

# HIPS

GraniteShares U.S. High Income ETF

*Institutional Investors Only*

Venturing Beyond  
The Constraints of  
Conventional  
Income

## Important Information

*This material must be preceded or accompanied by a prospectus <https://www.graniteshares.com/Documents/130/GraniteShares-ETF-TrustForm-485POS-Prospectus.pdf>. Carefully consider the Fund's investment objectives risk factors, charges and expenses before investing. Please read the prospectus before investing.*

*Past performance is no guarantee of future results.*

*For standardized HIPS performance, [click here](#).*

*Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. For the fund's most recent month end performance, please call (844) 476-8747.*

*Please see additional important information and risk disclosures at the end of this presentation*

## Introducing GraniteShares



Our First ETF Launched in 2017

Extensive experience in alternative strategies

Offices in New York, London and Delhi

59 ETPs Offered Globally

Roughly \$1.7 billion in AUM

Backed by Bain Capital Ventures

## INVESTOR SOLUTIONS

We have created a line-up of investor friendly ETFs that are cost effective, optimally structured, and don't issue K-1s.

POTENTIAL INVESTMENT SOLUTION	TICKER	EXPOSURE	MANAGEMENT FEE/ TOTAL EXPENSES
GraniteShares Bloomberg Commodity Broad Strategy No K-1 ETF	COMB	Broad Commodities	0.25%
GraniteShares Gold Trust	BAR	Gold	0.1749%
GraniteShares Platinum Trust	PLTM	Platinum	0.50%
GraniteShares XOUT U.S. Large Cap ETF	XOUT	U.S. Large Cap	0.60%
GraniteShares HIPS US High Income ETF	HIPS	High Income	0.70%/3.29%

## GraniteShares Investment Philosophy

*Fundamentally, the next decade of asset management will be different from the last.*

Ultimately, we believe there are 3 key objectives by which clients judge their financial advisors:

**Diversification**



**Capital Appreciation**



**Income Generation**



The standard array of financial tools may not equip advisors to meet *any of these requirements* in the current market regime.

Income is the most pressing of these challenges

## The Challenge of Income Generation

**Seeking sustainable, diversified income is arguably an advisor's greatest difficulty:**

- Bond yields have cratered
- Stock dividends cut at record pace in 2020
- First Fed interest rate hike in 2022?
- Continued high inflation could send current yields further underwater

**What Advisors have been unable to find is:**

- Long-term stability of distributions
- Diversification of income streams
- Materially higher yields
- Positive real yields

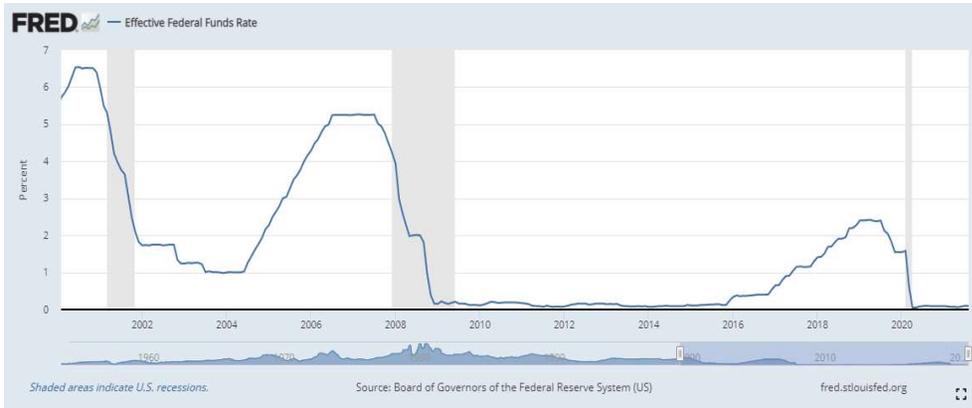


### **Let's Face It:**

After fees and taxes,  
traditional income  
strategies may not keep  
pace with inflation,  
much less fund  
retirement expenses

