

ALPS MEDICAL BREAKTHROUGHS ETF (SBIO)

MONTHLY INSIGHTS

February 2019

Key Takeaways

- The ALPS Medical Breakthroughs ETF (SBIO) continued to move higher, as positive news in the gene therapy space fueled investor sentiment.
- Gene therapy has been the hot topic of 2019. SBIO has about 49% allocated to cancer and 37% allocated to Rare and Orphan Diseases, two of the main areas utilizing that novel approach.
- Company Highlight: Voyageur Therapeutics (VYGR; .60% in SBIO) with its gene therapy focus.

Performance

- Biotechs continued their strength in February with small caps expanding their year-to-date lead over large caps on continued merger activity. Bolt-on acquisitions of small-to-mid (SMID) cap biotechs by larger cap healthcare companies have boosted SMID cap valuations recently
- Gene therapy has been the focus of the majority of deals so far in 2019, with yet another deal announced in February among Roche Holdings AG (ROG SW) and Spark Therapeutics (ONCE). While these holdings are not in SBIO, the continued M&A frenzy for gene therapy companies, especially to treat cancer, lifted many of SBIO's holdings in February, similar to January when LOXO Oncology (4.67% in SBIO prior to the acquisition announcement) was acquired by Eli Lilly (LLY)."

Performance

	February	YTD	One Year
ALPS Medical Breakthroughs ETF (SBIO)	7.49%	22.03%	3.13%
S&P Biotechnology Select Industry Index	6.52%	23.72%	-1.09%
Nasdaq Biotechnology Index	2.73%	16.49%	4.81%

Source: Bloomberg as of 2/28/2019

Performance data quoted represent past performance. Past performance is no guarantee of future results so that shares, when redeemed may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance quoted. For the most current month-end performance data please call 844.234.5852. Performance includes reinvested distributions and capital gains. For standard performance, please see page 3.

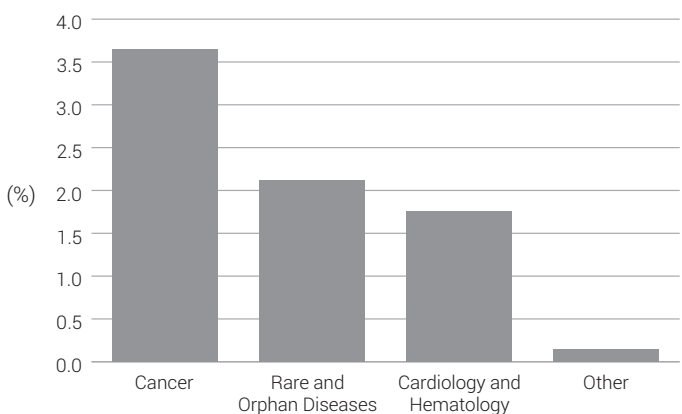
Strategy:

- SBIO screens for small to mid-cap biotech companies with at least one drug or therapy in Phase II or Phase III clinical trials, potentially capturing greater odds of success with companies further along the Food & Drug Administration (FDA) drug trial process. Additionally, constituents must have at least 24 months of cash on hand to help protect against the equity dilution that comes with raising capital to support their drug trials.

Attribution

- 71% of names were positive in SBIO during the month. Cancer focused names helped the most for the month, with Array Biopharma Inc (ARRY; 5.75% weight) contributing 116bps to SBIO. Following positive drug trial results, ARRY also posted better than expected fiscal Q2 results on milestone licensing payments from the LLY/LOXO deal.
- While a smaller allocation in the portfolio, Cardiology and Hematology names posted the highest aggregate total return for the month, as Uniqure NV (QURE; 1.8% weight), another gene therapy company, recorded a whopping 50% increase in price. QURE reported positive results from its severe hemophilia B drug, with some Street analysts indicating that QURE is another M&A target.

SBIO Company Focus Contribution To Return



Source: Bloomberg as of 2/28/2019

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Valuation

- The Poliwogg Medical Breakthroughs Index (PMBI) has a weighted average cash burn rate of 48 months, almost triple the 18 months found within the large-cap Nasdaq Biotechnology Index.
- PMBI's holdings have an average market value of \$2.5 billion, with 65% classified as mid-caps and 35% classified as small-caps.

