

Ticker: OUSM

# ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF

Quarterly Insights | Q2 2025

## Key Takeaways

- In Q2 2025, the ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) returned 3.28% as U.S. small-caps rallied on the prospect of multiple rate cuts by year-end driving future growth. Despite recent economic uncertainty, OUSM's portfolio of high-quality holdings continues to lead broad small-caps on its lower volatility and high-quality fundamentals.
- OUSM's Information Technology sector provided the highest contribution to overall fund returns in Q2'25 as artificial intelligence (AI) tailwinds benefited hyperscalers and small-cap tech names.
- OUSM exhibits a month-end price-to-earnings (P/E) ratio of 16.17x, which is slightly higher than the Russell 2000 Value Index's P/E of 13.75x due to its mix of higher quality holdings with a focus on profitability, lower leverage, lower volatility and dividend income.

## Performance Notes

- The ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) returned 3.28% last quarter, slightly underperforming the Russell 2000 Value Index, which gained 4.97% for the same period. OUSM's relative underperformance during the quarter stemmed from its overweight to higher-quality holdings across all sectors, which trailed momentum and lower-quality names during a broad risk-on rally for stocks (note: OUSM's quality methodology excludes low-quality cyclical sectors: Energy, Materials and Real Estate). Looking ahead, OUSM's more desirable quality attributes over broad small-caps, including profitability, lower volatility, lower leverage (debt) and strong dividend growth, position the fund to benefit from a potential catch-up trade relative to large-caps while avoiding the inherent risks present among the rising number of unprofitable small-cap companies.
- In the second quarter of 2025, small-caps rallied after a tariff shock in April, with cyclical sectors leading the charge as rate-sensitive names projected an improved growth outlook into year-end. With year-over-year inflation data continuing to moderate, markets remain somewhat optimistic regarding rate cuts in 2025, with two potential interest rate cuts by the Federal Reserve (Fed) expected throughout 2025. However, lower rates would likely catalyze small-caps given their attractive valuations, even if higher debt levels and tighter lending standards remain a valid concern. Importantly, quality small-cap companies historically fare better as economic growth decelerates, where quality stock picking within the asset class can lead to positive outcomes during high-interest rate environments, as many small-cap companies do not turn a profit and become financially strained during a Fed-tightening cycle. OUSM's quality small-cap dividend growth strategy may continue to provide investors with a more defensive posturing to their portfolio amidst an uncertain outlook for U.S. equities in 2025.

## Performance Summary

	Q2 2025	YTD	1 Y	3 Y
OUSM (NAV)	3.28%	-0.15%	6.91%	12.99%
O'Shares U.S. Small-Cap Quality Dividend Index - TR <sup>1</sup>	3.42%	0.08%	7.46%	13.54%
Morningstar US Small-Cap Broad Value Extended Index - TR	4.16%	-2.02%	8.27%	9.28%
Russell 2000 Value Index - TR	4.97%	-3.16%	5.54%	7.45%

As of 6/30/2025

**Performance data quoted represents 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 current month-end performance call 1-866-759-5679 or visit [www.alpsfunds.com](http://www.alpsfunds.com). Performance includes reinvested distributions and capital gains.**

Performance data prior to 6/21/2022 reflects the performance of the Fund as managed under the OSI ETF Trust.

For standardized performance please see page 3.

<sup>1</sup> The O'Shares U.S. Small-Cap Quality Dividend Index performance information reflects the blended performance of the FTSE USA Small Cap Qual/Vol/Yield 3% Capped Factor Index through 5/3/2018, the FTSE USA Small Cap ex Real Estate 2Qual/Vol/Yield 3% Capped Factor Index from 5/4/2018 through 5/31/2020 and the O'Shares U.S. Small-Cap Quality Dividend Index thereafter.

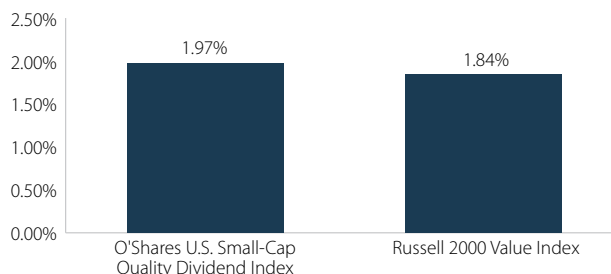
## Why OUSM?

- **Quality Dividend Growth Stocks:** Seeks small-cap companies with strong balance sheets, profitability and dividend quality.
- **Performance:** Aims to provide strong performance with less risk than a market-cap weighted approach.
- **Reduced Risk of Yield Traps:** Emphasis on dividend quality to help avoid dividend cuts and suspensions.

## Dividend Yields of Broad Market Indexes

- As of June 30, 2025, OUSM's underlying index carries a trailing twelve month (TTM) dividend yield of 1.97% compared to the Russell 2000 Value Index's TTM yield of 1.84%.

