

ALPS MEDICAL BREAKTHROUGHS ETF (SBIO)

MONTHLY INSIGHTS

September 2018

Key Takeaways

- The ALPS Medical Breakthroughs ETF (SBIO) finished the quarter strong, adding 1.73% for the month, and finishing 5.81% for the quarter. The fund is up 20.31% year to date through the first 3 quarters.
- Conference season officially kicked off for the biotechnology sector in September as companies look to announce updates on their trials. Out of 111 companies in SBIO, 39 companies are expected to release drug data in the fourth quarter.
- Cardiology and Hematology names carried the portfolio in the September, as Cancer names lagged.

Strategy Breakdown

- SBIO screens for biotech companies with at least one drug or therapy in Phase II or Phase III clinical trials. Additionally, member firms must have 24 months of worth of cash on hand to meet current burn rates.
- This methodology gives SBIO a basket of securities with enhanced odds of success in the Food & Drug Administration (FDA) approval process as well as a cash buffer to guard against equity dilution.

Performance Notes

- The ALPS Medical Breakthroughs ETF (SBIO) marched higher in September to the end the third quarter +5.81%; every quarter in 2018 has seen positive returns thus far.
- SBIO outpaced the S&P Biotech Select Industry index (SPSBI) by 6.00% and the Nasdaq Biotechnology Index (XNBI) by about 1.85% for the month, due to its small to mid- cap tilt.
- SBIO overlaps 32% with the SPSBI and 11% with the XNBI.

SBIO vs Benchmarks (NAV)

	MTD	QTD	YTD	One Year
ALPS Medical Breakthroughs ETF (SBIO)	1.73%	5.81%	20.31%	28.25%
Cardiology and Hematology	2.80%	3.58%	3.51%	3.26%
Rare and Orphan Diseases	0.58%	1.81%	6.07%	11.26%
Other	-0.69%	-0.60%	2.36%	3.79%
Cancer	-0.96%	1.02%	8.37%	9.94%
S&P Biotechnology Select Industry Index	-4.27%	0.75%	13.17%	11.09%
Nasdaq Biotechnology Index	-0.12%	11.20%	14.69%	10.34%

Source: Bloomberg, L.P., as of 9/30/2018

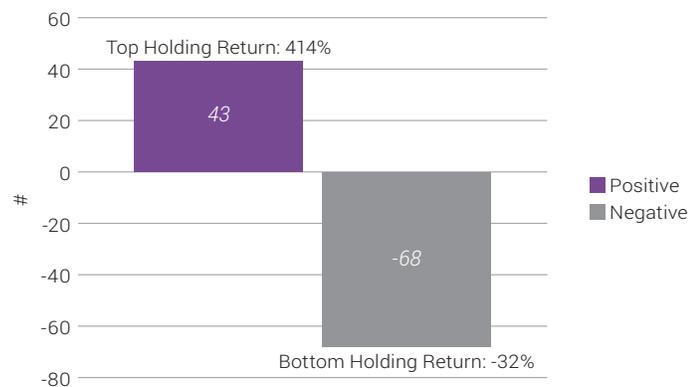
Past performance does not guarantee future results.

For standardized performance, please see Page 3.

Return Attribution

- Cardiology and Hematology company, Amarin Corp PLC (AMRN: 2.94% in SBIO), reported positive trial results on their lead drug, Vascepa, which is the only pure form of omega-3 fish oil used to help minimize cardiovascular events. Shares of AMRN more than quadrupled on the news and are up an additional 31% since month-end.
- Out of 111 SBIO holdings, 43 names ended in the green, with 68 holdings negative for the month. AMRN contributed 245 basis points (bps) to the portfolio, showing the benefits of owning a volatile sector in a basket format.

Monthly Dispersion of Returns



Source: Bloomberg, L.P., as of 9/30/2018

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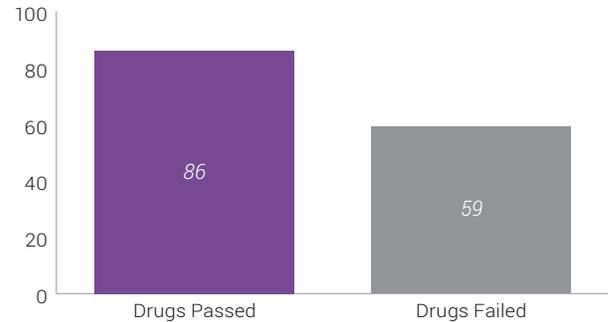
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Return Attribution (continued)

- Own The Basket:** Since the fund inception, 86 SBIO components have delivered positive trial updates while 59 delivered negative news or did not move on from those clinical trials. During that time, SBIO holdings that delivered positive trials news saw an average 14% increase in the share price, while those with a failed trial experienced an average decrease of about 20%.

