

# ALPS Medical Breakthroughs ETF

Monthly Insights | November 2021



## Key Takeaways

- The ALPS Medical Breakthroughs ETF fell 6.81% during the month of November 2021 while the broader US equity market fell slightly.
- SBIO's Cardiology & Hematology segment was the best performer in November 2021, with two companies gaining over 30%.
- **Company Spotlight:** Dicerna Pharmaceuticals Inc. (**DRNA; 1.88% weight\***) rose 82.65% in November after announcing it will be acquired by Novo Nordisk A/S (**NOVOB DC; not in SBIO**).

## Performance Notes

- SBIO fell 6.81% in November 2021 while the broader US equity market fell 0.70%. SBIO underperformed the broad market in a month that saw renewed uncertainty with the Omicron variant coming into the picture.
- SMID-cap biotech (SBIO) underperformed large-cap biotech in November, as represented by the ICE Biotechnology Index. SBIO's mid and small cap names can oftentimes be more volatile amid times of uncertainty compared to large cap biotech names, due to their high beta and lack of revenue/earnings in some cases.

	Nov-21	Year to Date	1 Year
ALPS Medical Breakthroughs ETF (SBIO)	-6.81%	-16.23%	-12.37%
S&P Biotechnology Select Industry Index	-6.78%	-17.29%	-12.38%
ICE Biotechnology Index	-3.34%	6.62%	11.61%

Performance as of 11/30/2021.

**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 visit [www.alpsfunds.com](http://www.alpsfunds.com).**

For standardized performance, please see Page 3.

## Strategy Breakdown

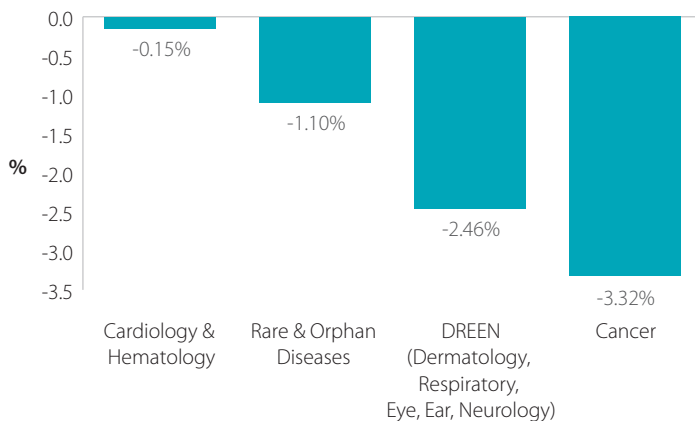
- SBIO screens for small- to mid-cap biotech companies with at least one drug or therapy in Phase II or Phase III (late-stage) clinical trials.
  - Late stage drug trials can potentially capture greater odds of success as they are further along the Food & Drug Administration (FDA) drug trial process.
- SBIO constituents must have at least 24 months of cash burn on hand.
  - This quality screen helps to protect against the equity dilution that comes with raising capital to support drug trials.



## Contribution to Return by Treatment Focus

- SBIO's Cardiology & Hematology segment was the best performer in November 2021. Apellis Pharmaceuticals Inc. (**APLS; 2.33% weight\***) was the top security within the segment, +36.89%, after announcing it will submit a New Drug Application for its treatment for age-related macular degeneration early next year.
- Within the Rare & Orphan segment, Dicerna Pharmaceuticals Inc. (**DRNA; 1.88% weight\***) was the top performer and is highlighted below in the company spotlight, while Catalyst Pharmaceuticals Inc. (**CPRX; 0.25% weight\***) was the next best performer, gaining 18.64% after posting strong earnings.
- Within the DREEN (Dermatology, Respiratory, Eye, Ear, Neurology) segment, Seres Therapeutics Inc. (**MCRB; 0.63% weight\***) led all names forward, +76.97% after beating earnings estimates early in the month and announcing the first patient was enrolled in a study for its drug to reduce risk of antibiotic-resistant bacterial infections.

## SBIO Company Focus Contribution To Return



Source: Bloomberg L.P., as of 11/30/2021.

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

## ALPS Medical Breakthroughs ETF

### Valuation Update

- The S-Network Medical Breakthroughs Index (PMBI) has a weighted average cash-burn of 32 months that continues to exceed peer biotechnology indexes, and is a distinguishing defensive characteristic for the fund.
- PMBI's holdings have an average market value of \$2.521 billion, with 51.20% classified as mid-caps, and 48.80% classified as small-caps.

