MRAD

The SmartETFs Advertising and Marketing Technology ETF

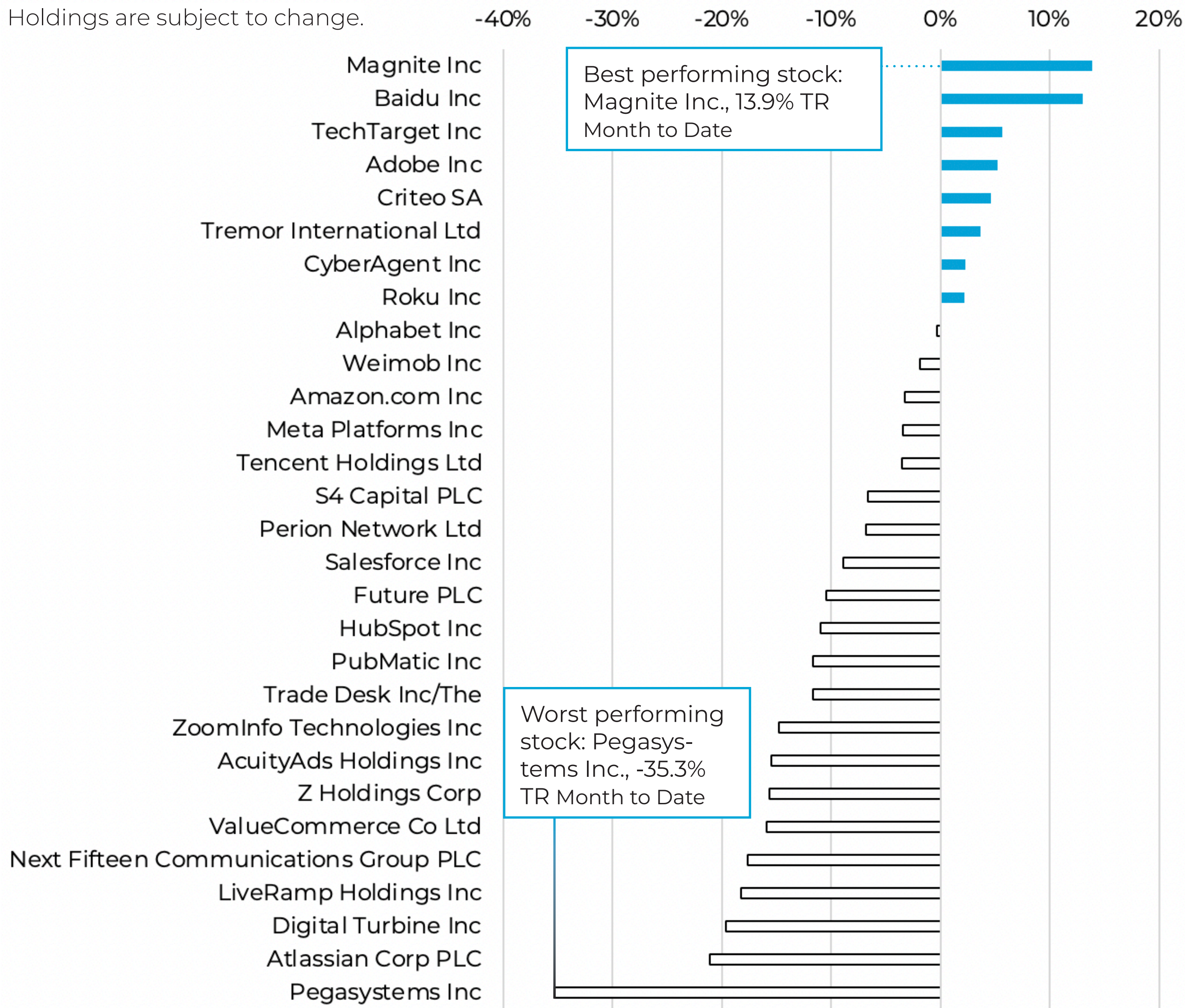
June 2022 Update

SmartETFs

Portfolio Performance

as of 5/31/2022

MRAD produced a total return of -6.49% on a net asset value basis (-6.35% market basis) in the month of May. Magnite Inc. was the top performing MRAD holding for the month while Pegasystems Inc. was the MRAD laggard for the month. We sold iClick Interactive and QuinStreet, and replaced their positions with Amazon and Next Fifteen Communications Group. We also took a look at the Competition and Transparency in Digital Advertising Act to think about how it could impact the future of AdTech and MarTech. More on page 4.



Magnite, the best performer over the month, is an independent sell-side advertising platform that combines Rubicon Project's programmatic expertise with Telaria's leadership in Connected TV (CTV). The company provides a technology solution to automate the real-time purchase and sale of digital advertising inventory. Publishers use the company's technology to monetize their content across all screens and formats, including desktop, mobile, audio, and CTV. The company's platform reaches approximately one billion Internet users globally on some of the world's leading websites and applications.

