

# ALPS Medical Breakthroughs ETF

Monthly Insights | June 2021

## Key Takeaways

- The ALPS Medical Breakthroughs ETF returned 4.97% during the month of June 2021 while the broader US equity market rose by roughly 2.33%.
- SBIO's Rare & Orphan Disease segment was the best performer in June 2021 with a number of immunotherapy companies reporting positive clinical trial progress.
- Company Spotlight:** Prothena Corp (**PRTA; 1.28% weight\***), an immunotherapy company developing an Alzheimer's disease therapy, rose 76.24% in June after Biogen's Alzheimer's disease drug received approval from the Food & Drug Administration (FDA).

## Performance Notes

- SBIO returned 4.97% in June, 2021 while the broader US equity market rose roughly 2.33%. Growth stocks reemerged as market leaders over value stocks in June, helping to propel SBIO. Economic indicators released in June point to a robust rebound in the economy with the Federal Open Market Committee (FOMC) raising its GDP forecast of GDP growth to 7% for 2021, up from a prior projection of 6.5%.
- SMID-cap biotech underperformed large-cap biotech, as represented by the ICE Biotechnology Index, in June, partly due to a number of large-caps releasing positive clinical data and/or receiving drug approvals from the FDA. Valuations were lifted across the sector partly due to Illumina's (**ILMN; not in SBIO**) positive phase one data release on its genomic-targeted treatment, a milestone for gene therapy, and Biogen's (**BIIB; not in SBIO**) FDA approval for its Alzheimer's disease drug.

	Jun-21	Year to Date	1 Year
ALPS Medical Breakthroughs ETF (SBIO)	4.97%	-4.45%	17.12%
S&P Biotechnology Select Industry Index	6.00%	-5.93%	21.19%
ICE Biotechnology Index	8.14%	12.77%	25.64%

Performance as of 6/30/2021.

**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

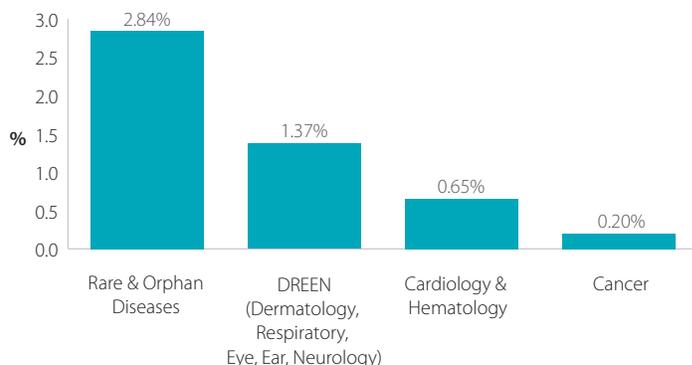
- SBIO screens for small- to mid-cap biotech companies with at least one drug or therapy in Phase II or Phase III (late-stage) clinical trials.
  - Late stage drug trials can potentially capture greater odds of success as they are further along in the Food & Drug Administration (FDA) drug trial process.
- 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 Rare & Orphan Diseases segment was the best performer in June 2021. Cerevel Therapeutics (**CERE; 1.84% weight\***), which is developing treatments for neural diseases, rose 86.60% in June after reporting positive Phase 1 results for its Schizophrenia therapy.
- Constellation Pharmaceutical (**CNST; 0.92% weight\***), an immunotherapy company within SBIO's Rare & Orphan Disease segment, rose 70.62% in June after MorphoSys AG (**MORGY; not in SBIO**) announced the acquisition of CNST for \$1,629.1M, representing roughly a 68.09% premium to its stock price at announcement date.
- FibroGen, Inc. (**FGEN; 1.38% weight\***), a biotech company developing therapies for inflammatory, oncology and autoimmune diseases, rose 25.32% in June after receiving a positive opinion from the European Medicines Agency (EMA) on its chronic kidney disease drug, Roxadustat.

## SBIO Company Focus Contribution To Return



Source: Bloomberg L.P., as of 6/30/2021.

**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 nearly 41 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 \$2.6 billion, with 54.68% classified as mid-caps and 45.32% classified as small-caps.

