

Annual Report

February 28, 2022

U.S. DIVERSIFIED REAL ESTATE ETF
(Formerly: PPTY – U.S. Diversified Real Estate ETF)

Ticker: PPTY

U.S. DIVERSIFIED REAL ESTATE ETF

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U.S. DIVERSIFIED REAL ESTATE ETF

Dear Shareholders,

On behalf of the entire team, we want to express our appreciation for the confidence you have placed in the U.S. Diversified Real Estate ETF (“PPTY” or the “Fund”). The following information pertains to the fiscal period of March 1, 2021 through February 28, 2022 (the “Period”). The Fund seeks to track the total return performance, before fees and expenses, of the USREX – U.S. Diversified Real Estate IndexTM (the “Index”).

The Index is a passive, rules-based strategy index of U.S. real estate equity that selects companies using proprietary factors that take into account property type, property values, leverage, and location data.

The Fund had positive performance during the Period ending on February 28, 2022. The market price for PPTY increased 21.76% and the Net Asset Value (“NAV”) increased 22.23%, while the MSCI US REIT Gross Index, a broad market index, gained 23.75% over the same Period. The Fund’s Index returned 23.14%. Meanwhile, outstanding shares ended the Period at 4,100,000.

For the Period, the largest positive contributor to return was Prologis, Inc. (PLD US), adding 1.84% to the return of the Fund, gaining 50.18% with an average weighting of 4.14%. The second largest contributor to return was AvalonBay Communities, Inc. (AVB US), adding 1.45% to the return of the Fund, gaining 39.81% with an average weighting of 3.74%. The third largest contributor to return was VEREIT, Inc. (VER US)¹, adding 1.26% to the return of the Fund, gaining 33.14% with an average weighting of 2.48%.

For the Period, the largest negative contributor to return was Broadstone Net Lease, Inc. (BNL US), detracting 0.39% from the return of the Fund, declining 15.00% with an average weighting of 1.31%. The security contributing second-most negatively was Empire State Realty Trust, Inc. (ESRT US), detracting 0.38% from the return of the Fund, and declining 18.15% with an average weighting of 0.74%. The third largest negative contributor to return was Omega Healthcare Investors, Inc. (OHI US), detracting 0.10% from the return of the Fund, and declining 17.58% with an average weight of 0.47%.

For the Period, the best performing security in the Fund was Independence Realty Trust, Inc. (IRT US), gaining 84.59% and contributing 0.48% to the return of the Fund. The second-best performing security for the Period was Camden Property Trust (CPT US), gaining 62.35% and contributing 0.77% to the return of the Fund. The third-best performing security was Public Storage (PSA US), gaining 55.90% for the Period and contributing 0.43% to the return of the Fund.

For the Period, the worst performing security in the Fund was Americold Realty Trust (COLD US), declining 21.77% and reducing the return of the Fund by 0.05%. The

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second-worst performing security in the Fund was Orion Office REIT Inc. (ONL US), declining 20.05% and reducing the return of the Fund by 0.01%. The third-worst performing security in the Fund was Sunstone Hotel Investors, Inc. (SHO US), declining 19.91% and reducing the return of the Fund by 0.09%.

Sincerely,

Deborah K. Kimery, CFA
Chief Executive Officer, Vident Advisory, LLC

¹ On November 1, 2021, Realty Income Corporation (O US) announced the completion of a previously announced merger with VEREIT, Inc. The combined company now trades under the ticker symbol “O”. PPTY held Realty Income Corporation as of February 28, 2022.

Past performance is not a guarantee of future results.

Opinions expressed are those of the Fund manager and are subject to change, are not guaranteed and should not be considered investment advice.

Fund holdings are subject to change and are not recommendations to buy or sell any security. For more complete information regarding performance and holdings, please refer to the schedules of investments on pages 7-11.

Investments involve risk. Principal loss is possible. The Fund has the same risks as the underlying securities traded on the exchange throughout the day at market price. The Fund is a diversified management investment company. The Fund’s investments will be concentrated in an industry or group of industries to the extent the Index is so concentrated, and the Index is expected to be concentrated in real estate-related industries. The composition of the Index is heavily dependent on a proprietary quantitative model as well as information and data supplied by third parties (“Models and Data”). The Fund is expected to invest substantially all of its assets in real estate-related companies. Investments in real estate companies involve unique risks. Real estate companies, including REITs, may have limited financial resources, may trade less frequently and in limited volume, and may be more volatile than other securities. The risks of investing in real estate companies include certain risks associated with the direct ownership of real estate and the real estate industry in general. Securities in the real estate sector are subject to the risk that the value of their underlying real estate may go down. As with all ETFs, shares may be bought and sold in the secondary market at market prices. Although it is expected that the market price of shares will approximate the Fund’s NAV, there may be times when the market price of shares is more than the NAV intra-day (premium) or less than the NAV intra-day (discount) due to supply and demand of shares or during periods of market volatility. The equity securities of smaller companies have historically been subject to greater investment risk than securities of larger companies.

The USREX – U.S. Diversified Real Estate IndexTM is constructed from a universe of U.S.-listed equity securities with a market capitalization of at least \$750 million and meeting certain liquidity thresholds (the “Equity Universe”). For companies currently in the index, the minimum market capitalization is \$375 million. Companies in the Equity Universe are then screened to keep only those that derive at least 85% of their income from ownership or management of real property. Companies that meet this criterion are then screened to remove companies that are externally managed or that have a low percentage of their shares directly or indirectly available to the public. The companies remaining after the above screens will constitute the Index. The Index is designed to ensure diversification by property type and by location, while favoring companies with prudent leverage (i.e., the debt-to-enterprise value ratio of real estate investments), all subject to a

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maximum individual security weighting of 4% at the time of each reconstitution of the Index. The Index is expected to be primarily composed of companies that qualify as real estate investment trusts (“REITs”), but may also include real estate companies that do not qualify as REITs.

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. With 149 constituents, it represents about 99% of the U.S. REIT universe and securities are classified under the Equity REITs Industry (under the Real Estate Sector) according to the Global Industry Classification Standard (GICS®), have core real estate exposure (i.e., only selected Specialized REITs are eligible) and carry REIT tax status.

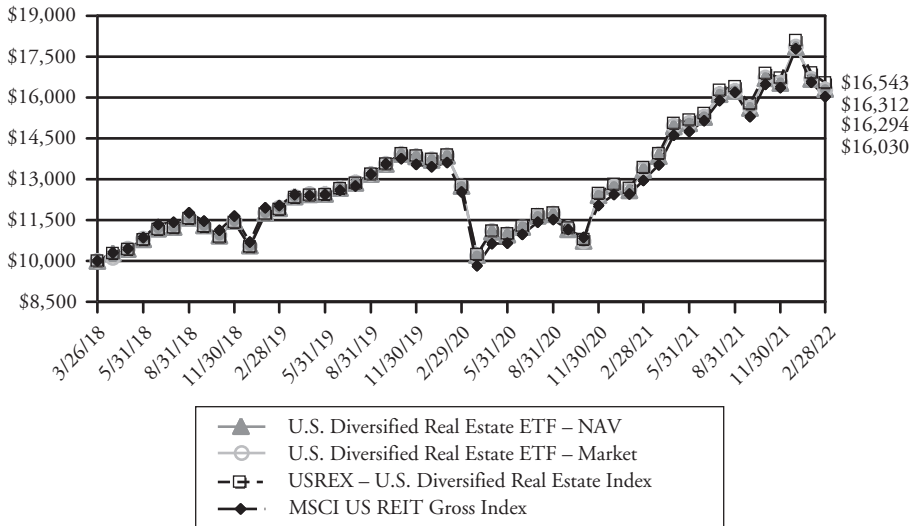
It is not possible to invest directly in an index.

Must be preceded or accompanied by a Prospectus.

U.S. DIVERSIFIED REAL ESTATE ETF

PERFORMANCE SUMMARY (Unaudited)

Growth of \$10,000



This chart illustrates the performance of a hypothetical \$10,000 investment made on March 26, 2018, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The chart assumes reinvestment of capital gains and dividends. It is not possible to invest directly in an index.

