MRAD

The SmartETFs Advertising & Marketing Technology ETF

May 2022 Update

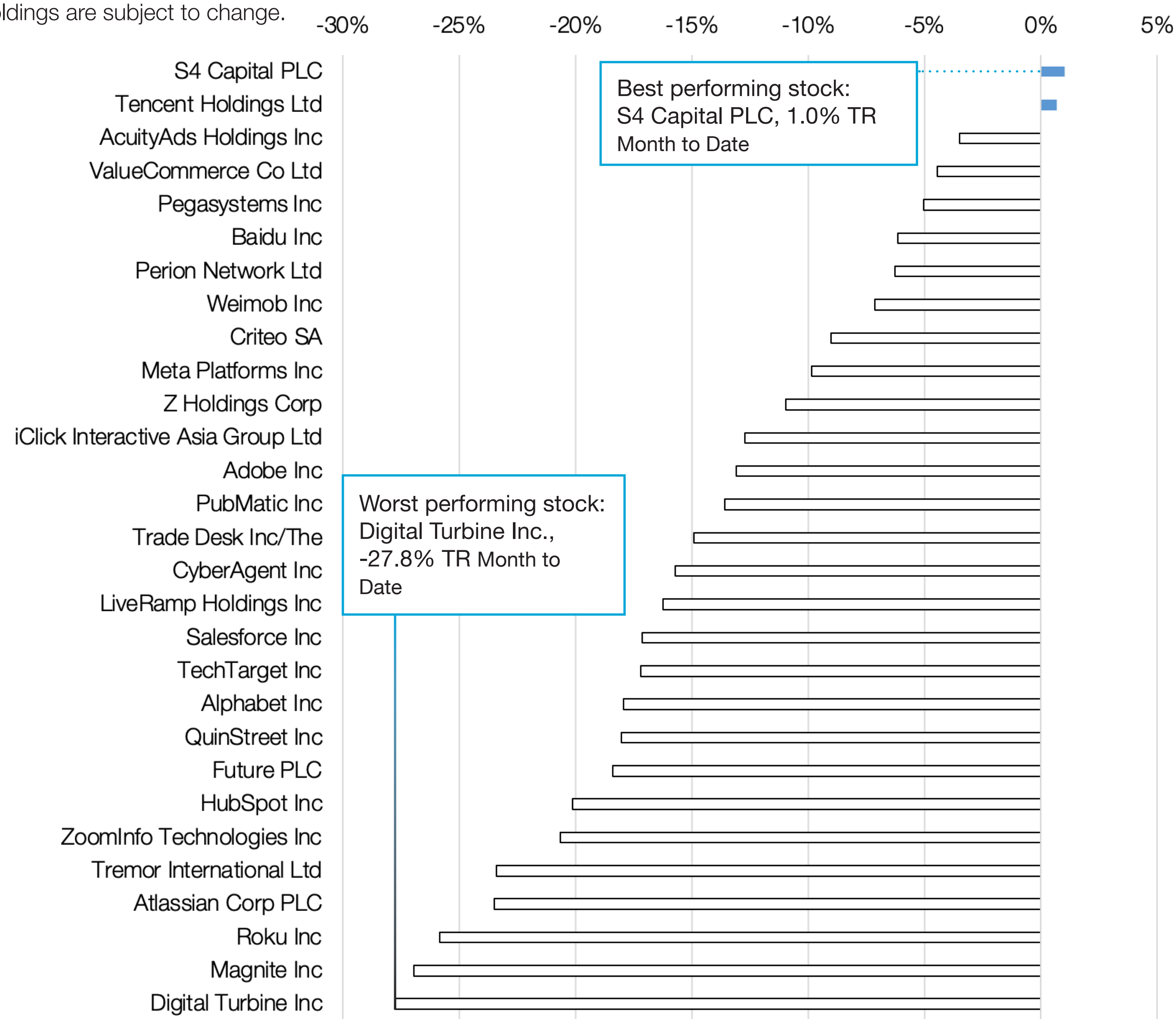
SmartETFs

Portfolio Performance

as of 4/30/2022

MRAD produced a total return of -14.54% on a net asset value basis (-14.68% market basis) in the month of April. S4 Capital was the top performing MRAD holding for the month while Digital Turbine was the MRAD laggard for the month. AdTech has come a long way since the days of Don Draper (Mad Men anyone?), but despite stellar gains in technological advancements, the industry is facing opposition in the form of scrutiny from regulators and uncontrollable macroeconomic trends. Read more on page 3.

Holdings are subject to change.



S4 Capital was the best performer in the month. S4 Capital provides digital advertising and marketing services. The company produces digital campaigns, films, creative content, platforms, and ecommerce for homegrown and international brands and provides programmatic solutions for marketers and agencies. S4 Capital has three operating segments which are First-Party Data, Content and Programmatic. Recent performance comes after the company delayed the publication of its earnings results prompting speculative concern among investors over a potential problem with its accounts.

