



# Core Financial Statements September 30, 2024 (Unaudited)

**Tidal Trust II**

Peerless Option Income Wheel ETF

| WEEL | NYSE Arca, Inc

# Peerless Option Income Wheel ETF

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## Schedule of Investments

## Peerless Option Income Wheel ETF

September 30, 2024 (Unaudited)

<b>EXCHANGE TRADED FUNDS - 14.3%</b>	<b>Shares</b>	<b>Value</b>
Energy Select Sector SPDR Fund <sup>(a)</sup>	5,500	\$ 482,900
VanEck Oil Services ETF	1,100	312,081
VanEck Semiconductor ETF	1,200	294,540
<b>TOTAL EXCHANGE TRADED FUNDS (Cost \$1,085,566)</b>		<b>1,089,521</b>
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<b>SHORT-TERM INVESTMENTS - 75.4%</b>		
<b>Money Market Funds - 59.6%</b>		
First American Government Obligations Fund - Class X, 4.82% <sup>(b)(c)</sup>	4,548,446	4,548,446
<b>U.S. Treasury Bills - 15.8%</b>		
4.64%, 10/31/2024 <sup>(d)</sup>	<b>Par</b> \$ 1,205,000	1,200,310
<b>TOTAL SHORT-TERM INVESTMENTS (Cost \$5,748,811)</b>		<b>5,748,756</b>
<b>TOTAL INVESTMENTS - 89.7% (Cost \$6,834,377)</b>		<b>6,838,277</b>
Other Assets in Excess of Liabilities - 10.3%		789,246
<b>TOTAL NET ASSETS - 100.0%</b>		<b>\$ 7,627,523</b>

Percentages are stated as a percent of net assets.

- (a) Held in connection with written option contracts. See Schedule of Written Options for further information.
- (b) The rate shown represents the 7-day annualized effective yield as of September 30, 2024.
- (c) The rate shown is the effective yield as of September 30, 2024.
- (d) All or a portion of security has been pledged as collateral for written options. The total value of assets committed as collateral as of September 30, 2024 is \$1,200,310 which represented 15.7% of net assets.

The accompanying notes are an integral part of these financial statements.

## Schedule of Written Options

## Peerless Option Income Wheel ETF

September 30, 2024 (Unaudited)

WRITTEN OPTIONS - (0.4)% <sup>(a)(b)</sup>	Notional Amount	Contracts	Value
<b>Call Options - (0.1)%</b>			
Energy Select Sector SPDR Fund, Expiration: 10/04/2024; Exercise Price: \$87.50	\$ (482,900)	(55)	\$ (7,013)
<b>Put Options - (0.3)%</b>			
ARK Innovation ETF, Expiration: 10/04/2024; Exercise Price: \$45.50	(712,950)	(150)	(2,700)
Communication Services Select Sector SPDR Fund, Expiration: 10/04/2024; Exercise Price: \$88.50	(497,200)	(55)	(1,375)
Industrial Select Sector SPDR Fund, Expiration: 10/04/2024; Exercise Price: \$131.50	(474,040)	(35)	(663)
Invesco QQQ Trust Series 1			
Expiration: 10/02/2024; Exercise Price: \$478.00	(292,842)	(6)	(198)
Expiration: 10/04/2024; Exercise Price: \$475.00	(488,070)	(10)	(840)
iPath Series B S&P 500 VIX Short-Term Futures ETN, Expiration: 10/04/2024; Exercise Price: \$47.00	(74,400)	(15)	(300)
iShares Biotechnology ETF, Expiration: 10/04/2024; Exercise Price: \$142.00	(480,480)	(33)	(990)
iShares MSCI Emerging Markets ETF, Expiration: 10/04/2024; Exercise Price: \$45.00	(160,510)	(35)	(2,275)
iShares Russell 2000 ETF			
Expiration: 10/02/2024; Exercise Price: \$216.00	(441,780)	(20)	(370)
Expiration: 10/04/2024; Exercise Price: \$213.00	(530,136)	(24)	(1,032)
iShares U.S. Home Construction ETF, Expiration: 10/04/2024; Exercise Price: \$121.50	(317,750)	(25)	(625)
iShares U.S. Real Estate ETF, Expiration: 10/04/2024; Exercise Price: \$99.00	(203,740)	(20)	(230)
KraneShares CSI China Internet ETF, Expiration: 10/04/2024; Exercise Price: \$33.00	(306,180)	(90)	(4,635)
SPDR S&P Regional Banking ETF, Expiration: 10/04/2024; Exercise Price: \$53.50	(877,300)	(155)	(7,285)
SPDR S&P Retail ETF, Expiration: 10/04/2024; Exercise Price: \$75.00	(194,225)	(25)	(675)
VanEck Gold Miners ETF, Expiration: 10/04/2024; Exercise Price: \$38.00	(497,750)	(125)	(1,625)
VanEck Semiconductor ETF, Expiration: 10/04/2024; Exercise Price: \$230.00	(269,995)	(11)	(473)
<b>Total Put Options</b>			<u>(26,291)</u>
<b>TOTAL WRITTEN OPTIONS</b> (Premiums received \$23,547)			<u>(33,304)</u>

Percentages are stated as a percent of net assets.

(a) 100 shares per contract.

(b) Exchange-traded.

The accompanying notes are an integral part of these financial statements.

**Statement of Assets and Liabilities****Peerless Option Income Wheel ETF**

September 30, 2024 (Unaudited)

**ASSETS:**

Investments, at value (Note 2)	\$	6,838,277
Deposit at broker for option contracts		791,741
Receivable for investments sold		22,697
Interest receivable		11,575
Dividends receivable		1,218
Total assets		<u>7,665,508</u>

**LIABILITIES:**

Written option contracts, at value (Note 2)		33,304
Investment advisory fee (Note 4)		4,681
Total liabilities		<u>37,985</u>
<b>NET ASSETS</b>	<b>\$</b>	<b><u>7,627,523</u></b>

**NET ASSETS CONSISTS OF:**

Paid-in capital	\$	7,523,910
Total distributable earnings		103,613
Total net assets	<b>\$</b>	<b><u>7,627,523</u></b>

Net assets	\$	7,627,523
Shares issued and outstanding <sup>(a)</sup>		375,000
Net asset value per share	\$	20.34

**COST:**

Investments, at cost	\$	6,834,377
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**PROCEEDS:**

Written options premium	\$	23,547
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<sup>(a)</sup> Unlimited shares authorized without par value.