U.S. DIVERSIFIED REAL ESTATE ETF

PERFORMANCE SUMMARY (Unaudited) (Continued)

Average Annual Returns February 28, 2022	One Year	Three Years	Since Inception⁽¹⁾
U.S. Diversified Real Estate ETF – NAV	22.23%	10.99%	13.26%
U.S. Diversified Real Estate ETF – Market	21.76%	10.88%	13.23%
USREX – U.S. Diversified Real Estate Index ⁽²⁾⁽³⁾	23.14%	11.62%	13.67%
MSCI US REIT Gross Index ⁽²⁾⁽⁴⁾	23.75%	10.03%	12.76%

The Performance data quoted is historical. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemptions of Fund shares. The total operating expenses as stated in the fee table to the Fund's prospectus dated June 30, 2021, is 0.53%. Effective February 1, 2020, the Adviser has contractually agreed to waive 0.04% of its adviser fee until at least June 30, 2022. For performance information current to the most recent month-end, please call 1-800-617-0004.

(1) Inception date is March 26, 2018.

(2) Indexes are unmanaged statistical composites and their returns do not include fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index.

(3) The index is designed to use stable geographic and property type targets to provide diversified exposure to U.S. real estate. The index is designed to provide diversification by property type and location.

(4) The MSCI US REIT Gross Index is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate Investment Trusts (REITs). REITs are companies that in most cases own and operate income producing real estate assets.

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PORTFOLIO ALLOCATION

As of February 28, 2022 (Unaudited)

Sector	Percentage of Net Assets
Residential REITs	21.7%
Office REITs	18.4%
Retail REITs	16.4%
Industrial REITs	12.5%
Specialized REITs	9.4%
Health Care REITs	6.9%
Diversified REITs	6.4%
Hotels, Resorts & Cruise Lines	5.4%
Hotel & Resort REITs	2.6%
Health Care Facilities	0.3%
Short-Term Investments	0.9%
Investments Purchased with Proceeds from Securities Lending	28.9%
Liabilities in Excess of Assets	<u>(29.8)%</u>
Total	<u><u>100.0%</u></u>

U.S. DIVERSIFIED REAL ESTATE ETF

SCHEDULE OF INVESTMENTS

February 28, 2022

<u>Shares</u>	<u>Security Description</u>	<u>Value</u>
COMMON STOCKS - 100.0%		
Health Care Facilities - 0.3%		
6,020	National HealthCare Corporation	\$ 391,420
Hotels, Resorts & Cruise Lines - 5.4%		
4,635	Choice Hotels International, Inc.	669,062
14,774	Hilton Worldwide Holdings, Inc. (a)	2,199,258
7,879	Hyatt Hotels Corporation – Class A (a)	765,130
16,559	Marriott International, Inc. – Class A (a)	2,817,348
12,804	Travel + Leisure Company	717,664
8,401	Wyndham Hotels & Resorts, Inc. (b)	725,930
		<u>7,894,392</u>
Diversified REITs - 6.4%		
9,279	Alexander & Baldwin, Inc.	208,128
45,936	American Assets Trust, Inc.	1,679,421
79,646	Armada Hoffler Properties, Inc.	1,169,203
142,129	Broadstone Net Lease, Inc. (b)	3,078,513
20,987	DigitalBridge Group, Inc. (a)(b)	152,156
30,939	Essential Properties Realty Trust, Inc.	782,138
8,143	PS Business Parks, Inc. (b)	1,297,098
23,296	STORE Capital Corporation	715,653
6,036	Washington Real Estate Investment Trust	141,001
3,600	WP Carey, Inc.	278,640
		<u>9,501,951</u>
Health Care REITs - 6.9%		
22,981	CareTrust REIT, Inc.	402,168
9,412	Community Healthcare Trust, Inc.	392,480
26,107	Global Medical REIT, Inc.	409,880
19,912	Healthcare Realty Trust, Inc.	519,305
24,699	Healthcare Trust of America, Inc. – Class A (b)	725,904
39,792	Healthpeak Properties, Inc.	1,235,940
12,491	LTC Properties, Inc.	422,571
23,440	Medical Properties Trust, Inc. (b)	476,770
9,061	National Health Investors, Inc. (b)	483,042
17,847	Omega Healthcare Investors, Inc. (b)	502,750
32,993	Physicians Realty Trust (b)	536,466
30,789	Ventas, Inc.	1,662,605

The accompanying notes are an integral part of these financial statements.

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SCHEDULE OF INVESTMENTS February 28, 2022 (Continued)

<u>Shares</u>	<u>Security Description</u>	<u>Value</u>
COMMON STOCKS - 100.0% (Continued)		
Health Care REITs - 6.9% (Continued)		
29,182	Welltower, Inc. (b)	\$ 2,430,568
		<u>10,200,449</u>
Hotel & Resort REITs - 2.6%		
34,207	Apple Hospitality REIT, Inc.	605,122
9,419	CorePoint Lodging, Inc. (a)	150,421
50,511	DiamondRock Hospitality Company (a)	482,380
58,618	Host Hotels & Resorts, Inc. (a)(b)	1,070,950
6,862	Pebblebrook Hotel Trust (b)	154,464
5,761	Ryman Hospitality Properties, Inc. (a)	507,602
15,868	Summit Hotel Properties, Inc. (a)(b)	156,935
43,226	Sunstone Hotel Investors, Inc. (a)(b)	457,331
8,561	Xenia Hotels & Resorts, Inc. (a)	158,721
		<u>3,743,926</u>
Industrial REITs - 12.5%		
22,893	Americold Realty Trust (b)	611,701
35,243	Duke Realty Corporation	1,867,879
4,441	EastGroup Properties, Inc.	847,165
14,083	First Industrial Realty Trust, Inc.	810,899
7,376	Indus Realty Trust, Inc.	561,609
4,020	Innovative Industrial Properties, Inc.	757,609
93,544	LXP Industrial Trust (b)	1,446,190
6,936	Plymouth Industrial REIT, Inc.	180,891
39,276	Prologis, Inc.	5,728,406
3,030	Rexford Industrial Realty, Inc.	212,494
44,414	STAG Industrial, Inc. (b)	1,730,369
54,614	Terreno Realty Corporation	3,756,897
		<u>18,512,109</u>
Office REITs - 18.4%		
18,251	Alexandria Real Estate Equities, Inc.	3,456,739
23,488	Boston Properties, Inc. (b)	2,872,817
11,478	Brandywine Realty Trust (b)	153,002
33,001	Corporate Office Properties Trust	864,956
46,921	Cousins Properties, Inc. (b)	1,812,558
30,109	Douglas Emmett, Inc. (b)	954,455
214,006	Easterly Government Properties, Inc. (b)	4,455,606

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SCHEDULE OF INVESTMENTS February 28, 2022 (Continued)

<u>Shares</u>	<u>Security Description</u>	<u>Value</u>
COMMON STOCKS - 100.0% (Continued)		
Office REITs - 18.4% (Continued)		
46,782	Equity Commonwealth (a)(b)	\$ 1,242,998
62,917	Highwoods Properties, Inc. (b)	2,743,181
6,398	Hudson Pacific Properties, Inc. (b)	168,907
26,902	JBG SMITH Properties	717,745
57,427	Kilroy Realty Corporation (b)	4,112,923
45,089	Orion Office REIT, Inc. (a)	767,866
24,183	Piedmont Office Realty Trust, Inc. - Class A	412,078
30,912	SL Green Realty Corporation (b)	2,458,091
		<u>27,193,922</u>
Residential REITs - 21.7%		
14,541	American Campus Communities, Inc.	782,451
73,011	American Homes 4 Rent - Class A	2,775,148
47,907	Apartment Income REIT Corporation	2,472,480
20,388	AvalonBay Communities, Inc.	4,864,372
9,686	Camden Property Trust	1,599,255
16,511	Centerspace	1,551,869
14,635	Equity LifeStyle Properties, Inc.	1,092,064
48,575	Equity Residential	4,143,448
8,299	Essex Property Trust, Inc.	2,632,194
83,413	Independence Realty Trust, Inc. (b)	2,107,847
26,011	Invitation Homes, Inc.	983,216
13,180	Mid-America Apartment Communities, Inc.	2,696,760
8,252	Sun Communities, Inc. (b)	1,493,612
45,434	UDR, Inc.	2,492,964
16,807	UMH Properties, Inc.	387,569
		<u>32,075,249</u>
Retail REITs - 16.4%		
7,402	Acadia Realty Trust	158,699
14,422	Agree Realty Corporation (b)	925,171
5,945	Brixmor Property Group, Inc.	149,338
20,767	Federal Realty Investment Trust	2,441,784
30,812	Getty Realty Corporation (b)	848,871
6,274	InvenTrust Properties Corporation	162,810
75,901	Kimco Realty Corporation (b)	1,785,951
7,047	Kite Realty Group Trust (b)	154,541

The accompanying notes are an integral part of these financial statements.