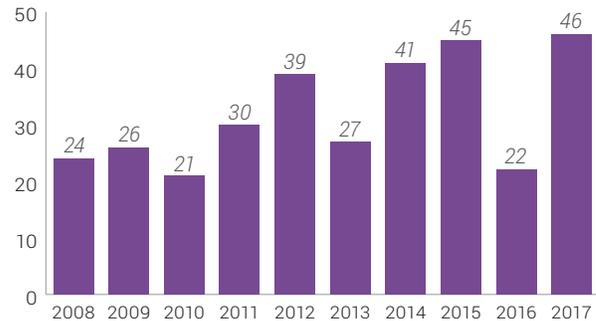
Number of Drug Pass & Fail



Source: SNET Indexes as of 9/30/2018.

- Mr. Friendly FDA (Food & Drug Administration):** The FDA approved 46 novel drugs in 2017 and has already approved 41 drugs through Sept. 30, 2018. New FDA leadership has been viewed as a positive for the drug trial process, along with the accelerated approval programs that now fast track drugs that address unmet medical needs.

Number of Drug Pass & Fail



Source: US Food and Drug Administration (FDA) as of 9/30/2018.

Valuation Notes

- At the end of the third quarter, the Poliwogg Medical Breakthroughs Index (PMBI) had a weighted average cash burn rate of 36 months, more than double the 17.76 months found on the the large-cap Nasdaq Biotechnology Index.
- SBIO's holdings have an average market value of \$2.90 billion, with 60% classified as mid-caps and none classified as large caps.

Index Characteristics	SBIO	S&P Biotechnology Select Industry Index	Nasdaq Biotechnology Index
Number of Constituents	93	115	193
Market Capitalization (\$ Millions)	\$165,145	\$923,100	\$1,030,877
Weighted Average Market Cap (\$)	\$2,977	\$11,343	\$41,927
Price/Sales	8.54	10.24	6.78
Cash burn (months)	37.34	32.3	17.76

Bloomberg Data As of 9/28/2018

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Company Snapshot

Company: Amarin Corporation PLC (AMRN)
Weight: 2.94% (as of Sept. 28, 2018)

As noted earlier, Amarin Corporation Plc (AMRN) rocketed higher late last month after the company said its cholesterol treatment, Vascepa LDL-C, met a its primary endpoint in a trial. Vascepa, a fish oil capsule, reduced the risk of serious heart-related problems with a 25% risk reduction in a trial consisting of nearly 8,200 patients.

"Patients enrolled in REDUCE-IT had LDL-C between 41-100 mg/dL (median baseline LDL-C 75 mg/dL) controlled by statin therapy and various CV risk factors including persistent elevated triglycerides ("TGs") between 150-499 mg/dL (median baseline 216 mg/dL) and either established CV disease (secondary prevention cohort) or diabetes mellitus and at least one other CV risk factor (primary prevention cohort)," according HLS Therapeutics.¹

The company will share greater details about the REDUCE-IT trial at the American Heart Association conference in Chicago on Nov. 10, 2018. Amarin is also presenting at the Cantor Global Healthcare in New York in early October.

Amarin's success with Vascepa on the cholesterol front is seen as a potential blow to bigger competitors, such as Amgen, Inc. (AMGN), Regeneron (REGN) and Sanofi (SNY), which have pricier competing products. In an interview with CNBC, Amarin CEO John Thero said the company is not planning to raise the \$2,400 a year price on Vascepa.²

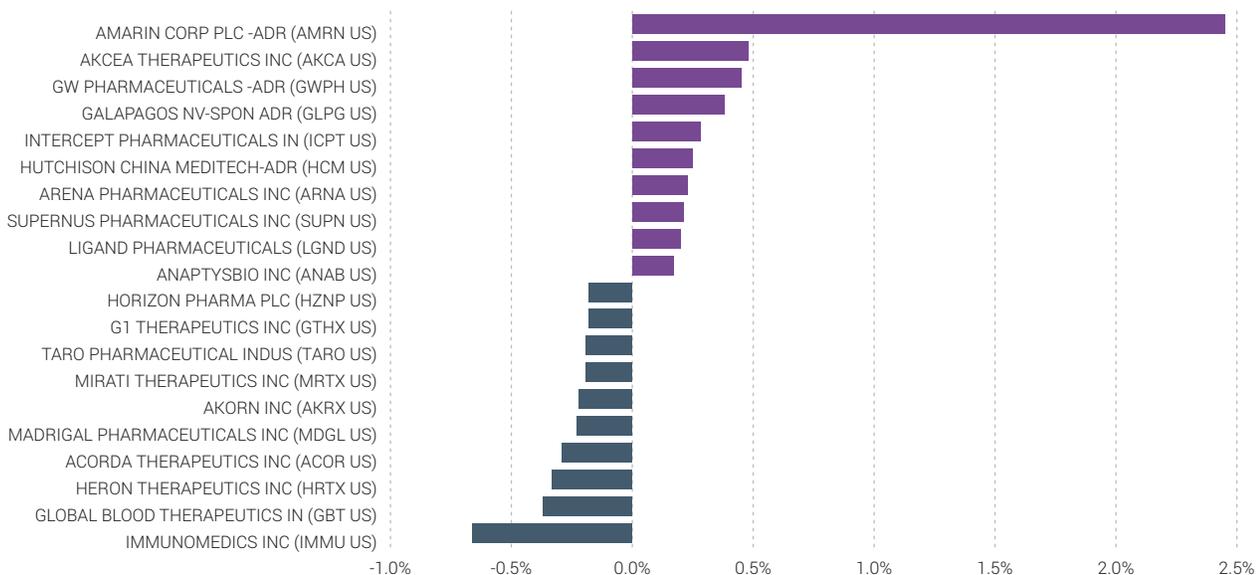
Some insurance companies already approved coverage of Vascepa for a small group of patients with high triglycerides. The Vascepa trial had been in the works for about a decade, potentially explaining some of the stock's four-fold intraday surge on the trial results.