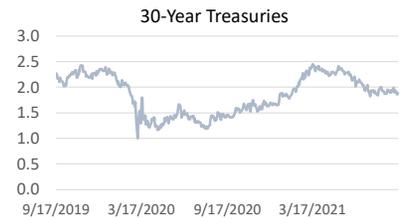
# Heart of The Income Problem

Long term secular decline in yields



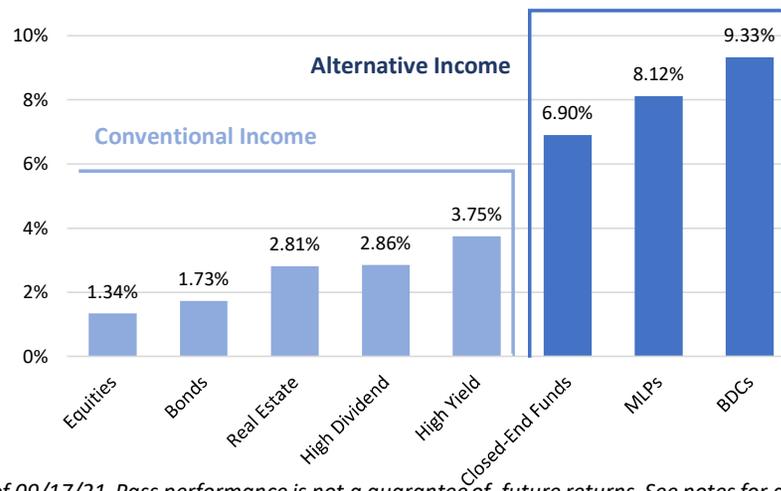
When rates last went to zero in 2008, it took the Fed 7 years to hike again—the \$8.5 trillion balance sheet also stymies future hikes.

**Source:** Bloomberg data, U.S. Treasury yields of the 2, 10 and 30-year tenors. U.S. Treasury securities issued by the federal government are backed by the full faith and credit of the of the U.S. Government. They are however subject to inflation risk which is when Treasury yields may not keep up with inflation thereby reducing purchasing power. Past performance is not a guarantee of future returns. Short term performance may not be indicative of long term results.



## The Limits of Conventional Income

Structural income weakness may diffuse all traditional yield strategies



As of 09/17/21. Past performance is not a guarantee of future returns. See notes for asset class definitions.\*

Asset class	Proxy Index	Yield
Equities	S&P 500 Index	1.34%
Bonds	Bloomberg Barclays Aggregate Index	1.73%
Real Estate	Dow Jones Equity REIT Index	2.81%
High Dividend	FTSE High Dividend Yield Index	2.86%
High Yield	iBoxx USD Liquid High Yield Index	3.75%
Closed-End Funds	S-Network Composite Closed-End Fund Index	6.90%
MLPs	Alerian MLP Index	8.12%
BDCs	S&P BDC Index	9.33%
Alternative Income	TFMS HIPS Index	7.76%

## An Income Intervention Is Necessary

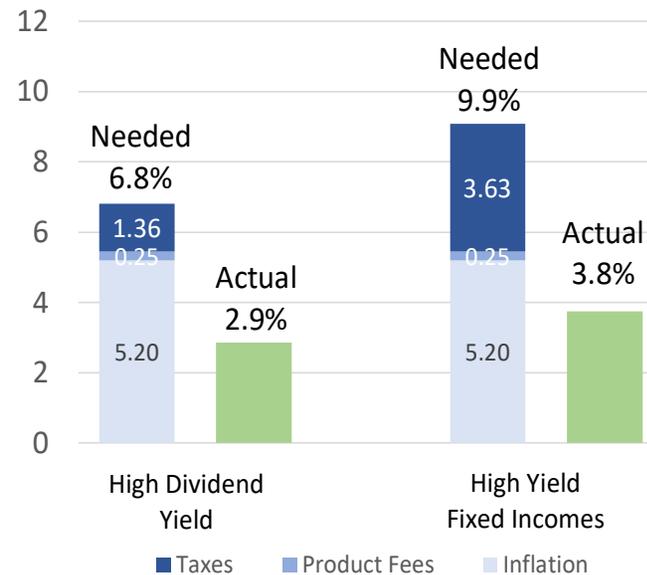
### What Counts as Real Income?

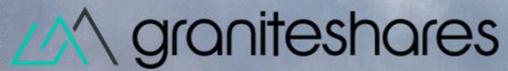
If investors are not generating at least 0% on a real after-tax, after-fee basis, they are only falling further behind on their retirement goals.

- + Chart depicts threshold levels of yield for real income potential
- + None of the conventional asset classes surmount the hurdle rate
- + Saving more alone cannot overcome the income dilemma

*Historical models and frameworks effectively lock in failure.*

How can investors reinvent the yield?