Index Characteristics	S-Network Medical Breakthroughs Index	S&P Biotechnology Select Industry Index	ICE Biotechnology Index
Number of Constituents	127	190	270
Weighted Average Market Cap (\$ million)	\$2,559	\$7,976	\$42,358
Price/Sales	10.61x	9.90x	8.66x
Cash burn (months)	41.39	30.57	41.10

Source: Bloomberg L.P., as of 6/30/2021.

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

### June 2021 Company Spotlight

**Company:** Prothena Corp. (PRTA)

**Weight:** 1.28%

**Focus Group:** Rare & Orphan Diseases

- Prothena Corp Pharmaceuticals is an immunotherapy company that is focused on discovering and developing novel antibodies for the potential treatment of rare & orphan diseases.
- Following the FDA approval of Biogen's Alzheimer's disease drug, valuations of other biotech companies developing therapies for Alzheimer's disease rose. PRTA returned 76.24% in June, 2021, partly due to the fact that PRTA's Alzheimer's disease therapy utilizes antibodies that target beta-amyloid, similar to Biogen's FDA approved drug. Sell-side research analysts are also optimistic that PRTA's drug may potentially be more effective than Biogen's Alzheimer's drug.
- In addition, Bristol Myers Squibb announced in June that it purchased, for \$80 million, an exclusive U.S. license for PRTA's potential Alzheimer's disease drug, which is currently in Phase I of clinical trial studies.

## ALPS Medical Breakthroughs ETF

## SBIO Performance as of 6/30/21

Total Returns	Cumulative as of 6/30/2021				Annualized as of 6/30/2021			
	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)	4.97%	-2.45%	-4.45%	108.12%	17.12%	10.67%	17.70%	11.94%
ALPS Medical Breakthroughs ETF (Market Price) <sup>2</sup>	4.93%	-2.55%	-4.54%	107.95%	17.08%	10.76%	17.69%	11.92%
S-Network Medical Breakthroughs Total Return Index (Benchmark)	5.03%	-2.35%	-4.27%	112.57%	17.57%	10.94%	18.01%	12.30%

**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.alpsfunds.com](http://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.**

<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.

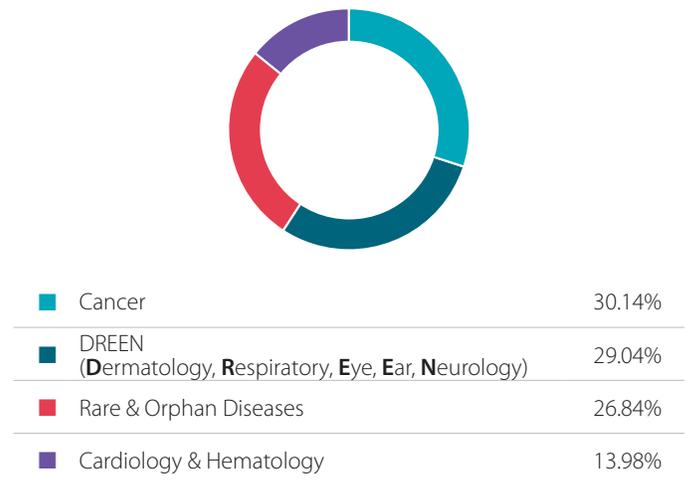
Gross Expense Ratio: **0.50%**

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

Vir Biotechnology Inc	3.46
Legend Biotech Corp	3.13
TG Therapeutics Inc	3.11
Apellis Pharmaceuticals Inc	2.86
Kodiak Sciences Inc	2.68
Arena Pharmaceuticals Inc	2.33
SpringWorks Therapeutics Inc	2.27
Iovance Biotherapeutics Inc	2.24
Alkermes PLC	2.21
ACADIA Pharmaceuticals Inc	2.20

<sup>^</sup> Source: ALPS Inc. as of 6/30/21.

Holdings subject to change.

Treatment Focus Breakdown<sup>^</sup>

<sup>^</sup> Source: S-Network Global Indexes, as of 6/30/21.

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 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 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*

*SMB000395 7/31/2022*