The accompanying notes are an integral part of these financial statements.

# Statement of Operations

# Peerless Option Income Wheel ETF

For the Period Ended September 30, 2024 (Unaudited) <sup>(a)</sup>

## INVESTMENT INCOME:

Dividend income	\$	3,857
Interest income		63,327
Total investment income		<u>67,184</u>

## EXPENSES:

Investment advisory fee (Note 4)		19,644
Interest expense		230
Total expenses		<u>19,874</u>
Expense reimbursement by Adviser (Note 4)		<u>(1,802)</u>
Net expenses		<u>18,072</u>
<b>NET INVESTMENT INCOME</b>		<u>49,112</u>

## REALIZED AND UNREALIZED GAIN

Net realized gain from:

Investments		109,074
Written option contracts		176,284
Net realized gain		<u>285,358</u>

Net change in unrealized depreciation on:

Investments		3,899
Written option contracts		(9,756)
Net change in unrealized depreciation		<u>(5,857)</u>
Net realized and unrealized gain		<u>279,501</u>

## NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$	328,613
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(a) Inception date of the Fund was May 15, 2024.

The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Net Assets****Peerless Option Income Wheel ETF**

	<b>Period ended September 30, 2024<sup>(a)</sup> (Unaudited)</b>
<b>OPERATIONS:</b>	
Net investment income	\$ 49,112
Net realized gain	285,358
Net change in unrealized depreciation	(5,857)
Net increase in net assets from operations	<u>328,613</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>	
Distributions to shareholders	(225,000)
Total distributions to shareholders	<u>(225,000)</u>
<b>CAPITAL TRANSACTIONS:</b>	
Subscriptions	7,523,910
Net increase in net assets from capital transactions	<u>7,523,910</u>
<b>NET INCREASE IN NET ASSETS</b>	<u>7,627,523</u>
<b>NET ASSETS:</b>	
Beginning of the period	–
End of the period	<u>\$ 7,627,523</u>
<b>SHARES TRANSACTIONS</b>	
Subscriptions	375,000
Total increase in shares outstanding	<u>375,000</u>

(a) Inception date of the Fund was May 15, 2024.

The accompanying notes are an integral part of these financial statements.

## Financial Highlights

## Peerless Option Income Wheel ETF

For a share outstanding throughout the period presented

	<b>Period ended September 30, 2024<sup>(a)</sup></b> <b>(Unaudited)</b>
<b>PER SHARE DATA:</b>	
Net asset value, beginning of period	\$20.00
<b>INVESTMENT OPERATIONS:</b>	
Net investment income <sup>(b)(c)</sup>	0.21
Net realized and unrealized gain on investments <sup>(d)</sup>	0.73
Total from investment operations	0.94
<b>LESS DISTRIBUTIONS FROM:</b>	
Net investment income	(0.60)
Total distributions	(0.60)
Net asset value, end of period	\$20.34
<b>TOTAL RETURN<sup>(e)</sup></b>	<b>4.69%</b>
<b>SUPPLEMENTAL DATA AND RATIOS:</b>	
Net assets, end of period (in thousands)	\$7,628
Ratio of expenses to average net assets:	
Before investment advisory fees waived <sup>(f)(g)</sup>	1.11%
After investment advisory fees waived <sup>(f)(g)</sup>	1.01%
Ratio of interest expense to average net assets <sup>(f)(g)</sup>	0.02%
Ratio of operational expenses to average net assets excluding interest expense <sup>(f)(g)</sup>	0.99%
Ratio of net investment income to average net assets:	
Before investment advisory fees waived <sup>(f)(g)</sup>	2.63%
After investment advisory fees waived <sup>(f)(g)</sup>	2.73%
Portfolio turnover rate <sup>(e)(h)</sup>	71%

- (a) Inception date of the Fund was May 15, 2024.
- (b) Net investment income per share has been calculated based on average shares outstanding during the period.
- (c) Recognition of net investment income by the Fund is affected by the timing of the declaration of dividends by the underlying exchange traded funds in which the Fund invests. The ratio does not include net investment income of the exchange traded funds in which the Fund invests.
- (d) Realized and unrealized gains and losses per share in the caption are balancing amounts necessary to reconcile the change in net asset value per share for the period, and may not reconcile with the aggregate gains and losses in the Statement of Operations due to share transactions for the period.
- (e) Not annualized for periods less than one year.
- (f) Annualized for periods less than one year.
- (g) These ratios exclude the impact of expenses of the underlying exchange traded funds as represented in the Schedule of Investments.
- (h) Portfolio turnover rate excludes in-kind transactions.

The accompanying notes are an integral part of these financial statements.



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## NOTE 1 – ORGANIZATION

The Peerless Option Income Wheel ETF (the “Fund”) is a non-diversified series of Tidal Trust II (the “Trust”). The Trust was organized as a Delaware statutory trust on January 13, 2022. The Trust is registered with the Securities and Exchange Commission (“SEC”) under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company and the offering of the Fund’s shares (“Shares”) is registered under the Securities Act of 1933, as amended. The Trust is governed by the Board of Trustees (the “Board”). Tidal Investments LLC (“Tidal” or the “Adviser”), a Tidal Financial Group company, serves as investment adviser to the Fund and Peerless Wealth LLC (the “Sub-Adviser”) serves as investment sub-adviser to the Fund. The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946 “Financial Services – Investment Companies”. The Fund commenced operations on May 15, 2024.

