

Ticker: SBIO

# ALPS Medical Breakthroughs ETF

Quarterly Insights | Q2 2024

## Key Takeaways

- The ALPS Medical Breakthroughs ETF (SBIO) returned -6.25% during the second quarter of 2024 as biotechnology companies were pulled lower with broad small-cap stocks despite improving fundamentals and positive breakthroughs in drug trial data.
- SBIO's Cancer treatment segment was the best performer among the four biotech segments in the fund during Q2 of 2024.
- **Company Spotlight:** Summit Therapeutics Inc. (SMMT, 3.93% weight\* as of June reconstitution) spiked nearly 92% in Q2 after releasing impressive late-stage trial results for its non-small cell lung cancer drug, displaying meaningful improvements in survival rates compared to pharma giant, Merck & Co.'s (not in SBIO), competing blockbuster drug, Keytruda.

## Performance Notes

- SBIO's small-to-mid (SMid) cap biotech portfolio returned -6.25% in the second quarter of 2024, underperforming the S&P Biotech Select Industry Index (-2.37%) and large-cap biotech, measured by the NASDAQ Biotechnology Index (+2.85%). Despite the pullback in Q2, Federal Reserve (Fed) signals of possible rate cuts and positive late-stage clinical trial data for many SBIO names benefitted the fund in the second quarter along with an improving merger & acquisition (M&A) environment in 2024.
- The second quarter of 2024 saw three more SBIO names announce that they will be acquired: Alpine Immune Sciences, Inc. (ALPN, Acquired), Deciphera Pharmaceuticals, Inc. (DCPH, Acquired) and Reneo Pharmaceuticals, Inc. (RPHM, Acquired). Thus far in 2024, five underlying holdings in SBIO have been acquired/announced acquisitions with an average deal premium of 40.88% at the time of announcement.

## Performance Summary

	Q2 2024	YTD	1 Y
SBIO (NAV)	-6.25%	-6.25%	6.56%
S-Network Medical Breakthroughs Index - TR	-6.16%	-6.16%	6.84%
NASDAQ Biotechnology Index - TR	2.85%	2.85%	12.43%
S&P Biotechnology Select Industry Index	-2.37%	3.95%	11.93%

As of 6/30/2024

**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.**

For standardized performance please see page 3.

## Strategy

- SBIO screens for small- to mid-cap biotech companies with at least one drug or therapy in Phase II or Phase III (late-stage) clinical trials.
  - Late stage drug trials can potentially capture greater odds of success as they are further along the Food and Drug Administration (FDA) drug trial process.
- SBIO constituents must have at least 24 months of cash burn on hand.
  - This quality screen helps to protect against the equity dilution that comes with raising capital to support drug trials.



\*Weight in SBIO as of 6/30/2024

## ALPS Medical Breakthroughs ETF

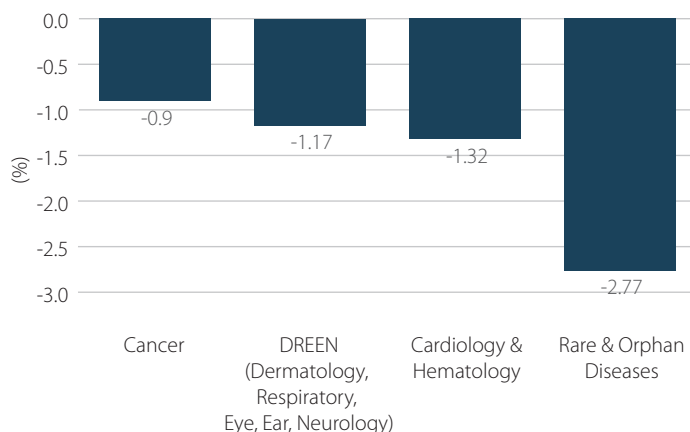
### Contribution to Return by Treatment Focus

