

FOURTH QUARTER COMMENTARY

Vident Financial

Positive Quarter, Challenging Year



2022 was a difficult year for financial assets. Yields on the 10-year Treasury note ended at 3.88% vs. a 1.51% yield at the end of 2021 repricing financial assets. The Bloomberg U.S. Aggregate lost 13.01% and the S&P 500 index lost 18.11%, resulting in many investors who allocate 60% to stocks and 40% to bonds losing money in both asset classes. Technology stocks had a particularly challenging year with a negative return of 39.97% as measured by the NYSE FANG+® Index.

In our third quarter commentary of 2022, we warned investors about owning too many speculative companies that were either too highly valued or needed a new economy to emerge out of the pandemic. Vident's principles generally will not participate fully in speculative rallies, but as you will see in our fund highlights, investors in the Vident funds were generally rewarded relative to broad market indexes over the last two years.

As always, we believe the best way to invest in all times is to continue to adhere to our principles of seeking to invest in consistent company performance driven by quality leadership and governance, as well as identifying reasonable valuations and diversifying in a disciplined manner.

FUND REVIEW HIGHLIGHTS AS OF 12/31/2022

VUSE returned 12.25% for Q4 while the S&P 500 Index* returned 7.56% bringing YTD returns to -9.41% for VUSE and -18.11% for the S&P 500 Index. Over the last two years¹, VUSE has returned 22.89% compared to the S&P 500 Index at 5.40%. VUSE's stock selection in the Consumer Discretionary, Information Technology and Communication Services sectors were the most additive when compared with the S&P 500. On 12/30/2022, VUSE started tracking a new index, Vident U.S. Quality Index (VQUSX) that focuses on higher quality names along with broader market capitalization diversification.

VIDI returned 15.25% for Q4 while MSCI ACWI Ex USA (ACWX)** Index returned 14.37% bringing YTD returns for VIDI to -13.82% and ACWX -15.57%. Over the last two years, VIDI has returned -3.85% compared to ACWX at -8.56%. Additive contributions to VIDI's return came from underweighting Japan and overweighting Hong Kong and Poland compared to ACWX. Underweighting France and overweighting Brazil and Israel detracted to VIDI's returns compared to ACWX.

VBND returned 1.50% for Q4 while the Bloomberg US Aggregate Bond (AGG) Index*** returned 1.87% bringing YTD returns for VBND to -14.18% and AGG -13.01%. Over the last two years, VBND has returned -14.53% compared to AGG at -14.35%. VBND's Index (VUBDX) rebalances every quarter and reviews the spreads¹ and momentum² in the bond market. The quarterly signal in the index methodology results in the allocation between high yield³, TIPS⁴ and Treasuries⁵. Currently the signal is off for both TIPS and high yield.

PPTY returned 4.36% in Q4, compared to 5.22% for MSCI US REIT Index (RMZ)**** bringing YTD returns for PPTY to -26.09% and RMZ -24.51%. Over the last two years, PPTY has returned 3.61% compared to RMZ at 8.01%. The Retail and Industrial sectors led performance and Residential and Health Care detracted from performance.

¹From 12/31/2020 to 12/31/2022.

VIDENT U.S. EQUITY STRATEGY ETF™ (VUSE)

	Annualized				
	Q4	YTD	1 Yr.	5 Yr.	Since Inception (1/21/2014)
VUSE Market	12.25%	-9.41%	-9.41%	6.05%	7.41%
VUSE NAV	12.53%	-9.30%	-9.30%	6.11%	7.43%

Total annual operating expenses 0.50%.

VIDENT INTERNATIONAL EQUITY STRATEGY ETF™ (VIDI)

	Annualized				
	Q4	YTD	1 Yr.	5 Yr.	Since Inception (10/29/2013)
VIDI Market	15.25%	-13.82%	-13.82%	-1.40%	1.43%
VIDI NAV	-14.73%	-13.90%	-13.90%	-1.39%	1.48%

Total annual operating expenses 0.61%.

VIDENT U.S. BOND STRATEGY ETF™ (VBND)

	Annualized				
	Q4	YTD	1 Yr.	5 Yr.	Since Inception (10/14/2015)
VBND Market	1.50%	-14.18%	-14.18%	-0.47%	0.33%
VBND NAV	1.78%	-14.02%	-14.02%	-0.38%	0.37%

Total annual operating expenses 0.41%.