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SCHEDULE OF INVESTMENTS February 28, 2022 (Continued)

<u>Shares</u>	<u>Security Description</u>	<u>Value</u>
COMMON STOCKS - 100.0% (Continued)		
Retail REITs - 16.4% (Continued)		
27,186	National Retail Properties, Inc. (b)	\$ 1,158,395
6,769	NETSTREIT Corporation (b)	149,866
32,430	Phillips Edison & Company, Inc.	1,048,138
61,369	Realty Income Corporation (b)	4,055,876
28,733	Regency Centers Corporation (b)	1,893,217
97,254	Retail Opportunity Investments Corporation (b)	1,766,133
11,753	RPT Realty	152,201
2,992	Saul Centers, Inc. (b)	137,722
26,584	Simon Property Group, Inc.	3,656,895
48,443	SITE Centers Corporation	753,289
20,897	Spirit Realty Capital, Inc. (b)	968,994
8,405	Tanger Factory Outlet Centers, Inc. (b)	140,195
8,121	Urban Edge Properties	147,965
77,997	Urstadt Biddle Properties, Inc. - Class A	1,468,684
		<u>24,124,735</u>
Specialized REITs - 9.4%		
7,377	CubeSmart	355,644
20,793	CyrusOne, Inc.	1,878,648
28,140	Digital Realty Trust, Inc.	3,796,649
7,413	Equinix, Inc.	5,261,228
3,473	Extra Space Storage, Inc.	653,445
2,782	Life Storage, Inc.	352,173
5,817	National Storage Affiliates Trust	338,957
3,484	Public Storage	1,236,890
		<u>13,873,634</u>
	TOTAL COMMON STOCKS	
	(Cost \$119,592,339)	<u>147,511,787</u>
Principal Amount		
SHORT-TERM INVESTMENTS - 0.9%		
Money Market Deposit Account - 0.9%		
\$1,386,001	U.S. Bank Money Market Deposit Account, 0.003% (c)	<u>1,386,001</u>
	TOTAL SHORT-TERM INVESTMENTS	
	(Cost \$1,386,001)	<u>1,386,001</u>

The accompanying notes are an integral part of these financial statements.

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SCHEDULE OF INVESTMENTS February 28, 2022 (Continued)

<u>Units</u>	<u>Security Description</u>	<u>Value</u>
INVESTMENTS PURCHASED WITH PROCEEDS FROM SECURITIES LENDING – 28.9%		
Private Funds – 28.9%		
42,750,576	Mount Vernon Liquid Assets Portfolio, LLC, 0.130% (d)(e)	\$ 42,750,576
	TOTAL INVESTMENTS PURCHASED WITH PROCEEDS FROM SECURITIES LENDING (Cost \$42,750,576)	42,750,576
	TOTAL INVESTMENTS – 129.8% (Cost \$163,728,916)	191,648,364
	Liabilities in Excess of Other Assets – (29.8%)	(43,954,739)
	NET ASSETS – 100.0%	<u>\$147,693,625</u>

Percentages are stated as a percent of net assets.

- (a) Non-income producing security.
- (b) All or portion of this security is out on loan as of February 28, 2022. Total value of securities out on loan is \$41,228,375 or 27.9% of net assets.
- (c) The Money Market Deposit Account (the “MMDA”) is a short-term investment vehicle in which the Fund holds cash balances. The MMDA will bear interest at a variable rate that is determined based on conditions and may change daily and by any amount. The rate shown is as of February 28, 2022.
- (d) Annualized seven-day yield as of February 28, 2022.
- (e) Privately offered liquidity fund. See Note 4 in Notes to Financial Statements.

REIT – Real Estate Investment Trust

The Global Industry Classification Standard (GICS®) was developed by and/or is the exclusive property of MSCI, Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”). GICS® is a service mark of MSCI and S&P and has been licensed for use by the Fund’s Administrator, U.S. Bancorp Fund Services, LLC.

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STATEMENT OF ASSETS AND LIABILITIES

February 28, 2022

ASSETS

Investments in securities, at value*+	\$191,648,364
Dividends and interest receivable	89,445
Securities lending income receivable	<u>1,952</u>
Total assets	<u>191,739,761</u>

LIABILITIES

Collateral received for securities loaned (Note 4)	42,750,576
Payable for securities purchased	1,239,509
Management fees payable, net of waiver	<u>56,051</u>
Total liabilities	<u>44,046,136</u>

NET ASSETS \$147,693,625

NET ASSETS CONSIST OF:

Paid-in capital	\$124,825,257
Total distributable earnings (accumulated deficit)	<u>22,868,368</u>
Net assets	<u><u>\$147,693,625</u></u>

Net assets value:

Net assets	\$147,693,625
Shares outstanding [^]	4,100,000
Net asset value, offering and redemption price per share	\$ 36.02

* Identified Cost:

Investments in securities	\$163,728,916
+ Includes loaned securities with a value of	\$ 41,228,375

[^] No par value, unlimited number of shares authorized.

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF OPERATIONS

For the Year Ended February 28, 2022

INCOME

Dividends	\$ 2,663,420
Non-cash dividends	142,725
Securities lending income, net (Note 4)	18,948
Interest	<u>9</u>
Total investment income	<u>2,825,102</u>

EXPENSES

Management fees	<u>771,834</u>
Total expenses	771,834
Fees waived by adviser (Note 3)	<u>(58,251)</u>
Net expenses	<u>713,583</u>

Net investment income (loss) 2,111,519

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain (loss) on investments	11,898,530
Change in unrealized appreciation (depreciation) on investments	<u>13,222,697</u>
Net realized and unrealized gain (loss) on investments	<u>25,121,227</u>
Net increase (decrease) in net assets resulting from operations	<u><u>\$27,232,746</u></u>

The accompanying notes are an integral part of these financial statements.

U.S. DIVERSIFIED REAL ESTATE ETF

STATEMENTS OF CHANGES IN NET ASSETS

	<u>Year Ended</u> <u>February 28, 2022</u>	<u>Year Ended</u> <u>February 28, 2021</u>
OPERATIONS		
Net investment income (loss)	\$ 2,111,519	\$ 1,999,718
Net realized gain (loss) on investments	11,898,530	(6,389,664)
Change in unrealized appreciation (depreciation) on investments	<u>13,222,697</u>	<u>8,414,707</u>
Net increase (decrease) in net assets resulting from operations	<u>27,232,746</u>	<u>4,024,761</u>
DISTRIBUTIONS TO SHAREHOLDERS		
Net distributions to shareholders	(2,111,519)	(1,999,718)
Tax return of capital to shareholders	<u>(2,513,350)</u>	<u>(1,870,007)</u>
Total distributions to shareholders	<u>(4,624,869)</u>	<u>(3,869,725)</u>
CAPITAL SHARE TRANSACTIONS		
Proceeds from shares sold	30,767,240	21,559,155
Payments for shares redeemed	<u>(27,307,150)</u>	<u>(19,324,310)</u>
Net increase (decrease) in net assets derived from capital share transactions^(a)	<u>3,460,090</u>	<u>2,234,845</u>
Net increase (decrease) in net assets	<u>\$ 26,067,967</u>	<u>\$ 2,389,881</u>
NET ASSETS		
Beginning of year	\$121,625,658	\$119,235,777
End of year	<u>\$147,693,625</u>	<u>\$121,625,658</u>

(a) A summary of capital share transactions is as follows:

	<u>Shares</u>	<u>Shares</u>
Shares sold	850,000	800,000
Shares redeemed	<u>(750,000)</u>	<u>(750,000)</u>
Net increase (decrease)	<u>100,000</u>	<u>50,000</u>

The accompanying notes are an integral part of these financial statements.

