

HVAL

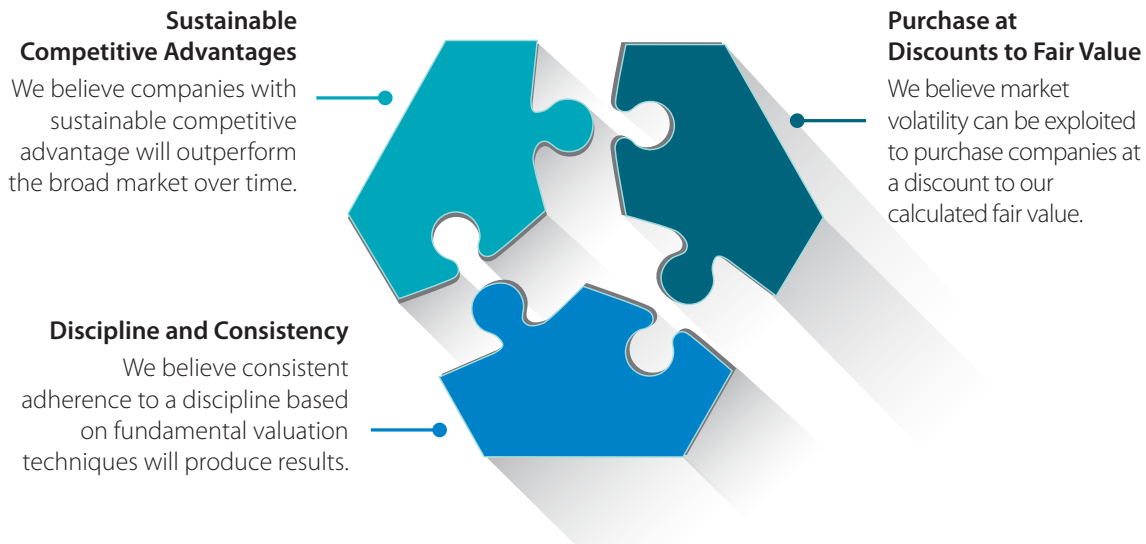
# ALPS Hillman Active Value ETF

Investment Primer | July 16, 2021

The ALPS Hillman Active Value ETF invests in stocks of large U.S. companies which the Fund's managers believe have sustainable competitive advantages and may be temporarily undervalued by investors.

# Hillman Capital Management's Investment Philosophy

Hillman Capital Management (HCM) seeks to invest in companies that we believe have sustainable competitive advantages, at times when we calculate that their stocks are undervalued. The strength of this discipline is derived from independent research, focusing on quality enterprises and applying disciplined valuation metrics.



## Why Invest in the ALPS Hillman Active Value ETF?

**For a large cap value allocation, HVAL provides potential benefits to investors:**

- **History** – 25 years of disciplined value management
- **Quality** – only invest in companies with sustainable competitive advantage
- **Consistent application of investment process** – invest in a portfolio of the most attractively valued companies in the qualified universe
- **Discipline** – maintain roughly equal weights among the holdings with strict rebalancing rules
- **Performance** – a laser focus on quality companies and discipline on price
- **ETF structure** – a fully transparent\*, actively managed strategy in a low-cost\*\*, tax-efficient\*\*\* fund structure

