



Semi-Annual Report
March 31, 2017

American Customer Satisfaction Core Alpha ETF
Ticker: ACSI

American Customer Satisfaction Core Alpha ETF

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American Customer Satisfaction Core Alpha ETF

PORTFOLIO ALLOCATION

As of March 31, 2017 (Unaudited)

Sector	Percentage of Net Assets
Consumer Discretionary	21.1%
Utilities	15.0
Financials	14.5
Consumer Staples	14.4
Information Technology	13.8
Industrials	7.5
Telecommunication Services	5.7
Health Care	5.1
Materials	1.3
Energy	1.2
Short-Term Investments	0.3
Other Assets in Excess of Liabilities	0.1
Total	<u>100.0%</u>

American Customer Satisfaction Core Alpha ETF

SCHEDULE OF INVESTMENTS

March 31, 2017 (Unaudited)

Shares	Security Description	Value
COMMON STOCKS – 97.1%		
Consumer Discretionary – 21.1%		
4,032	Abercrombie & Fitch Company – Class A	\$ 48,102
327	Advance Auto Parts, Inc.	48,481
9,937	Ascena Retail Group, Inc. (a)	42,332
76	AutoZone, Inc. (a)	54,952
5,724	Barnes & Noble, Inc.	52,947
1,393	Bed Bath & Beyond, Inc.	54,968
1,162	Best Buy Company, Inc.	57,112
1,011	Big Lots, Inc.	49,215
3,120	Bloomin’ Brands, Inc.	61,558
876	Brinker International, Inc.	38,509
675	Burlington Stores, Inc. (a)	65,671
18	Charter Communications, Inc. – Class A (a)	5,892
171	Chipotle Mexican Grill, Inc. (a)	76,184
764	Choice Hotels International, Inc.	47,826
76	Comcast Corporation – Class A	2,857
381	Cracker Barrel Old Country Store, Inc.	60,674
819	Darden Restaurants, Inc.	68,526
3,611	Denny’s Corporation (a)	44,668
1,096	Dick’s Sporting Goods, Inc.	53,331
1,234	Dillard’s, Inc. – Class A	64,464
316	DISH Network Corporation – Class A (a)	20,063
739	Dollar General Corporation	51,530
770	Dollar Tree, Inc. (a)	60,414
267	Domino’s Pizza, Inc.	49,208
1,041	Dunkin’ Brands Group, Inc.	56,922
428	Expedia, Inc.	54,001
5,030	Ford Motor Company	58,549
2,657	GameStop Corporation – Class A	59,915
2,420	Gap, Inc.	58,782
1,784	General Motors Company	63,082
2,879	Hanesbrands, Inc.	59,768
1,130	Hilton Worldwide Holdings, Inc.	66,060
446	Home Depot, Inc.	65,486
1,090	Hyatt Hotels Corporation – Class A (a)	58,838
9,861	J.C. Penney Company, Inc. (a)	60,744
327	Jack in the Box, Inc.	33,262

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

American Customer Satisfaction Core Alpha ETF

SCHEDULE OF INVESTMENTS

March 31, 2017 (Unaudited) (Continued)

Shares	Security Description	Value
COMMON STOCKS (Continued)		
Consumer Discretionary (Continued)		
1,402	Kohl's Corporation	\$ 55,814
1,039	L Brands, Inc.	48,937
3,083	La Quinta Holdings, Inc. (a)	41,682
793	Lowe's Companies, Inc.	65,193
1,902	Macy's, Inc.	56,375
729	Marriott International, Inc. – Class A	68,657
159	McDonald's Corporation	20,608
427	Netflix, Inc. (a)	63,115
4,441	New York Times Company	63,950
1,141	NIKE, Inc. – Class B	63,588
1,365	Nordstrom, Inc.	63,568
12,375	Office Depot, Inc.	57,729
3,359	Overstock.com, Inc. (a)	57,775
282	Panera Bread Company – Class A (a)	73,847
638	Papa John's International, Inc.	51,066
42	Priceline Group, Inc. (a)	74,759
990	Red Robin Gourmet Burgers, Inc. (a)	57,865
723	Ross Stores, Inc.	47,624
17,207	Ruby Tuesday, Inc. (a)	48,352
6,419	Sears Holdings Corporation (a)	73,754
6,588	Staples, Inc.	57,777
718	Starbucks Corporation	41,924
800	Target Corporation	44,152
1,484	Texas Roadhouse, Inc.	66,083
792	TJX Companies, Inc.	62,631
1,175	V.F. Corporation	64,590
2,773	Wendy's Company	37,741
342	Whirlpool Corporation	58,595
376	Wyndham Worldwide Corporation	31,693
737	Yum! Brands, Inc.	47,094
		3,541,431
Consumer Staples – 14.4%		
1,472	Campbell Soup Company	84,257
1,332	Clorox Company	179,594
2,648	Coca-Cola Company	112,381
2,164	Colgate-Palmolive Company	158,383