- SBIO's Cancer treatment segment was the top-performing category in Q2. Within the segment, Deciphera Pharmaceuticals, Inc. (**DCPH, Acquired**), surged nearly 63% following news that ONO Pharmaceutical (not in SBIO) agreed to purchase the immunotherapy producer in a \$2.4 billion deal, representing a 74.74% premium over the prior day's closing price. Another high-flyer in SBIO's Cancer treatment segment last quarter was Agios Pharmaceuticals, Inc. (**AGIO, 1.83% weight\***), gaining over 47% after agreeing to sell a 15% royalty (~\$905 million upfront payment) on upfront sales of its brain cancer drug treatment, Vorasidenib, to Royalty Pharma (not in SBIO). Agios also benefitted from the release of late-stage trial data for its blood disorder treatment that met the trial's primary endpoint, with analysts expecting the company to file for broad FDA approval.
- SBIO DREEN (Dermatology, Respiratory, Eye, Ear, Neurology) treatment name, Corcept Therapeutics Inc. (**CORT, 2.53% weight\***), continued the trend of positive breakthrough trial data in Q2, rising 28.98% on the back of Phase III trial data for the company's Cushing's Syndrome treatment that was well-tolerated among patients, while also reporting Q1 earning-per-share (EPS) above analyst estimates and boosting full-year (FY) revenue forecasts.
- In Q2, SBIO's Rare & Orphan Disease segment was led by Alpine Immune Sciences Inc. (**ALPN, Acquired**), gaining 63.90% on news headlines that the immunotherapy company reached a \$4.9 billion deal (71% announced premium) to be acquired by Vertex Pharmaceuticals Inc. (not in SBIO). Vertex's acquisition of Alpine was regarded as a strong attempt to bolster its drug pipeline, specifically targeting Alpine's lead drug, Provitacept, which is being tested on several autoimmune diseases and cancers as a potential breakthrough treatment.

### Valuation Update

- The S-Network Medical Breakthroughs Index (PMBI) has a weighted average cash-burn of 43.64 months that continues to exceed peer biotechnology indices and is a distinguishing defensive characteristic for the fund.
- PMBI's holdings have an average market value of \$2.22 billion, with 51.10% classified as mid-caps and 48.90% classified as small-caps.

### SBIO Company Focus Contribution To Return



Source: Bloomberg L.P., as of 6/30/2024  
**Past performance is no guarantee of future results.**

### Index Characteristics

	S-Network Medical Breakthroughs Index	S&P Biotechnology Select Industry Index	ICE Biotechnology Index
Number of Constituents	100	137	210
Weighted Average Market Cap (in Mil, \$)	\$2,218	\$29,381	\$50,848
Price/Sales Ratio	8.54x	7.06x	5.92x
Cash Burn (months)	43.64	25.95	26.56

Source: Bloomberg L.P., as of 6/30/2024  
**Past performance is no guarantee of future results.**

### Q2 2024 Company Spotlight

**Company: Summit Therapeutics Inc. (SMMT, 3.93% weight as of June reconstitution\*)**

**Focus Group: Cancer**

- Summit Therapeutics is a clinical-stage biopharmaceutical company focused on the discovery, development and commercialization of societal-friendly medicinal therapies intended to improve and increase the potential duration of life and resolve serious unmet medical needs.
- Summit Therapeutics was the top performer in SBIO this quarter, climbing +91.55% after releasing late-stage trial results for its non-small cell lung cancer drug, Ivonescimab, producing results that highlighted a statistically significant progression-free survival improvement in patients and topping survival rates of Merck & Co's competing drug, Keytruda. Notably, Summit's results received praise from analysts as the data points to Ivonescimab being a potential treatment for not only lung cancer but also across multiple solid tumors.

\* Weight in SBIO as of 6/30/2024

ALPS Medical Breakthroughs ETF (SBIO) Performance as of 6/30/2024

Total Returns	Cumulative				Annualized			
	1 M	3 M	YTD	SI <sup>1</sup>	1 Y	3 Y	5 Y	SI <sup>1</sup>
NAV (Net Asset Value)	0.78%	-6.25%	2.07%	43.03%	6.56%	-11.75%	-1.43%	3.84%
Market Price	0.36%	-6.20%	2.07%	42.98%	6.56%	-11.74%	-1.34%	3.84%
S-Network Medical Breakthroughs Index - TR	0.81%	-6.16%	2.21%	48.15%	6.84%	-11.34%	-1.05%	4.23%
NASDAQ Biotechnology Index - TR	3.37%	2.85%	4.47%	51.07%	12.43%	-3.28%	6.59%	4.44%

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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.

