MRAD

The SmartETFs Advertising and Marketing Technology ETF

April 2023 Update

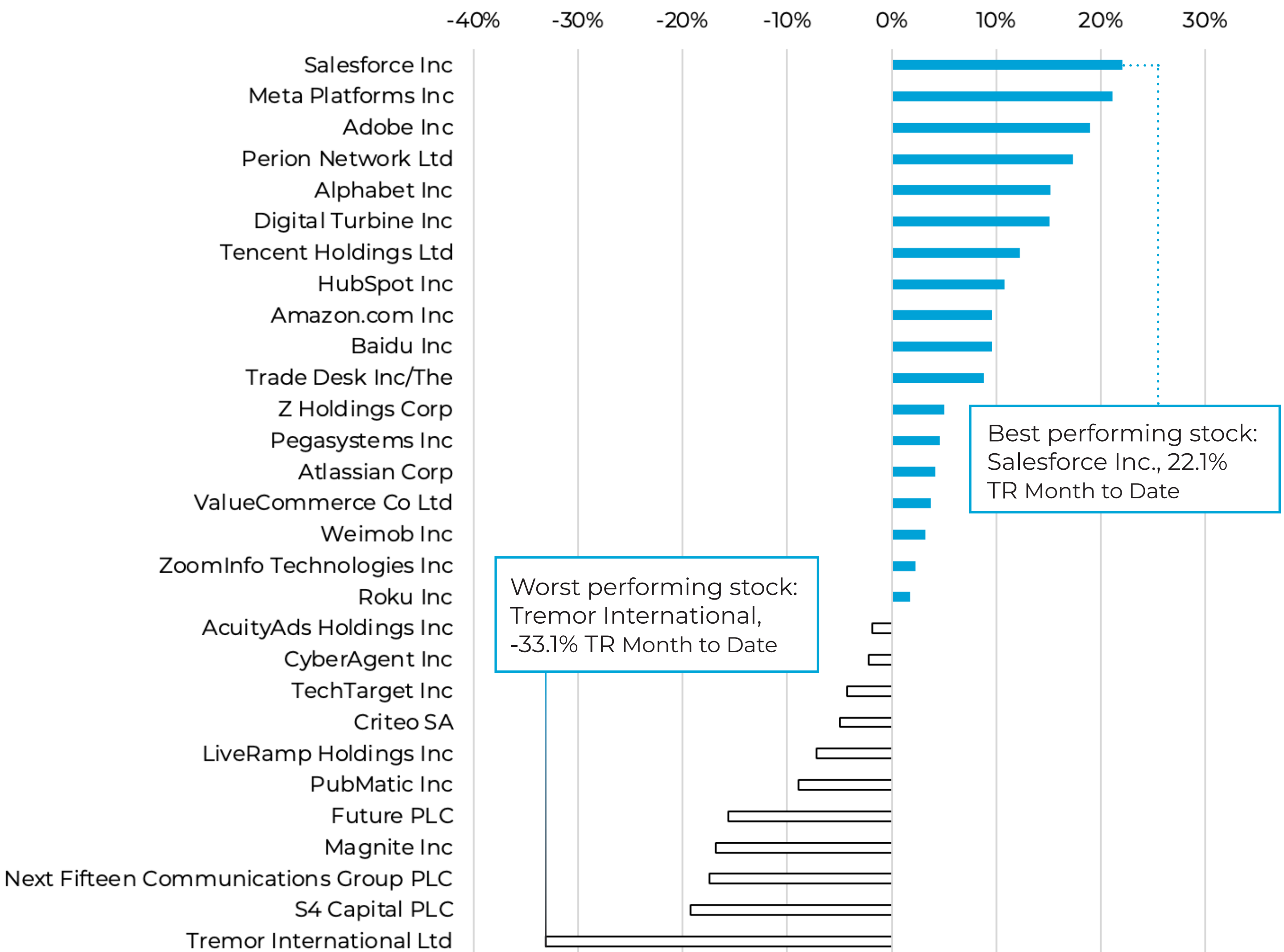
SmartETFs

Portfolio Performance

as of 03/31/2023

MRAD produced a total return of 3.76% on a net asset value basis (3.84% market basis) while the MSCI World Index produced a total return of 3.09% in the month of March. Salesforce put in the work to be the top performer this month, while Tremor International was the laggard. Check out our review of MRAD's Q1 2023 performance, and more, below.

Holdings are subject to change. Go to SmartETFs.com/MRAD for current holdings.



Salesforce was the best performer in the month. The latest quarter from Salesforce marks a clear departure from the growing negative sentiment that has surrounded the business over the past year. The cloud-based software giant reported a stellar set of results, beating significantly on the top & bottom lines and meaningfully upgrading guidance for FY2024. Perhaps more importantly, the company has made a big leap forward in its restructuring plans (laying off 8,000 employees, disbanding its M&A committee, consolidating real estate, and pursuing other stringent cost cutting) which has, in part, been spurred on by the pressure of 5 large activist investors whose funds have all disclosed meaningful stakes in the

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business over the past 3 months. As a result, adjusted operating margins came in ~700bps ahead of consensus and this good news was compounded by the announcement of a $20bn buyback commitment, an upgrade from the $10bn announced last quarter (the first such announcement in the firm's history). This quarter marks a meaningful volte-face, with strategy turning from "growth at all costs" to a rigorous focus on margins and profitability. A reversal of fortunes appears to be on the cards and the stock was up ~17% in after hours following the earnings news.