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

American Customer Satisfaction Core Alpha ETF

SCHEDULE OF INVESTMENTS

March 31, 2017 (Unaudited) (Continued)

Shares	Security Description	Value
COMMON STOCKS (Continued)		
Consumer Staples (Continued)		
2,357	Conagra Brands, Inc.	\$ 95,081
878	Costco Wholesale Corporation	147,232
262	CVS Health Corporation	20,567
2,176	Dr Pepper Snapple Group, Inc.	213,074
2,623	General Mills, Inc.	154,783
1,528	Hershey Company	166,934
1,516	Kellogg Company	110,077
1,641	Kraft Heinz Company	149,019
2,667	Kroger Company	78,650
1,108	Molson Coors Brewing Company – Class B	106,047
1,492	Pepsico, Inc.	166,895
1,700	Procter & Gamble Company	152,745
6,502	Rite Aid Corporation (a)	27,633
5,107	SUPERVALU, Inc. (a)	19,713
2,025	Tyson Foods, Inc. – Class A	124,963
257	Walgreens Boots Alliance, Inc.	21,344
257	Wal-Mart Stores, Inc.	18,525
3,558	Whole Foods Market, Inc.	105,744
		<u>2,413,641</u>
Financials – 14.5%		
1,798	Allstate Corporation	146,519
3,152	Bank of America Corporation	74,356
4,159	BB&T Corporation	185,907
1,631	Capital One Financial Corporation	141,343
4,088	Charles Schwab Corporation	166,831
3,244	Citigroup, Inc.	194,056
3,997	Citizens Financial Group, Inc.	138,096
3,929	E*TRADE Financial Corporation (a)	137,083
6,203	Fifth Third Bancorp	157,556
278	JP Morgan Chase & Company	24,420
9,112	KeyCorp	162,011
717	Lincoln National Corporation	46,928
888	MetLife, Inc.	46,904
812	PNC Financial Services Group, Inc.	97,635
322	Primerica, Inc.	26,469
2,000	Progressive Corporation	78,360

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American Customer Satisfaction Core Alpha ETF

SCHEDULE OF INVESTMENTS

March 31, 2017 (Unaudited) (Continued)

Shares	Security Description	Value
COMMON STOCKS (Continued)		
Financials (Continued)		
688	Prudential Financial, Inc.	\$ 73,396
6,589	Regions Financial Corporation	95,738
2,591	SunTrust Banks, Inc.	143,282
2,322	TD Ameritrade Holding Corporation	90,233
619	Travelers Companies, Inc.	74,614
1,402	US Bancorp	72,203
873	Wells Fargo & Company	48,591
		<u>2,422,531</u>
Health Care – 5.1%		
1,317	Aetna, Inc.	167,983
1,085	Anthem, Inc.	179,437
122	Cigna Corporation	17,872
529	Humana, Inc.	109,048
2,503	Johnson & Johnson	311,749
441	UnitedHealth Group, Inc.	72,329
		<u>858,418</u>
Industrials – 7.5%		
1,482	Alaska Air Group, Inc.	136,670
196	Allegiant Travel Company	31,409
2,019	American Airlines Group, Inc.	85,404
1,707	Delta Air Lines, Inc.	78,454
980	FedEx Corporation	191,247
5,856	General Electric Company	174,509
7,635	JetBlue Airways Corporation (a)	157,357
3,248	Southwest Airlines Company	174,612
153	Spirit Airlines, Inc. (a)	8,120
822	United Continental Holdings, Inc. (a)	58,066
1,454	United Parcel Service, Inc. – Class B	156,014
		<u>1,251,862</u>
Information Technology – 13.8%		
413	Alphabet, Inc. – Class C (a)	342,608
97	Amazon.com, Inc. (a)	85,994
3,570	Apple, Inc.	512,866
12,883	eBay, Inc. (a)	432,482

