

# ALPS Medical Breakthroughs ETF

Monthly Insights | August 2020

## Key Takeaways

- The ALPS Medical Breakthroughs ETF returned 3.55% during the month of August 2020 as acquisitions of SMID biotech companies lifted valuations within the space
- SBIO's Cancer segment contributed positive performance due to many companies beating Q2 earnings expectations or providing positive updates on ongoing clinical trial studies
- Company Spotlight:** XBiotech (**XBIT; 0.44% weight\***), a biotech company working on a COVID-19 vaccine, rose 35.20% in August 2020 after the Food and Drug Administration (FDA) provided an emergency use authorization for a plasma-based COVID-19 treatment, which relies on the technology developed by XBIT

## Performance Notes

- SBIO returned 3.55% in August while the U.S. broad market posted its best August return since 1980. Optimism on the development of a COVID-19 vaccine coupled with the Federal Reserve's reassurance of a supportive monetary policy triggered the risk-on behavior seen from investors during August.
- SBIO outperformed the broader, large-cap biotechnology industry, which is represented by the Nasdaq Biotechnology Index, as two of SBIO's holdings were acquired in August. Since SBIO's inception, 18 holdings have been acquired.

	Aug-20	Year to Date	1 Year
ALPS Medical Breakthroughs ETF (SBIO)	3.55%	-2.13%	20.19%
S&P Biotechnology Select Industry Index	2.39%	17.41%	39.13%
Nasdaq Biotechnology Index	0.96%	13.00%	32.56%

Performance as of 08/31/2020.

**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

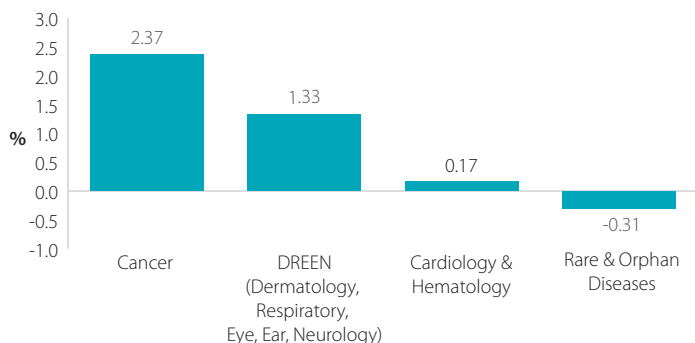
- SBIO screens for small- to mid-cap biotech companies with at least one drug or therapy in Phase II or Phase III (late-stage) clinical trials
  - Late stage drug trials can potentially capture greater odds of success as they are further along the Food & Drug Administration (FDA) drug trial process.
- 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 Cancer segment led the portfolio's positive performance in August 2020 with many providing positive updates on their clinical trials during Q2 earnings calls. Mirati Therapeutics (**MRTX; 4.71% weight\***), rose 23.13% after the company announced better-than-expected Q2 earnings results and provided positive updates on its immunotherapy to treat small cell lung cancer.
- Kura Oncology (**KURA; 0.98% weight\***), which focuses on developing treatments for tumors and blood cancer, rose 51.40%, after providing positive clinical data on its solid tumor treatment.
- Also within the Cancer segment, AKCA Therapeutics (**AKCA; 1.34% weight\***) rose 68.63% in August after announcing that it was being acquired by Ionis Pharmaceuticals (**IONS; not in SBIO**). The premium paid by the acquirer was approximately 59%.

## SBIO Company Focus Contribution To Return



Source: Bloomberg L.P., as of 08/31/2020.

**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 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 \$3.01 billion, with 58.10% classified as mid-caps, 41.90% classified as small-caps, and no large cap biotech exposure.

Index Characteristics	S-Network Medical Breakthroughs Index	S&P Biotechnology Select Industry Index	Nasdaq Biotechnology Index
Number of Constituents	90	133	207
Weighted Average Market Cap (\$ million)	\$3,011	\$10,393	\$40,120
Price/Sales	12.02x	9.75x	7.13x
Cash burn (months)	33.25	19.38	30.94

Source: Bloomberg L.P., as of 08/31/2020.

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

### August 2020 Company Spotlight

**Company:** XBiotech Inc. (XBIT)

**Weight:** 0.40%

**Focus Group:** Cancer

- XBiotech is an immunotherapy company that is focused on developing antibody-based treatments for vascular diseases, inflammatory skin diseases and diabetes.
- Shares of XBIT rose 35.20% in August after the Food and Drug Administration (FDA) provided an emergency use authorization for a plasma-based COVID-19 treatment. XBIT noted that the authorization opens the door for hospitals to use the company's antibody screening technology, which is needed to detect the antibodies that specifically attack the COVID-19 virus within patients that have recovered from the illness.

## ALPS Medical Breakthroughs ETF

## SBIO Performance as of 8/31/20

Total Returns	Cumulative as of 8/31/2020				Annualized as of 6/30/2020			
	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)	3.55%	-0.19%	-2.13%	75.87%	15.60%	16.46%	4.30%	11.02%
ALPS Medical Breakthroughs ETF (Market Price) <sup>2</sup>	3.53%	-0.31%	-2.20%	75.82%	16.12%	16.44%	4.28%	11.01%
S-Network Medical Breakthroughs Total Return Index (Benchmark)	3.58%	-0.09%	-1.88%	79.06%	15.78%	16.73%	4.61%	11.37%

**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.

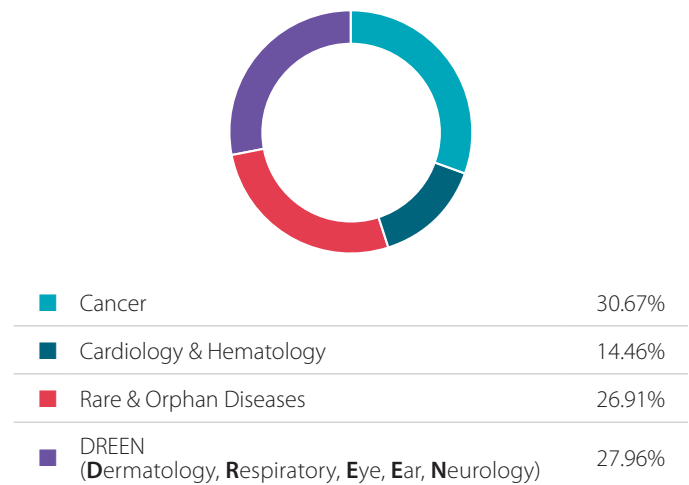
<sup>2</sup> Market Price is based on the midpoint of the bid/ask spread at 4 p.m. ET and does not represent the returns an investor would receive if shares were traded at other times.

Gross Expense Ratio: **0.50%**

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

Mirati Therapeutics Inc	4.71%
Emergent BioSolutions Inc	4.32%
Accelaron Pharma Inc	3.79%
Vir Biotechnology Inc	3.45%
United Therapeutics Corp	3.40%
Allakos Inc	3.16%
Arrowhead Pharmaceuticals Inc	3.11%
Blueprint Medicines Corp	3.04%
MorphoSys AG	2.98%
FibroGen Inc	2.89%

<sup>^</sup> Source: ALPS Inc. as of 08/31/20.  
Holdings subject to change.

Treatment Focus Breakdown<sup>^</sup>

<sup>^</sup> Source: ALPS Inc. as of 08/31/20.  
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 contain 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 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 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 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*

SMB000362 9/3/2021