# HIPS

GraniteShares U.S. High Income ETF

*Institutional Investors Only*

Introduction to  
Alternative  
Income

## WHAT IS ALTERNATIVE INCOME?

Alternative income is not fixed income. We view alternative income as income generated from non-traditional sources. Typically, this would include securities that are not dividend-paying stocks or bonds.

## WHAT ARE PASS-THROUGH SECURITIES?

Pass-through securities are issued by pass-through entities. Pass-through entities are required to distribute almost all their earnings in the form of a cash distribution to end investors. As a result, pass-through entities don't pay corporate taxes and are able to pass on their earnings to end investors before any taxes, avoiding double taxation.

## GRANITESHARES HIPS US HIGH INCOME ETF (NYSE Arca: HIPS)

The GraniteShares HIPS US High Income ETF seeks to invest in high income securities, with pass-through structures, meeting yield and volatility screens, across four **diversified sectors**.

### High Income Pass-Through Securities

- Required to distribute substantially all of their earnings
- Don't pay corporate tax

REITs

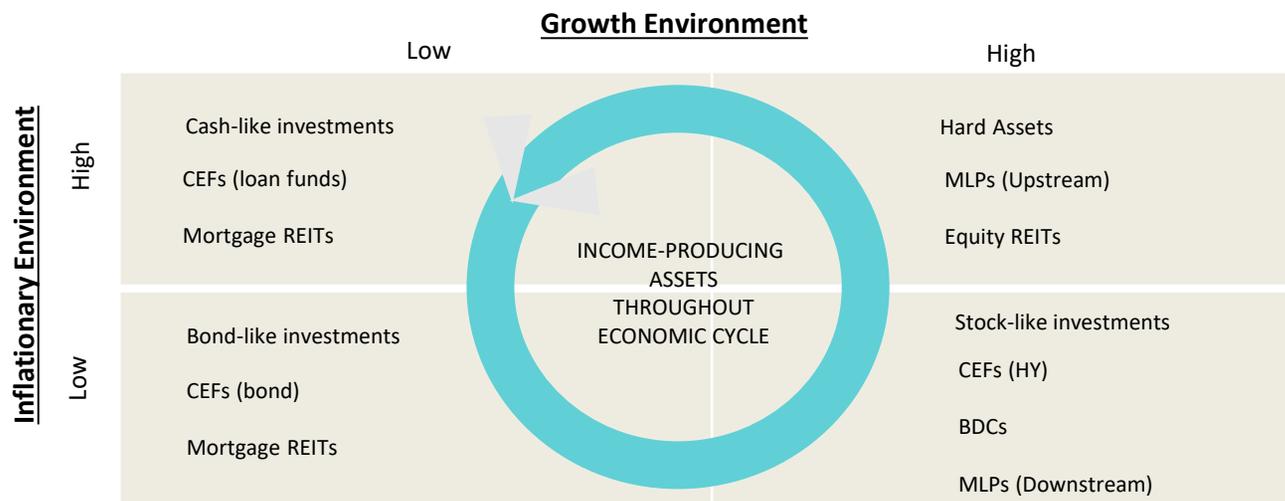
MLPs

BDCs

Closed End  
Funds

Real Estate Investment Trusts = REITs  
Master Limited Partnerships = MLPs  
Business Development Companies = BDCs  
Closed-End Funds = CEFs