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American Customer Satisfaction Core Alpha ETF

SCHEDULE OF INVESTMENTS

March 31, 2017 (Unaudited) (Continued)

Shares	Security Description	Value
COMMON STOCKS (Continued)		
Information Technology (Continued)		
714	Facebook, Inc. – Class A (a)	\$ 101,424
20,225	HP, Inc.	361,623
3,022	Microsoft Corporation	199,029
1,330	Twitter, Inc. (a)	19,883
5,435	Yahoo!, Inc. (a)	252,239
		2,308,148
Telecommunication Services – 5.7%		
3,029	AT&T, Inc.	125,855
1,533	CenturyLink, Inc.	36,133
4,359	Frontier Communications Corporation	9,328
17,127	Sprint Corporation (a)	148,662
3,664	T-Mobile US, Inc. (a)	236,658
3,248	Verizon Communications, Inc.	158,340
34,694	Vonage Holdings Corporation (a)	219,266
2,783	Windstream Holdings, Inc.	15,167
		949,409
Utilities – 15.0%		
2,022	Ameren Corporation	110,381
1,250	American Electric Power Company, Inc.	83,913
2,296	Atmos Energy Corporation	181,361
6,248	CenterPoint Energy, Inc.	172,257
2,207	CMS Energy Corporation	98,741
1,257	Consolidated Edison, Inc.	97,619
1,759	Dominion Resources, Inc.	136,446
1,075	DTE Energy Company	109,768
1,027	Duke Energy Corporation	84,224
1,834	Edison International	146,005
1,108	Entergy Corporation	84,164
238	Eversource Energy	13,990
2,240	Exelon Corporation	80,595
2,160	FirstEnergy Corporation	68,731
1,333	NextEra Energy, Inc.	171,117
5,424	NiSource, Inc.	129,037
1,747	PG&E Corporation	115,931
4,236	PPL Corporation	158,384

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American Customer Satisfaction Core Alpha ETF

SCHEDULE OF INVESTMENTS

March 31, 2017 (Unaudited) (Continued)

Shares	Security Description	Value
COMMON STOCKS (Continued)		
Utilities (Continued)		
1,202	Public Service Enterprise Group, Inc.	\$ 53,309
1,430	Sempra Energy	158,015
3,253	Southern Company	161,934
2,278	Xcel Energy, Inc.	101,257
		<u>2,517,179</u>
	TOTAL COMMON STOCKS (Cost \$15,386,880)	<u>16,262,619</u>
 EXCHANGE TRADED FUNDS – 2.5%		
Energy – 1.2%		
1,449	Energy Select Sector SPDR ETF	101,285
2,644	iShares U.S. Energy ETF	101,900
		<u>203,185</u>
Materials – 1.3%		
1,264	iShares U.S. Basic Materials ETF	112,673
2,149	Materials Select Sector SPDR ETF	112,629
		<u>225,302</u>
	TOTAL EXCHANGE TRADED FUNDS (Cost \$422,857)	<u>428,487</u>
 SHORT-TERM INVESTMENTS – 0.3%		
58,423	Fidelity Investments Money Market Government Portfolio, Class I – 0.56%*	58,423
	TOTAL SHORT-TERM INVESTMENTS (\$58,423)	58,423
	TOTAL INVESTMENTS (Cost \$15,868,160) – 99.9%	16,749,529
	Other Assets in Excess of Liabilities – 0.1%	8,748
	NET ASSETS – 100.0%	<u><u>\$16,758,277</u></u>

Percentages are stated as a percent of net assets.

(a) Non-income producing security.