Index Characteristics	Poliwogg Medical Breakthroughs Index	S&P Biotechnology Select Industry Index	Nasdaq Biotechnology Index
Number of Constituents	68	119	222
Weighted Average Market Cap (\$)	\$2,594	\$10,373	\$34,820
Price/Sales	11.31	9.58	6.05
Cash burn (months)	48.03	32.78	17.74

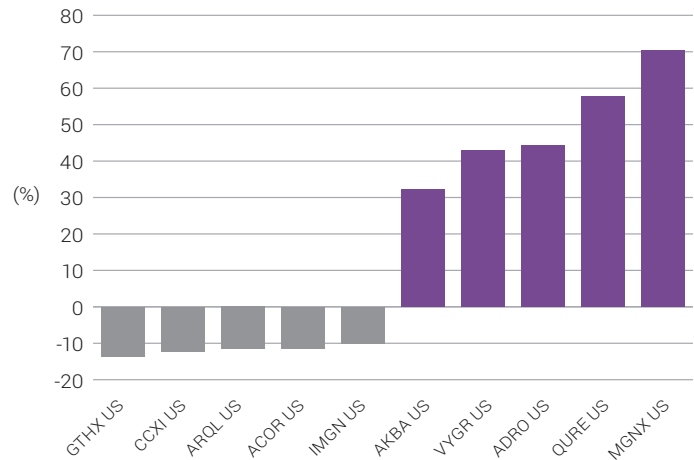
Bloomberg Data As of 2/28/2019

February 2019 Company Snapshot

Company: Voyager Therapeutics
 Company Focus: Rare and Orphan Diseases
 Sub-group: Gene Therapy

- Voyager Therapeutics (VYGR) is a small cap gene therapy company focused on developing life changing gene therapies to address severe neurological diseases, such as Parkinson's disease, ALS, Huntington's disease, Alzheimer's, etc.
- Why has the company increased almost 60% year to date:**
 - Voyager announced a strategic partnership with Neurocrine Biosciences, Inc. on January 29, 2019 that focuses on the development and commercialization of Voyagers gene therapy drugs for Parkinson's and Friedreich Ataxia. The total value could exceed \$1Billion in potential milestone payments and royalties.¹
 - Voyager announced a second partnership in February with AbbVie (ABBV) to help develop and commercialize Voyager's vectorized antibody platform for treatment of Parkinson's and other diseases, potentially yielding over \$1.5B in payouts.²

SBIO - Top/Bottom 10 Dispersion of returns



Source: Bloomberg as of 2/28/2019

Past performance is not indicative of future results.

¹ <http://ir.voyagertherapeutics.com/phoenix.zhtml?c=254026&p=irol-newsArticle&ID=2385146>

² <http://ir.voyagertherapeutics.com/phoenix.zhtml?c=254026&p=irol-newsArticle&ID=2388579>

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SBIO Performance as of 2/28/19

Total Returns	Cumulative as of 2/28/2019				Annualized as of 12/31/18		
	1 Month	3 Month	YTD	S.I.	1 Year	3 Year	S.I.
ALPS Medical Breakthroughs ETF (Net Asset Value)	7.49%	5.49%	22.03%	46.32%	-11.20%	-2.36%	4.64%
ALPS Medical Breakthroughs ETF (Market Price)	8.40%	5.92%	23.26%	46.96%	-11.81%	-2.52%	4.49%
Poliwogg Medical Breakthroughs Index (Benchmark)	7.52%	5.71%	22.08%	48.43%	-11.04%	-2.08%	5.00%

Performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be higher or lower than actual data quoted. Call 1.866.234.5852 or visit www.alpsfunds.com for current month end performance. The investment return and principal value of an investment will fluctuate so that an investor's 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 (%)^

FIBROGEN INC	6.06%
ARRAY BIOPHARMA INC	6.03%
UNITED THERAPEUTICS C	4.95%
AGIOS PHARMACEUTICAL	4.66%
GALAPAGOS NV-SPON AD	3.96%
ASCENDIS PHARMA A/S - A	3.77%
EMERGENT BIOSOLUTION	3.67%
GLOBAL BLOOD THERAPE	3.60%
IMMUNOMEDICS INC	3.56%
LIGAND PHARMACEUTICAL	3.25%

^ Bloomberg data as of 2/28/2019. Holdings Subject to change.

Daily holdings are available on the Alpsfunds.com website.

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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 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.

The Fund employs a "passive management"- or indexing- investment approach and seeks to track the investment results of an index composed of small and mid-cap companies, that must have at least one drug in phase 2 or 3 of the FDA clinical trials. Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Poliwogg Medical Breakthroughs Index. Similarly, the Fund does not buy a security because the security is deemed attractive unless that security is added to the Poliwogg Medical Breakthroughs Index.

The inclusion or exclusion of a company in the Poliwogg Medical Breakthroughs Index is not a recommendation to buy or to sell securities, and not an offer to buy or sell securities.

Voyager Therapeutics Inc (VYGR) was included in the ALPS Medical Breakthroughs ETF on 6/15/2018 with a .45% allocation and has a fund allocation of 0.60% as of 2/28/2019.

Holdings

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 comprises 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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