# INCOME DURING MARKET CYCLES



# Can Pass-Through Securities Overcome the Income Trap?

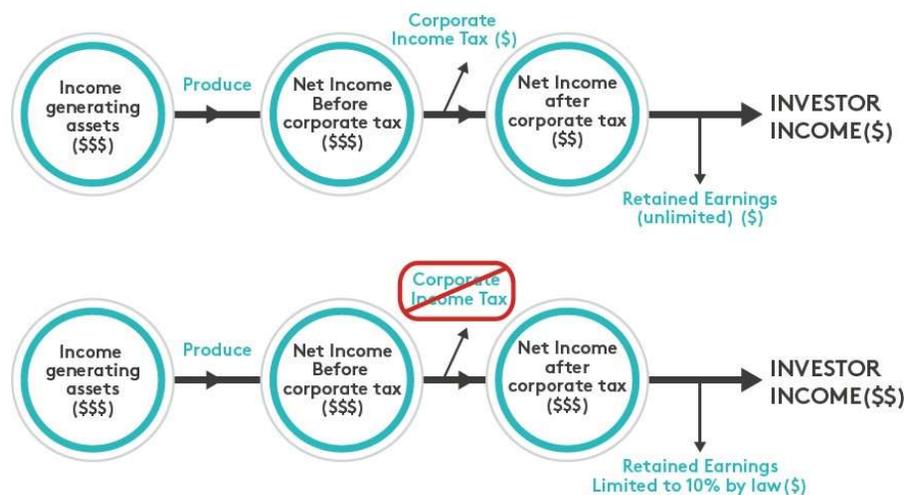
*Your Income Is Leaking Out!*



There are two major spigots that divert a company's income away from investors:

- + Corporate taxes
- + Retained earnings

Why let others claim your investment income?



Pass-through securities aim to bypass these limitations, pipelining passive income streams direct to end investors.

## Consistent Income Paid

Since Inception, 1/6/2015, HIPS Has Paid a Consistent Monthly Distribution

	2015	2016	2017	2018	2019	2020	2021
January	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
February	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
March	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
April	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
May	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
June	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
July	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
August	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
September	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
October	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
November	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075
December	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075	\$0.1075

As of 09/17/21 \$8.60 per share paid out since fund launch

8.46% HIPS Distribution Rate,  
6.87% SEC Yield as of 10/12/2021

*Past performance does not guarantee future performance or trends. Distributions are not guaranteed. Past distributions are not indicative of future trends.*

## Taxation of Income

### HISTORICAL MONTHLY DISTRIBUTIONS

Since its inception on January 5, 2015, the Fund has consistently paid a monthly distribution of \$0.1075 with close to 46%, on average, considered return of capital.

HIPS is structured as a Regulated Investment Company (RIC) which means it is not taxed and must distribute substantially all of its net investment income. HIPS does not issue K-1's.

Year	Annual distribution per share in USD	Income per shares		Return of capital per share***	
		in US\$	in %	in US\$	in %
2015*	1.1825	0.67	56.8%	0.51	43.2%
2016	1.2900	0.9	69.8%	0.39	30.2%
2017	1.2900	0.42	32.6%	0.87	67.4%
2018	1.2900	0.9	69.8%	0.39	30.2%
2019	1.2900	0.23	17.8%	1.06	82.2%
2020	1.2900	0.91	70.5%	0.38	29.5%
2021**	0.9675	0.65	67.0%	0.32	33.0%
Since inception	8.6000	4.68	54.4%	3.92	45.6%

\* Launched in January 2015. First distribution occurred on February 2015

\*\* As of 09/16/21. Takes into account up to September 2021 distribution

\*\*\* Return of capital occurs when an investor receives a portion of his original investment. It is not considered income or capital gains from investment

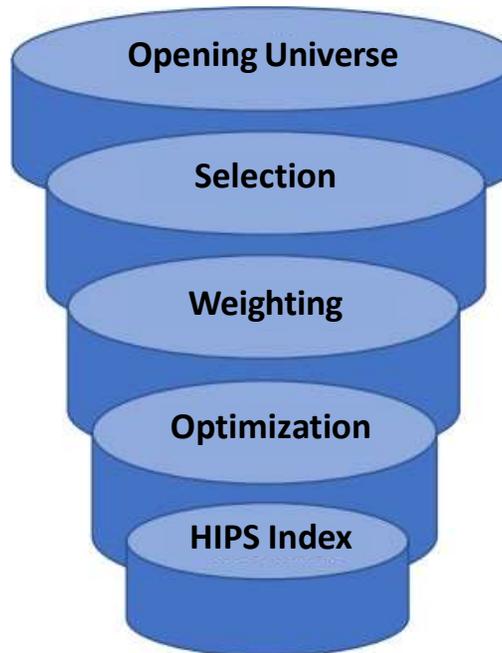
**Past distributions are not indicative of future trends. Please consult your tax advisor about the tax consequences of an investment in Fund shares, including the possible application of foreign, state, and local tax laws. Distributions are not guaranteed. Past distributions are not indicative of future trends.**

## The High Income Model

How did HIPS maintain continuous distributions through the most profound income crunch in generations?

Careful and methodical portfolio construction

HIPS seeks to minimize volatility at both the security selection and asset allocation levels.



