



Dear GFGF shareholders,

Thank you for your investment in the Guru Favorite Stocks ETF ("GFGF" or the "Fund"). The information presented in this letter relates to the operations of the Fund for its fiscal period beginning on its inception on Dec. 16, 2021 through Nov. 30, 2022 ("FY 2022").

The Fund is an actively-managed exchange-traded fund ("ETF") that seeks to achieve its investment objective of long-term capital appreciation by investing in high quality companies that are favored by prominent long-term investors ("Gurus") and at reasonable prices ("Guru Strategy"). The Fund's sub-adviser, GuruFocus Investments, LLC ("GuruFocus"), tracks the equity portfolio holdings of approximately 20 Gurus. To be considered a Guru, the investor must have a long-term, publicly available track record of at least 10 years. In addition, the Guru must follow an investment strategy of investing in companies that the Guru considers to be high-quality. The list of Gurus will generally remain consistent absent unusual circumstances – for example, the retirement of a particular Guru.

For FY 2022, GFGF was down 14.19% at its market price and down 14.50% at net asset value (NAV). Over the period, GFGF underperformed the Solactive GBS United States 1000 NTR Index, which was down 13.81%. The fund's gross expense ratio is 0.65%. Please visit [gurufocusetf.com](https://gurufocusetf.com) for standardized performance.

The stock market has been challenging since the birth of GFGF. As the Federal Reserve dramatically increased the federal funds rate to curb inflation, the market had its first down year since 2009. The sector that did extraordinarily well this year was energy, which we did not own following the Fund's Guru Strategy. Therefore, we underperformed during the first half of 2022. However, during the second half of 2022, our portfolio recovered better than the broader market, although it still underperformed the market slightly.

While I would love to do better than this, the performance of GFGF is within the range of my expectations. We will not make changes to our investment strategy due to any underperformance in the short term.

The best and worst performers of the Fund are listed below based on their contribution to the Fund's return over FY 2022, taking into consideration the weighting of each security.

The best performing security in the Fund's portfolio during FY 2022 was Fair Isaac Corp., which returned 51.72%. The second-best performing security was Progressive Corp., which returned 30.63%. The third-best performing security for the period was Elevance Health, Inc., which returned 19.94%. Please visit [gurufocusetf.com](https://gurufocusetf.com) for the fund's top 10 holdings.

The worst performing security in the Fund's portfolio during FY 2022 was Jones Lang LaSalle, Inc., which returned -41.74%. The second-worst performing security was First Republic Bank, which returned -37.17%. The third-worst performing security was Amazon.com, Inc., which returned -36.92%.



GFGF distributes income to shareholders on an annual basis.

## Outlook

The decline of the stock market in 2022 was mainly caused by two factors. The first was the increase of the federal funds rate by the Federal Reserve to curb inflation. The second was the high valuation of stocks at the beginning of the year, when the CAPE ratio of the S&P 500 Index was at the second highest level in history, only exceeded by the dot.com bubble during the year 2000. As Warren Buffett once said, interest rates are to the value of assets what gravity is to matter, so it is not surprising that we have seen the decline of the prices of almost all assets: stocks, bonds, houses, etc.

After the decline of the market in 2022, both aspects are now positive. First, the Federal Reserve has slowed its pace in increasing the federal funds rate and is probably at the later stage of the rate hike cycle, as inflation is cooling down. Second, stocks are much cheaper now. The CAPE ratio of the S&P 500 is now close to its 20-year average. Stocks are relatively more fairly valued now.

The decline of valuations is also reflected on individual stocks. If we look at the largest 20 companies by market cap, their PE ratios have a median decline of 27%. The PE ratios for the top three giants, Apple, Microsoft and Alphabet, have declined by more than 30%. Now we can find some stocks with strong earnings potential trading at low valuations.

The stocks are certainly much cheaper, but there is a large cloud hanging in the future. The deeply inverted yield curve is implying that an economic recession is not far away. While I have no strong opinion on whether there will be a recession, I believe that even if there is one, it won't be as bad as the ones in 2008 and 2001. This is because most companies, especially the giant ones such as those I mentioned above, are all in great financial shape and are extremely profitable. They will act as the anchor for the economy during the turbulence that may come in the future. Earnings may drop for some companies, but the economy will be resilient.

Over the next couple of months, there will be more bad news coming: economic slowdowns, earnings declines, stubborn inflation, higher interest rates, higher unemployment rates, etc. But it is news like this that generates opportunities for long term investors. Waiting for better times to invest is never a winning strategy. Just like Warren Buffett wrote in his October 2008 article, "Buy American, I Am," as the financial crisis was unfolding, "if you wait for the robins, spring will be over."

I believe that the companies with high quality characteristics and reasonable valuations will do better at this time. That is the Guru Strategy that the Fund follows.

As I said many times before, I cannot guarantee the performance of the Fund. What I can guarantee is that the majority of my net worth is invested in GFGF and thus has the same rate of return. I didn't sell even one share and never will as long as I am the fund manager. I will buy



more as I have more funds to deploy. All my three children also own GFGF. GFGF is among the largest holdings for them.

We appreciate your continued investment in the Fund.

Sincerely,

/s/ Charlie Tian

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Here are the answers and explanations to some of the questions that I have received from shareholders.

**Is GFGF liquid enough if I want to buy or sell large amounts?**

Although GFGF is a relatively small ETF, and sometimes the traded volume is small, the liquidity of GFGF is dependent only on the trading volumes of the stocks in the portfolio. All of our stocks are large companies with high trading volumes. Therefore, GFGF is very liquid as well. You can trade large volumes of GFGF without any problems.