The investment objective of the Fund is to seek current income.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund. These policies are in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

- A. *Security Valuation.* Equity securities that are listed on a securities exchange, market or automated quotation system for which quotations are readily available (except for securities traded on the NASDAQ Stock Market, LLC (“NASDAQ”)), including securities traded over the counter, are valued at the last quoted sale price on the primary exchange or market (foreign or domestic) on which they are traded on the valuation date (or at approximately 4:00 p.m. EST if a security’s primary exchange is normally open at that time), or, if there is no such reported sale on the valuation date, at the most recent quoted bid price or mean between the most recent quoted bid and ask prices for long and short positions. For a security that trades on multiple exchanges, the primary exchange will generally be considered the exchange on which the security is generally most actively traded. For securities traded on NASDAQ, the NASDAQ Official Closing Price will be used. Prices of securities traded on the securities exchange will be obtained from recognized independent pricing agents each day that the Fund is open for business.

Debt securities are valued by using an evaluated mean of the bid and asked prices provided by independent pricing agents. The independent pricing agents may employ methodologies that utilize actual market transactions (if the security is actively traded), broker dealer supplied valuations, or other methodologies designed to identify the market value for such securities. In arriving at valuations, such methodologies generally consider factors such as security prices, yields, maturities, call features, ratings and developments relating to specific securities.

Options contracts are valued using the mean/mid of quoted bid and ask spread prices, as provided by independent pricing vendors.

Under Rule 2a-5 of the 1940 Act, a fair value will be determined for securities for which quotations are not readily available by the Valuation Designee (as defined in Rule 2a-5) in accordance with the Pricing and Valuation Policy and Fair Value Procedures, as applicable, of the Adviser, subject to oversight by the Board. When a security is “fair valued,” consideration is given to the facts and circumstances relevant to the particular situation, including a review of various factors set forth in the Adviser’s Pricing and Valuation Policy and Fair Value Procedures, as applicable. Fair value pricing is an inherently subjective process, and no single standard exists for determining fair value. Different funds could reasonably arrive at different values for the same security. The use of fair value pricing by a fund may cause the net asset value (“NAV”) of its shares to differ significantly from the NAV that would be calculated without regard to such considerations.

As described above, the Fund utilizes various methods to measure the fair value of its investments on a recurring basis. U.S. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market,

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prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Fund’s own assumptions about the assumptions a market participant would use in valuing the asset or liability and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following is a summary of the inputs used to value the Fund’s investments as of September 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
<u>Investments:</u>				
Exchange Traded Funds	\$ 1,089,521	\$ –	\$ –	\$ 1,089,521
Money Market Funds	4,548,446	–	–	4,548,446
U.S. Treasury Bills	–	1,200,310	–	1,200,310
Total Investments	<u>\$ 5,637,967</u>	<u>\$ 1,200,310</u>	<u>\$ –</u>	<u>\$ 6,838,277</u>
<b>Liabilities:</b>				
<u>Investments:</u>				
Written Options	–	(33,304)	–	(33,304)
Total Investments	<u>\$ –</u>	<u>\$ (33,304)</u>	<u>\$ –</u>	<u>\$ (33,304)</u>

Refer to the Schedule of Investments for further disaggregation of investment categories.

- B. *Derivative Instruments.* As the buyer of a call option, the Fund has a right to buy the underlying reference instrument (e.g., a currency or security) at the exercise price at any time during the option period (for American style options). The Fund may enter into closing sale transactions with respect to call options, exercise them, or permit them to expire. For example, the Fund may buy call options on underlying reference instruments that it intends to buy with the goal of limiting the risk of a substantial increase in their market price before the purchase is effected. Unless the price of the underlying reference instrument changes sufficiently, a call option purchased by the Fund may expire without any value to the Fund, in which case such Fund would experience a loss to the extent of the premium paid for the option plus related transaction costs.

As the buyer of a put option, the Fund has the right to sell the underlying reference instrument at the exercise price at any time during the option period (for American style options). Like a call option, the Fund may enter into closing sale transactions with respect to put options, exercise them or permit them to expire. The Fund may buy a put option on an underlying reference instrument owned by the Fund (a protective put) as a hedging technique in an attempt to protect against an anticipated decline in the market value of the underlying reference instrument. Such hedge protection is provided only during the life of the put option when the Fund, as the buyer of the put option, is able to sell the underlying reference instrument at the put exercise price, regardless of any decline in the underlying instrument’s market price. The Fund may also seek to offset a decline in the value of the underlying reference instrument through appreciation in the value of the put option. A put option may also be purchased with the intent of protecting unrealized appreciation of an instrument when the Sub-Adviser deems it desirable to continue to hold the instrument because of tax or other considerations. The premium paid for the put option and any transaction costs would reduce any short-term capital gain that may be available for distribution when the instrument is eventually sold.

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Buying put options at a time when the buyer does not own the underlying reference instrument allows the buyer to benefit from a decline in the market price of the underlying reference instrument, which generally increases the value of the put option.

If a put option was not terminated in a closing sale transaction when it has remaining value, and if the market price of the underlying reference instrument remains equal to or greater than the exercise price during the life of the put option, the buyer would not make any gain upon exercise of the option and would experience a loss to the extent of the premium paid for the option plus related transaction costs. In order for the purchase of a put option to be profitable, the market price of the underlying reference instrument must decline sufficiently below the exercise price to cover the premium and transaction costs.

Writing options may permit the writer to generate additional income in the form of the premium received for writing the option. The writer of an option may have no control over when the underlying reference instruments must be sold (in the case of a call option) or purchased (in the case of a put option) because the writer may be notified of exercise at any time prior to the expiration of the option (for American style options). In general, though, options are infrequently exercised prior to expiration. Whether or not an option expires unexercised, the writer retains the amount of the premium. Writing “covered” call options means that the writer owns the underlying reference instrument that is subject to the call option. Call options may also be written on reference instruments that the writer does not own.