* Rate shown is the annualized seven-day yield as of March 31, 2017

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

American Customer Satisfaction Core Alpha ETF

STATEMENT OF ASSETS AND LIABILITIES

At March 31, 2017 (Unaudited)

ASSETS

Investments in securities, at value (Cost \$15,868,160)	\$16,749,529
Dividends and interest receivable	<u>17,982</u>
Total assets	<u>16,767,511</u>

LIABILITIES

Management fees payable	<u>9,234</u>
Total liabilities	<u>9,234</u>

NET ASSETS \$16,758,277

Net assets consist of:

Paid-in capital	\$15,825,775
Undistributed (accumulated) net investment income (loss)	55,972
Accumulated net realized gain (loss) on investments	(4,839)
Net unrealized appreciation (depreciation) on investments	<u>881,369</u>
Net assets	<u><u>\$16,758,277</u></u>

Net asset value:

Net assets	\$16,758,277
Shares outstanding [^]	600,000
Net asset value, offering and redemption price per share	\$ 27.93

[^] No par value, unlimited number of shares authorized.

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

American Customer Satisfaction Core Alpha ETF

STATEMENT OF OPERATIONS

For the Period Ended March 31, 2017 (Unaudited)*

INCOME

Dividends	\$110,517
Interest	116
Total investment income	<u>110,633</u>

EXPENSES

Management fees	32,680
Total expenses	<u>32,680</u>
Net investment income (loss)	<u>77,953</u>

REALIZED & UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain (loss) on investments	(4,839)
Change in unrealized appreciation (depreciation) of investments	<u>881,369</u>
Net realized and unrealized gain (loss) on investments	<u>876,530</u>
Net increase (decrease) in net assets resulting from operations	<u><u>\$954,483</u></u>

* The Fund commenced operations on October 31, 2016. The information presented is for the period from October 31, 2016 to March 31, 2017.

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

American Customer Satisfaction Core Alpha ETF

STATEMENT OF CHANGES IN NET ASSETS

	<u>Period Ended March 31, 2017 (Unaudited)*</u>
OPERATIONS	
Net investment income (loss)	\$ 77,953
Net realized gain (loss) on investments	(4,839)
Change in unrealized appreciation (depreciation) of investments	<u>881,369</u>
Net increase (decrease) in net assets resulting from operations	<u>954,483</u>
DISTRIBUTIONS TO SHAREHOLDERS	
From net investment income	<u>(21,981)</u>
Total distributions to shareholders	<u>(21,981)</u>
CAPITAL SHARE TRANSACTIONS	
Proceeds from subscriptions	<u>15,825,775</u>
Net increase (decrease) in net assets derived from capital share transactions (a)	<u>15,825,775</u>
Net increase (decrease) in net assets	<u><u>16,758,277</u></u>
NET ASSETS	
Beginning of period	\$ —
End of period	<u><u>\$16,758,277</u></u>
Undistributed (accumulated) net investment income (loss)	<u><u>\$ 55,972</u></u>

(a) A summary of capital share transactions is as follows:

	<u>Period Ended March 31, 2017 (Unaudited)*</u>
	<u>Shares</u>
Subscriptions	<u>600,000</u>
Net increase (decrease)	<u><u>600,000</u></u>

* The Fund commenced operations on October 31, 2016. The information presented is for the period from October 31, 2016 to March 31, 2017.

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American Customer Satisfaction Core Alpha ETF

FINANCIAL HIGHLIGHTS

For a capital share outstanding throughout the period

	Period Ended March 31, 2017 (Unaudited)⁽¹⁾
Net asset value, beginning of period	<u>\$25.00</u>
INCOME (LOSS) FROM INVESTMENT OPERATIONS:	
Net investment income (loss) ⁽²⁾	0.18
Net realized and unrealized gain (loss) on investments	<u>2.80</u>
Total from investment operations	<u>2.98</u>
DISTRIBUTIONS:	
Distributions from:	
Net investment income	<u>(0.05)</u>
Total distributions	<u>(0.05)</u>
Net asset value, end of period	<u>\$27.93</u>
Total return	11.92% ⁽³⁾
SUPPLEMENTAL DATA:	
Net assets at end of period (000's)	\$16,758
RATIOS TO AVERAGE NET ASSETS:	
Expenses to average net assets	0.65% ⁽⁴⁾
Net investment income (loss) to average net assets	1.54% ⁽⁴⁾
Portfolio turnover rate ⁽⁵⁾	10% ⁽³⁾

- (1) Commencement of operations on October 31, 2016.
- (2) Calculated based on average shares outstanding during the period.
- (3) Not annualized.
- (4) Annualized.
- (5) Excludes the impact of in-kind transactions.

