



Portfolio Performance

as of 9/30/2022

MRAD produced a total return of -12.53% on a net asset value basis (-12.42% market basis) in the month of September. S4 Capital was the top performing MRAD holding for the month, while Adobe took a tumble down the chart and ended up the laggard for the month. As avid followers of the AdTech and MarTech space, you might be thinking that recent earnings season results might not bode well for ad spend, but think again. Programmatic ads have a little trick up their sleeve that provide an advantage even if volume across the advertising industry declines. Read more on page 2.

Holdings are subject to change.



S4 Capital was the best performer in the month after the advertising agency depicted a bright future ahead, despite posting a widened interim loss. Pretax loss in the six months that ended June 30 widened



to GBP85.6 (USD99.04) million from GBP19.8 (USD22.9) million a year prior. Revenue however grew 60% to GBP446.4 (USD516.5) million from GBP279.3 (USD323.2) million. Total operating expenses increased to GBP450.6 (USD521.4) million from GBP253.3 (USD293.1) million, more than offsetting revenue growth.

S4 Capital expects digital advertising in the US to grow by 10% to 15% per year over the next three years. Describing the global economy as in a difficult place due to war, inflation and climate change, the firm said: "There is evidence, for example during the pandemic in 2020, that when gross domestic product growth falters, client demand for digital advertising and transformation intensifies. Our targets from the end of July for 2022 remains unchanged and we continue to expect to outperform our addressable markets in 2023 and beyond."

Adobe was the worst performer in the month. Adobe was trending broadly in-line with the MSCI World up until mid-September, when a merger agreement with Figma caused a sharp sell-off in the stock.

Figma facilitates collaboration between remote working software developers and designers, also offering a new class of browser-based design tools for millions of non-designers – a potential threat to Adobe's core business, the traditional leader in design software. The \$20bn valuation is what concerned the market, a multiple of 5x Annual Recurring Revenue. While expensive, we view the acquisition as a strong strategic move, exposing the firm to an additional \$16.5bn in total addressable market with the potential to grow, and with significant synergies and collaborative opportunities for Adobe, particularly in imaging, photography, illustration and video.

Aside from the merger, Adobe's Q2 results beat consensus on both the top and bottom line (revenues of \$4.39 billion and EPS of \$3.35 came in 1.1% and 1.2% ahead of consensus). The firm also announced a \$464 million net increase in "new digital media" annually recurring revenue stemming from better-than-expected performance in the Creative Cloud and Document Cloud segments. Management reiterated their previous bullish guidance and explained that the full year outlook of a \$1.9 billion increase in Annual Recurring Revenue is still on track.



Portfolio Performance

As of 9/30/2022	1 Month	6 Months	YTD	1 Year	Since Inception (12/31/20)
MRAD at NAV	-12.53%	-37.09%	-53.60%	-55.10%	-33.08%
MRAD at Market Price	-12.42%	-37.16%	-53.80%	-55.49%	-33.35%
MSCI World NR	-9.30%	-21.37%	-25.42%	-19.63%	-5.34%

Expense Ratio: 0.68% (net) | 4.90% (gross)

The Adviser has contractually agreed to reduce its fees and/or pay ETF expenses in order to limit the Fund's total annual operating expenses to 0.68% through June 30, 2025.

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance data quoted. Performance data current to the most recent month-end may be obtained by visiting SmartETFs.com, or calling (866) 307-5990. The returns shown are cumulative for the period, not annualized. Market prices return is based on the market price of Fund shares as of the close of trading on the exchange where the shares are listed.

Are programmatic ads recession-proof?

Regardless of whether the U.S. is officially in a recession or not, the previous earnings season's results included many signals the economy is slowing. That doesn't bode well for any company that derives its revenues from the advertising industry, as businesses typically slash their ad budgets when belt-tightening is called for. It's an easy expense to control, which is why ad spending fell 27% during the Great Recession in 2008.

However, ad-related companies that can shrug off this trend are those in the programmatic space, such as PubMatic and The Trade Desk.

In a digital ad sale, there are two sides to the transaction - demand (the ad space buyer) and supply (the ad space seller). The demand side consists of businesses that want to advertise their product or service to customers, whereas the supply side is any business that has ad space to sell, whether that's on a website, connected-TV platform, etc.

Ad buyers are looking for data about the users who visit a media platform or network so they can target their ads to specific audiences. Furthermore, advertisers don't want to plaster the same ads on the website for all visitors (like a billboard on a highway). They want ads targeted to each viewer.

continued on following page



Are programmatic ads recession-proof? (continued)

That's where PubMatic and The Trade Desk come in.

PubMatic works with the supply-side media owners and publishers to ensure appropriate ads are presented to each audience. It also has many tools to maximize the revenue generated from these ad sales.

The Trade Desk is on the demand side, and its bidding platform ensures a company's ad campaign targets the right audiences and provides real-time feedback. In addition, among The Trade Desk's industry partners (225 of them and counting), clients can choose to advertise on many of the most popular platforms.

The reason why these ad-tech businesses will be steadier than the wider advertising industry is they help place the ads. The prices of ads may fluctuate based on supply and demand, but placement costs will stay relatively stable. These companies can lean on that relative advantage, even if volume across the industry declines.

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Disclosure

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Basis Point (BP) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

Investing involves risk, including possible loss of principal.

The companies in which the Fund invests may be subject to rapid changes in technology, intense competition, rapid obsolescence of products and services, evolving industry standards, and changes in business cycles and government regulations. These risks can adversely affect the value of companies in which the fund invests.

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