Index Characteristics	S-Network Medical Breakthroughs Index	S&P Biotechnology Select Industry Index	ICE Biotechnology Index
Number of Constituents	124	186	262
Weighted Average Market Cap (\$ million)	\$2,521	\$8,882	\$47,283
Price/Sales	9.36x	7.98x	7.00x
Cash burn (months)	32.36	28.13	32.40

Source: Bloomberg L.P., as of 11/30/2021.

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

### November 2021 Company Spotlight

**Company:** Dicerna Pharmaceuticals Inc. (DRNA)

**Weight:** 1.88%

**Focus Group:** Rare & Orphan Diseases

- Dicerna Pharmaceuticals, which focuses on treating liver disease and cancer, gained 82.65% in November.
- The bulk of performance came after it was announced that Dicerna would be acquired by Novo Nordisk A/S (**NOVOB DC; not in SBIO**) in an all cash deal worth over \$3 billion. The two companies have collaborated before as far back as 2019, and the deal will help bolster Novo Nordisk's offerings and capabilities.
- SBIO's small and mid-cap names are prime acquisition targets, as Dicerna joins a list of three other SBIO names acquired in 2021.

\* Weight in SBIO as of 11/30/21.

## ALPS Medical Breakthroughs ETF

## SBIO Performance as of 11/30/21

Total Returns	Cumulative as of 11/30/2021				Annualized as of 9/30/2021			
	1 Mo.	3 Mo.	YTD	S.I.	1 Yr.	3 Yr.	5 Yr.	S.I. <sup>1</sup>
ALPS Medical Breakthroughs ETF (Net Asset Value)	-6.81%	-8.48%	-16.23%	82.45%	10.72%	6.02%	12.83%	10.28%
ALPS Medical Breakthroughs ETF (Market Price) <sup>2</sup>	-6.88%	-8.51%	-16.34%	82.24%	10.82%	6.03%	12.84%	10.28%
S-Network Medical Breakthroughs Total Return Index (Benchmark)	-6.87%	-8.51%	-16.03%	86.45%	11.17%	6.38%	13.13%	10.64%

**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 1.866.675.2639 or visit [www.alpfunds.com](http://www.alpfunds.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.**

<sup>1</sup> Fund inception date of 12/30/14.

<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.

Gross Expense Ratio: **0.50%**

Top 10 Holdings (%)<sup>^</sup>

LEGEND BIOTECH CORP-ADR	4.75
VIR BIOTECHNOLOGY INC	3.94
KODIAK SCIENCES INC	3.01
CEREVEL THERAPEUTICS HOLDING	2.88
KARUNA THERAPEUTICS INC	2.41
APELLIS PHARMACEUTICALS INC	2.33
ALKERMES PLC	2.26
SPRINGWORKS THERAPEUTICS INC	2.25
ARENA PHARMACEUTICALS INC	2.12
CYTKINETICS INC	2.09

<sup>^</sup> Source: ALPS Inc. as of 11/30/21.

Holdings subject to change.

Treatment Focus Breakdown<sup>^</sup>

DREEN (Dermatology, Respiratory, Eye, Ear, Neurology)	29.62%
Rare & Orphan Diseases	28.79%
Cancer	28.28%
Cardiology & Hematology	13.32%

<sup>^</sup> Source: S-Network Global Indexes, as of 11/30/21.

Holdings subject to change.

## ALPS Medical Breakthroughs ETF

### Important Disclosures & Definitions

**An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus which contains this and other information call 844.234.5852 or visit [www.alpsfunds.com](http://www.alpsfunds.com). Read the prospectus carefully before investing.**

**Shares are not individually redeemable. Investors buy and sell shares on a secondary market. Only market makers or "authorized participants" may trade directly with the Fund, typically in blocks of 5,000, 25,000 or 50,000 shares.**

*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 greater 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 S-Network Medical Breakthroughs Index (PMBI) is designed to capture research and development opportunities in the biotechnology industry. PMBI consists of small- to mid-cap biotechnology stocks listed on US exchanges that have one or more drugs in either Phase II or Phase III US FDA clinical trials. The total return includes the reinvestment of cash dividends.*

*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 ICE Biotechnology Index is a rules-based, modified float-adjusted market capitalization-weighted index that tracks the performance of qualifying U.S. listed biotechnology companies.*

*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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