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

American Customer Satisfaction Core Alpha ETF

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 (Unaudited)

NOTE 1 – ORGANIZATION

American Customer Satisfaction Core Alpha ETF (the “Fund”) is a diversified series of ETF Series Solutions (“ESS”) (the “Trust”), an open-end management investment company consisting of multiple investment series, organized as a Delaware statutory trust on February 9, 2012. The Trust is registered with the 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 is registered under the Securities Act of 1933, as amended (the “Securities Act”). The investment objective of the Fund is to track the performance, before fees and expenses, of the American Customer Satisfaction Investable Index (the “Index”). The Fund commenced operations on October 31, 2016.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 Financial Series – Investment Companies.

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.* All equity securities, including domestic and foreign common stocks, preferred stocks, and exchange traded funds that are traded on a national securities exchange, except those listed on the NASDAQ Global Market® (“NASDAQ”) are valued at the last reported sale price on the exchange on which the security is principally traded. Securities traded on NASDAQ will be valued at the NASDAQ Official Closing Price (“NOCP”). If, on a particular day, an exchange-traded or NASDAQ security does not trade, then the mean between the most recent quoted bid and asked prices will be used. All equity securities that are not traded on a listed exchange are valued at the last sale price in the over-the-counter market. If a non-exchange traded security does not trade on a particular day, then the mean between the last quoted closing bid and asked price will be used. Prices denominated in foreign currencies are converted to U.S. dollar equivalents at the current exchange rate, which approximates fair value. Investments in mutual funds, including money market funds, are valued at their net asset value (“NAV”) per share. Short-term securities that have maturities of less than 60 days at the time of purchase are valued at amortized cost, which, when combined with accrued interest, approximates fair value.

American Customer Satisfaction Core Alpha ETF

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 (Unaudited) (Continued)

Securities for which quotations are not readily available are valued at their respective fair values in accordance with pricing procedures adopted by the Fund's Board of Trustees (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 pricing procedures adopted by the Board. The use of fair value pricing by the Fund may cause the 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, 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.

American Customer Satisfaction Core Alpha ETF

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 (Unaudited) (Continued)

The following is a summary of the inputs used to value the Fund's investments as of March 31, 2017:

<u>Assets[^]</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$16,262,619	\$ —	\$ —	\$16,262,619
Exchange Traded Funds	428,487	—	—	428,487
Short-Term Investments	<u>58,423</u>	<u>—</u>	<u>—</u>	<u>58,423</u>
Total Investments in Securities	<u><u>\$16,749,529</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$16,749,529</u></u>

[^] See Schedule of Investments for breakout of investments by Sector.

Transfers between levels are recognized at the end of the reporting period. During the period ended March 31, 2017 the Fund did not recognize any transfers to or from Levels 1, 2, or 3.

- B. *Federal Income Taxes.* The Fund complies with the requirements of subchapter M of the Internal Revenue Code of 1986, as amended, necessary to qualify as regulated investment company and distributes substantially all net taxable investment income and net realized gains to shareholders in a manner which results in no tax cost to the Fund. Therefore, no federal income tax provision is required. As of and during the period ended March 31, 2017, the Fund did not have any tax positions that did not meet the "more-likely-than-not" threshold of being sustained by the applicable tax authority.

As of and during the period ended March 31, 2017, the Fund did not have liabilities for any unrecognized tax benefits. 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. During the period ended March 31, 2017, the Fund did not incur any interest or penalties.

- C. *Security 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. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable tax rules and regulations.
- D. *Distributions to Shareholders.* Distributions to shareholders from net investment income and net realized gain on securities Fund are declared and paid by the Fund on an annual basis. Distributions are recorded on the ex-dividend date.