If the Fund writes a covered call option, any underlying reference instruments that are held by the Fund and are subject to the call option will be earmarked on the books of such Fund as segregated to satisfy its obligations under the option. The Fund will be unable to sell the underlying reference instruments that are subject to the written call option until it either effects a closing transaction with respect to the written call, or otherwise satisfies the conditions for release of the underlying reference instruments from segregation. As the writer of a covered call option, the Fund gives up the potential for capital appreciation above the exercise price of the option should the underlying reference instrument rise in value. If the value of the underlying reference instrument rises above the exercise price of the call option, the reference instrument will likely be “called away,” requiring the Fund to sell the underlying instrument at the exercise price. In that case, the Fund will sell the underlying reference instrument to the option buyer for less than its market value, and such Fund will experience a loss (which will be offset by the premium received by the Fund as the writer of such option). If a call option expires unexercised, the Fund will realize a gain in the amount of the premium received. If the market price of the underlying reference instrument decreases, the call option will not be exercised and the Fund will be able to use the amount of the premium received to hedge against the loss in value of the underlying reference instrument. The exercise price of a call option will be chosen based upon the expected price movement of the underlying reference instrument. The exercise price of a call option may be below, equal to (at-the-money), or above the current value of the underlying reference instrument at the time the option is written.

As the writer of a put option, the Fund has a risk of loss should the underlying reference instrument decline in value. If the value of the underlying reference instrument declines below the exercise price of the put option and the put option is exercised, the Fund, as the writer of the put option, will be required to buy the instrument at the exercise price, which will exceed the market value of the underlying reference instrument at that time. The Fund will incur a loss to the extent that the current market value of the underlying reference instrument is less than the exercise price of the put option. However, the loss will be offset in part by the premium received from the buyer of the put. If a put option written by the Fund expires unexercised, such Fund will realize a gain in the amount of the premium received.

By virtue of the Fund’s investments in option contracts equity ETFs and equity indices, the Fund is exposed to common stocks indirectly which subjects the Fund to equity market risk. Common stocks are generally exposed to greater risk than other types of securities, such as preferred stock and debt obligations, because common stockholders generally have inferior rights to receive payment from specific issuers. Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect securities markets generally or factors affecting specific issuers, industries, or sectors in which the Fund invests.

The Fund has adopted financial reporting rules and regulations that require enhanced disclosure regarding derivatives and hedging activity intending to improve financial reporting of derivative instruments by enabling investors to understand how an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity’s results of operations and financial position.

For the period ended September 30, 2024, the Fund’s monthly average quantity and notional value is described below:

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	<u>Average Contracts</u>	<u>Average Notional Amount</u>
Written Options	(385)	\$ (3,118,982)

The effect of derivative instruments on the Statement of Assets and Liabilities as of September 30, 2024:

<u>Equity Risk Contracts</u>	<u>Liability Derivatives, Written Options, at value</u>
Written options contracts, at value	\$ 33,304

The effect of derivative instruments on the Statement of Operations for the period ended September 30, 2024:

<u>Equity Risk Contracts</u>	<u>Net Realized Gain from Written Options</u>	<u>Net Change in Unrealized Depreciation on Written Options</u>
Written options contracts	\$ 176,284	\$ (9,756)

- C. *Federal Income Taxes.* The Fund has have elected to be taxed as a “regulated investment company” and intends to distribute substantially all taxable income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. Therefore, no provision for federal income taxes or excise taxes has been made.

In order to avoid imposition of the excise tax applicable to regulated investment companies, the Fund intends to declare as dividends in each calendar year at least 98.0% of its net investment income (earned during the calendar year) and at least 98.2% of its net realized capital gains (earned during the twelve months ended October 31) plus undistributed amounts, if any, from prior years. As a registered investment company, the Fund is subject to a 4% excise tax that is imposed if the Fund does not distribute by the end of any calendar year at least the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98.2% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one year period generally ending on October 31 of the calendar year (unless an election is made to use the fund’s fiscal year). The Fund generally intends to distribute income and capital gains in the manner necessary to minimize (but not necessarily eliminate) the imposition of such excise tax. The Fund may retain income or capital gains and pay excise tax when it is determined that doing so is in the best interest of shareholders. Management, in consultation with the Board of Trustees, evaluates the costs of the excise tax relative to the benefits of retaining income and capital gains, including that such undistributed amounts (net of the excise tax paid) remain available for investment by the Fund and are available to supplement future distributions. Tax expense is disclosed in the Statement of Operations, if applicable.

As of September 30, 2024, the Fund did not have any tax positions that did not meet the threshold of being sustained by the applicable tax authority. Generally, tax authorities can examine all the tax returns filed for the last three years. The Fund identifies its major tax jurisdiction as U.S. Federal and the Commonwealth of Delaware; however, the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits on uncertain tax positions as income tax expense in the Statement of Operations.

- D. *Securities Transactions and Investment Income.* Investment securities transactions are accounted for on the trade date. Gains and losses realized on sales of securities are determined on a specific identification basis. Discounts/premiums on debt securities purchased are accreted/amortized over the life of the respective securities using the effective interest method. Dividend income is recorded on the ex-dividend date. Debt income is recorded on an accrual basis. Other non-cash dividends are recognized as investment income at the fair value of the property received. Withholding taxes on foreign dividends have been provided for in accordance with the Fund’s understanding of the applicable country’s tax rules and rates.

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- E. *Foreign Currency.* Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

The Fund reports net realized foreign exchange gains or losses that arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at period end, resulting from changes in exchange rates.

