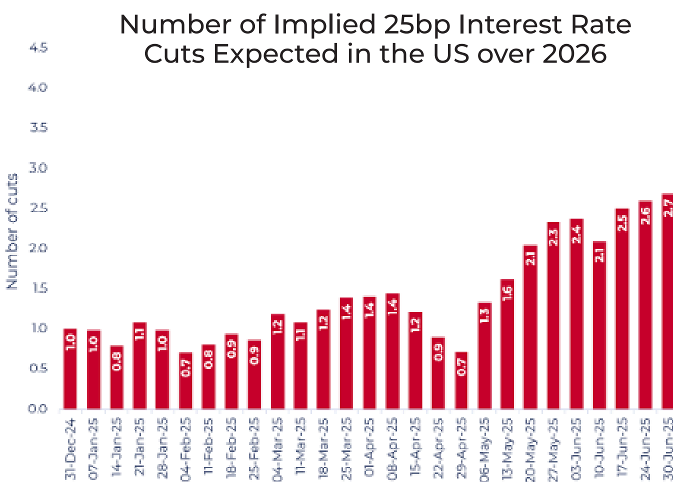
continued on following page...

Q2 2025 in Review (continued)

low as 1.75% on his social media. This comes at a time when Europe has "nearly concluded" its rate cutting cycle, according to ECB president Lagarde . So, what next for the world's largest economy?

How Low will Rates Go?

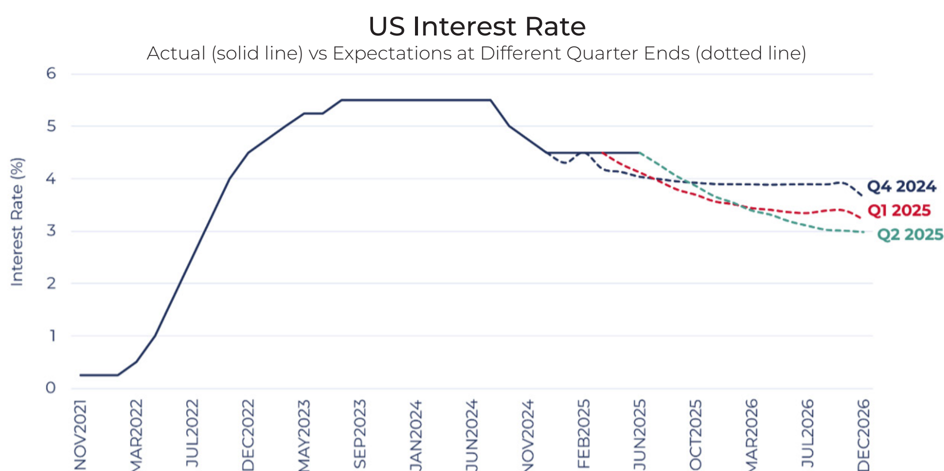




Source: Bloomberg. Data as of June 30, 2025.

The market is currently pricing in ~5 cuts by the end of next year (2.6 cuts in 2025 and 2.7 cuts in 2026). Interestingly, expectations of when these cuts will take place has shifted quite substantially. Earlier in the quarter the consensus was that ~4 cuts would happen in 2025 and just ~1 in 2026. However, the market now thinks that more of these cuts will take place in 2026, pushing them out further into the future.

Put another way, the market now thinks rates will stay higher for longer but will then reach a lower base by the end of 2026. This may have been influenced by robust economic data but also coincides with expectations that the next Fed chair (elected in April 2026) could be notably more dovish than Powell. Trump recently posted on Truth Social that he has narrowed his successor search to "three or four people", all of whom are expect-



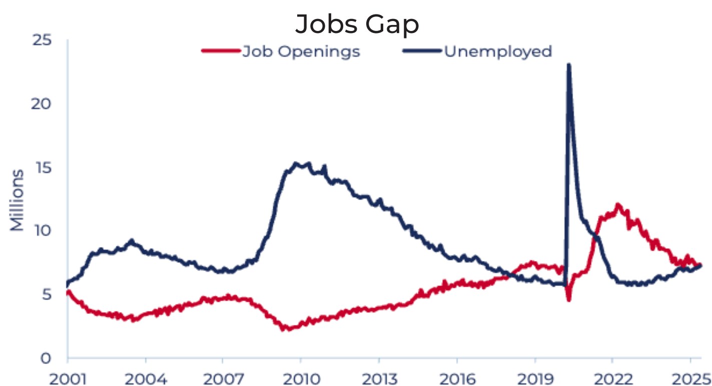
Source: Bloomberg. Data as of June 30, 2025.

