

# ALPS | DORSEY WRIGHT SECTOR MOMENTUM ETF

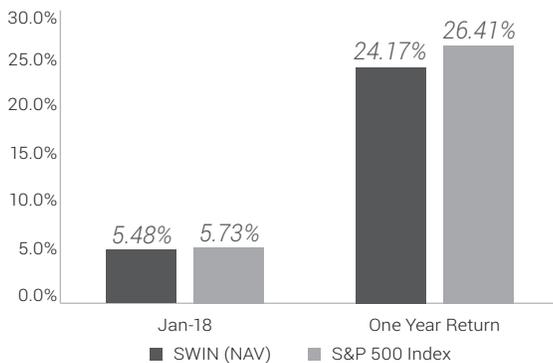
## MONTHLY INSIGHTS

January 2018

### Key Takeaways

- The ALPS | Dorsey Wright Sector Momentum ETF (SWIN) jumped 18.67% in 2017 and showed signs of following through on that positive performance in January, gaining 5.48%.
- Bolstered by strong performances in the healthcare sector, 80% of SWIN's holdings notched positive performances in January
- Defying the theory of mean reversion, growth and momentum strategies topped value stocks again in January after outperforming value by 12% in 2017

### SWIN Performance (NAV)



Source: ALPS, as of 1/31/2018

**Performance data quoted represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance quoted. You can obtain performance data current to the most recent month end by calling (866)759-5679 or [www.alpsfunds.com](http://www.alpsfunds.com).**

For standardized performance, please see Page 3.

### Healthy Healthcare Stocks Lift SWIN

In January, SWIN's healthcare holdings posted an average return of 10.21%. The sector was boosted by, among other catalysts, the repatriation of billions of dollars in cash previously stashed overseas. As expected, tax reform is sparking increased healthcare mergers and acquisitions (M&A) activity. After tepid sector-wide deal-making of just \$50 billion last year, healthcare M&A activity has already reached half that level one month into 2018.

Medical device maker ABIOMED, Inc. (ABMD) was one of SWIN's best-performing individual holdings in January, surging 25.39% on the month as Leerink Partners reiterated an Outperform rating on the stock while boosting its price target on ABIOMED shares to \$265. Shares of Align Technology, Inc., the maker of the Invisalign line of dental care products and the operator of the SmileDirectClub, posted a double-digit January gain after the company reported pre-tax earnings of \$1.19 per share on sales of \$421.3 million. Wall Street expected EPS of 96 cents on revenue of \$395.5 million. Medical device manufacturer Cooper Companies, Inc. (COO) also impressed in January. News of a new specialty eye care business propelled the stock last month.

ABIOMED, Inc.  
+ 25.39%  
Street Upgrades

Align Technology, Inc.  
+ 17.92%  
Earnings & Revenue Beat

Cooper Companies, Inc.  
+ 12.31%  
New Eye Care Business

SWIN Healthcare names averaged 10.21% during January, leading the way for SWIN's best performing sectors.

Source: Bloomberg as of 1/31/2018.

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#### Growth and Momentum Still Outperforming Value

Heading into 2018, plenty of market observers were speculating that value stocks would outperform growth and momentum fare. While there are 11 months left in which that prediction could come true, value is once again lagging to start 2018. After outperforming value by 12% last year, the growth and momentum factors are off to strong starts in 2018. That after 2017 growth to value performance dispersion was the widest it has been since the late 1990's).

SWIN tracks the Dorsey Wright US Sector Momentum Index, meaning the fund is a momentum-based strategy. While concerns linger about valuations for some momentum sectors, earnings growth appears to be supporting those valuations. In the fourth quarter, 84% of S&P 500 healthcare companies, 80% of technology firms and two-thirds of consumer discretionary names beat earnings estimates, according to FactSet data. Only two sectors – energy and materials – are expected to post better earnings growth this year than technology.

While growth prospects remain high, any change in Federal Reserve policy, geopolitical concerns, or fiscal policy could quickly create headwinds or catalysts for further upside movement.

#### Growth Continues its Dominance in January 2018



Source: Bloomberg as of 1/31/2018. "S&P 500 Earnings Season Update," FactSet, Feb. 2, 2018.

**Past performance is not indicative of future results.**

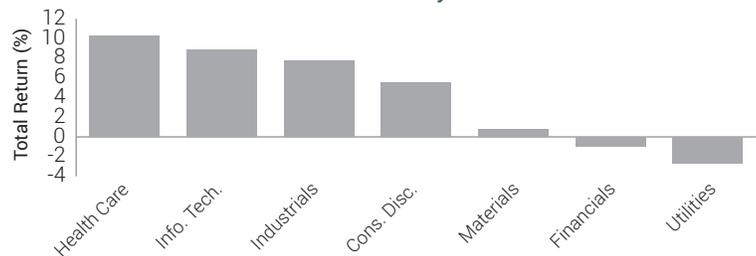
After beating value stocks by 12% in 2017, January 2018 showed that momentum and growth stocks may continue its outperformance.

#### Sector Performance – January 2018

Five of the seven sectors represented in SWIN finished higher in January as the ETF was boosted by significant overweights in consumer discretionary and industrial stocks. Those sectors combine for 22.76% of the S&P 500, but in SWIN, that number climbs to 40.28%.