- F. *Distributions to Shareholders.* Distributions to shareholders from net investment income, if any, for the Fund are declared and paid at least quarterly. Distributions to shareholders from net realized gains on securities, if any, for the Fund normally are declared and paid on an annual basis. Distributions are recorded on the ex-dividend date.
- G. *Use of Estimates.* The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- H. *Share Valuation.* The NAV per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities by the total number of shares outstanding for the Fund, rounded to the nearest cent. The Fund's shares will not be priced on the days on which the NYSE Arca, Inc. Exchange ("NYSE") is closed for trading.
- I. *Guarantees and Indemnifications.* In the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.
- J. *Illiquid Securities.* Pursuant to Rule 22e-4 under the 1940 Act, the Fund has adopted a Board-approved Liquidity Risk Management Program (the "Program") that requires, among other things, that the Fund limit its illiquid investments that are assets to no more than 15% of the value of the Fund's net assets. An illiquid investment is any investment that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. If the Fund should be in a position where the value of illiquid investments held by the Fund exceeds 15% of the Fund's net assets, the Fund will take such steps as set forth in the Program.
- K. *Derivatives Transactions.* Pursuant to Rule 18f-4 under the 1940 Act, the SEC imposes limits on the amount of derivatives a fund can enter into, eliminates the asset segregation and cover framework arising from prior SEC guidance for covering derivatives and certain financial instruments currently used by the fund to comply with Section 18 of the 1940 Act and treats derivatives as senior securities. Under Rule 18f-4, a fund's derivatives exposure is limited through a value-at-risk test. The Fund whose use of derivatives is more than a limited specified exposure amount are required to establish and maintain a comprehensive derivatives risk management program, subject to oversight by a fund's board of trustees, and appoint a derivatives risk manager. The Fund implemented a Rule 18f-4 Derivative Risk Management Program that complies with Rule 18f-4.
- L. *Recently Issued Accounting Pronouncements.* In June 2022, FASB issued Accounting Standards Update 2022-03, which amends Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU 2022-03"). ASU 2022-03 clarifies guidance for fair value measurement of an equity security subject to a contractual sale restriction and establishes new disclosure requirements for such equity securities. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023 and for interim periods within those fiscal years, with early adoption permitted. The Fund is currently evaluating the impact, if any, of these amendments on the financial statements.

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**NOTE 3 – PRINCIPAL INVESTMENT RISKS**

*Option Wheel Strategy Risk.* The implementation of the Fund's option wheel strategy, which involves selling put options and then call options on the same underlying assets (i.e., Underlying Issuers), will significantly affect the Fund's performance in relation to the underlying assets' price movements. This strategy's effectiveness depends on the sequence of market movements and option expirations.

For instance, if the Fund initiates the strategy by selling out-of-the-money put options and the underlying asset's price falls below the strike price, the Fund would be obligated to purchase the asset at a potentially unfavorable price. Subsequently, if the Fund sells call options on these assets and their market price rises above the call options' strike price, the assets would be called away, potentially limiting the Fund's profit to the premium received. Over shorter periods, this can result in the Fund not fully benefiting from positive price movements of the underlying assets. Conversely, over longer periods, the Fund's returns may not align with the overall price appreciation of the assets. For example, if the underlying assets appreciate significantly after the Fund has sold call options, the Fund would not capture this appreciation beyond the strike price of the calls. This scenario highlights how the Fund's returns are influenced not only by the price levels of the underlying assets but also by their price trajectory over time.

*Derivatives Risk.* Derivatives are financial instruments that derive value from the underlying reference asset or assets including stocks, bonds, commodities, currencies, interest rates, indexes or ETFs that hold or offer exposure to one or more of the foregoing assets. The Fund's investments in derivatives may pose risks in addition to those associated with directly investing in securities or other ordinary investments, including risk related to the market, imperfect correlation with underlying investments or the Fund's other portfolio holdings, higher price volatility, lack of availability, counterparty risk, liquidity, valuation and legal restrictions. The use of derivatives is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. The use of derivatives may result in larger losses or smaller gains than directly investing in securities. When the Fund uses derivatives, there may be imperfect correlation between the value of the Underlying Issuers and their related derivatives, which may prevent the Fund from achieving its investment objective. Because derivatives often require only a limited initial investment, the use of derivatives may expose the Fund to losses in excess of those amounts initially invested. In addition, the Fund's investments in derivatives are subject to the following risks:

*Options Contracts.* The use of options contracts involves investment strategies and risks different from those associated with ordinary portfolio securities transactions. The prices of options are volatile and are influenced by, among other things, actual and anticipated changes in the value of the underlying instrument, including the anticipated volatility, which are affected by fiscal and monetary policies and by national and international political, changes in the actual or implied volatility or the reference asset, the time remaining until the expiration of the option contract and economic events. For the Fund in particular, the value of the options contracts in which it invests is substantially influenced by the share price of the related Underlying Security. The Fund may experience substantial downside from specific option positions and certain option positions held by the Fund may expire worthless. As an option approaches its expiration date, its value typically increasingly moves with the value of the underlying instrument. However, prior to such date, the value of an option generally does not increase or decrease at the same rate as the underlying instrument. There may at times be an imperfect correlation between the movement in values options contracts and the underlying instrument, and there may at times not be a liquid secondary market for certain options contracts. The value of the options held by the Fund will be determined based on market quotations or other recognized pricing methods. Additionally, as the Fund intends to continuously maintain indirect exposure to some or all of the Underlying Issuers through the use of options contracts, as the options contracts it holds are exercised or expire it will enter into new options contracts, a practice referred to as "rolling." If the expiring options contracts do not generate proceeds enough to cover the cost of entering into new options contracts, the Fund may experience losses.

*Counterparty Risk.* The Fund is subject to counterparty risk by virtue of its investments in options contracts. Transactions in some types of derivatives, including options, are required to be centrally cleared ("cleared derivatives"). In a transaction involving cleared derivatives, the Fund's counterparty is a clearing house rather than a bank or broker. Since the Fund is not a member of clearing houses and only members of a clearing house ("clearing members") can participate directly in the clearing house, the Fund will hold cleared derivatives through accounts at clearing members. In cleared derivatives positions, the Fund will make payments (including margin payments) to and receive payments from a clearing house through their accounts at clearing members. Customer funds held at a clearing organization in connection with any options contracts are held in a commingled omnibus account and are not identified to the name of the clearing member's individual customers. As a result, assets deposited by the Fund with any clearing member as margin for options may, in certain circumstances, be used to satisfy losses of other clients of the Fund's clearing member. In addition, although clearing members guarantee performance of their clients' obligations to the clearing house, there is a risk that

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the assets of the Fund might not be fully protected in the event of the clearing member's bankruptcy, as the Fund would be limited to recovering only a pro rata share of all available funds segregated on behalf of the clearing member's customers for the relevant account class. The Fund is also subject to the risk that a limited number of clearing members are willing to transact on the Fund's behalf, which heightens the risks associated with a clearing member's default. This risk is greater for the Fund as it seeks to hold options contracts on a single security, and not a broader range of options contracts, which may limit the number of clearing members that are willing to transact on the Fund's behalf. If a clearing member defaults the Fund could lose some or all of the benefits of a transaction entered into by the Fund with the clearing member. If the Fund cannot find a clearing member to transact with on the Fund's behalf, the Fund may be unable to effectively implement its investment strategy.