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FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the year/period

Net asset value, beginning of year/period

INCOME (LOSS) FROM INVESTMENT OPERATIONS:

Net investment income (loss)⁽²⁾

Net realized and unrealized gain (loss) on investments⁽⁷⁾

Total from investment operations

DISTRIBUTIONS TO SHAREHOLDERS:

Distributions from:

Net investment income

Realized gains

Tax return of capital to shareholders

Total distributions to shareholders

CAPITAL SHARE TRANSACTIONS

Transaction fees (Note 7)

Net asset value, end of year/period

Total return

SUPPLEMENTAL DATA:

Net assets at end of year/period (000's)

RATIOS TO AVERAGE NET ASSETS:

Expenses to average net assets (before management fees waived)

Expenses to average net assets (after management fees waived)

Net investment income (loss) to average net assets (before management fees waived)

Net investment income (loss) to average net assets (after management fees waived)

Portfolio turnover rate⁽⁶⁾

- (1) Commencement of operations on March 26, 2018.
- (2) Calculated based on average shares outstanding during the period.
- (3) Represents less than \$0.005 per share.
- (4) Not annualized.
- (5) Annualized.
- (6) Excludes the impact of in-kind transactions.
- (7) Realized and unrealized gains and losses per share in this caption are balancing amounts necessary to reconcile the change in net asset value per share for the period, and may not reconcile with the aggregate gains and losses in the Statement of Operations due to share transactions for the period.

The accompanying notes are an integral part of these financial statements.

U.S. DIVERSIFIED REAL ESTATE ETF

FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the year/period

<u>Year Ended February 28,</u>		<u>Year Ended</u>	<u>Period Ended</u>
<u>2022</u>	<u>2021</u>	<u>February 29,</u>	<u>February 28,</u>
		<u>2020</u>	<u>2019⁽¹⁾</u>
<u>\$30.41</u>	<u>\$30.19</u>	<u>\$29.23</u>	<u>\$25.00</u>
0.52	0.52	0.65	0.58
<u>6.22</u>	<u>0.70</u>	<u>1.38</u>	<u>4.21</u>
<u>6.74</u>	<u>1.22</u>	<u>2.03</u>	<u>4.79</u>
(0.52)	(0.52)	(0.67)	(0.48)
—	—	(0.05)	(0.08)
<u>(0.61)</u>	<u>(0.48)</u>	<u>(0.35)</u>	<u>—</u>
<u>(1.13)</u>	<u>(1.00)</u>	<u>(1.07)</u>	<u>(0.56)</u>
—	—	— ⁽³⁾	— ⁽³⁾
<u>\$36.02</u>	<u>\$30.41</u>	<u>\$30.19</u>	<u>\$29.23</u>
22.23%	4.67%	6.86%	19.32% ⁽⁴⁾
\$147,694	\$121,626	\$119,236	\$105,215
0.53%	0.53%	0.53%	0.53% ⁽⁵⁾
0.49%	0.49%	0.53%	0.53% ⁽⁵⁾
1.41%	1.88%	2.05%	2.26% ⁽⁵⁾
1.45%	1.92%	2.05%	2.26% ⁽⁵⁾
29%	42%	18%	22% ⁽⁴⁾

The accompanying notes are an integral part of these financial statements.

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022

NOTE 1 - ORGANIZATION

U.S. Diversified Real Estate ETF (the “Fund”) is a diversified series of ETF Series Solutions (“ESS”) or (the “Trust”), an open-end management investment company consisting of multiple investment series, organized as a Delaware statutory trust on February 9, 2012. The Trust is registered with the U.S. Securities and Exchange Commission (“SEC”) under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company and the offering of the Fund’s shares is registered under the Securities Act of 1933, as amended (the “Securities Act”). The investment objective of the Fund is to track the performance, before fees and expenses, of the USREX – U.S. Diversified Real Estate Index (the “Index”). The Fund commenced operations on March 26, 2018.

The end of the reporting period for the Fund is February 28, 2022, and the period covered by these Notes to Financial Statements is the fiscal year ended February 28, 2022 (the “current fiscal period”).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 946 Financial Services – Investment Companies.

The following is a summary of significant accounting policies consistently followed by the Fund. These policies are in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

- A. *Security Valuation.* All equity securities, including domestic and foreign common stocks, preferred stocks and exchange traded funds that are traded on a national securities exchange, except those listed on the Nasdaq Global Market[®], Nasdaq Global Select Market[®], and Nasdaq Capital Market[®] Exchange (collectively “Nasdaq”) are valued at the last reported sale price on the exchange on which the security is principally traded. Securities traded on Nasdaq will be valued at the Nasdaq Official Closing Price (“NOCP”). If, on a particular day, an exchange-traded or Nasdaq security does not trade, then the mean between the most recent quoted bid and asked prices will be used. All equity securities that are not traded on a listed exchange are valued at the last sale price in the over-the-counter market. If a non-exchange traded security does not trade on a particular day, then the mean between the last quoted closing bid and asked price will be used. Prices denominated in foreign currencies are converted to U.S. dollar equivalents at the current exchange rate, which approximates fair value.

Investments in mutual funds, including money market funds, are valued at their net asset value (“NAV”) per share.

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

Units of Mount Vernon Liquid Assets Portfolio are not traded on an exchange and are valued at the investment company's NAV per share as provided by its administrator. These shares are generally classified as Level 2 instruments.

Deposit accounts are valued at acquisition cost, which approximates fair value.

Securities for which quotations are not readily available are valued at their respective fair values in accordance with pricing procedures adopted by the Fund's Board of Trustees (the "Board"). When a security is "fair valued," consideration is given to the facts and circumstances relevant to the particular situation, including a review of various factors set forth in the pricing procedures adopted by the Board. The use of fair value pricing by the Fund may cause the NAV of its shares to differ significantly from the NAV that would be calculated without regard to such considerations.

As described above, the Fund utilizes various methods to measure the fair value of its investments on a recurring basis. U.S. GAAP establishes a hierarchy that prioritizes inputs to valuations methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

The following is a summary of the inputs used to value the Fund's investments as of the end of the current fiscal period:

<u>Assets[^]</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$147,511,787	\$ —	\$ —	\$147,511,787
Short-Term Investments	1,386,001	—	—	1,386,001
Investments Purchased with Proceeds from Securities Lending	—	42,750,576	—	42,750,576
Total Investments in Securities	<u>\$148,897,788</u>	<u>\$42,750,576</u>	<u>\$ —</u>	<u>\$191,648,364</u>

[^] See Schedule of Investments for sector breakouts.

During the current fiscal period, the Fund did not recognize any transfers into or out of Level 3.

- B. *Federal Income Taxes.* The Fund's policy is to comply with the provisions of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute substantially all net investment income and net capital gains to shareholders. Therefore, no federal income tax provision is required. The Fund plans to file U.S. Federal and applicable state and local tax returns.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained. Management has analyzed the Fund's uncertain tax positions and conclude that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits on uncertain tax positions as income tax expenses in the Statement of Operations. During the current fiscal period, the Fund did not incur any interest or penalties.