Begin with universe of +900 U.S. Pass Through Securities, roughly \$2 trillion in market cap

Screen for up to 15 of the highest yielding and least volatile securities in each sector

Equal-weight securities within each of the four sectors (CEFs, MLPs, BDCs & REITs).

Weight to each sector on a minimum volatility optimization, determined once annually.

## Positioning for High Income Potential

### TOP 10 FUND EXPOSURES

as of September 17, 2021

BlackRock Enhanced Equity Dividend Trust	3.76%
Nuveen S&P 500 Buy-Write Income Fund	3.68%
Debt Strategies Fund Inc	3.64%
BlackRock Enhanced Global Dividend Trust	3.62%
Aberdeen Total Dynamic Dividend Fund	3.60%
Blackstone Strategic Credit Fund	3.56%
Tekla Healthcare Investors	3.55%
Invesco Credit Dynamic Opportunities Fund	3.52%
BlackRock Multi-Sector Income Trust	3.50%
BNY Mellon High Yield Strategies Fund	3.46%

Fund Exposures are subject to change.

### BROAD SECTOR DIVERSIFICATION

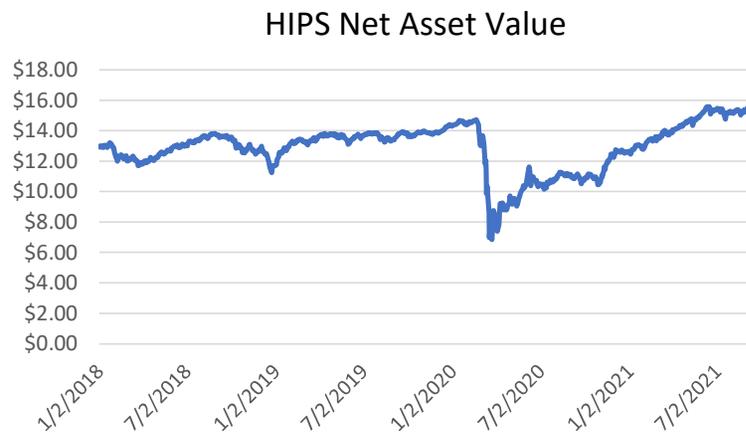


as of June 30, 2021

Closed-End Funds	51.80%
MLPs	17.58%
Business Development Companies	15.52%
REITs	14.86%
Cash and Cash Equivalent	0.24%

Past performance does not guarantee future performance or trends. Distributions are not guaranteed.

## HIPS 2020 Performance & Income Opportunity

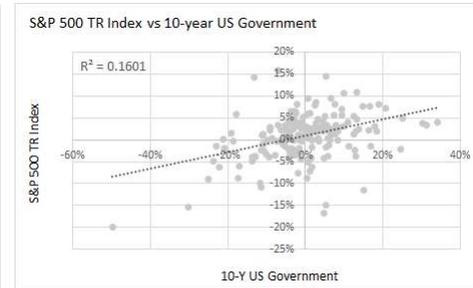
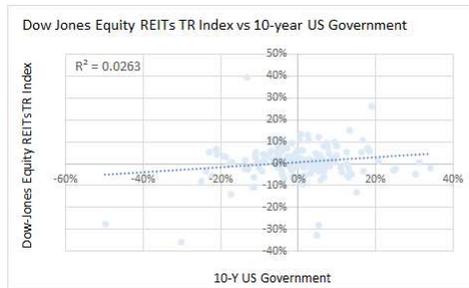
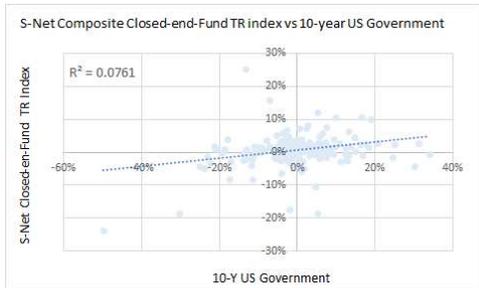
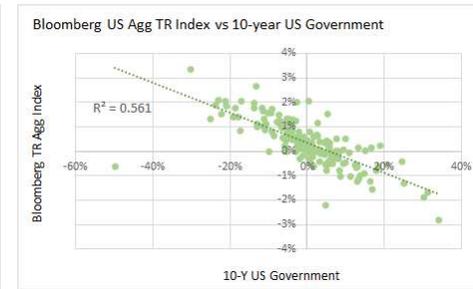
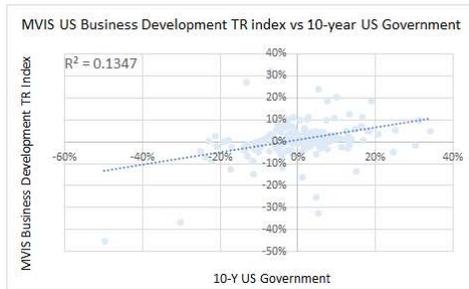
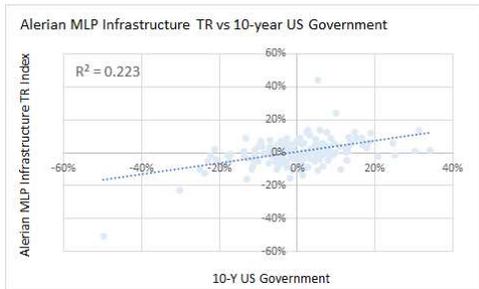