As with any investment, there is a risk that you could lose all or a portion of your principal investment in the Fund. The Fund is subject to principal risks which may adversely affect the Fund's NAV, trading price, yield, total return and/or ability to meet its objective. For more information about the risks of investing in the Fund, see the section in the Fund's Prospectus titled "Additional Information About the Fund — Principal Risks of Investing in the Fund."

#### NOTE 4 – COMMITMENTS AND OTHER RELATED PARTY TRANSACTIONS

The Adviser serves as investment adviser to the Fund pursuant to an investment advisory agreement between the Adviser and the Trust, on behalf of the Fund (the "Advisory Agreement"), and, pursuant to the Advisory Agreement, provides investment advice to the Fund and oversees the day-to-day operations of the Fund, subject to the direction and oversight of the Board. The Adviser is also responsible for trading portfolio securities for the Fund, including selecting broker-dealers to execute purchase and sale transactions. The Adviser provides oversight of the Sub-Adviser and review of the Sub-Adviser's performance.

Pursuant to the Advisory Agreement, the Fund pays the Adviser a unitary management fee (the "Investment Advisory Fee") based on the average daily net assets of the Fund as follows:

<u>Investment Advisory Fee</u>	<u>Investment Advisory Fee After Waiver</u>
1.09%	0.99%

Out of the Investment Advisory Fees, the Adviser is obligated to pay or arrange for the payment of substantially all expenses of the Fund, including the cost of sub-advisory, transfer agency, custody, fund administration, and all other related services necessary for the Fund to operate. Under the Advisory Agreement, the Adviser has agreed to pay, or require the Sub-Adviser to pay, all expenses incurred by the Fund except for interest charges on any borrowings, dividends and other expenses on securities sold short, taxes, brokerage commissions and other expenses incurred in placing orders for the purchase and sale of securities and other investment instruments, acquired fund fees and expenses, accrued deferred tax liability, extraordinary expenses, distribution fees and expenses paid by the Fund under any distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act (collectively, "Excluded Expenses"). The Investment Advisory Fees incurred are paid monthly to the Adviser. Investment Advisory Fees for the period ended September 30, 2024 are disclosed in the Statement of Operations.

The Adviser has agreed to reduce its Investment Advisory Fee to 0.99% of the Fund's average daily net assets through at least July 29, 2025. To the extent the Fund incurs Excluded Expenses, total annual fund operating expenses after fee waiver will be higher than 0.99%. The agreement may be terminated only by, or with the consent of, the Board, on behalf of the Fund, upon sixty (60) days' written notice to the Adviser. This agreement may not be terminated by the Adviser without the consent of the Board. Any fees waived with respect to the Fund under this agreement are not subject to reimbursement to the Adviser by the Fund.

The Sub-Adviser serves as investment sub-adviser to the Fund, pursuant to a sub-advisory agreement between the Adviser and the Sub-Adviser with respect to the Fund (the "Sub-Advisory Agreement"). Pursuant to the Sub-Advisory Agreement, the Sub-Adviser is responsible for the day-to-day management of the Fund's portfolio, including determining the securities purchased and sold by the Fund, subject to the supervision of the Adviser and the Board. The Sub-Adviser is paid a fee by the Adviser, which is calculated and paid monthly, at an annual rate of 0.02% of the Fund's average daily net assets (the "Sub-Advisory Fee"). The Sub-Adviser has agreed to assume a portion of the Adviser's obligation to pay all expenses incurred by the Fund, except for the Sub-Advisory Fee payable to the Sub-Adviser and Excluded Expenses. For assuming the payment obligations for a portion of the Fund's expenses, the Adviser has agreed to pay the Sub-Adviser a corresponding share of profits, if any, generated by the Fund's Investment Advisory Fees, less a contractual fee retained by the Adviser. Expenses incurred by the Fund and paid by the Sub-Adviser include fees charged by Tidal (defined below), which is an affiliate of the Adviser.

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Tidal ETF Services LLC (“Tidal”), a Tidal Financial Group company and an affiliate of the Adviser, serves as the Fund’s administrator and, in that capacity, performs various administrative and management services for the Fund. Tidal coordinates the payment of Fund-related expenses and manages the Trust’s relationships with its various service providers.

U.S. Bancorp Fund Services, LLC, doing business as U.S. Bank Global Fund Services (“Fund Services”), serves as the Fund’s sub-administrator, fund accountant and transfer agent. In those capacities, Fund Services performs various administrative and accounting services for the Fund. Fund Services prepares various federal and state regulatory filings, reports and returns for the Fund, including regulatory compliance monitoring and financial reporting; prepares reports and materials to be supplied to the Board; and monitors the activities of the Fund’s custodian. U.S. Bank N.A. (the “Custodian”), an affiliate of Fund Services, serves as the Fund’s custodian.

Foreside Fund Services, LLC (the “Distributor”) acts as the Fund’s principal underwriter in a continuous public offering of the Fund’s shares.

Certain officers and a trustee of the Trust are affiliated with the Adviser. Neither the affiliated trustee nor the Trust’s officers receive compensation from the Fund.

The Board has adopted a Distribution (Rule 12b-1) Plan (the “Plan”) pursuant to Rule 12b-1 under the 1940 Act. In accordance with the Plan, the Fund is authorized to pay an amount up to 0.25% of its average daily net assets each year to pay distribution fees for the sale and distribution of its Shares. No Rule 12b-1 fees are currently paid by the Fund, and there are no plans to impose these fees. However, in the event Rule 12b-1 fees are charged in the future, because the fees are paid out of the Fund’s assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than certain other types of sales charges.

## **NOTE 5 – PURCHASES AND SALES OF SECURITIES**

For the period ended September 30, 2024, the cost of purchases and proceeds from the sales or maturities of securities, excluding short-term investments, written options, U.S. government securities, and in-kind transactions were \$846,561 and \$10,540,939, respectively.