**Why does the price of GFGF sometimes not change during the day?**

For all ETFs, there are two numbers: its trading price and its net asset value. The net asset value changes constantly during trading hours, as the prices of the stocks in the portfolio change. But the ETF's trading price will change only if there is a trade with the ETF. Therefore, there is a premium/discount between the trading price and the net asset value. But even if the ETF is not traded for a long time, the next time someone wants to trade, the trading price will still be around the net asset value instead of the price it was traded last time.

**Why do GFGF prices sometimes seem out of sync with the changes of the stock prices of the holdings?**

This is caused by the discrepancy between the trading price and the net asset value. It is usually a small number, within +/- 0.5%. But if you look at the daily changes, it may appear to be out of sync with the changes of the stock prices in the holdings.

Because of this, sometimes it might be helpful to use a limit order when buying an ETF, as a limit order can limit the price to a small range from the net asset value. You can find the net asset value of GFGF here: <https://gurufocusetf.com/gfgf/>



**The performance data quoted represents past performance. Past performance does not guarantee future results. 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 and current performance may be lower or higher than the performance quoted.**

Shares are bought and sold at market price (not at net asset value ("NAV")), and are not individually redeemed from the Funds. Market price returns are based upon the midpoint of the bid/ask spread at the close of the exchange and does not represent the returns an investor would receive if shares were traded at other times. Brokerage commissions will reduce returns. NAVs are calculated using prices as of the close of regular trading on the exchange, normally 4:00 p.m. Eastern Time.

Any offering must be preceded or accompanied by a prospectus.

Opinions expressed are subject to change at any time, are not guaranteed, and should not be considered investment advice. Current and future portfolio holdings are subject to change and risk. Please refer to the Schedule of Investments contained in this report for a full listing of Fund holdings.

An investment in the Fund is subject to numerous risks, including possible loss of principal. The Fund is actively managed and does not seek to replicate a specified index. The Fund is subject to the following principal risks, among others:

**Investment Risk.** When you sell your Shares of the Fund, they could be worth less than what you paid for them. The Fund could lose money due to short-term market movements and over longer periods during market downturns. Securities may decline in value due to factors affecting securities markets generally or particular asset classes or industries represented in the markets. The value of a security may decline due to general market conditions, economic trends or events that are not specifically related to the issuer of the security or to factors that affect a particular industry or group of industries. During a general downturn in the securities markets, multiple asset classes may be negatively affected. Therefore, you may lose money by investing in the Fund.

**Stale Information Risk.** The Sub-Adviser will recommend securities for the Fund based on publicly available information about the Gurus' holdings. However, the publicly available information does not generally reflect real-time portfolio holdings. For example, information obtained via Form 13F filings are available only quarterly, and will contain information that is at least 45 days' old. As a result, the Sub-Adviser may rank a particular security higher than it would have been ranked if the Sub-Adviser had access to all of the Guru's portfolio holdings on a real-time basis. As a result, the Fund may purchase securities or retain securities that are no longer favored by the Gurus, which may hurt the Fund's performance.

**Equity Investing Risk.** An investment in the Fund involves risks similar to those of investing in any fund holding equity securities, such as market fluctuations, changes in interest rates and perceived trends in stock prices. The values of equity securities could decline generally or could underperform other investments. In addition, securities may decline in value due to factors affecting a specific issuer, market or securities markets generally.

**Quantitative Security Selection Risk.** Data for some companies may be less available and/or less current than data used by other investment advisory firms. The Sub-Adviser uses quantitative analyses, and its processes could be adversely affected if erroneous or outdated data is utilized. In addition, securities selected using a quantitative analysis could perform differently from the financial markets as a whole as a



result of the characteristics used in the analysis, the weight placed on each characteristic, and changes in the characteristic's historical trends.

**Management Risk.** The Fund is actively managed and may not meet its investment objective based on the Adviser's or Sub-Adviser's success or failure to implement investment strategies for the Fund.

**Semi-Annual Reallocation Risk.** Because the Sub-Adviser will normally recommend changes to the Fund's portfolio on a semi-annual basis, (i) the Fund's market exposure may be affected by significant market movements promptly following a semi-annual reconstitution that are not predictive of the market's performance for the subsequent semi-annual period and (ii) changes to the Fund's market exposure may lag a significant change in the market's direction (up or down) by as long as a half a year if such changes first take effect promptly following a semi-annual reconstitution. Such lags between market performance and changes to the Fund's exposure may result in significant underperformance relative to the broader equity or fixed income market.

**Large-Capitalization Companies Risk.** Large-capitalization companies may trail the returns of the overall stock market. Large-capitalization stocks tend to go through cycles of doing better - or worse - than the stock market in general. These periods have, in the past, lasted for as long as several years.

**Mid-Capitalization Companies Risk.** Investing in securities of medium-capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. Often medium-capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

**Geopolitical/Natural Disaster Risks.** The Fund's investments are subject to geopolitical and natural disaster risks, such as war, terrorism, trade disputes, political or economic dysfunction within some nations, public health crises and related geopolitical events, as well as environmental disasters, epidemics and/or pandemics, which may add to instability in world economies and volatility in markets. The impact may be short-term or may last for extended periods.

Please refer to the prospectus for additional risk information.

The Solactive GBS United States 1000 NTR Index intends to track the performance of the largest 1000 companies from the US stock market and is based on the Solactive Global Benchmark Series. Constituents are selected based on company market capitalization and weighted by free float market capitalization. The index is calculated as a net total return index in USD and is reconstituted quarterly.

The S&P 500 Index is a market-capitalization weighted index of 500 leading publicly traded companies in the U.S.

The CAPE ratio is a valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle. The CAPE ratio, using the acronym for cyclically adjusted price-to-earnings ratio, was popularized by Yale University professor Robert Shiller. It is also known as the Shiller P/E ratio.

The Fund is distributed by Quasar Distributors, LLC.