Source: GraniteShares and Bloomberg. Data as of 09/16/2021

- + HIPS endured a steep drawdown in February and March 2020 as REITs and MLPs were acutely exposed to the pandemic
- + Closed-End Funds and BDC's were less impacted, and HIPS allocated heavily to these assets for 2020.
- + Fully 59 of 60 underlying HIPS investments continued cash distributions throughout 2020
- + In the HIPS portfolio, 99% of allocated capital continued distributing cash throughout 2020
- + NAV has fully recovered

Past performance does not guarantee future performance or trends. Distributions are not guaranteed.

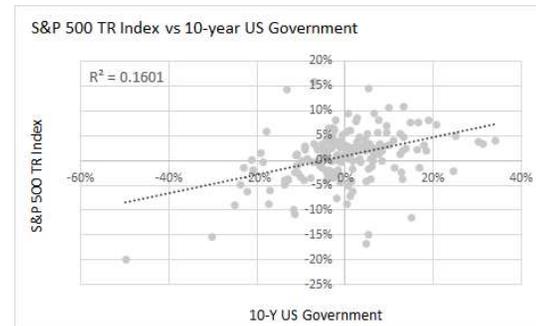
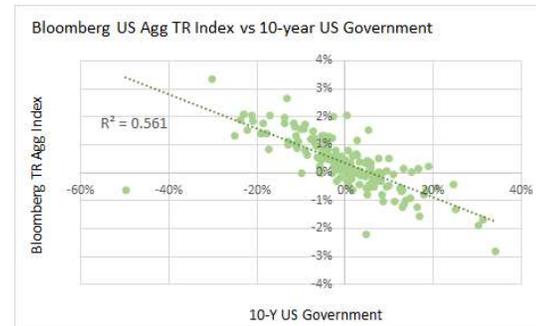
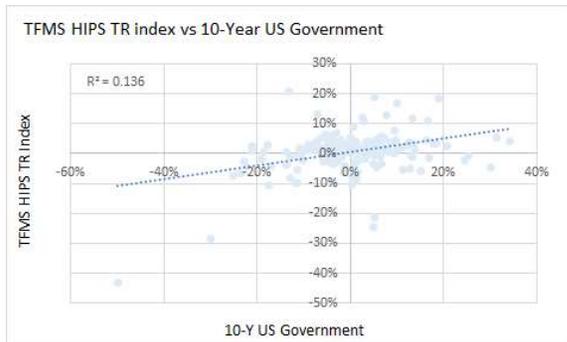
# Interest Rate Sensitivity



**Source:** Bloomberg data, U.S. Treasury yields 10 tenors. U.S. Treasury securities issued by the federal government are backed by the full faith and credit of the of the U.S. Government. They are however subject to inflation risk which is when Treasury yields may not keep up with inflation thereby reducing purchasing power. Past performance is not a guarantee of future returns. Short term performance may not be indicative of long term results. Time period: July 2007 to October 2021. Based on monthly correlation data

## Interest Rate Sensitivity

- HIPS is an income play
- However, it behaves more like equity than fixed income against interest rate changes
- HIPS offers a good risk diversification to traditional income portfolios