For the period ended September 30, 2024, there were no purchases or sales of long-term U.S. government securities.

For the period ended September 30, 2024, there were no in-kind transactions associated with creations and redemptions for the Fund.

## **NOTE 6 – INCOME TAXES AND DISTRIBUTIONS TO SHAREHOLDERS**

The Fund is subject to examination by U.S. taxing authorities for the tax period since the commencement of operations. The amount and character of tax basis distributions and composition of net assets, including undistributed (accumulated) net investment income (loss), are finalized at the fiscal year-end; accordingly, tax basis balances have not been determined for the period ended September 30, 2024. Differences between the tax cost of investments and the cost noted in the Schedule of Investments will be determined at fiscal year-end. During the period ended September 30, 2024, the Fund distributed \$225,000.

## **NOTE 7 – SHARE TRANSACTIONS**

Shares of the Fund are listed and traded on the NYSE Arca, Inc. Exchange. Market prices for the shares may be different from their NAV. The Fund issues and redeems shares on a continuous basis at NAV generally in large blocks of shares, called “Creation Units.” Creation Units are issued and redeemed principally in-kind for securities included in a specified universe. Once created, shares generally trade in the secondary market at market prices that change throughout the day. Except when aggregated in Creation Units, shares are not redeemable securities of the Fund. Creation Units may only be purchased or redeemed by Authorized Participants. An Authorized Participant is either (i) a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation or (ii) a Depository Trust Company participant and, in each case, must have executed a Participant Agreement with the Distributor. Most retail investors do not qualify as Authorized Participants nor have the resources to buy and sell whole Creation Units. Therefore, they are unable to purchase or redeem the shares directly from the Fund. Rather, most retail



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investors may purchase shares in the secondary market with the assistance of a broker and are subject to customary brokerage commissions or fees.

The Fund currently offers one class of shares, which has no front-end sales load, no deferred sales charge, and no redemption fee. A fixed transaction fee is imposed for the transfer and other transaction costs associated with the purchase or sale of Creation Units. The standard fixed transaction fee for the Fund is \$300, payable to the Custodian. The fixed transaction fee may be waived on certain orders if the Fund's Custodian has determined to waive some or all of the costs associated with the order or another party, such as the Adviser, has agreed to pay such fee. In addition, a variable fee may be charged on all cash transactions or substitutes for Creation Units of up to a maximum of 2% of the value of the Creation Units and Redemption Units subject to the transaction. Variable fees received by the Fund, if any, are disclosed in the capital shares transactions section of the Statement of Changes in Net Assets. The Fund may issue an unlimited number of shares of beneficial interest, with no par value. All shares of the Fund have equal rights and privileges.

**NOTE 8 – RECENT MARKET EVENTS**

U.S. and international markets have experienced and may continue to experience significant periods of volatility in recent years and months due to a number of economic, political and global macro factors including rising inflation, uncertainty regarding central banks' interest rates, the possibility of a national or global recession, trade tensions, political events, the war between Russia and Ukraine, significant conflict between Israel and Hamas in the Middle East, and the impact of COVID-19. The global recovery from COVID-19 may last for an extended period of time. As a result of continuing political tensions and armed conflicts, including the war between Ukraine and Russia, the U.S. and the European Union imposed sanctions on certain Russian individuals and companies, including certain financial institutions, and have limited certain exports and imports to and from Russia. The war has contributed to recent market volatility and may continue to do so. The Middle East conflict has led to significant loss of life, damaged infrastructure and escalated tensions both in the region and globally. These developments, as well as other events, could result in further market volatility and negatively affect financial asset prices, the liquidity of certain securities and the normal operations of securities exchanges and other markets, despite government efforts to address market disruptions. As a result, the risk environment remains elevated. The Adviser and Sub-Adviser will monitor developments and seek to manage the Fund in a manner consistent with achieving the Fund's investment objective, but there can be no assurance that they will be successful in doing so.

**NOTE 9 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued. Management has determined that there are no subsequent events that would need to be recorded or disclosed in the Fund's financial statements.

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### **Item 8. Changes in and Disagreements with Accountants for Open-End Investment Companies.**

There have been no changes in or disagreements with the Funds' accountants.

### **Item 9. Proxy Disclosure for Open-End Investment Companies.**

There were no matters submitted to a vote of shareholders during the period covered by the report.

### **Item 10. Remuneration Paid to Directors, Officers, and Others of Open-End Investment Companies.**

See Item 7(a). Under the Investment Advisory Agreement, in exchange for a single unitary management fee from each Fund, the Adviser has agreed to pay all expenses incurred by the Fund, including Trustee compensation, except for certain excluded expenses.

### **Item 11. Statement Regarding Basis for Approval of Investment Advisory Contract.**

Pursuant to Section 15(c) of the Investment Company Act of 1940 (the "1940 Act"), at a meeting held on March 15, 2024, the Board of Trustees (the "Board") of Tidal Trust II (the "Trust") considered the approval of:

- the Investment Advisory Agreement (the "Advisory Agreement") between Tidal Investments LLC (the "Adviser") and the Trust, on behalf of the Fund;
- an Investment Sub-Advisory Agreement (a "Sub-Advisory Agreement") between the Adviser and Peerless Wealth, LLC with respect to the Peerless Option Income Wheel ETF (the "Peerless ETF" or the "Fund"); (the Sub-Advisory Agreement together with the Advisory Agreement, referred to as the "Agreements").

Pursuant to Section 15 of the 1940 Act, the Agreements must be approved by the vote of a majority of the Trustees who are not parties to the Agreements or "interested persons" of any party thereto, as defined in the 1940 Act (the "Independent Trustees"), cast in person at a meeting called for the purpose of voting on such approval. It is noted that in accordance with the SEC's temporary exemptive relief for in-person approvals, these approvals shall be ratified at the next in-person Board meeting. In preparation for such meeting, the Board requested and reviewed a wide variety of information from the Adviser and Sub-Adviser.