Heart disease is the leading cause of death in the U.S. and heart attacks, strokes and related issues are a significant financial burden on the U.S. healthcare system, meaning Vascepa could find a receptive audience on the prevention front.

¹ Source: HLS Therapeutics Statement Sept. 24, 2018 <https://finance.yahoo.com/news/hls-therapeutics-announces-amarin-reduce-093000475.html>

² Source: CNBC Sept. 24, 2018 https://www.cnbc.com/2018/09/24/amarin-shares-surge-afterfish-oil-capsule-showed-benefits-in-trial.html?_source=yahoo%7Cfinance%7Cheadline%7Cstory%7C&par=yahoo&ypr=yaho

Top/Bottom 20 Contributions or Detractors to Return



Source: Bloomberg, L.P., as of 9/30/2018

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SBIO Performance as of 9/30/18

Total Returns	Cumulative as of 9/30/18				Annualized as of 9/30/18		
	1 Month	3 Month	YTD	S.I.	1 Year	3 Year	S.I.
ALPS Medical Breakthroughs ETF (Net Asset Value)	1.73%	5.81%	20.31%	62.45%	28.25%	12.77%	13.81%
ALPS Medical Breakthroughs ETF (Market Price)	1.71%	6.13%	20.13%	62.41%	28.22%	12.79%	13.80%
Poliwogg Medical Breakthroughs Index (Benchmark)	1.51%	5.61%	20.30%	64.42%	28.43%	13.08%	14.18%

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. The investment return and 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.

Gross Expense Ratio: 0.50%

Fund inception date of 12/31/2014

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.

Top 10 Holdings (%)^

LIGAND PHARMACEUTICA	3.57	GW PHARMACEUTICALS -	3.02
GALAPAGOS NV-SPON AD	3.56	AMARIN CORP PLC -ADR	2.94
UNITED THERAPEUTICS C	3.43	AGIOS PHARMACEUTICA	2.76
LOXO ONCOLOGY INC	3.21	HUTCHISON CHINA MEDIT	2.63
FIBROGEN INC	3.16	TARO PHARMACEUTICAL	2.39

^ as of 9/30/2018. Holdings Subject to change.

Daily holdings are available on the Alpsfunds.com website.

Important Disclosures & 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 844.234.5852 or visit www.alpsfunds.com. Read the prospectus carefully before investing.

Shares are not individually redeemable and the owners of shares may purchase or redeem shares from a fund in creation units (blocks of 50,000 shares) only.

This fund may not be suitable for all investors. There are risks involved with investing in ETFs including the loss of money. The Fund is considered non-diversified and as a result may experience great volatility than a diversified fund. The Fund's investments are concentrated in the pharmaceuticals and biotechnology industries, and underperformance in these areas will result in underperformance in the Fund. Investments in small and micro capitalization companies are more volatile than companies with larger market capitalizations.

Companies in the pharmaceuticals and biotechnology industry may be subject to extensive litigation based on product liability and similar claims. Legislation introduced or considered by certain governments on such industries or on the healthcare sector cannot be predicted.

Companies in the pharmaceuticals industry are subject to competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting. The profitability of some companies in the pharmaceuticals industry may be dependent on a relatively limited number of products. In addition, their products can become obsolete due to industry innovation, changes in technologies or other market developments. Many new products in the pharmaceuticals industry are subject to government approvals, regulation and reimbursement rates. The process of obtaining government approvals may be long and costly. Many companies in the pharmaceuticals industry are heavily dependent on patents and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The development of new drugs generally has a high failure rate, and such failures may negatively impact the stock price of the company developing the failed drug. Biotechnology companies may have persistent losses during a new product's transition from development to production. In order to fund operations, biotechnology companies may require financing from the capital markets, which may not always be available on satisfactory terms or at all.

Poliwogg Medical Breakthroughs Index: The index consists of small and mid-cap pharmaceutical and biotechnology stocks listed on US stock exchanges that have one or more drugs in either Phase II or Phase III US FDA clinical trials.

The NASDAQ Biotechnology Total Return Index is a modified market capitalization-weighted index designed to measure the performance of all NASDAQ stocks in the biotechnology sector. The index was developed with a base value of 200 as of November 1, 1993. The total return includes the reinvestment of cash dividends.

The S&P Biotechnology Select Industry Total Return Index is comprised of stocks in the S&P total market index that are classified in the GICS Biotechnology sub-industry. The total return includes the reinvestment of cash dividends.

One may not invest directly in an index.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the ALPS Medical Breakthroughs ETF

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