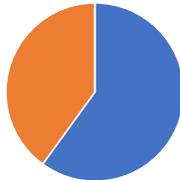
**Source:** Bloomberg data, U.S. Treasury yields 10 tenors. U.S. Treasury securities issued by the federal government are backed by the full faith and credit of the of the U.S. Government. They are however subject to inflation risk which is when Treasury yields may not keep up with inflation thereby reducing purchasing power. Past performance is not a guarantee of future returns. Short term performance may not be indicative of long term results. Time period: October 2006 to October 2021. Based on monthly correlation data

# Integrating HIPS Into Model Portfolios

*The Frontier of Income Investing*

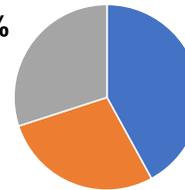
**Yield: 1.49%**

60% Stocks  
40% Bonds  
0% HIPS



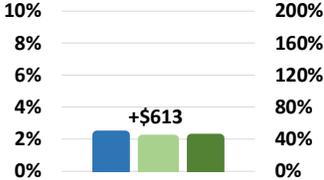
**Yield: 3.33%**

42% Stocks  
28% Bonds  
30% HIPS



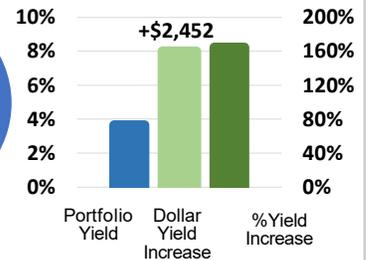
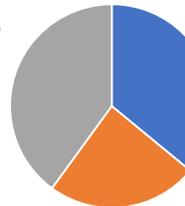
**Yield: 2.10%**

54% Stocks  
36% Bonds  
10% HIPS



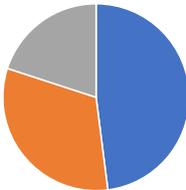
**Yield: 3.94%**

36% Stocks  
24% Bonds  
40% HIPS



**Yield: 2.72%**

48% Stocks  
32% Bonds  
20% HIPS



**Source:** Bloomberg Data. Model portfolio yields constructed using yields reported 09/16/21. Stocks represented by S&P 500 Index and Bonds represented by Bloomberg Barclays Aggregate Index. HIPS represented by the TFMS HIPS Index. Right two columns indicate increases over baseline 60/40 portfolio yield. Dollar Yield Increase reflects growth to portfolio income per US\$100,000 invested. Past performance is not a guarantee future returns. One cannot invest directly in an index.

## Materially Higher Yield Potential

HIPS can span the equity and fixed income sleeves to supplement baseline yield:

- + An 12% allocation increased baseline portfolio income over 50%
- + 8.46% distribution rate, HIPS is one of the few ETFs able to generate a positive real yield
- + 50% allocation tripled portfolio yield to over 4.5%

To generate portfolio income, assets that generate income are needed

Model Portfolio	Portfolio yield	\$ generated (\$100k invested)	\$ increase (\$100k invested)	Increase in \$ income
Baseline 60/40	1.49%	1,490.00		
5% HIPS	1.79%	1,794.50	304.50	20%
10% HIPS	2.10%	2,099.00	609.00	41%
15% HIPS	2.40%	2,403.50	913.50	61%
20% HIPS	2.71%	2,708.00	1,218.00	82%
25% HIPS	3.01%	3,012.50	1,522.50	102%
30% HIPS	3.32%	3,317.00	1,827.00	123%
35% HIPS	3.62%	3,621.50	2,131.50	143%
40% HIPS	3.93%	3,926.00	2,436.00	163%
45% HIPS	4.23%	4,230.50	2,740.50	184%
50% HIPS	4.54%	4,535.00	3,045.00	204%

**Source:** Bloomberg Data. Model portfolio yields constructed using yields reported 9/16/21. HIPS represented by the TFMS HIPS Index. Right two columns indicate increases over baseline 60/40 portfolio yield. \$ Increase reflects growth to portfolio income per 100,000 invested. Past performance is not a guarantee future returns. One cannot invest directly in an index.