- C. *Security Transactions and Investment Income.* Investment securities transactions are accounted for on the trade date. Gains and losses realized from sales of securities are determined on a specific identification basis. Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income or separately disclosed, if any, are recorded at fair value of the security received. Interest income is recorded on an accrual basis.

Distributions received from the Fund's investments in real estate investment trusts ("REIT") may be characterized as ordinary income, net capital gain, or a return of capital. The proper characterization of REIT distributions is generally not known

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

until after the end of each calendar year. As such, the Fund must use estimates in reporting the character of its income and distributions received during the current calendar year for financial statement purposes. The actual character of distributions to a Fund's shareholders will be reflected on the Form 1099 received by shareholders after the end of the calendar year. Due to the nature of REIT investments, a portion of the distributions received by a Fund's shareholders may represent a return of capital.

- D. *Distributions to Shareholders.* Distributions to shareholders from net investment income for the Fund are declared and paid by the Fund on a quarterly basis and distributions from net realized gains on securities are normally declared and paid on an annual basis. Distributions are recorded on the ex-dividend date.
- E. *Use of Estimates.* The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.
- F. *Share Valuation.* The NAV per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash and other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding of the Fund, rounded to the nearest cent. The Fund's shares will not be priced on the days on which the New York Stock Exchange, Inc. ("NYSE") is closed for trading. The offering and redemption price per share for the Fund is equal to the Fund's NAV per share.
- G. *Guarantees and Indemnifications.* In the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.
- H. *Reclassification of Capital Accounts.* U.S. GAAP requires that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or NAV per share. These timing differences are primarily due to differing book and tax treatments for in-kind transactions. During the fiscal year ended February 28, 2022, the following table shows the reclassifications made:

<u>Distributable Earnings (Accumulated Deficit)</u>	<u>Paid-In Capital</u>
\$ (9,021,146)	\$ 9,021,146

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

During the fiscal year ended February 28, 2022, the Fund realized \$9,021,146 of net capital gains resulting from in-kind redemptions, in which shareholders exchanged Fund shares for securities held by the Fund rather than for cash. Because such gains are not taxable to the Fund, and are not distributed to shareholders, they have been reclassified from distributable earnings (accumulated deficit) to paid-in capital.

- I. *Subsequent Events.* In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued. There were no events or transactions that occurred during the period subsequent to the end of the current fiscal period that materially impacted the amounts or disclosures in the Fund's financial statements.

NOTE 3 - COMMITMENTS AND OTHER RELATED PARTY TRANSACTIONS

Vident Advisory, LLC (the "Adviser") serves as the investment adviser to the Fund, and is a wholly-owned subsidiary of Vident Financial LLC, the Index Provider ("Vident Financial"). Pursuant to an Investment Advisory Agreement ("Advisory Agreement") between the Trust, on behalf of the Fund, and the Adviser, the Adviser provides investment advice to the Fund and oversees the day-to-day operations of the Fund, subject to the direction and control of the Board and the officers of the Trust. Under the Advisory Agreement, the Adviser has agreed to pay all expenses incurred by the Fund except for the fee paid to the Adviser pursuant to this Agreement, interest charges on any borrowings, dividends and other expenses on securities sold short, taxes, brokerage commissions and other expenses incurred in placing orders for the purchase and sale of securities and other investment instruments, acquired fund fees and expenses, accrued deferred tax liability, extraordinary expenses, and distribution fees and expenses paid by the Trust under any distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act (collectively, "Excluded Expenses"). The Adviser may delegate its responsibility to pay some or all expenses incurred by the Fund, except for Excluded Expenses, to one or more third parties, including but not limited to, Vident Investment Advisory, LLC (the "Sub-Adviser"), a wholly-owned subsidiary of Vident Financial. For its services, the Sub-Adviser is paid a fee by the Adviser, which is calculated daily and paid monthly, at an annual rate based on the average daily net asset of the Fund. For services provided to the Fund, the Fund paid the Adviser 0.53% at an annual rate based on the Fund's average daily net assets. Effective February 1, 2020, the Adviser has contractually agreed to waive 0.04% of its adviser fee until at least June 30, 2022. This agreement may only be terminated by or with the consent of the Fund's Board. Fees waived under this waiver agreement are not subject to recoupment by the Adviser.

U.S. Bancorp Fund Services, LLC ("Fund Services" or "Administrator"), doing business as U.S. Bank Global Fund Services, acts as the Fund's Administrator and, in that capacity, performs various administrative and accounting services for the Fund. The Administrator prepares various federal and state regulatory filings, reports and returns

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

for the Fund, including regulatory compliance monitoring and financial reporting; prepares reports and materials to be supplied to the Board; and monitors the activities of the Fund's Custodian, transfer agent and fund accountant. Fund Services also serves as the transfer agent and fund accountant to the Fund. U.S. Bank N.A. (the "Custodian"), an affiliate of Fund Services, serves as the Fund's Custodian.

The Custodian acts as securities lending agent (the "Securities Lending Agent") for the Fund.

A Trustee and all officers of the Trust are affiliated with the Administrator and Custodian.

NOTE 4 - SECURITIES LENDING

The Fund may lend up to 33¹/₃% of the value of the securities in its portfolio to brokers, dealers and financial institutions (but not individuals) under terms of participation in a securities lending programs administered by the Custodian, who also serves as the Securities Lending Agent. The securities lending agreement requires that loans are collateralized at all times in an amount equal to at least 102% of the value of any domestic loaned securities at the time of the loan, plus accrued interest. The use of loans of foreign securities, which are denominated and payable in U.S. dollars, shall be collateralized in an amount equal to 105% of the value of any loaned securities at the time of the loan plus accrued interest. The Fund receives compensation in the form of fees and earns interest on the cash collateral. The amount of fees depends on a number of factors including the type of security and length of the loan. The Fund continues to receive interest payments or dividends on the securities loaned during the borrowing period. Gain or loss in the value of securities loaned that may occur during the term of the loan will be for the account of the Fund. The Fund has the right under the terms of the securities lending agreement to recall the securities from the borrower on demand.

The securities lending agreement provides that, in the event of a borrower's material default, the Securities Lending Agent shall take all actions the Securities Lending Agent deems appropriate to liquidate the collateral, purchase replacement securities at the Securities Lending Agent's expense, or pay the Fund an amount equal to the market value of the loaned securities, subject to certain limitations which are set forth in detail in the securities lending agreement between the Fund and the Securities Lending Agent.

As of the end of the current fiscal period, the Fund had loaned securities that were collateralized by cash equivalents. The cash collateral is invested by the Securities Lending Agent in accordance with approved investment guidelines. Those guidelines require the cash collateral to be invested in readily marketable, high quality, short-term obligations; however, such investments are subject to risk of payment delays or default on the part of the issuer or counterparty or otherwise may not generate sufficient interest to support the costs associated with securities lending. The Fund could also

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

experience delays in recovering its securities and possible loss of income or value if the borrower fails to return the borrowed securities, although the Fund is indemnified from this risk by contract with the Securities Lending Agent.

As of the end of the current fiscal period, the values of the securities on loan was \$41,228,375 and payable for collateral due to the Securities Lending Agent was \$42,750,576.

The interest income earned by the Fund on investments of cash collateral received from borrowers for the securities loaned to them ("Securities Lending Income") is reflected in the Fund's Statement of Operations. Net fees and interest income earned on collateral investments and recognized by the Fund during the current fiscal period was \$18,948.

SECURED BORROWINGS

The cash collateral received of \$42,750,576 was invested in the Mount Vernon Liquid Assets Portfolio, LLC as shown on the Schedule of Investments, a short-term investment portfolio with an overnight and continuous maturity. The investment objective is to seek to maximize current income to the extent consistent with the preservation of capital and liquidity and maintain a stable NAV of \$1.00 per unit.

Due to the absence of a master netting agreement related to the Fund's participation in securities lending, no additional offsetting disclosures have been made on behalf of the Fund.