American Customer Satisfaction Core Alpha ETF

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 (Unaudited) (Continued)

- E. *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, disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.
- F. *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 and other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding of the Fund, rounded to the nearest cent. The Fund's shares will not be priced on the days on which the New York Stock Exchange Acra, Inc. ("NYSE") is closed for trading. The offering and redemption price per share for the Fund is equal to the Fund's NAV per share.
- G. *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 against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.
- H. *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. There were no events or transactions that occurred during the period subsequent to March 31, 2017, that materially impacted the amounts or disclosures in the Fund's financial statements.

NOTE 3 – COMMITMENTS AND OTHER RELATED PARTY TRANSACTIONS

CSat Investments Advisory, L.P. ("the Adviser"), serves as the investment adviser to the Fund. Pursuant to an Investment Advisory Agreement ("Advisory Agreement") between the Trust, on behalf of the Fund, and the Adviser, the Adviser provides investment advice to the Fund and oversees the day-to-day operations of the Fund, subject to the direction and control of the Board and the officers of the Trust. Under the Advisory Agreement, the Adviser also arranges for the transfer agency, custody, fund administration and accounting, and all other related services necessary for the Fund to operate. Under the Advisory Agreement, the Adviser has agreed to pay all expenses of the Fund, except for: the fee paid to the Adviser pursuant to the Advisory Agreement, interest charges on any borrowings, dividends on securities sold short, taxes, brokerage commissions and other expenses incurred in placing orders for the purchase and sale of securities and other investment

American Customer Satisfaction Core Alpha ETF

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 (Unaudited) (Continued)

instruments, acquired fund fees and expenses, accrued deferred tax liability, extraordinary expenses, and distribution (12b-1) fees and expenses. For services provided to the Fund, the Fund pays the Adviser 0.65% at an annual rate based on the Fund's average daily net assets.

U.S. Bancorp Fund Services, LLC (“USBFS” or “Administrator”) acts as the Fund's Administrator and, in that capacity, performs various administrative and accounting services for the Fund. The Administrator 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, transfer agent, and fund accountants. USBFS also serves as the transfer agent and fund accountant to the Fund. U.S. Bank N.A., an affiliate of USBFS, serves as the Fund's custodian.

Quasar Distributors, LLC, (the “Distributor”) acts as the Fund's principal underwriter in a continuous public offering of the Fund's shares. The Distributor is an affiliate of the Administrator.

A Trustee and all officers of the Trust are affiliated with the Administrator, Distributor, and Custodian.

NOTE 4 – PURCHASES AND SALES OF SECURITIES

During the period ended March 31, 2017, purchases and sales of securities by the Fund, excluding short-term securities and in-kind transactions, were \$1,366,639 and \$1,198,397, respectively.

During the period ended March 31, 2017, there were no purchases or sales of U.S. Government securities.

During the period ended March 31, 2017, in-kind transactions associated with creations were \$15,646,334 and there were no redemptions.

NOTE 5 – INCOME TAX INFORMATION

The Fund is subject to examination by U.S. taxing authorities for the tax periods 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 fiscal year-end; accordingly, tax basis balances have not been determined for the period ended March 31, 2017. Since the Fund does not have a full fiscal year, tax cost of investments is the same as noted in the Schedule of Investments.

American Customer Satisfaction Core Alpha ETF

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 (Unaudited) (Continued)

NOTE 6 – SHARE TRANSACTIONS

Shares of the Fund are listed and traded on BATS Exchange, Inc. (“BATS”) Market prices for the shares may be different from their NAV. The Fund issues and redeems shares on a continuous basis at NAV only in blocks of 50,000 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 certain financial institutions (“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 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 charges, 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 Unit. The standard fixed transaction fee for the Fund is \$500, payable to the custodian. 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 subject to the transaction. Variable fees are imposed to compensate the Fund for the transaction fees received during the period. There were no variable fees received during the period. 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.

American Customer Satisfaction Core Alpha ETF

Approval of Advisory Agreement and Board Consideration (Unaudited)

Pursuant to Section 15(c) of the Investment Company Act of 1940 (the “1940 Act”), at a meeting held on July 14, 2016 (the “Meeting”), the Board of Trustees (the “Board”) of ETF Series Solutions (the “Trust”) considered the approval of the Advisory Agreement (the “Advisory Agreement”) between CSat Investment Advisory, L.P., doing business as ACSI Funds (the “Adviser”), and the Trust, on behalf of the American Customer Satisfaction Core Alpha ETF (the “Fund”).