### The Hillman Difference – Competitive Advantages

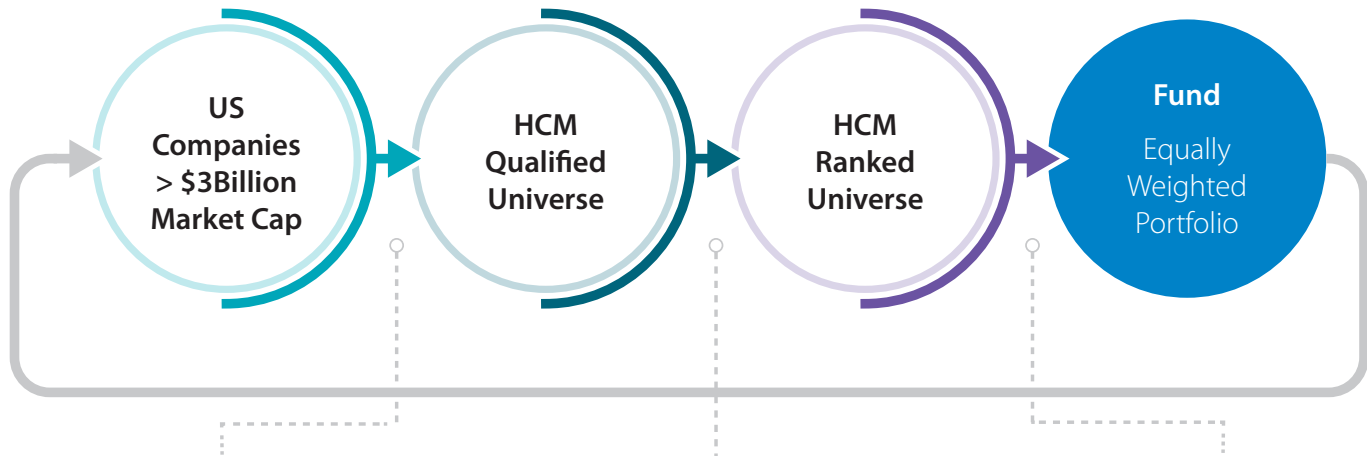
- Screen for high quality, well managed businesses, with what we believe to be sustainable competitive advantages
- Establish our estimated fair market value for these companies using multiple valuation methods
- Buy companies when available at sufficient discounts, subject to portfolio constraints
- Sell companies when valuations exceed fair value thresholds and/or portfolio constraints

\* Daily disclosure of holdings.

\*\* Ordinary brokerage fees apply.

\*\*\* Upon redemption, the ETF issuer delivers underlying securities "in kind" which can reduce the fund's tax burden and provide higher after tax returns for investors.

# A Rigorous Research Driven Active Investment Process



## Sustainable Competitive Advantage Assessment

Analyze factors contributing to a candidate company's sustainable competitive advantage, including:

1. Is the company an industry leader or does it dominate a certain niche market?
2. Has management been prudent and proactive over various economic cycles?
3. Does the company have pricing power with customers?
4. Does the company have purchasing power with suppliers?
5. Do barriers to entry exist for prospective competitors?
6. Does the company have a strong brand/franchise with brand loyalty?
7. Does the company deliver excellent products or services?
8. Does the company provide outstanding customer service?
9. Does the company have enough financial flexibility to weather short term problems, an economic downturn or increased competitive pressures?

## Multi-Factor Valuation Ranking

Utilize valuation metrics:

- A. Discounted Cash Flow Model
- B. Price to Book
- C. Price to Sales

*Note: A name could qualify to be in the HCM qualified universe and never be included in the portfolio, due to valuation considerations.*

## Buy Discipline

Most attractively valued securities are included in the portfolio, subject to concentration parameters

### Portfolio Constraints

- Position sizes
- Rebalancing protocols
- Industry and sector constraints

## Sell Discipline

- Valuation exceeds 1% to 20% premium to intrinsic value of the business
- Portfolio diversification constraints exceeded
- Company no longer qualifies for the HCM qualified universe

# About Hillman Capital Management

Hillman Capital Management, Inc. is a value equity boutique investment manager founded by Mark A. Hillman in 1998. The Firm offers portfolio management services to an international client base of foundations, endowments, corporations, pension plans and private investors. The Firm employs a proprietary portfolio management style through which it endeavors to outperform the capital markets over various economic cycles.