In reaching its decision, the Board, including the Independent Trustees, considered all factors it believed relevant, including: (i) the nature, extent and quality of the services to be provided to the Fund's shareholders by the Adviser and Sub-Adviser; (ii) the costs of the services to be provided and the profits to be realized by the Adviser and Sub-Adviser from services to be provided to the Fund, including any fall-out benefits; (iii) comparative fee and expense data for the Fund in relation to other investment companies with similar investment objectives; (iv) the extent to which economies of scale would be realized as the Fund grows and whether the advisory fees for the Fund reflects these economies of scale

for the benefit of the Fund; and (v) other financial benefits to the Adviser or Sub-Adviser and their affiliates resulting from services rendered to the Fund. The Board's review included written and oral information furnished to the Board prior to and at the meeting held on March 15, 2024. Among other things, the Adviser and Sub-Adviser provided responses to a detailed series of questions, which included information about the Adviser's and the Sub-Adviser's operations, service offerings, personnel, compliance program and financial condition. The Board then discussed the written and oral information that it received before the meeting, and the Adviser's oral presentations and any other information that the Board received at the meeting and deliberated on the renewal of the Agreements in light of this information.

The Independent Trustees were assisted throughout the contract review process by independent legal counsel. The Independent Trustees relied upon the advice of such counsel and their own business judgment in determining the material factors to be considered in evaluating the renewal of the Agreements, and the weight to be given to each such factor. The conclusions reached with respect to the Agreements were based on a comprehensive evaluation of all the information provided and not any single factor. Moreover, each Trustee may have placed varying emphasis on particular factors in reaching conclusions with respect to the Fund. The Independent Trustees conferred amongst themselves and independent legal counsel in executive sessions both with and without representatives of management.

**Nature, Extent and Quality of Services to be Provided.** The Trustees considered the scope of services to be provided under the Advisory Agreement and Sub-Advisory Agreement. In considering the nature, extent and quality of the services to be provided by the Adviser and Sub-Adviser, the Board reviewed the Adviser's and the Sub-Adviser's compliance infrastructure and its financial strength and resources. The Board also considered the experience of the personnel of the Adviser and the Sub-Advisers working with ETFs. The Board also considered other services to be provided to the Fund by the Adviser and Sub-Adviser, such as selecting broker-dealers for executing portfolio transactions, monitoring adherence to the Fund's investment restrictions, and monitoring compliance with various Fund policies and procedures and with applicable securities regulations. Based on the factors above, as well as those discussed below, the Board concluded that it was satisfied with the nature, extent and quality of the services to be provided to the Fund by the Adviser and Sub-Adviser based on their experience, personnel, operations and resources.

**Historical Performance.** The Board noted that the Fund had not yet commenced operations and that therefore there was no prior performance to review.

**Cost of Services Provided, Profitability and Economies of Scale.** The Board reviewed the proposed advisory fees for the Fund and compared them to the management fees and total operating expenses of its Peer Group. The Board noted that the comparisons to the total expense ratios were the most relevant comparisons, given the fact that the advisory fee for the Fund is a "unified fee."

The Board noted the importance of the fact that the proposed advisory fee for the Fund is a "unified fee," meaning that the shareholders of the Fund pay no expenses except for interest charges on any borrowings, dividends and other expenses on securities sold short, taxes, brokerage commissions and other expenses incurred in placing orders for the purchase and sale of securities and other investment instruments, acquired fund fees and expenses, accrued deferred tax liability, distribution fees and expenses paid by the Fund under any distribution plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), litigation expenses, non-routine or extraordinary expenses, and the unitary management fee payable to the Adviser. The Board also noted that the Adviser was responsible for compensating the Trust's other service providers and paying the Fund's other expenses (except as noted above) out of its own fees and resources. The Board further noted that because the Fund is new, it was difficult to estimate the profitability of the Fund to the Adviser. The

Board, however, considered collateral or “fall-out” benefits that the Adviser and its affiliates may derive as a result of their relationship with the Fund.

The Board noted that because the Fund is new, it also was difficult to estimate whether the Fund would experience economies of scale. The Board noted that the Adviser will review expenses as the Fund’s assets grow. The Board determined to evaluate economies of scale on an ongoing basis if the Fund achieves asset growth.

The Board also reviewed the proposed sub-advisory fee paid to the Sub-Adviser for its services. The Board considered this fee in light of the services being provided. The Board determined that the proposed fees reflected an appropriate allocation of the advisory fee paid to the Adviser and the Sub-Adviser given the work performed by each firm. The Board also considered that Peerless Wealth, LLC was acting as sponsor to the Peerless ETF and had agreed to assume the payment of any fund expenses above the level of the unitary fee. The Board considered that pursuant to these arrangements, if fund expenses, including a payment to the Adviser of a certain amount, fall below the level of the unitary fee, the Adviser would pay any remaining portion of the unitary fee to the respective sponsor out of its profits. The Board concluded that the proposed fees for the Fund were reasonable in light of the services rendered.

The Board also considered that the sub-advisory fee is paid to the Sub-Adviser out of the Adviser’s unified fee and represents an arm’s-length negotiation between the Adviser and the Sub-Adviser. For these reasons, the Trustees determined that the profitability to the Sub-Adviser from their relationship with the Fund was not a material factor in their deliberations with respect to consideration of approval of the Sub-Advisory Agreement. The Board considered that, because the fee is paid by the Adviser out of its unified fee, any economies of scale would not benefit shareholders and, thus, were not relevant for the consideration of the approval of the sub-advisory fee. With respect to the Peerless ETF, the Board noted that Peerless Wealth, LLC was intending to invest its separately managed accounts into the ETF and not have a fee offset which would result in a fall-out benefit to Peerless.

**Conclusion.** No single factor was determinative to the decision of the Board. Based on the Board’s deliberations and its evaluation of the information described above and such other matters as were deemed relevant, the Board, including the Independent Trustees, unanimously: (a) concluded that the terms of the Advisory Agreement and the Sub-Advisory Agreement are fair and reasonable; (b) concluded that the Adviser’s and Sub-Adviser’s fees are reasonable in light of the services that the Adviser and Sub-Adviser will provide to the Fund; and (c) agreed to approve the Agreements for an initial term of two years.