Prior to the Meeting, the Board, including the Trustees who are not parties to the Advisory Agreement or “interested persons” of any party thereto, as defined in the 1940 Act (the “Independent Trustees”), reviewed written materials from the Adviser regarding, among other things: (i) the nature, extent, and quality of the services provided by the Adviser; (ii) the cost of the services provided and the profits realized by the firm and its affiliates from services to be rendered to the Fund; (iii) comparative fee and expense data for the Fund and 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 fee for the Fund reflects these economies of scale for the benefit of the Fund; and (v) other financial benefits to the Adviser and its affiliates resulting from services rendered to the Fund.

Prior to the Meeting, representatives from the Adviser, along with other service providers of the Fund, presented additional oral and written information to help the Board evaluate the Adviser’s fees and other aspects of the Advisory Agreement. The Board then discussed the written materials that it had received and any other information that the Board received at the Meeting, and deliberated on the approval of the Advisory Agreement in light of this information. In its deliberations, the Board did not identify any single piece of information discussed below that was all-important or controlling.

Approval of the Advisory Agreement with the Adviser

Nature, Extent, and Quality of Services to be Provided. The Trustees considered the scope of services to be provided under the Advisory Agreement, noting that the Adviser will be providing investment management services to the Fund. In considering the nature, extent, and quality of the services to be provided by the Adviser, the Board considered the quality of the Adviser’s compliance program and the report from the Trust’s Chief Compliance Officer regarding his review of the Adviser’s compliance program. The Board also considered the Adviser’s experience managing a strategy similar to the one that the new fund will utilize and how the Adviser expected to address any conflicts from managing the Adviser’s private fund and the Fund side-by-side. The Board considered that it had discussed with the Adviser the various resources expected to be used to implement the Adviser’s investment strategy, including the Adviser’s personnel. The Board noted that it had received a copy of the Adviser’s registration form (“Form ADV”), as well as the

American Customer Satisfaction Core Alpha ETF

Approval of Advisory Agreement and Board Consideration

(Unaudited) (Continued)

response of the Adviser to a detailed series of questions that included, among other things, information about the background and experience of the Adviser's key personnel, its investment philosophy, and the ownership structure of the Adviser.

The Board also considered other services to be provided to the Fund, such as monitoring adherence to the Fund's investment restrictions and monitoring compliance with various Fund policies and procedures and with applicable securities regulations.

Historical Performance. The Board noted that the Fund had not yet commenced operations and concluded that performance of the Fund, thus, was not a relevant factor in their deliberations. The Board considered the performance of the Adviser's private fund, but noted that such performance was not substantially relevant because the private fund was not subject to the same restrictions as the Fund would be. The Board also considered that, because the Fund is designed to track the performance of an index provided by the Adviser, the Board in the future would focus on the extent to which the Fund achieved its investment objective of tracking the performance of the index.

Cost of Services to be Provided and Economies of Scale. The Board reviewed the estimated expense ratio for the Fund and compared it to the universe of Consumer Cyclical exchange traded funds ("ETFs"), as reported by Morningstar and other comparable funds, as identified by management. The Board noted that the estimated expense ratio for the Fund was higher than that of its peer group median, although many of the ETFs were significantly larger than the Fund would be at its inception. The Board further noted that each peer group contained a significant number of low-cost funds that are part of large fund families frequently engaged in price wars. The Board noted that the costs of such "peer" funds may not allow for an apt comparison because such funds may be launched for reasons not related to the adviser generating a profit from the particular peer fund, such as to protect the market share of the overall fund family. The Board also noted that such funds may benefit from an unusually low cost structure based on the scale of their fund family. The Board noted that, although the peer group included a small number of funds that were appropriate peer funds for the Fund, it did not overall closely reflect the nature of the underlying index. The Board considered that the Fund's estimated expense ratio was reasonable based on the efforts of and cost to the Adviser to implement its proprietary index methodology.