## Trailing Twelve Month Dividend Yield



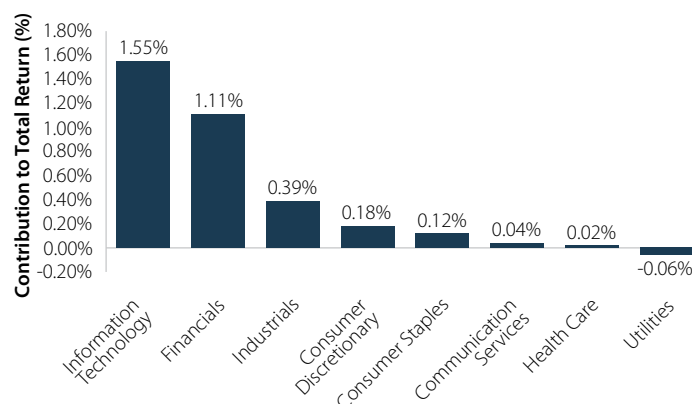
Source: Bloomberg L.P., as of 6/30/2025

**Past performance is no guarantee of future results.**

## Contribution to Return

- OUSM's leading contributors to performance by sector in Q2'25 were Information Technology (+1.55%) and Financials (+1.11%), while Utilities (-0.06%) was the only sector allocation that detracted from overall fund performance. Technology and supply chain service provider, TD SYNnex Corp. (SNX, 2.00% weight\*) was OUSM's top tech name in Q2, surging over 31% after reporting quarterly earnings per share above analyst estimates on the back of IT spending strength and hyperscaler partnership revenues. Water metering technology company, Badger Meter, Inc. (BMI, 1.11% weight\*), also rallied on better-than-expected earnings from early in the quarter, gaining 28.93% on a +35% year-over-year (y/y) increase in operating earnings as well as commentary from management expecting limited impacts from tariffs due to strong revenues from U.S.-based water utilities.
- OUSM Financials name, Evercore Inc. (EVR, 1.05% weight\*), rallied nearly 36% in Q2 after the investment bank posted 1Q earnings above analyst estimates, highlighting the strongest quarter in its advisory-centric equities business since 2020 and a broader scope of revenues than peers, with 50% of revenues coming from non-mergers and acquisitions (M&A) services as deal volume remains lower than years past.
- Rounding out OUSM's top performers last quarter, Industrials name and public-safety equipment provider, Federal Signal Corp. (FSS, 0.52% weight\*), gained nearly 45% after posting quarterly earnings above analyst estimates and boosting full-year forecasts on a record backlog of \$1.10 billion of orders, with analysts noting upside and market share gains from continued regional manufacturer acquisitions driving a national footprint.

## Contribution to Return by Sector



Source: Bloomberg L.P., as of 6/30/2025

**Past performance is no guarantee of future results.**

## Valuation Update

- The O'Shares U.S. Small-Cap Quality Dividend Index's (OUSMX) current P/E ratio of 16.17x is slightly higher compared to the Russell 2000 Value Index's current P/E ratio of 13.75x due to its mix of higher quality holdings with a focus on profitability, lower volatility and dividend income.

\* Weight in OUSM as of 6/30/2025

## Price Multiples

	O'Shares U.S. Small-Cap Quality Dividend Index <sup>1</sup>		Russell 2000 Value Index	
	Current	3 Year Avg	Current	3 Year Avg
Price/Earnings Ratio	16.17x	15.73x	13.75x	11.40x
Price/Book Ratio	2.65x	2.87x	2.65x	2.87x
Price/Cash Flow Ratio	10.80x	12.32x	6.73x	6.97x
Trailing Twelve Month Yield	1.97%	1.74%	1.84%	2.02%
OUSM 30-Day SEC Yield	1.89%			

Source: Bloomberg L.P., as of 6/30/2025

**Past performance is no guarantee of future results.**

ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF (OUSM) Performance as of 6/30/2025

Total Returns	Cumulative				Annualized			
	1 M	3 M	YTD	SI <sup>^</sup>	1 Y	3 Y	5 Y	SI <sup>^</sup>
NAV (Net Asset Value)	1.85%	3.28%	-0.15%	104.97%	6.91%	12.99%	13.61%	8.81%
Market Price	1.85%	3.28%	-0.20%	104.97%	6.78%	13.00%	13.60%	8.81%
O'Shares U.S. Small-Cap Quality Dividend Index - TR <sup>1</sup>	1.89%	3.42%	0.08%	113.73%	7.46%	13.54%	14.16%	9.35%
Morningstar US Small-Cap Broad Value Extended Index - TR	3.98%	4.16%	-2.02%	71.17%	8.27%	9.28%	14.79%	6.53%
Russell 2000 Value Index - TR	4.95%	4.97%	-3.16%	57.67%	5.54%	7.45%	12.47%	5.50%

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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.