NOTE 5 - PURCHASES AND SALES OF SECURITIES

During the current fiscal period, purchases and sales of securities by the Fund, excluding short-term securities and in-kind transactions, were as follows:

<u>Purchases</u>	<u>Sales</u>
\$41,689,367	\$42,281,134

During the current fiscal period, in-kind transactions associated with creations and redemptions were as follows:

<u>In-Kind Purchases</u>	<u>In-Kind Sales</u>
\$30,717,659	\$27,314,277

There were no purchases or sales of U.S. Government securities in the Fund during the period.

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

NOTE 6 - INCOME TAX INFORMATION

The components of tax basis cost of investments and net unrealized appreciation for federal income tax purposes as of February 28, 2022 in the Fund, were as follows:

Tax cost of investments	<u>\$164,665,757</u>
Gross tax unrealized appreciation	30,875,800
Gross tax unrealized depreciation	<u>(3,893,193)</u>
Net tax unrealized appreciation/(depreciation)	<u>26,982,607</u>
Undistributed ordinary income	—
Undistributed long-term capital gain	—
Other accumulated gain/(loss)	<u>(4,114,239)</u>
Distributable earnings/(accumulated deficit)	<u>\$ 22,868,368</u>

The difference between book and tax-basis cost is attributable to wash sales.

A regulated investment company may elect for any taxable year to treat any portion of any qualified late year loss as arising on the first day of the next taxable year. Qualified late year losses are certain capital and ordinary losses which occur during the portion of the Fund's taxable year subsequent to October 31 and December 31, respectively. For the taxable year ended February 28, 2022, the Fund did not elect to defer any post-October capital losses or any late-year ordinary losses.

During the current fiscal year, the Fund utilized \$128,577 of short-term capital loss carry forward and \$2,482,877 of long-term capital loss carry forward that was available as of February 28, 2021.

At February 28, 2022, the Fund had the following capital loss carryforwards:

<u>Short-Term</u>	<u>Long-Term</u>	<u>Expires</u>
\$2,572,615	\$1,541,624	Indefinite

The tax character of distributions paid by the Fund during the year ended February 28, 2022 were as follows:

<u>Ordinary Income</u>	<u>Return of Capital</u>
\$2,111,519	\$2,513,350

The tax character of distributions paid by the Fund during the year ended February 28, 2021 were as follows:

<u>Ordinary Income</u>	<u>Return of Capital</u>
\$1,999,718	\$1,870,007

NOTE 7 - SHARE TRANSACTIONS

Shares of the Fund are listed and traded on New York Stock Exchange Arca, Inc. ("NYSE Arca"). Market prices for the shares may be different from their NAV. The Fund issues and redeems shares on a continuous basis at NAV only in blocks of 50,000 shares,

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

called "Creation Units." Creation Units are issued and redeemed principally in-kind for securities included in a specified universe. Once created, shares generally trade in the secondary market at market prices that change throughout the day. Except when aggregated in Creation Units, shares are not redeemable securities of the Fund. Creation Units of the Fund may only be purchased or redeemed by certain financial institutions ("Authorized Participants"). An Authorized Participant is either (i) a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation or (ii) a Depository Trust Company participant and, in each case, must have executed a Participant Agreement with the Distributor. Most retail investors do not qualify as Authorized Participants nor have the resources to buy and sell whole Creation Units. Therefore, they are unable to purchase or redeem the shares directly from the Fund. Rather, most retail investors may purchase shares in the secondary market with the assistance of a broker and are subject to customary brokerage commissions or fees.

The Fund currently offers one class of shares, which have no front end sales load, no deferred sales charge, and no redemption fee. A fixed transaction fee is imposed for the transfer and other transaction costs associated with the creation or redemption of Creation Units. The standard fixed creation and redemption transaction fee for the Fund is \$250 payable to the Custodian. The fixed transaction fee may be waived on transaction orders if the Fund's Custodian has determined to waive some or all of the costs associated with the order, or another party, such as the Adviser, has agreed to pay such fee. In addition, a variable fee, payable to the Fund, may be charged on all cash transactions or substitutes for Creation Units of up to a maximum of 2% as a percentage of the value of the Creation Units subject to the transaction. Variable fees are imposed to compensate the Fund for the transaction costs associated with the cash transaction fees. Variable fees received by the Fund, if any, are displayed in the Capital Shares Transactions section of the Statement of Changes in Net Assets. The Fund may issue an unlimited number of shares of beneficial interest, with no par value. All shares of the Fund have equal rights and privileges.

NOTE 8 - PRINCIPAL RISKS

Concentration Risk. The Fund's investments will be concentrated in an industry or group of industries to the extent the Index is so concentrated, and the Index is expected to be concentrated in real estate-related industries. Accordingly, the value of shares may rise and fall more than the value of shares that invest in securities of companies in a broader range of industries.

Real Estate Investment Risk. The Fund is expected to invest substantially all of its assets in real estate-related companies. Investments in real estate companies involve unique risks. Real estate companies, including REITs, may have limited financial resources, may trade less frequently and in limited volume, and may be more volatile than other securities.

U.S. DIVERSIFIED REAL ESTATE ETF

NOTES TO FINANCIAL STATEMENTS

February 28, 2022 (Continued)

The risks of investing in real estate companies include certain risks associated with the direct ownership of real estate and the real estate industry in general. Securities in the real estate sector are subject to the risk that the value of their underlying real estate may go down. Many factors may affect real estate values, including the general and local economies, the amount of new construction in a particular area, the laws and regulations (including zoning and tax laws) affecting real estate, and the costs of owning, maintaining and improving real estate. The availability of mortgages and changes in interest rates may also affect real estate values. Real estate companies are also subject to heavy cash flow dependency, defaults by borrowers, and self-liquidation. Because the Fund invests primarily in real estate companies, its performance will be especially sensitive to developments that significantly affect real estate companies.

COVID-19 Risk. The global outbreak of COVID-19 has disrupted economic markets and the prolonged economic impact is uncertain. The operational and financial performance of the issuers of securities in which the Fund invests depends on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn impact the value of the Fund's investments.

NOTE 9 - BENEFICIAL OWNERSHIP

The beneficial ownership, either directly or indirectly, of 25% or more of the voting securities of a fund creates a presumption of control of a fund, under section 2(a)(9) of the 1940 Act. As of the end of the reporting period, Thrivent Trust Company, as a beneficial shareholder, owned greater than 25% of the outstanding shares of the Fund.

U.S. DIVERSIFIED REAL ESTATE ETF

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of U.S. Diversified Real Estate ETF and
Board of Trustees of ETF Series Solutions

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of U.S. Diversified Real Estate ETF (formerly PPTY – U.S. Diversified Real Estate ETF) (the “Fund”), a series of ETF Series Solutions, as of February 28, 2022, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the related notes, and the financial highlights for each of the four periods in the period then ended (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of February 28, 2022, the results of its operations for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four periods in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of February 28, 2022, by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the auditor of one or more of Vident Advisory, LLC’s investment companies since 2013.

Cohen & Company, Ltd.

COHEN & COMPANY, LTD.

Milwaukee, Wisconsin

April 28, 2022

U.S. DIVERSIFIED REAL ESTATE ETF

TRUSTEES AND OFFICERS (Unaudited)

Additional information about each Trustee of the Trust is set forth below. The address of each Trustee of the Trust is c/o U.S. Bank Global Fund Services, 615 E. Michigan Street, Milwaukee, WI 53202.