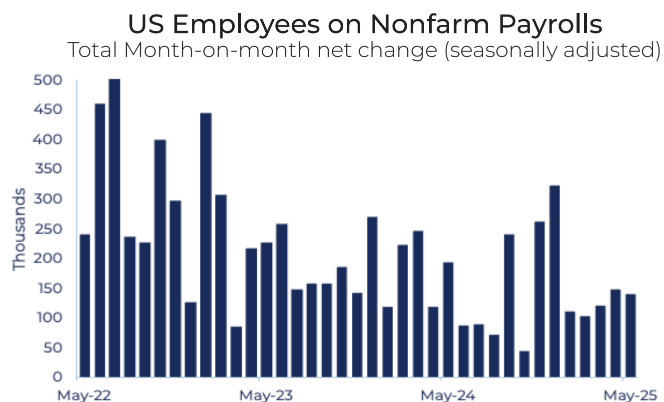
continued on following page...

Q2 2025 in Review (continued)

ed to be more sympathetic to Trump's preference for looser monetary policy. Nonetheless, Powell remains focused on the job for now, and said cuts are off the table until the autumn as the Fed waits to see the impacts of tariffs on prices in June & July. We also note that the Fed Chair is only 1 of 12 voting members of the FOMC, so is not solely responsible for setting policy rates in any event.

Jobs are Important Too



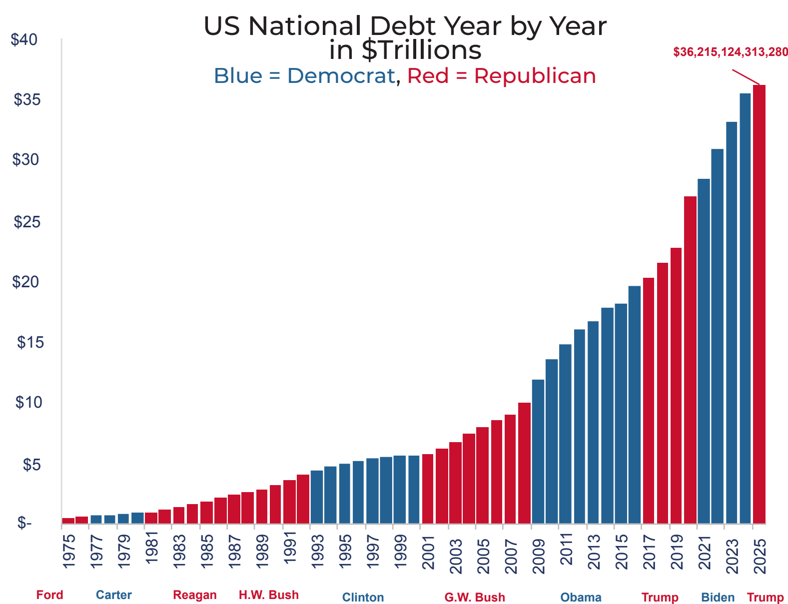


Source: Bureau of Labor Statistics. Data as of June 30, 2025.

While much of the focus has been on the inflation prints, it is worth remembering that the Fed has a dual mandate, keeping prices stable but also promoting maximum employment. On this note, the job market looks fairly healthy. Unemployment is low (4.2%), prime age participation high (83%), and the latest non-farm payrolls showed 144k additions. The only negative indicator here is the fast rising continuing jobless claims (people who are staying unemployed) but, on balance, the jobs market looks relatively healthy as things stand.

The Big Beautiful Bill and The Big Deficit

Over the past 50 years, US debt has grown under every single administration (Democrat & Republican) but the recent increase has been staggering, with the total figure doubling in the last decade and surpassing $36 trillion year to date. This shows no signs of slowing down, with Trump's flagship legislation (the Big Beautiful Bill), set to extend tax cuts while cutting welfare spending and green subsidies. The non-partisan Congressional Budget Office (CBO) says the bill will add more than $3.3tn to the national debt



Source: US Treasury Database and Congressional Budget Office. Data as of June 30, 2025.

continued on following page...