<sup>1</sup> Fund inception date: 12/30/2014

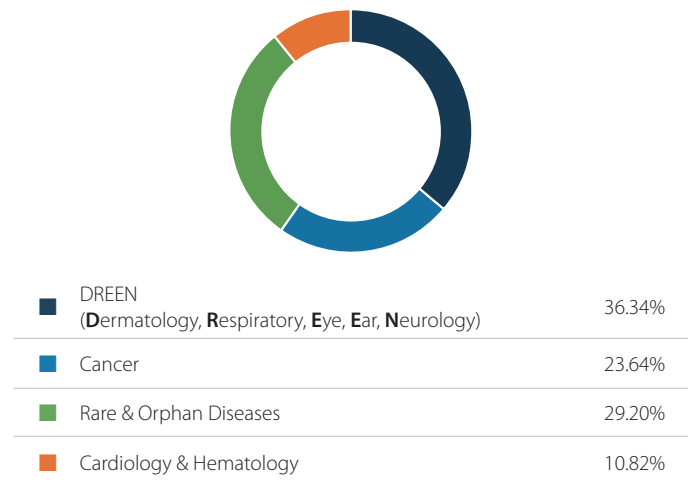
Total Operating Expenses: **0.50%**

Top 10 Holdings

Krystal Biotech Inc	3.93%
Alkermes PLC	3.06%
Merus NV	2.94%
Avidity Biosciences Inc	2.93%
Immunovant Inc	2.89%
Crinetics Pharmaceuticals Inc	2.65%
Concept Therapeutics Inc	2.53%
Denali Therapeutics Inc	2.48%
Arcellx Inc	2.21%
Xenon Pharmaceuticals Inc	2.20%

Source: SS&C ALPS Advisors, as of 6/30/2024, subject to change  
Daily holdings are available at [www.alpsfunds.com](http://www.alpsfunds.com).

Treatment Focus Breakdown



Source: S-Network Global Indexes, as of 6/30/2024, holdings subject to change

## ALPS Medical Breakthroughs ETF

### Important Disclosures & Definitions

**An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus containing this and other information, call 1-866-759-5679 or visit [www.alpsfunds.com](http://www.alpsfunds.com). 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.

The Fund's investments are concentrated in the pharmaceuticals and biotechnology industries, and underperformance in these areas will result in underperformance in the Fund. Investments in small and micro capitalization companies are more volatile than companies with larger market capitalizations. Companies in the pharmaceuticals and biotechnology industry may be subject to extensive litigation based on product liability and similar claims. Legislation introduced or considered by certain governments on such industries or on the healthcare sector cannot be predicted.

Companies in the pharmaceuticals industry are subject to competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting. The profitability of some companies in the pharmaceuticals industry may be dependent on a relatively limited number of products. In addition, their products can become obsolete due to industry innovation, changes in technologies or other market developments. Many new products in the pharmaceuticals industry are subject to government approvals, regulation and reimbursement rates. The process of obtaining government approvals may be long and costly. Many companies in the pharmaceuticals industry are heavily dependent on patents and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The development of new drugs generally has a high failure rate, and such failures may negatively impact the stock price of the company developing the failed drug. Biotechnology companies may have persistent losses during a new product's transition from development to production. In order to fund operations, biotechnology companies may require financing from the capital markets, which may not always be available on satisfactory terms or at all.

The Fund is considered nondiversified and as a result may experience greater volatility than a diversified fund.

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.

*ICE Biotechnology Index: a rules-based, modified float-adjusted market capitalization-weighted index that tracks the performance of qualifying US listed biotechnology companies.*

*NASDAQ Biotechnology Index: designed to track the performance of a set of securities listed on The NASDAQ Stock Market (NASDAQ) that are classified as either biotechnology or pharmaceutical companies, and is a modified market capitalization weighted index.*

*Price/Sales (P/S) Ratio: represents the weighted average of the price/sales ratios of the stocks in a portfolio. Price/sales represent the amount an investor is willing to pay for a dollar generated from a particular company's operations.*

*S-Network Medical Breakthroughs Index: comprised of small and mid-cap stocks of biotechnology companies that have one or more drugs in either Phase II or Phase III of the US Food and Drug Administration ("FDA") clinical trials.*

*S&P Biotechnology Select Industry Index: comprises stocks in the S&P Total Market Index that are classified in the GICS biotechnology sub-industry.*

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. is affiliated with ALPS Portfolio Solutions Distributor, Inc.

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

Not FDIC Insured • No Bank Guarantee • May Lose Value

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