

The logo for SBEA, consisting of the letters 'SBEA' in a white, sans-serif font, positioned below a short horizontal orange line. The background is a dark blue gradient with vertical bars of varying heights and colors (orange and blue) at the top.

# SmartBe Global Value Momentum Trend Index ETF

## SBEA: NEO

*Interim Management Report of Fund Performance*  
*June 30, 2019*

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the ETF. You can obtain a copy of the interim financial statements at your request, and at no cost, by calling 1-403-930-8688, by writing to us at Suite 680, 330 5th Ave SW, Calgary, AB, T2P0L4 or by visiting our website at [www.smartbewealth.com](http://www.smartbewealth.com) or SEDAR at [www.sedar.com](http://www.sedar.com). You may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

## Investment Objective and Strategies

The SmartBe Global Value Momentum Trend Index ETF (the “ETF”) seeks to replicate, to the extent possible and before fees and expenses, the performance of the Alpha Architect Value Momentum Trend for Canada Index (the “Index”), or any successor thereto. It invests primarily in Canadian, United States and international equity securities and/or Canadian bonds.

The Index is based on three factors: value, momentum and trend-following. Value is a strategy that focuses on the common stock of companies with low prices relative to fundamentals. Momentum is a strategy that focuses on the common stock of companies that have strong relative past performance. Trend-following is a risk management technique that advocates investing in equity markets when the trend is positive and moving to Canadian bonds when the trend is negative. The objectives of trend-following are to avoid down-trending equity markets and to minimize large losses.

With respect to Canadian bonds, short-term bonds are used as a proxy for cash when the ETF’s trend-following defensive signals are triggered. Similarly, when the trend-following factor signals a return of a positive equity cycle, the short-term bonds are converted to equity. When compared to returns from indices based on market capitalization weighting, the ETF can experience both positive and negative performance over the short-term upon triggering the trend-following strategy.

In aggregate, the ETF’s strategy is intended to yield equity factor returns with a fundamentally lower long-term risk profile than a market capitalization weighted index.

## Risk

The risks associated with an investment in the ETF remain as discussed in the ETF’s most recent prospectus. During the period from January 24, 2019 (commencement of operation) to June 30, 2019, there were no changes to the ETF that materially affected the overall risk level associated with an investment in the ETF.

## Results of Operation

The commencement of operation was on January 24, 2019. For the period from the commencement of operation to June 30, 2019, in general, average cash exposure was less than 1% of the Net Asset Value of the ETF. The average short-term Canadian bond exposure was 55% over this period, as the trend following signal was triggered several times which resulted in a reduction in equity exposure. As a result of the ETF’s investment strategy, performance was determined principally by exposure to the value and momentum factors in the Canadian, U.S. and international equity markets as well as exposure to short term Canadian bonds when the ETF’s trend-following signals were triggered.

From January 24, 2019 through June 30, 2019, the ETF returned (2.84)%, compared with the (2.07)% return of its benchmark, the Index. The ETF’s management fees and other operating expenses reduced performance relative to the Index by 0.77 percentage point. Other miscellaneous factors accounted for the remainder of the difference.

## Recent Developments

On July 12, 2019, the ETF filed amendment to the prospectus dated January 15, 2019. The amendment was made to “Use of Bonds, other Debt Instruments and Exchange – traded Funds” as well as “Hedging Methodology and Trend-Following Rules”. Please refer to [www.sedar.com](http://www.sedar.com) for amendment details.

## Related Party Transactions

SmartBe Wealth Inc. (the “Manager”) is the manager, trustee, portfolio manager and promoter of the ETF, and is entitled to receive a management fee for its services that is paid by the ETF to the Manager (see “Management Fees” below).

Officers, directors and related entities of the manager invest in units of the ETF from time to time in the normal course of business on the same basis as arms-length investors. As at June 30, 2019, the Manager, including officers and directors owned approximately 524,090 units of the ETF.

With respect to the continuing oversight of the ETF, the manager has relied on a positive recommendation and standing instruction that it has received from the ETF’s Independent Review Committee (“IRC”). The Standing instruction requires the Manager to comply with its current policy and procedures on monitoring services provided by the Manager. Total IRC expenses for the period from January 24, 2019 (commencement of operation) to June 30, 2019 amounted to \$20,785 and those expenses were absorbed by the Manager.

## Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help readers understand the ETF’s financial performance for the period indicated.

### The ETF’s Net Assets per Unit<sup>1</sup>

	For the period January 24, 2019 to June 30, 2019 <sup>2</sup>
Net assets, beginning of period	\$20.00
Increase (decrease) from operation	
Total expenses	0.23
Realized losses for the period	(0.11)
Unrealized gains for the period	(0.58)
Unrealized gains for the period	0.05
<b>Total decrease from operations<sup>3</sup></b>	<b>(0.41)</b>
Distributions <sup>4</sup>	-
<b>Net assets, end of period</b>	<b>19.58</b>

1. The financial highlights are derived from the financial statements prepared in accordance with IFRS. IFRS allows net assets to be calculated based on the last traded market price for financial assets and financial liabilities where the last traded price falls within the day’s bid-ask spread. There are no differences between the net assets calculated for the purpose of processing unitholder transactions and the net assets attributable to holders of redeemable units used for financial statement reporting purposes as at June 30, 2019.