Performance data prior to 6/21/2022 reflects the performance of the Fund as managed under the OSI ETF Trust.

<sup>^</sup> Fund inception date: 12/30/2016, date reflects the commencement of investment operations.

<sup>1</sup> The O'Shares U.S. Small-Cap Quality Dividend Index performance information reflects the blended performance of the FTSE USA Small Cap Qual/Vol/Yield 3% Capped Factor Index through 5/3/2018, the FTSE USA Small Cap ex Real Estate 2Qual/Vol/Yield 3% Capped Factor Index from 5/4/2018 through 5/31/2020 and the O'Shares U.S. Small-Cap Quality Dividend Index thereafter.

Total Operating Expenses: **0.48%**

## Top 10 Holdings

SEI INVESTMENTS CO	2.71%	TEXAS ROADHOUSE INC	2.21%
ENCOMPASS HEALTH CORP	2.66%	MSC INDUSTRIAL DIRECT CO INC	2.18%
HOULIHAN LOKEY INC	2.39%	AMDOCS LTD	2.16%
LINCOLN ELECTRIC HOLDINGS INC	2.36%	DOLBY LABORATORIES INC	2.14%
PREMIER INC	2.23%	AVNET INC	2.14%

Source: Bloomberg L.P., as of 6/30/2025, subject to change

Daily holdings are available at [www.alpsfunds.com](http://www.alpsfunds.com).

# ALPS | O'Shares U.S. Small-Cap Quality Dividend ETF

## Important Disclosures & Definitions

**An investor should consider the investment objectives, risks, charges and expenses carefully before investing. This material must be preceded or accompanied by the [prospectus](#). Read the prospectus carefully before investing.**

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemable.

Performance data quoted represents past performance. Past performance is no guarantee of future results; current performance may be higher or lower than performance quoted.

All investments are subject to risks, including the loss of money and the possible loss of the entire principal amount invested. Additional information regarding the risks of this investment is available in the prospectus.

Diversification does not eliminate the risk of experiencing investment losses.

Concentration in a particular industry or sector will subject the Fund to loss due to adverse occurrences that may affect that industry or sector. The Fund may use derivatives which may involve risks different from, or greater than, those associated with more traditional investments. A Fund's emphasis on dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and underperform the market. Also, a company may reduce or eliminate its dividend after the Fund's purchase of such a company's securities.

The securities of small capitalization companies are often more volatile and less liquid than the stocks of larger companies and may be more affected than other types of securities during market downturns. Compared to larger companies, small capitalization companies may have a shorter history of operations, and may have limited product lines, markets or financial resources.

The Fund employs a "passive management" - or indexing - investment approach and seeks investment results that correspond (before fees and expenses) generally to the performance of its underlying index. Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell or buy a security unless that security is removed from or added to the underlying index, respectively.

30-Day SEC Yield: reflects the dividends and interest earned during the period, after the deduction of the Fund's expenses.

Dividend Yield: a financial ratio that shows how much a company pays out in dividends each year relative to its share price.

FTSE USA Small Cap ex Real Estate 2Qual/Vol/Yield 3% Capped Factor Index: comprised of securities within the FTSE USA Small-Cap Index, excluding Real Estate. The index is designed to reflect the performance of three recognized equity risk factors: quality, low volatility and yield.

FTSE USA Small Cap Qual/Vol/Yield 3% Capped Factor Index: designed to reflect the performance of high quality US small-cap equities exhibiting low volatility and high dividend yields. Quality is measured by profitability and leverage. Constituents are selected and weighted based on quality, volatility and yield characteristics.

Morningstar US Small-Cap Broad Value Extended Index: designed to provide comprehensive, consistent representation of the small-cap value segment of the US equity market.

O'Shares U.S. Small-Cap Quality Dividend Index: designed to reflect the performance of publicly-listed small-capitalization dividend paying issuers in the United States that meet certain market capitalization, liquidity, high quality, low volatility and dividend yield thresholds. The quality and low volatility requirements are designed to reduce exposure to high dividend equities that have experienced large price declines.

Price/Book (P/B) Ratio: the weighted average of the price/book ratios of all the stocks in a portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value.

Price/Cash Flow (P/CF) Ratio: represents the weighted average of the price/cash flow ratios of the stocks in a portfolio. Price/cash flow represents the amount an investor is willing to pay for a dollar generated from a particular company's operations.

Price/Earnings (P/E) Ratio: a valuation ratio of a company's current share price compared to its per-share earnings.

Russell 2000 Value Index: measures the performance of the small capitalization value sector of the US equity market.

Trailing Twelve Month Yield: refers to the percentage of income a portfolio has returned to investors over the last 12 months.

One may not invest directly in an index.

ALPS Advisors, Inc., registered investment adviser with the SEC, is the investment adviser to the Fund. ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with O'Shares Investments.

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

Not FDIC Insured • No Bank Guarantee • May Lose Value

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