U.S. DIVERSIFIED REAL ESTATE ETF (PPTY)

	Annualized				
	Q4	YTD	1 Yr.	3 Yr.	Since Inception (3/26/2018)
PPTY Market	4.36%	-26.09%	-26.09%	-1.28%	6.01%
PPTY NAV	4.40%	-26.06%	-26.06%	-1.25%	6.00%

Total annual operating expenses after fee waiver, 0.49%. Total annual operating expenses, 0.53%.

Carefully consider each Fund's investment objectives, risk factors, charges and expenses before investing. A prospectus can be obtained by visiting www.videntfunds.com/etfs or by calling 800-617-0004. Please read it carefully before investing. All performance quoted represents past performance, which is no guarantee of future results. Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. Short term performance is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. Please visit our website www.videntfunds.com to obtain the most recent month-end returns. Rather than taking the fund's market value change or total return, a NAV return uses the fund's change in net asset value over time instead. NAV can differ from a fund's market price since it is computed end-of-day, while the securities held inside of a fund trade throughout each trading day. Diversification does not guarantee against investment losses. Investments involve risk. Principal loss is possible. The Funds have the same risks as the underlying securities traded on the exchange throughout the day at market price. Redemptions are limited and often commissions are charged on each trade. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. These risks are greater for investments in emerging markets. A fund that concentrates its investments in the securities of a particular industry or geographic area may be more volatile than a fund that invests in a broader range of industries. Performance includes the reinvestment of dividends. Rather than taking the fund's market value change or total return, a NAV return uses the fund's change in net asset value over time instead. NAV can differ from a fund's market price since it is computed end-of-day, while the securities held inside of a fund trade throughout each trading day. Diversification does not guarantee against investment losses.

*S&P 500 Index measures the stock performance of 500 large companies listed on stock exchanges in the United States. The S&P 500 index is a market capitalization-weighted index of the 500 leading publicly traded companies in the U.S. **MSCI ACWI ex USA Index (ACWX) is a market-cap-weighted index, designed to provide broad measure global stock performance, with the exception of U.S.-based companies. ACWX includes both developed and emerging markets. MSCI ACWI ex USA Value Index captures large and mid cap securities exhibiting overall value style characteristics across 22 Developed and 26 Emerging Markets countries. ***AGG is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. The index tracks IG corporate debt, government debt, mortgage-backed securities (MBS) and asset-backed securities (ABS) to simulate the universe of investable bonds that meet certain criteria. ****The MSCI US REIT Index is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate Investment Trusts (REITs). The index is based on the MSCI USA Investable Market Index (IMI), its parent index, which captures the large, mid and small cap segments of the USA market.

¹A credit spread is the difference in yield between a U.S. Treasury bond and another debt security of the same maturity but different credit quality. ²Momentum is the rate of acceleration of a security's price or volume, the speed at which the price is changing. It refers to the rate of change on price movements for a particular asset and is usually defined as a rate. ³High-yield bonds are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds. ⁴Treasury inflation-protected securities (TIPS) are a type of Treasury security issued by the U.S. government. TIPS are indexed to inflation in order to protect investors from a decline in the purchasing power of their money. ⁵Treasury bonds (T-bonds) are government debt securities issued by the U.S. Federal government that have maturities greater than 20 years. Vident U.S. Quality Index (VQUSX) is a rules-based, systematic strategy index of equity securities of issuers domiciled and traded in the United States. The index uses proprietary Quality and Governance scores to select stocks from the U.S. stock universe. Vident Core US Bond Index (VUBDX), an index strategy that relies on a dynamic allocation approach to enhance the risk/return profile of the index. It employs a rules-based process to achieve higher resiliency and better tradeoffs between credit quality, duration and yield versus traditional US core bond indices.

The Vident Funds are distributed by ALPS Distributors, Inc. The funds' investment adviser is Vident Advisory, LLC and sub-adviser is Vident Investment Advisory, LLC (VIA). Vident Financial owns the indexes that underlie the funds. ALPS is not affiliated with Vident Financial, Vident Advisory or VIA. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

As of 11/28/2022 the fund names were updated (see above). The former names are listed here; Vident Core U.S. Equity Fund, Vident International Equity Fund, and Vident Core U.S. Bond Strategy ETF.