SWIN missed out on a gains in the consumer staples, energy and telecommunications sectors as those three groups are currently not part of the fund's lineup.

#### SWIN Sector Performance – January 2018



Source: Bloomberg, as of 1/31/18

**Past performance is not indicative of future results.**

Refresher: SWIN uses relative strength indicators to determine its sector allocations. The top three ranked sectors are allocated 20% each and the next four sectors receive 10%. The bottom three ranked sectors are avoided.

#### SWIN Top/Bottom Performers – January 2018

Leaders	Performance	Sector
Nvidia Corp.	27.03%	Information Technology
Abiomed Inc.	25.39%	Healthcare
Amazon.com Inc.	24.06%	Consumer Discretionary
Laggards	Performance	Sector
Scientific Games Corp.	-13.37%	Consumer Discretionary
Albemarle Corp.	-12.75%	Materials
MFA Financial Inc.	-9.60%	Financials

Source: Bloomberg, Finviz as of 1/31/2018.

**Past performance is not indicative of future results.**

#### January 2018 Company Snapshot

Company: ABIOMED, Inc. (ABMD)

Sector: Health care

- Massachusetts-based ABIOMED has operations in the U.S., Canada, Europe, and Japan and international sales growth is expected to surge this year. Investors are enthusiastic about the 2018 launch and roll-out of the world's smallest heart pump, the Impella.
- ABIOMED resides 49.28% above its 200-day moving average and 21.01% above its 50-day line. Those bullish technicals coupled with 2018 earnings growth expectations of 37.3% are keeping short sellers at bay.
- Analysts are enthusiastic about the stock, too. The consensus 12-month Wall Street price target on ABIOMED is 16% above where the shares closed on Jan. 31<sup>st</sup>.

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SWIN Monthly Performance as of 12/31/17

Total Returns	Cumulative			
	1 Mo.	3 Mo.	6 Mo.	S.I. <sup>1</sup>
ALPS   Dorsey Wright Sector Momentum ETF (Net Asset Value)	-0.81%	5.03%	9.60%	18.67%
ALPS   Dorsey Wright Sector Momentum ETF (Market Price) <sup>2</sup>	-0.94%	4.85%	9.49%	18.54%
Dorsey Wright US Sector Momentum Index	-0.82%	5.02%	9.36%	18.04%
S&P 500® Total Return Index	1.11%	6.64%	11.42%	20.15%

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Gross Expense Ratio: **0.40%**

<sup>1</sup> Fund inception date of 1/10/17

<sup>2</sup> Market Price is based on the midpoint of the bid/ask spread at 4 p.m. ET and does not represent the returns an investor would receive if shares were traded at other times.

### ETF Stats

Ticker:	SWIN
Underlying Index:	DWUSSR
Listing Exchange:	Nasdaq
CUSIP:	00162Q 486
Fund Inception:	1/10/17
Dividends Paid:	Quarterly
Most Recent Dividend*:	\$0.0514
Gross Expense Ratio:	<b>0.40%</b>
NAV**:	\$29.39
Shares Outstanding:	350,002

\* Dividend Paid on December 28, 2017

\*\* As of December 31, 2017

Daily holdings are available on the [Alpsfunds.com](http://Alpsfunds.com) website.

### Important Disclosure & Definitions

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus which contain this and other information call 866.675.2639 or visit [www.alpsfunds.com](http://www.alpsfunds.com). Read the prospectus carefully before investing.

ALPS Dorsey Wright Sector Momentum ETF Shares are not individually redeemable. Investors buy and sell shares of the ALPS Dorsey Wright Sector Momentum ETF on a secondary market. Only market makers or "authorized participants" may trade directly with the Fund, typically in blocks of 50,000 shares.

An investment in the Fund is subject to investment risk, including the possible loss of the entire principal amount that you invest.

The Fund is subject to the additional risks associated with concentrating its investments in companies in the market sector.

The Fund is considered non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund.

The fund is new and has limited operating history.

Dorsey Wright US Sector Momentum Index is a rules-based index intended to track the overall performance of the stocks with the highest relative strength or "momentum" within the NASDAQ US Large Mid Cap Index (the "NASDAQ Index") on a sector-by-sector basis.

S&P 500® Index is the Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices.

An investor cannot invest directly in an index.

"Relative strength" is an investing strategy that seeks to determine the strongest performing securities by measuring certain factors, such as a security's relative positive performance against the overall market or a security's relative strength value, which is derived by comparing the rate of increase of the security's price to that of a benchmark index. Nasdaq, Inc. (the "Index Provider") uses a proprietary methodology to analyze the relative strength of each security within the universe of eligible securities and determine a "momentum" score. In general, momentum is the tendency of a security to exhibit persistence in its relative strength; a "momentum" style of investing emphasizes investing in securities that have had better recent performance compared to other securities. The momentum score for each security included in the Underlying Index is based on intermediate and long-term upward price movements of the security as compared to a representative benchmark and other eligible securities within the universe.

Bullish: Characterized by rising share prices.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the ALPS Dorsey Wright Sector Momentum ETF.

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