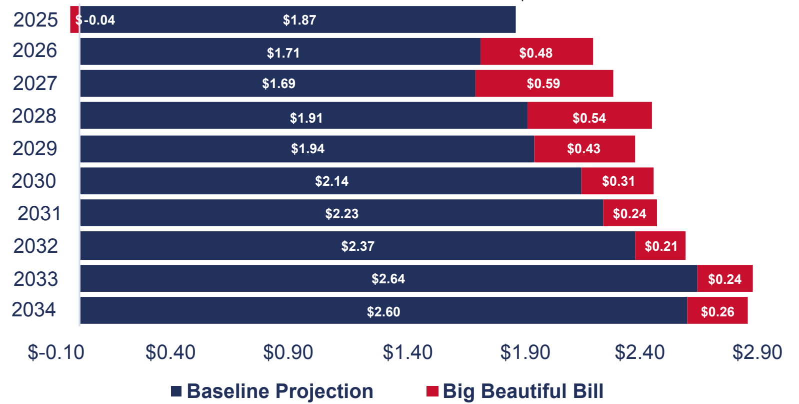
DIVS

The SmartETFs Dividend Builder ETF

July 2025 Update

Q2 2025 in Review (continued)

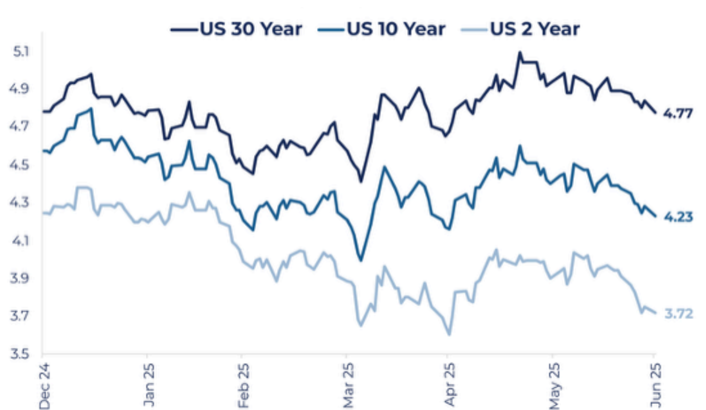
by 2034 which is on top of the $21tn expected in cumulative budget deficits, according to baseline projections.



Source: US Treasury Database and Congressional Budget Office. Data as of June 30, 2025.

What are the Yields Showing?

Despite the prospects of falling inflation and rate cuts over the coming 18 months, Treasury yields have reached their highest levels in ~15 years (with the 30-year surpassing 5% earlier in the quarter). The US has historically financed large deficits with relative ease as strong investor demand to hold US debt has kept borrowing costs low. However, the latest spike in yields underscores mounting concern over the sustainability of U.S. public finances, given persistent deficits and a bipartisan reluctance to curb government spending.



Source: Bloomberg. Data as of June 30, 2025.

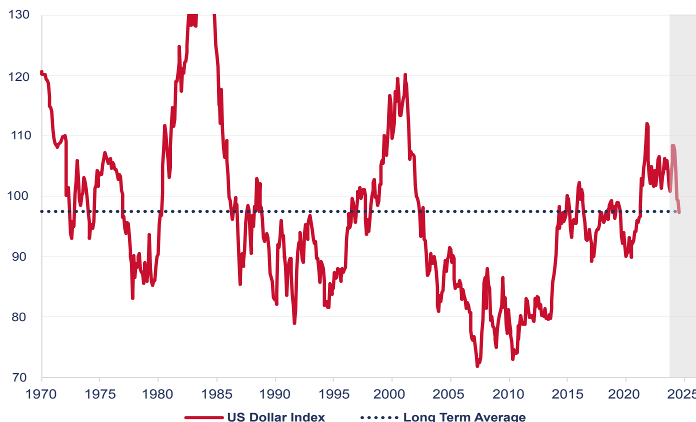
Dollar Woes

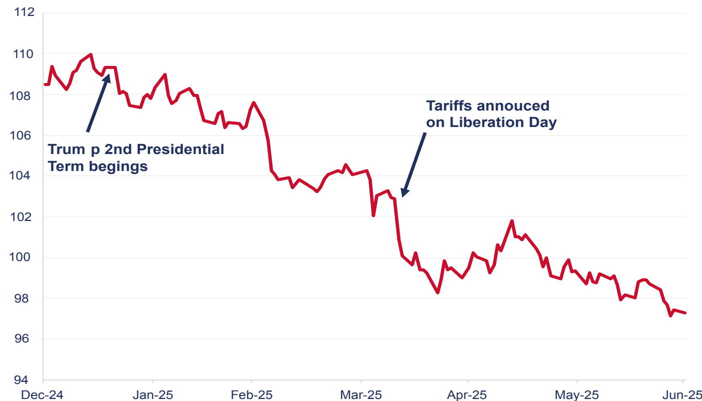
The U.S. dollar has endured its weakest start to a year since 1973. Even with higher rates than other economies, heightened policy uncertainty, trade wars, and growing deficits (see below) have prompted a broader rotation out of US assets, putting downward pressure on the dollar. Starting the year in a relatively strong position, the dollar has now fallen below its longer term (55 year) average and has continued its devaluation vs a basket of major currencies. The dollar remains a safe haven asset for now, but the first half of 2025 was a weak start and raises questions about the future trajectory of the world's reserve currency.

continued on following page...

