

IPDP Quarterly Market Update

Q2 Review and Outlook | June 30, 2024



Fund Description

The Dividend Performers ETF (IPDP)'s objectives are income and capital appreciation. The Fund invests in dividend-paying equities paired with an S&P 500 Index-based option overlay for additional income.

PORTFOLIO MANAGERS

TOM KAISER, CFA, CPA
Portfolio Manager
Industry since 2010

DAVE GILREATH, CFP®
Managing Director
Chief Investment Officer
Industry since 1981

In Q2 2024, the IPDP underperformed the benchmark NASDAQ U.S. Broad Dividend Achievers™ Index and the broader S&P 500 Index. Through the first half of 2024, the Fund is beating the benchmark, but underperforming the S&P 500. The Fund outperformed the benchmark over the trailing 1- and 5-year annualized periods and the S&P 500 over the trailing 5-year periods.

The stock market began rebounding in November 2023 as investors believed in the potential 'soft landing' and for the Fed to begin rate cuts in 2024. Mega-cap technology companies led the market for most of the last year as Artificial Intelligence (AI) excitement dominated headlines. This momentum continued throughout the first half of 2024 with Nvidia contributing about a third of the S&P 500's total return. Some higher inflation readings have slowed the market's expectations for interest rate cuts in 2024. These headlines caused a slight pull-back of the S&P 500 in April which was quickly reversed due to the strength of the AI stocks. Other economic indicators have shown signs of weakness as unemployment marginally ticks up and spending has slowed, which led to some softness across many non-tech sectors.

PERFORMANCE (as of June 30, 2024)

	ANNUALIZED				CALENDAR YEAR RETURNS					
	1-Year	3-Year	5-Year	Since Inception (12/24/18)	2019	2020	2021	2022	2023	2024 YTD
Dividend Performers – Market Price	18.76%	7.88%	15.35%	17.27%	33.18%	20.22%	32.67%	-21.64%	30.23%	9.11%
Dividend Performers – NAV	18.91%	7.88%	15.35%	17.28%	33.18%	20.22%	32.67%	-21.40%	30.01%	8.98%
NASDAQ U.S. Broad Dividend Achievers™ Index	14.42%	8.24%	11.05%	14.40%	27.53%	9.97%	23.84%	-5.78%	11.88%	8.34%
S&P 500 Index	24.56%	10.01%	15.05%	18.48%	31.49%	18.40%	28.70%	-18.11%	26.29%	15.29%

The performance data quoted represents past performance; past performance does not guarantee future results. Current performance may be higher or lower than the performance shown. 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. Performance data current to the most recent month end may be obtained by visiting [innovativeportfolios.com](https://www.innovativeportfolios.com). Returns for periods shorter than one year are not annualized. ETFs shares trade at market price (not NAV) and are not individually redeemable with the issuing fund. Brokerage commissions and expenses will reduce the returns.

Prior to listing date, the ETF operated as a mutual fund. The Fund's objectives, policies, guidelines, and restrictions are in all material respects equivalent to those of the predecessor mutual fund, Dividend Performers, which was created for reasons entirely unrelated to the establishment of a performance record.

The NAVs of the predecessor mutual fund are used for both NAV and market price performance from inception to listing. For ETFs, the market price return is calculated from closing prices as determined by the fund's listing exchange. If you trade your shares at another time, your return may differ. For the period from inception date to listing date, the NAV of the fund is used as a proxy for the market price to calculate returns.

Contributors to performance

Overall, the fund's equities underperformed the benchmark in the quarter. Positively contributing to performance was underweighting consumer discretionary and materials. Stock selection in information technology and consumer discretionary also contributed to performance. The sectors with the largest contribution to returns were consumer discretionary and communication services.

Additionally, the option overlay strategy provided positive returns to the Fund. The strength of the overall stock market through the first six months has been a fruitful background for option writing; however, the limited volatility has depressed premiums.

Detractors to performance

The equities underperformed the benchmark largely due to the overweight allocation and stock selection within industrials. The sector had been one of the better-performing sectors over the last several quarters, but that wasn't the case in Q2 2024. Also detracting from performance was the underweighting of consumer staples, selection within financials, and selection within health care.

Outlook

The economy continues to be resilient, boosted by the consumer who generally remains fully employed. While inflation rates have fallen materially from their peaks, the 'last mile' remains elusive and above the Fed's target. The market has been strong this year with limited pullback or consolidations. As we enter Q3, investors should be on alert as it tends to be cyclically the weakest quarter. There is an increasing prediction of the first interest rate cut by the Fed in September, so anything that might push that back might trigger a sell-off. Also, as the election approaches, there is a greater chance of a surprise. Lastly, volatility has been muted in the first half, which isn't sustainable forever. All these factors combined could result in evolving market conditions. The Fund's equal weighting and broad set of quality companies based on downside risk attributes should benefit from these conditions. The option overlay has been additive to the performance. If volatility increases, the Fund could benefit as option premiums should expand.

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Disclosure

Innovative Portfolios, LLC is investment advisor to Dividend Performers ETF.

EXPENSE RATIOS⁽¹⁾:

Expense Ratio 1.52%

Management Fee 0.85% | Interest Expense 0.67%

⁽¹⁾ As disclosed in the January 31, 2024, prospectus.

Carefully consider the Fund's investment objective, risk factors, charges and expenses before investing. This and additional information can be found in the Dividend Performers ETF prospectus, which can be obtained by calling 800-617-0004 or clicking here. Please read the prospectus carefully before investing. Investing involves risk, including possible loss of principal.

Derivative Securities Risk: The Fund invests in options that derive their performance from the performance of the S&P 500 Index. Derivatives, such as the options in which the Fund invests, can be volatile and involve various types and degrees of risks, depending upon the characteristics of a particular derivative. Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in a derivative could have a substantial impact on the performance of the Fund. The Fund could experience a loss if its derivatives do not perform as anticipated, or are not correlated with the performance of their underlying asset or if the Fund is unable to purchase or liquidate a position because of an illiquid secondary market. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid, and unpredictable changes in the prices for derivatives.

Dividend-Paying Security Risk: Securities that pay high dividends as a group can fall out of favor with the market, causing these companies to underperform companies that do not pay high dividends. Also, companies owned by the Fund that have historically paid a dividend may reduce or discontinue their dividends, thus reducing the yield of the Fund.

Reit Risk: Investment in real estate companies, including REITs, exposes the Fund to the risks of owning real estate directly. Real estate is highly sensitive to general and local economic conditions and developments.

The inception for the Dividend Performers fund is December 24, 2018 and, as such there is no performance for the 10-year period. Past performance is no guarantee of future results.

Indexes

NASDAQ U.S. Broad Dividend Achievers Index is comprised of U.S.-accepted securities with at least ten consecutive years of increasing annual regular dividend payments.

S&P 500 Index is an American stock market index based upon the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

Indices are shown for comparative purposes only and may not necessarily be representative of the fund's portfolio. An investor cannot invest directly in an index, and index performance does not reflect the deduction of any fees, expenses or taxes.

Terms

Alpha is the excess return of an investment relative to the return of a benchmark index.

Dividend Performers ETF is distributed by Foreside Fund Services, LLC.