2. The information shown in this column is for the period beginning January 24, 2019 (commencement of operation) and ending June 30, 2019.

3. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The decrease from operations is based on the weighted average number of units outstanding over the financial period.

4. Distributions will be paid in cash. Actual Distributions may vary slightly owing to rounding.

## Ratios and Supplemental Data

	For the period January 24, 2019 to June 30 2019 <sup>1</sup>
Total net asset value	\$23,495,511
Number of units outstanding <sup>2</sup>	1,200,000
Management expense ratio annualized <sup>3</sup>	0.93% <sup>4</sup>
Management expense ratio before waivers or absorptions (annualized)	1.33% <sup>4</sup>
Trading expense ratio <sup>5</sup> (annualized)	0.27% <sup>4</sup>
Portfolio turnover rate <sup>6</sup>	166.32%
Net asset value per unit <sup>2</sup>	19.58
Closing market price	19.56

1. The information shown in this column is for the period beginning January 24, 2019 (commencement of operation) and ending June 30, 2019.
2. The information is provided as at June 30, 2019.
3. Management expense ratio (“MER”) is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as a percentage of daily average net asset value during the period.
4. Annualized – calculated as the average return over the period prorated over 365 days
5. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net assets during the period. If, during the period, the ETF charged a fee to designated broker/dealers to offset the impact of certain transaction costs associated with a purchase or redemption of units of the ETF, the transaction costs used in the trading expense ratio would have been reduced by those fees.
6. The ETF’s portfolio turnover rate indicates how actively the ETF’s manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio’s turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## Management Fees

As set out under Related Party Transactions, the Manager is the manager, trustee, portfolio manager and promoter of the ETF. As compensation for its services, the Manager is entitled to receive a maximum annual management fee of 0.86%, payable monthly, calculated based on the daily net asset value of the ETF.

The major services paid for out of the management fee include the licensing fee payable to the index provider, the custody and safe-keeping fees payable to the custodian and the fees payable to the registrar and transfer agent, the fund administrator, the auditor and other service providers retained by the Manager.

## Past performance

The ETF’s performance information assumes that all distributions made by the ETF in the period shown were reinvested in additional units of the ETF. The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. How the ETF has performed in the past does not necessarily indicate how it will perform in the future.

## Fiscal-Year Returns

As set out under the Results of Operation section above, from commencement of the operation date January 24, 2019 through June 30, 2019, the ETF returned (2.84)%. The percentage shows how much an investment made on the first day of the period would have increased or decreased by the last day of the period.

## Summary of Investment Portfolio

### Portfolio Allocation

As at June 30, 2019

	% of Net Asset
Exchange Traded Fund (ETF) <sup>1</sup>	81.3%
Energy	4.9%
Materials	3.4%
Industrials	3.1%
Consumer Discretionary	2.8%
Utilities	2.2%
Consumer staples	1.1%
Real Estate	0.6%
Information Technology	0.5%
Other	0.1%
<b>Total</b>	<b>100%</b>

66.5% of the ETF are bond ETF, i.e. share Core Canadian Short Term Bond Index ETF.

**Top 25 Holdings**  
**As at June 30, 2019**

	% of Net Asset Value
iShare Core Canadian Short Term Bond Index ETF	66.3%
Alpha Architect US quantitative Momentum ETF	7.9%
Alpha Architect US quantitative Value ETF	7.1%
Norbord Inc.	0.8%
BRP Inc.	0.8%
Magna International Inc.	0.7%
Teck Resources Ltd.	0.7%
NFI Group Inc.	0.7%
Great Canadian Gaming Corp.	0.7%
Methanex Corp.	0.7%
Parex Resources Inc.	0.7%
Air Canada	0.7%
Imperial Oil Ltd.	0.7%
Suncor Energy Inc.	0.7%
Husky Energy Inc.	0.6%
TFI International Inc.	0.6%
Kirkland Lake Gold Ltd.	0.6%
Labrador Iron Ore Royalty Corp.	0.6%
Encana Corp.	0.6%
Seven Generations Energy Ltd.	0.6%
Gildan Activewear Inc.	0.6%
FirstService Corp.	0.6%
Emera Inc.	0.6%
Algonquin Power & Utilities Corp.	0.6%
Capital Power Corp.	0.5%
<b>Total holdings as a percentage of net asset value</b>	<b>95.7%</b>
<b>Total net asset value</b>	<b>\$23,495,511</b>