DIVS
The SmartETFs Dividend Builder ETF
July 2025 Update

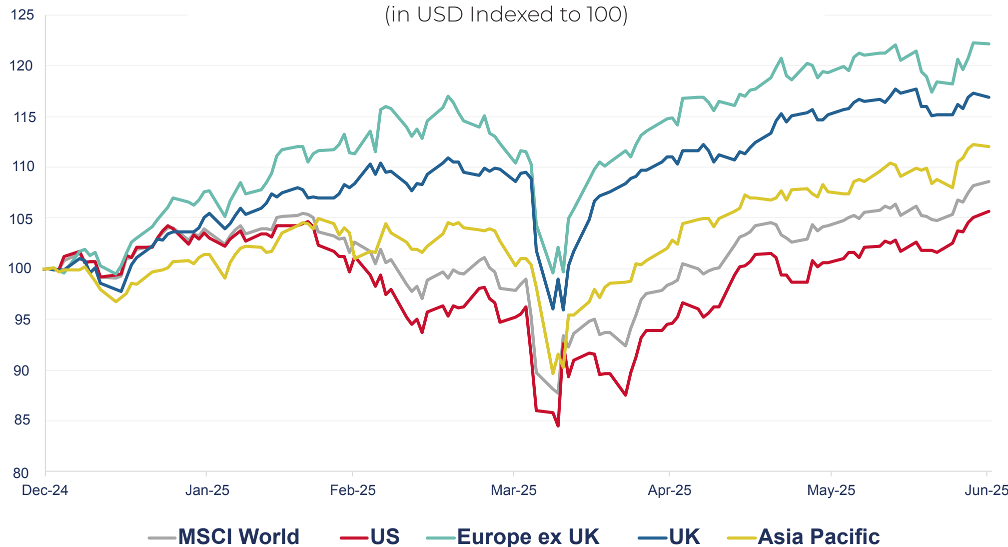
Q2 2025 in Review (continued)





Source: Bloomberg, US Dollar Index. Data as of June 30, 2025.

American Woes = European Delight



Source: MSCI, Bloomberg. Data as of June 30, 2025.

Europe has been the big beneficiary in 2025 so far, with investors rotating out of more richly-valued US equities into the cheaper, more value-oriented European names. While the defense sector has been a real standout for Europe (increased government defense spending has served as a substantial tailwind to domestic industries), broader areas of the European market have also performed well including Industrials, Financials, and IT. The UK and Asia Pacific indexes also outperformed the MSCI World in dollar terms, thanks largely to the depreciating dollar. As a result, the US ended H1 as the worst performing geography by some distance, with the underperformance primarily occurring over the first quarter of the year.

There's more where that came from!

Join our newsletter at SmartETFs.co/newsletter or follow us on Instagram @SmartETFs!

SmartETFs
by Guinness Atkinson

Important Information

Basis Points (bps) are a unit of measurement used to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,583 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

S&P 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

MSCI World Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

MSCI World Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

Consumer Price Index is a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

Indexes are unmanaged. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

Price to Earnings Ratio is a stock valuation metric that compares a company's share price to its earnings per share.

Earnings Per Share (EPS) is a company's net profit divided by the number of common shares it has outstanding. It indicates how much money a company makes for each share of its stock and is a widely used metric for estimating corporate value.

Compound Annual Growth Rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span.

Personal Consumption Expenditures (PCE) Index is a measure of the prices that US consumers pay for goods and services.

Consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. For a prospectus or summary prospectus with this and other information, please call (866) 307-5990 or visit our website at www.SmartETFs.com. Read the prospectus or summary prospectus carefully before investing.

The Fund invests in securities that pay dividends, and there is no guarantee that the securities held by the Fund will declare or pay dividends in the future, or that dividends will remain at current levels or increase.

Investments in foreign securities involve greater volatility, political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets countries.

Investing in securities involves risk and there is no guarantee of principal.

Shares of the Fund are distributed by Foreside Fund Services, LLC.