<u>Name and Year of Birth</u>	<u>Position Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Directorships Held by Trustee During Past 5 Years</u>
Independent Trustees					
Leonard M. Rush, CPA Born: 1946	Lead Independent Trustee and Audit Committee Chairman	Indefinite term; since 2012	Retired; formerly Chief Financial Officer, Robert W. Baird & Co. Incorporated (wealth management firm) (2000–2011).	60	Independent Trustee, Managed Portfolio Series (34 portfolios) (since 2011).
David A. Massart Born: 1967	Trustee	Indefinite term; since 2012	Partner and Manager Director, Beacon Pointe Advisors, LLC (since 2022); Co-Founder, President, and Chief Investment Strategist, Next Generation Wealth Management, Inc. (2005–2021).	60	Independent Trustee, Managed Portfolio Series (34 portfolios) (since 2011).
Janet D. Olsen Born: 1956	Trustee	Indefinite term; since 2018	Retired; formerly Managing Director and General Counsel, Artisan Partners Limited Partnership (investment adviser) (2000–2013); Executive Vice President and General Counsel, Artisan Partners Asset Management Inc. (2012–2013); Vice President and General Counsel, Artisan Funds, Inc. (investment company) (2001–2012).	60	Independent Trustee, PPM Funds (3 portfolios) (since 2018).
Interested Trustee					
Michael A. Castino Born: 1967	Trustee and Chairman	Indefinite term; Trustee since 2014; Chairman since 2013	Senior Vice President, U.S. Bancorp Fund Services, LLC (since 2013); Managing Director of Index Services, Zacks Investment Management (2011–2013).	60	None

U.S. DIVERSIFIED REAL ESTATE ETF

TRUSTEES AND OFFICERS (Unaudited) (Continued)

The officers of the Trust conduct and supervise its daily business. The address of each officer of the Trust is c/o U.S. Bank Global Fund Services, 615 E. Michigan Street, Milwaukee, WI 53202. Additional information about the Trust's officers is as follows:

Name and Year of Birth	Position(s) Held with the Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
Principal Officers of the Trust			
Kristina R. Nelson Born: 1982	President	Indefinite term; since 2019	Senior Vice President, U.S. Bancorp Fund Services, LLC (since 2020); Vice President, U.S. Bancorp Fund Services, LLC (2014–2020).
Alyssa M. Bernard Born: 1988	Vice President	Indefinite term; since 2014	Vice President, U.S. Bancorp Fund Services, LLC (since 2021); Assistant Vice President, U.S. Bancorp Fund Services, LLC (2018–2021); Attorney, Waddell & Reed Financial, Inc. (2017–2018).
Elizabeth B. Scalf Born: 1985	Chief Compliance Officer and Anti-Money Laundering Officer	Indefinite term; since 2021	Senior Vice President, U.S. Bancorp Fund Services, LLC (since 2017); Vice President and Assistant CCO, Heartland Advisors, Inc. (2016–2017); Vice President and CCO, Heartland Group, Inc. (2016).
Kristen M. Weitzel Born: 1977	Treasurer	Indefinite term; since 2014 (other roles since 2013)	Vice President, U.S. Bancorp Fund Services, LLC (since 2015); Assistant Vice President, U.S. Bancorp Fund Services, LLC (2011–2015); Manager, PricewaterhouseCoopers LLP (accounting firm) (2005–2011).
Jessica L. Vorbeck Born: 1984	Assistant Treasurer	Indefinite term; since 2020	Officer, U.S. Bancorp Fund Services, LLC (since 2018, 2014–2017).
Elizabeth A. Winske Born: 1983	Assistant Treasurer	Indefinite term; since 2017	Vice President, U.S. Bancorp Fund Services, LLC (since 2020); Assistant Vice President, U.S. Bancorp Fund Services, LLC (2016–2020).
Jason E. Shlensky Born: 1987	Assistant Treasurer	Indefinite term; since 2019	Assistant Vice President, U.S. Bancorp Fund Services, LLC (since 2019); Officer, U.S. Bancorp Fund Services, LLC (2014–2019).
Isabella K. Zoller Born: 1994	Assistant Secretary	Indefinite term; since 2020	Assistant Vice President, U.S. Bancorp Fund Services, LLC (since 2021), Regulatory Administration Attorney, U.S. Bancorp Fund Services, LLC (since 2019), Regulatory Administration Intern, U.S. Bancorp Fund Services, LLC (2018–2019) and Law Student (2016–2019).

U.S. DIVERSIFIED REAL ESTATE ETF

TRUSTEES AND OFFICERS (Unaudited) (Continued)

Name and Year of Birth	Position(s) Held with the Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
Cynthia L. Andrae Born: 1971	Deputy Chief Compliance Officer	Indefinite term; since 2021	Vice President, U.S. Bancorp Fund Services, LLC (since 2019); Compliance Officer, U.S. Bancorp Fund Services, LLC (2015–2019).

The Statement of Additional Information (“SAI”) includes additional information about the Trustees and is available without charge, upon request, by calling toll free (800) 617-0004, by accessing the SEC’s website at www.sec.gov, or by accessing the Fund’s website at www.videntfunds.com.

U.S. DIVERSIFIED REAL ESTATE ETF

EXPENSE EXAMPLE

For the Six-Months Ended February 28, 2022 (Unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including brokerage commissions on purchases and sales of Fund shares, and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period as indicated below.

Actual Expenses

The first line of the table provides information about actual account values based on actual returns and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then, multiply the result by the number in the first line under the heading entitled “Expenses Paid During the Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table provides information about hypothetical account values based on a hypothetical return and hypothetical expenses based on the Fund’s actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual returns. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as brokerage commissions paid on purchases and sales of Fund shares. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. If these transactional costs were included, your costs would have been higher.

	Beginning Account Value September 1, 2021	Ending Account Value February 28, 2022	Expenses Paid During the Period^(a)
Actual	\$1,000.00	\$1,004.30	\$2.44
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,022.36	\$2.46

^(a) The dollar amounts shown as expenses paid during the period are equal to the annualized net expense ratio, 0.49%, multiplied by the average account value during the period, multiplied by 181/365, to reflect the one-half year period.

U.S. DIVERSIFIED REAL ESTATE ETF

REVIEW OF LIQUIDITY RISK MANAGEMENT PROGRAM (Unaudited)

Pursuant to Rule 22e-4 under the Investment Company Act of 1940, the Trust, on behalf of the series of the Trust covered by this shareholder report (the “Series”), has adopted a liquidity risk management program to govern the Trust’s approach to managing liquidity risk. Rule 22e-4 seeks to promote effective liquidity risk management, thereby reducing the risk that a fund will be unable to meet its redemption obligations and mitigating dilution of the interests of fund shareholders. The Trust’s liquidity risk management program is tailored to reflect the Series’ particular risks, but not to eliminate all adverse impacts of liquidity risk, which would be incompatible with the nature of such Series.

The investment adviser to the Series has adopted and implemented its own written liquidity risk management program (the “Program”) tailored specifically to assess and manage the liquidity risk of the Series.

At a recent meeting of the Board of Trustees of the Trust, the Trustees received a report pertaining to the operation, adequacy, and effectiveness of implementation of the Program for the period ended December 31, 2021. The report concluded that the Program is reasonably designed to assess and manage the Series’ liquidity risk and has operated adequately and effectively to manage such risk. The report reflected that there were no liquidity events that impacted the Series’ ability to timely meet redemptions without dilution to existing shareholders. The report further noted that no material changes have been made to the Program since its implementation.

There can be no assurance that the Program will achieve its objectives in the future. Please refer to the prospectus for more information regarding the Series’ exposure to liquidity risk and other principal risks to which an investment in the Series may be subject.

U.S. DIVERSIFIED REAL ESTATE ETF

APPROVAL OF ADVISORY AGREEMENT & BOARD CONSIDERATIONS (Unaudited)

Pursuant to Section 15(c) of the Investment Company Act of 1940 (the “1940 Act”), at a meeting held on January 19-20, 2022 (the “Meeting”), the Board of Trustees (the “Board”) of ETF Series Solutions (the “Trust”) considered the approval of the Investment Advisory Agreement (the “Advisory Agreement”) between Vident Advisory, LLC (the “Adviser”) and the Trust, on behalf of U.S. Diversified Real Estate ETF (the “Fund”).