The Board took into consideration that the advisory fee for the Fund was a "unified fee," meaning that the Fund would pay no expenses other than the advisory fee and certain other costs such as interest, brokerage, and extraordinary expenses and, to the extent it is implemented, fees pursuant to a Distribution and/or Shareholder Servicing (12b-1) Plan. The Board noted that the Adviser would

American Customer Satisfaction Core Alpha ETF

Approval of Advisory Agreement and Board Consideration

(Unaudited) (Continued)

be responsible for compensating the Trust's other service providers and paying the Fund's other expenses, subject to certain exclusions, out of its own fee and resources. The Board also evaluated the compensation and benefits expected to be received by the Adviser from its relationship with the Fund, taking into account an analysis of the Adviser's profitability with respect to the Fund. The Board determined that such analysis was not a significant factor given that the Fund had not yet commenced operations and consequently, the future size of the Fund was generally unpredictable.

The Board noted that it intends to monitor fees as the Fund grows in size and assess whether fee breakpoints may be warranted.

Conclusion. No single factor was determinative of the Board's decision to approve the Advisory Agreement; rather, the Board based its determination on the total mix of information available to it. Based on a consideration of all the factors in their totality, the Board, including a majority of the Independent Trustees, determined that the Advisory Agreement, including the compensation payable under the agreement, was fair and reasonable to the Fund. The Board, including a majority of the Independent Trustees, therefore determined that the approval of the Advisory Agreement was in the best interests of the Fund and its shareholders.

American Customer Satisfaction Core Alpha ETF

EXPENSE EXAMPLE

For the Period Ended March 31, 2017 (Unaudited)

As a shareholder of American Customer Satisfaction Core Alpha ETF (the “Fund”) you incur two types of costs: (1) transaction costs, including brokerage commissions on purchases and sales of Fund shares, and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (October 31, 2016 – March 31, 2017).

Actual Expenses

The first line of the table provides information about actual account values based on actual returns and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then, multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table provides information about hypothetical account values based on a hypothetical return and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as brokerage commissions paid on purchases and sales of Fund shares. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. If these transactional costs were included, your costs would have been higher.

	<u>Beginning Account Value October 31, 2016</u>	<u>Ending Account Value March 31, 2017</u>	<u>Expenses Paid During the Period⁽¹⁾</u>
Actual	\$1,000.00	\$1,119.20	\$2.87
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,018.12	\$2.73

(1) The dollar amounts shown as expenses paid during the period are equal to the annualized period expense ratio, 0.65%, multiplied by the average value during the period, multiplied by the number of days in the current period, 152 days, and divided by the number of days in the most recent twelve-month period, 365 days.

American Customer Satisfaction Core Alpha ETF

INFORMATION ABOUT PORTFOLIO HOLDINGS

(Unaudited)

The Fund files its complete schedules of portfolio holdings for its first and third fiscal quarters with the Securities and Exchange Commission (“SEC”) on Form N-Q. The Fund’s Form N-Q is available without charge, upon request, by calling toll-free at (800) 617-0004. Furthermore, you may obtain the Form N-Q on the SEC’s website at www.sec.gov. The Fund’s portfolio holdings are posted on its website at www.acsietf.com daily.

INFORMATION ABOUT PROXY VOTING

(Unaudited)

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities is provided in the Statement of Additional Information (“SAI”). The SAI is available without charge, upon request, by calling toll-free at (800) 617-0004, by accessing the SEC’s website at www.sec.gov, or by accessing the Fund’s website at www.acsietf.com.

Information regarding how the Fund voted proxies relating to portfolio securities during the period ending June 30 is available by calling toll-free at (800) 617-0004 or by accessing the SEC’s website at www.sec.gov.

INFORMATION ABOUT THE FUND’S TRUSTEES

(Unaudited)

The Statement of Additional Information (“SAI”) includes additional information about the Fund’s Trustees and is available without charge, upon request, by calling (800) 617-0004 or by accessing the SEC’s website at www.sec.gov or by accessing the Fund’s website at www.acsietf.com.

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American Customer Satisfaction Core Alpha ETF

Symbol – ACSI
CUSIP – 26922A776