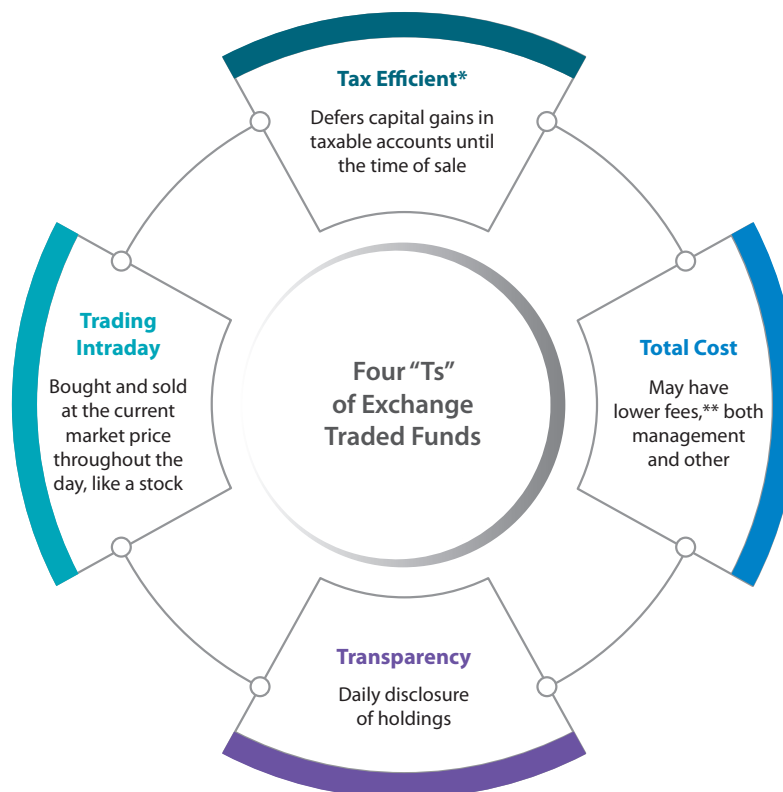
## Hillman Capital Management Investment Team

**Mark A. Hillman**, CEO and Chief Investment Officer, founded HCM in 1998, bringing into the firm assets of predecessor companies he established in the early 1990s. His first investment advisory company, Custom Asset Management, merged with Menocal Capital Management in 1993 and he became Chief Investment Officer of the combined firms. Prior to founding his first firm, he was a financial consultant with Shearson Lehman Hutton. A graduate of Tufts University, he has done graduate coursework at Harvard University Extension School.

**Trevor Lee, MBA**, Analyst, focuses on assessing the competitive dynamics and valuation of companies. Trevor joined Hillman Capital Management in 2008 and is a member of HCM's Investment Committee. Trevor evaluates companies from the unique perspective of his solid background in marketing and product development for Fortune 500 companies, including Procter and Gamble, Kraft, and Sara Lee. A graduate of Tufts University, Trevor earned his MBA at The Wharton School of the University of Pennsylvania.

## ETF Structure

The ALPS Hillman Active Value ETF is an actively managed fund with all of the structural benefits of an ETF.



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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 866.759.5679 or visit [www.alpsfunds.com](http://www.alpsfunds.com). Read the prospectus carefully before investing.***

***ALPS Hillman Active Value ETF shares are not individually redeemable. Investors buy and sell shares of the ALPS Hillman Active Value ETF on a secondary market. Only market makers or “authorized participants” may trade directly with the fund, typically in blocks of 50,000 shares.***

*There are risks involved with investing in ETFs including the loss of money. Additional information regarding the risks of this investment is available in the prospectus.*

*An investment in the Fund is subject to investment risk including the possible loss of the entire principal amount that you invest.*

*Please note that the Fund is new and has limited operating history.*

*Diversification does not eliminate the risk of experiencing investment losses.*

*Hillman Capital Management, Inc. and ALPS Portfolio Solutions Distributor, Inc. are not affiliated.*

*ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Fund.*

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