## Potential Advantages of HIPS

### *Reimagining Portfolio Income Potential*

- Historically high income potential
- Historically consistent distributions of 10.75 cents per share
- Highly liquid ETF Wrapper
- Diversified across four sectors of economic activity
- Non-correlated to conventional fixed income exposures
- Distributions historically tax advantaged
- Does not “double down” on raw duration or credit risk
- Represents new and diversifying exposures for standard portfolios
- Provides inflation hedging potential through real asset exposures
- Intuitive rules-based approach
- Risk optimized security selection and asset allocation
- Potential for capital appreciation

### Potential HIPS Use Cases

- Independent Passive Income Stream
- Overall Portfolio Diversifier
- Income Supplement Sleeve
- Potential Income Inflation Hedge
- Broaden Fixed Income Exposure

8.46% HIPS Distribution Rate,  
6.87% SEC Yield as of 10/12/2021

*Past performance does not guarantee future performance or trends. Distributions are not guaranteed.*

## WHY HIPS?

1



Historically  
attractive  
distributions

2



Historically  
consistent  
monthly  
income

3



5+ year  
track record

4



Sector  
Diversification

## Happy to Help

Contact a GraniteShares expert to learn how HIPS can be integrated into your portfolio!

### HOW TO LEARN MORE:



Visit our website: [graniteshares.com](https://graniteshares.com)  
Fact sheets, insights, video content, register with us



Email us: [info@graniteshares.com](mailto:info@graniteshares.com)



Call us: **1-844-476-8747**  
Speak to us live

#### IMPORTANT INFORMATION

Investing involves risk; Principal loss is possible. Investments in debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in foreign securities involve greater volatility and political, economic, and currency risks and differences in accounting methods. Investments in smaller companies involve additional risks, such as limited liquidity and greater volatility.

To obtain a prospectus, please click on the link, <https://www.graniteshares.com/Documents/130/GraniteShares-ETF-Trust-Form-485POSProspectus.pdf>. For standardized HIPS returns, please [click here](#).

**Master Limited Partnerships ("MLPs")** are subject to certain risks inherent in the structure of MLPs, including complex tax structure risks, limited ability for election or removal of management, limited voting rights, potential dependence on parent companies or sponsors for revenues to satisfy obligations, and potential conflicts of interest between partners, members and affiliates. Investments in asset-backed and mortgage-backed securities include additional risks including credit risk, prepayment risk, possible illiquidity, and default, as well as increased susceptibility to adverse economic developments. A **Real Estate Investment Trusts ("REIT's")** share price may decline because of adverse developments affecting the real estate industry. REITs may have limited financial resources, may trade less frequently and in limited volume, and may be more volatile than other securities. The risks of investing in REITs include certain risks associated with the direct ownership of real estate and the real estate industry in general. **Business Development Companies ("BDCs")** may carry risks similar to a private equity or venture capital fund. BDCs usually trade at a discount to their NAV because they investing unlisted securities and have limited access to capital markets. **Closed-end Funds ("CEFs")** may be subject to leverage, liquidity risk, credit risk, and losses may be magnified due to the use of leverage. leverage may increase the risk of loss and cause fluctuations in the market value of the Fund's portfolio, to have disproportionately large effects or cause the NAV of the Fund generally to decline faster than it would otherwise.

Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. An investment in the Fund does not receive the same tax advantages as a direct investment in a Pass-Thru Security. Funds accrue deferred income taxes for future tax liabilities associated with the portion of Pass-Thru Security distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments. This deferred tax liability is reflected in the daily NAV and as a result, the Fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked. The potential tax benefits from investing in Pass-Thru Securities depend on them being treated as partnerships for federal income tax purposes. All yields as of 12/31/2020, unless stated otherwise.

The TFMS HIPS Index is constructed to capture high income securities, typically with pass-through structures, across the following sectors: (i) CEFs, (ii) mortgage REITs, (iii) commercial equity REITs, (iv) residential/diversified REITs, (v) asset management and BDCs, and (vi) energy production and energy transportation & processing companies. Energy related companies included in the Index are expected to primarily be structured as MLPs. CEFs included in the Index are limited to taxable, debt-based funds and may include CEFs that invest primarily in bank loans, high-yield securities (also known as "junk bonds"), foreign securities (including those in emerging markets), and mortgage- or asset-backed securities. You may not directly invest in an index.

Distribution Rate represents a single distribution from the fund and does not represent the total return to the fund. The distribution rate is calculated by annualizing the most recent distribution and dividing it by the most recent NAV.

30-Day SEC Yield is a standard yield calculation developed by the Securities and Exchange Commission that allows for fairer comparisons among bond funds. It is based on the most recent month-end. This figure reflects the interest earned during the period after deducting the Fund's expenses for the period.

The Fund is distributed by ALPS Distributors, Inc, which is not affiliated with GraniteShares or any of its affiliates.

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