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Digital Turbine was the worst performer in the month. Digital Turbine is the middleman between mobile service providers and app creators wishing to advertise. The intermediary technology company negotiates the rates for app placement with advertisers, collects the fee, and then remits about 60% to the service providers (such as AT&T and Verizon) while keeping the rest. The network effect strengthens Digital Turbine's position in the middle. As it deals with 2,000 advertisers, the service providers do not want to deal with so many entities, while on the flip side, as Digital Turbine represents many service providers, the advertisers do not want to have to handle each of those customers individually. Recent performance comes as the company's latest results showed that net revenue more than quadrupled year-on-year as On-Device Media and In-App Media businesses saw sizable revenue growth.

Portfolio Performance

As of 4/30/2022	1 Month	6 Months	YTD	1 Year	Since Inception (12/31/20)
MRAD at NAV	-14.54%	-42.33%	-37.05%	-38.53%	-25.84%
MRAD at Market Price	-14.68%	-42.67%	-37.27%	-38.97%	-26.20%
MSCI World NR	-8.31%	-11.30%	-13.03%	-3.52%	4.44%

As of 3/31/2022	1 Month	6 Months	YTD	1 Year	Since Inception (12/31/20)
MRAD at NAV	-7.58%	-28.63%	-26.24%	-23.84%	-17.45%
MRAD at Market Price	-7.54%	-29.16%	-26.47%	-24.50%	-17.85%
MSCI World NR	2.74%	2.21%	-5.15%	10.12%	12.29%

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.

Macro Impacts on AdTech

Advertising technology's (AdTech) emergence over the past 25 years has been driven by the rise in the number of internet users; the emergence of mobile, social media, ecommerce, and streaming platforms; and the growing sophistication of analytics tools. However, it is under scrutiny from data privacy regulators for its role in mishandling users' data.

Listed below are three key macroeconomic trends impacting the AdTech theme (as identified by GlobalData):

COVID-19

COVID-19 has been a catalyst for digitalizing the advertising sector at scale, forcing businesses to move to online formats to adapt to changing consumer behavior. While ad spending fell sharply in the first half of 2020, the advertising sector recovered quickly, driven by surging demand for connected TV (CTV) services, social media, and gaming. In particular, video marketing and influencer marketing gained popularity, with advertisers investing in micro-influencers to garner higher engagement rates at a lower cost. With over-the-top (OTT) media use booming during lockdowns, video marketing will become a big trend in the post-pandemic future.

Walled gardens and AdTech

A walled garden is a closed platform where all operations are controlled by one company. In AdTech, a walled garden contains the audience, technologies, and inventories but does not allow advertisers to export any data. It helps the operator of the walled garden to enjoy complete control over everything that occurs on its publishing platform and secure exclusive user data. Big Tech companies like Google, Meta, Amazon, and Alibaba operate walled gardens, but any publisher can establish an equivalent. Telcos (e.g., AT&T, Telefónica, and Singtel) and publishers (e.g., The New York Times and The Wall Street Journal) with troves of first-party user data can be walled gardens if they prevent advertisers from accessing the data.

Walled gardens will become more powerful in the evolving landscape, where first-party data is paramount. They will share contextual data with advertisers while still accessing granular, user-level data for themselves. Additionally, these walled gardens could raise the price for their user data at their discretion without offering any custom solutions to advertisers. While most walled gardens help drive ad campaigns on multiple devices, different AI solutions also lead to discrepancies in ad measurement for advertisers. However, the scalability and data-rich services offered by the walled gardens will continue to attract advertisers.

Small publishers that lack first-party data and scalability risk losing out to walled gardens. Therefore, their focus is on collecting first-party data via direct sales, subscriptions, and newsletters. Meanwhile, some publishers are partnering to create login alliances, such as the European netID Foundation in Germany. This allows users to access a single account to register with multiple websites and publishers to gather first-party data.

The netID solution seeks the user's consent for ad-related personal data as mandated by the General Data Protection Regulation (GDPR), and the consortium shares it among their partners. Ultimately, such alliances challenge the walled gardens and directly reach brands with comprehensive user data for ad campaigns.

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Macro Impacts on AdTech

China

China is one of the world's largest AdTech markets, dominated by walled gardens operated by Alibaba, Baidu, and Tencent, among others. The State Administration for Market Regulation (SAMR), which governs the domestic advertising industry, has introduced reforms to protect user rights and boost competition. Its Internet Advertising Measures (enacted in September 2016) mandates visible labels on advertisements, that pop-up ads are closable with one click, and that no deceptive means are used to lure users into clicking ads.

In November 2021, SAMR introduced the Personal Information Protection Law, forbidding AdTech companies from targeting minors and transferring user data overseas. The regulations aim to reduce the dominance of the tech giants and their anti-competitive AdTech practices. The regulators will increasingly crack down on the AdTech leaders, potentially splitting them into smaller firms and encouraging new players to emerge, which will drive competition in the AdTech market.

There's more where that came from!

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