

IPDP Quarterly Market Update

Q3 Review and Outlook | September 30, 2023



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.

Over the last year, the market has rebounded off the lows of October 2022 and into a new bull market. The rally was fueled by falling inflation, low unemployment, and a resilient economy, which boosted investors' belief of a potential 'soft landing' by the Federal Reserve. However, since July, inflation readings have been a little higher and oil prices have increased. While Wall Street is happy with the Fed slowing (maybe pausing rate increases), investors are finally waking up to the 'higher for longer' likelihood for short-term interest rates. The Federal Deficits and financial strength have also gained attention with actions by the credit rating agencies. These factors have caused long-term rates (10-year U.S. Treasuries) to quickly increase from 3.82% on June 30 to 4.57% on September 29. The S&P 500 Index responded negatively with a 6.5% decline from the highs on July 31.

Contributors to performance

The equities outperformed the benchmark in the quarter, YTD, and trailing year. Contributing toward performance was a combination of sector allocation and equity selection. Sector allocation improved performance, with the largest contribution coming from underweight utilities and real estate. Stock selection in industrials and information technology contributed to the outperformance, as well. YTD 2023, the option overlay strategy contributed to the Fund's performance after being a drag for most of 2022.

Detractors to performance

Being underweight in energy and overweight in industries detracted from performance. Stock selection in financials and consumer discretionary detracted from performance. Also, the option overlay strategy detracted from performance for the quarter.

PORTFOLIO MANAGERS

DAVE GILREATH, CFP®

Managing Director
Chief Investment Officer
Industry since 1981

TOM KAISER, CFA, CPA

Portfolio Manager
Industry since 2010

PERFORMANCE (as of September 30, 2023)

	QTD	YTD	1-Year Annualized	3-Year Annualized	Since Inception Annualized (12/24/18)
Dividend Performers – Daily Price	-3.99%	14.87%	33.88%	12.85%	14.99%
Dividend Performers – NAV	-3.79%	14.64%	34.03%	12.89%	15.02%
NASDAQ U.S. Broad Dividend Achievers™ Index	-3.85%	1.86%	15.94%	9.08%	12.66%
S&P 500 Index	-3.27%	13.07%	21.62%	10.15%	15.39%

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.

Outlook

The capital markets showed weakness in Q3 as predicted, based on seasonality and as a breather for the first half of the year. Given the recent rally in yields and conflicting economic data, the markets are likely to remain soft to begin the quarter. However, the economy is showing surprising resilience, which may enable earnings to surprise on the upside. These reports and seasonality could see the equities returning to their upward trajectory in Q4. With these current market dynamics and high rates, near-term growth may be favored over the potential highfliers of tomorrow. Candidates that may fit this profile are those who have grown their dividends for at least the last 10 years, since it may show stability, growth, and shareholder returns through the cycle. The option overlay should continue adding alpha through the increased market exposure when in an overall upward-trending direction.



Morningstar Rating™

Overall ratings based on risk-adjusted returns among 84 funds in the U.S. Fund Derivative Income Category for the 3-year period ending 9/30/23.

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Disclosure

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

EXPENSE RATIOS¹:

Expense Ratio 1.22%

Management Fee 0.85% | Interest Expense 0.37%

⁽¹⁾ As disclosed in the January 31, 2023, 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.

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The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics.

The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Dividend Performers fund received two stars among 84 funds in the U.S. Fund Derivative Income category for the overall and three-year periods ending September 30, 2023. The inception for the Dividend Performers fund is December 24, 2018 and, as such there is no performance for the 5- and 10-year periods. 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.