Prior to the Meeting, the Board, including the Trustees who are not parties to the Advisory Agreement or “interested persons” of any party thereto, as defined in the 1940 Act (the “Independent Trustees”), reviewed written materials from the Adviser (the “Materials”) regarding, among other things: (i) the nature, extent, and quality of the services provided by the Adviser; (ii) the historical performance of the Fund; (iii) the cost of the services provided and the profits realized by the Adviser from services rendered to the Fund; (iv) comparative fee and expense data for the Fund and other investment companies with similar investment objectives; (v) the extent to which any economies of scale realized by the Adviser in connection with its services to the Fund are shared with Fund shareholders; and (vi) other factors the Board deemed to be relevant.

The Board also considered that the Adviser, along with other service providers of the Fund, presented written information to help the Board evaluate the Adviser’s fees and other aspects of the Advisory Agreement. Additionally, a representative from the Adviser provided an oral overview of the Fund’s strategy, the services provided to the Fund by the Adviser, and additional information about the Adviser’s personnel and operations. The Board then discussed the written materials and oral presentation that it had received and any other information that the Board received at the Meeting and deliberated on the approval of the Advisory Agreement in light of this information.

Approval of the Continuation of the Advisory Agreement with the Adviser

Nature, Extent, and Quality of Services Provided. The Trustees considered the scope of services provided under the Advisory Agreement, noting that the Adviser would continue to provide investment management services to the Fund. In considering the nature, extent, and quality of the services provided by the Adviser, the Board considered the quality of the Adviser’s compliance program and past reports from the Trust’s Chief Compliance Officer (“CCO”) regarding the CCO’s review of the Adviser’s compliance program. The Board also considered its previous experience with the Adviser providing investment management services to the Fund. The Board noted that it had previously received a copy of the Adviser’s registration form, as well as the response of the Adviser to a detailed series of questions which included, among other things, information about the background and experience of the firm’s key personnel, the firm’s cybersecurity policy, and the services provided by the Adviser.

The Board also considered other services currently provided by the Adviser to the Fund, such as monitoring adherence to the Fund’s investment restrictions, sub-adviser oversight, monitoring compliance with various Fund policies and with applicable

U.S. DIVERSIFIED REAL ESTATE ETF

APPROVAL OF ADVISORY AGREEMENT & BOARD CONSIDERATIONS (Unaudited) (Continued)

securities regulations, and monitoring the extent to which the Fund achieves its investment objective as a passively managed fund. The Board further considered the oral information provided by the Adviser with respect to the impact of the COVID-19 pandemic on the Adviser's operations.

Additionally, the Board considered that Vident Financial, LLC ("Vident Financial"), an affiliate of the Adviser, acts as index provider to the Fund, which tracks an index created by Vident Financial based on its intellectual property. The Board noted the Adviser's belief that shareholders invest in the Fund based on the investment principles incorporated into the index methodology and the expectation that the Adviser will provide advisory services to the Fund based on the index.

Historical Performance. The Board noted that information regarding the Fund's performance for various time periods had been included in the Materials. The Board considered the Fund's past investment performance, including for periods ended September 30, 2021. The Board noted that, for the one-year period, the Fund underperformed its underlying index, before fees and expenses, but outperformed its underlying index for the three-year and since inception periods. The Board further noted that the Fund outperformed its benchmark index, the MSCI US REIT Gross Index, which provides an indication of the performance of the U.S. real estate investment trust ("REIT") market, for the one-year, three-year, and since inception periods. The Board further noted that, for the one-year period ended September 30, 2021, the Fund outperformed the median for the other funds in the universe of Real Estate ETFs as reported by Morningstar (the "Category Peer Group"). The Board also considered that, for the one-year and three-year periods ended September 30, 2021, the Fund's performance was within the range of returns of its most direct competitors as identified by the Adviser at the Board's request based on other funds with a similar investment universe, index philosophy, REIT sector exposure, and historical turnover (the "Selected Peer Group").

Cost of Services to be Provided and Economies of Scale. The Board then reviewed the Fund's expense ratio, the full amount of which was the "unified fee" described below, and compared the Fund's expense ratio to its Category Peer Group and Selected Peer Group. The Board noted that the expense ratio for the Fund was higher than the median of the Category Peer Group and was the highest in the range of expense ratios for the Selected Peer Group. The Board also noted that, because both peer groups included a number of significantly larger, low-cost, passively managed ETFs, the peer groups may not allow for an apt comparison by which to judge the Fund's expense ratio.

The Board took into consideration that the Adviser would continue to charge a "unified fee," meaning the Fund pays no expenses other than the advisory fee and certain other costs such as interest, brokerage, acquired fund fees and expenses, extraordinary expenses, and, to the extent it is implemented, fees pursuant to a Distribution and/or

U.S. DIVERSIFIED REAL ESTATE ETF

APPROVAL OF ADVISORY AGREEMENT & BOARD CONSIDERATIONS (Unaudited) (Continued)

Shareholder Servicing (12b 1) Plan. The Board noted that the Adviser continued to be responsible for compensating the Trust's other service providers and paying the Fund's other expenses out of its own fee and resources. The Board also evaluated the compensation and benefits received by the Adviser from its relationship with the Fund, taking into account analyses of the Adviser's profitability with respect to the Fund.

The Board expressed the view that it currently appeared that the Adviser might realize economies of scale in managing the Fund as assets grow in size. The Board noted that, should the Adviser realize economies of scale in the future, the amount and structure of the Fund's unitary fee might result in a sharing of those economies with Fund shareholders. The Board noted its intention to monitor fees as the Fund grows in size and assess whether fee breakpoints may be warranted.

Conclusion. No single factor was determinative of the Board's decision to approve the continuation of the Advisory Agreement; rather, the Board based its determination on the total mix of information available to it. Based on a consideration of all the factors in their totality, the Board, including a majority of the Independent Trustees, determined that the Advisory Agreement, including the compensation payable under the agreement, was fair and reasonable to the Fund. The Board, including a majority of the Independent Trustees, therefore determined that the approval of the continuation of the Advisory Agreement was in the best interests of the Fund and its shareholders.

U.S. DIVERSIFIED REAL ESTATE ETF

FEDERAL TAX INFORMATION (Unaudited)

QUALIFIED DIVIDEND INCOME (Unaudited)

For the fiscal year ended February 28, 2022, certain dividends paid by the Fund may be subject to a maximum tax rate of 23.8%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003.

The percentage of dividends declared from ordinary income designated as qualified dividend income was 3.91%.

DIVIDENDS RECEIVED DEDUCTION

For corporate shareholders, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the fiscal year ended February 28, 2022 was 3.11%.

SHORT TERM CAPITAL GAIN

For the fiscal year ended February 28, 2022, the percentage of taxable ordinary income distributions that are designated as short-term capital gain distributions under Internal Revenue Section 871(k)(2)(C) for the Fund was 0.00%.

INFORMATION ABOUT PORTFOLIO HOLDINGS (Unaudited)

The Fund files its complete schedule of portfolio holdings for its first and third fiscal quarters with the SEC on Part F of Form N-PORT. The Fund's Part F of Form N-PORT is available without charge, upon request, by calling toll-free at (800) 617-0004. Furthermore, you may obtain Part F of Form N-PORT on the SEC's website at www.sec.gov or the Fund's website at www.videntfunds.com. The Fund's portfolio holdings are posted on their website at www.videntfunds.com daily.

INFORMATION ABOUT PROXY VOTING (Unaudited)

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities is provided in the SAI. The SAI is available without charge upon request by calling toll-free at (800) 617-0004, by accessing the SEC's website at www.sec.gov, or by accessing the Fund's website at www.videntfunds.com.

Information regarding how the Fund voted proxies relating to portfolio securities during the twelve-months ending June 30 will be available by calling toll-free at (800) 617-0004 and the SEC's website at www.sec.gov.

FREQUENCY DISTRIBUTION OF PREMIUMS AND DISCOUNTS (Unaudited)

Information regarding how often shares of the Fund trade on the exchange at a price above (i.e., at a premium) or below (i.e., at a discount) to their daily NAV is available, without charge, on the Fund's website at www.videntfunds.com.

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U.S. Diversified Real Estate ETF

Symbol – PPTY
CUSIP – 26922A511