- Revenues: 14.4% year over year (YoY) growth and 17% in organic terms was driven by strong MuleSoft and Tableau licensing deals, which drove abnormal upside. This is due to the structure of large license deals which see immediate revenue recognition given their upfront costs. Management also noted 8 of the company's 13 cloud products had YoY annual recurring revenue growth of 50% or more.
- Expenses: Regarding expenses, Benioff noted that Salesforce "have never had an efficiency focus because we've had 24 years of just grow, grow, grow . . . we're looking at this moment to reassess." The firm recommitted to a 10% cut of its workforce, which is currently in progress, and amounts to ~8,000 employees. Additionally, Salesforce are disbanding its mergers and acquisitions committee to focus on profitability in the short run.
- Margins: As a result of cost cutting throughout all facets of the business, Salesforce recorded an adjusted operating margin (OM) of 29.2%, the highest in the company's history. Going forward, management had previously guided for long term adjusted operating margins of 27% by 2026 however, given their clear turnaround, they now see Salesforce maintaining OM >27% from the next quarter onwards (Q1 2024), and >30% by the first quarter of 2025.
- Buybacks: Salesforce said it's expanding its share buyback program to $20bn. This follows their announcement last quarter that the firm would allocate $10bn for buybacks, the first ever in their history.
- Strategy: Profitability is now front and center. In a clear departure from the previous growth at all costs mantra, Benioff noted on the earnings call that "profitability is truly our number one strategy" and described operating margins as the company's "north star".
- Guidance: Salesforce sees adjusted EPS for the full 2024 fiscal year of $7.12 to $7.14 and revenue of $34.5 billion to $34.7 billion. This is a meaningful upgrade to consensus, which had expected $5.84 in adjusted EPS and $34.03 billion in revenue.

Tremor International was the worst performer in the month. The video focused ad-tech business offers a full stack solution to its clients through an integrated offering (i.e. supply-side and demand-side platform). It has 3 divisions: Tremor Video (DSP), RhythmOne (SSP), and Unrly (SSP). Recent weak performance comes after the company said pretax profit and revenue for 2022 decreased as economic uncertainty hurt the advertising industry during the year. The advertising technology company said pretax profit was $42.4 million compared with $72.3 million a year earlier. Revenue was $335.3 million compared with $341.9 million in 2021. Citing economic uncertainty, management has lowered its full year 2023 guidance.

CEO Ofer Druker said: "In 2023, we will keep our focus on generating strong profitability and cash flow, deepening revenue relationships with leading brands, agencies, broadcasters, and CTV partners, completing the integration of Amobee, and unifying the company under one brand to more effectively convey the holistic value proposition of our end-to-end technology ecosystem in the market."

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As of 03/31/2023	1 Month	6 Months	YTD	1 Year	Since Inception (12/31/20)
MRAD at NAV	3.76%	14.80%	14.71%	-27.78%	-22.21%
MRAD at Market Price	3.84%	15.39%	15.02%	-27.49%	-22.29%
MSCI World NR	3.09%	18.25%	7.73%	-7.02%	3.24%

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.

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Quick Quarterly Performance Review

MRAD (14.71% NAV basis, 15.02% market basis) outperformed the MSCI World Index (7.73%) over the quarter, and this can be attributed to:

- The outperformance of Growth vs Value in the quarter, which was a tailwind for MRAD.
- Overweight to Information Technology and Communication Services (the two best performing sectors in the period) significantly aided Fund relative performance over the quarter.
- Underweight Energy and Financials (the two worst performing sectors in the period) aided relative performance versus the benchmark.

The year got off to a strong start for equity markets as the sectors that performed weakest in 2022 rallied the most over the initial stages of 2023. While there was some evidence of short covering, which may have exacerbated price movements, the general sentiment was positive as the risks which plagued markets in the year prior, seemed to have largely abated.

Inflation data early in the quarter showed prices coming down faster than expected, with initial CPI recording the lowest figure since October 2021. The pathway from a peak US inflation rate of 9% back to a more normalized 2% seemed more clearly visible, which spurred a bullish market outlook that rates could come down and return to more moderate levels. News of a material improvement in the European energy position (given a warm winter and high gas storage levels) alongside early economic data from China, the world's second largest economy, showed that the widely anticipated reopening had gathered steam and presented a significant tailwind for global economic growth. In short, the concerns and fears that had weighed heaviest on investor sentiment had cooled off, with markets pricing in more positive news. Even the Q4 earnings season (which confirmed a moderate decline in the earnings outlook) did little to stop an equities rally, with valuations driven almost entirely by multiple expansion: a clear sign that investors were prepared to look beyond a weaker short-term outlook to the expected recovery in the second half of the year.

The rally in January was led by the more cyclical and higher beta areas of the market and this benefitted the Fund. This was also highlighted by a clear preference for growth as a factor, with growthier parts of the market outperforming value by 8.5%.

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Disclosure

MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI world index does not offer exposure to emerging markets.

Indexes are unmanaged. Direct investment in an index is not possible.

Net Asset Value (NAV) represents the net value of an investment fund's assets less its liabilities, divided by the number of shares outstanding.

Price to Earnings (P/E) Ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share. The price to earnings ratio is also sometimes known as the price multiple or earnings multiple.

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%.

Forward Earnings are an estimate of a company's earnings for upcoming periods. They project future revenues, margins, tax rates, and other financial data.

Forward Sales are a method for hedging price risk that involves an agreement between a lender and an investor to sell particular kinds of loans at a specified price and future time.

Adjusted Operating Margin is how much profit a company makes on a dollar of sales after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax.

Earnings Per Share (EPS) is a company's net profit divided by the outstanding shares of its common stock.

Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers based on a representative basket of goods and services over time.

Beta is a measure of the volatility of a security compared to the market as a whole.

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.

Consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. For a prospectus or summary prospectus with this and other information, please call (866) 307-5990 or visit our website at www.SmartETFs.com. Read the prospectus or summary prospectus carefully before investing.

Shares of the Fund are distributed by Foreside Fund Services, LLC.