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The worst performer over the month, **Pegasystems**, develops software for customer relationship management (CRM), digital process automation, and business process management (BPM). The flagship AI-powered Pega platform automates customer interactions across transaction-intensive enterprises, such as the financial services, insurance, health care, and telecommunications industries, in turn helping people open bank accounts, change phone plans, get healthcare, manage insurance claims, apply for permits, and more.

Portfolio Performance

As of 5/31/2022	1 Month	6 Months	YTD	1 Year	Since Inception (12/31/20)
MRAD at NAV	-6.49%	-42.95%	-41.13%	-38.69%	-27.99%
MRAD at Market Price	-6.35%	-43.26%	-41.25%	-39.10%	-28.24%
MSCI World NR	0.08%	-9.25%	-12.97%	-4.82%	4.22%

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.

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Good-*Buys* & *Sell*-os

Buys

+ Amazon is the world's largest online retailer and marketplace, smart speaker provider, cloud computing service through Amazon Web Services, live-streaming service through Twitch, and Internet company as measured by revenue and market share. Amazon's ad business generates over $30 billion in revenue. While that is still a footnote by the company's standards, accounting for 7% of all its revenue, it makes Amazon the world's 3rd largest generator of advertising revenue. Early this year, Amazon reported "Advertising" revenue for the first time, whereas previously it was reported within "Other". In 2021, the business made $31 billion in revenue. In 2020 it was $19 billion. That puts its ad revenue well ahead of the likes of Microsoft ($10 billion), Snap ($4.12 billion) and Pinterest ($2.6 billion). It is also larger than the $8.1 billion made by the company's subscription business in 2021, which includes Amazon Prime Video's monthly fees. At purchase, the Amazon stock was down c.32% year-to-date, compared to the S&P 500 Index down c.13%.

+ Next Fifteen Communications Group is an international PR, corporate communications and digital marketing company with 3 operating segments: Brand Marketing, Data and Analytics, and Creative Technology. The Group owns or has stakes in over 20 public relations and corporate communications firms, and works with some of the biggest brands in technology and beyond, including Amazon, Facebook, Microsoft, Procter & Gamble, Sony, Telefonica, Hasbro, and Genentech. Next Fifteen Communications focuses on helping its clients to communicate effectively with stakeholders and to develop and promote their brands via a focus on customer insights, engagement, delivery, and business transformation The company also engages in acquiring businesses and offers its operational infrastructure and centralized resources to accelerate growth.

Sells

- iClick Interactive Asia Group is an independent online marketing and enterprise data solutions provider in China. It serves as an integrated cross-channel gateway that provides marketers with innovative and cost-effective ways to optimize their online marketing efforts throughout their marketing cycle and achieve their branding and performance-based marketing goals. The Company has seen weaker earnings results in recent times and faces risks from a Chinese economic growth slowdown and regulatory pressures.

- QuinStreet provides a broad range of Internet marketing tools to clients in large, information-intensive industries (education, home services, healthcare, and financial services). QuinStreet partners with search

Good-*Buys* & *Sell*-os (continued)

engine companies to help build websites with flexible content and offerings that are customizable according to the user base. It generates revenue via a pay-for-performance model of pricing in which customers are charged based on the client's lead performance results. QuinStreet is reliant on customer's ad spend and in the current inflationary environment, where businesses are facing higher input costs, QuinStreet faces risks of budget cuts and a slowdown in revenue growth.

Competition & Transparency in Digital Advertising

What is the Competition and Transparency in Digital Advertising (CTDA) Act?

On May 19th, US Senator Mike Lee introduced the Competition and Transparency in Digital Advertising (CTDA) Act, a bipartisan bill that aims to tackle conflicts of interest in the digital advertising value chain:

> *"Digital advertising is the lifeblood of the internet economy. It supports most of the free content and services Americans have come to rely upon, including essential local journalism, and it allows businesses of every size to reach their customers quickly and efficiently. Unfortunately, online advertising is also suffering under the thumb of trillion-dollar tech companies."* - Sen. Lee

CTDA aims to promote competition in the digital advertising industry by addressing the problem of big tech owning many parts of the digital advertising value chain. If enacted, the bill would prevent companies generating >$20 billion in digital ad transactions from being involved in more than one part of the ad buying/selling process. More specifically, the bill states that:

- An ad exchange cannot be the owner of a supply-side platform (SSP) or a demand-side platform (DSP).
- An SSP cannot simultaneously own a DSP, and vice versa.
- Advertisers and publishers cannot own a DSP or SSP (except to sell their own ad inventory).

If the legislation does become law, it will be enforced by the Department of Justice and state attorney generals, and companies will have one year to comply.

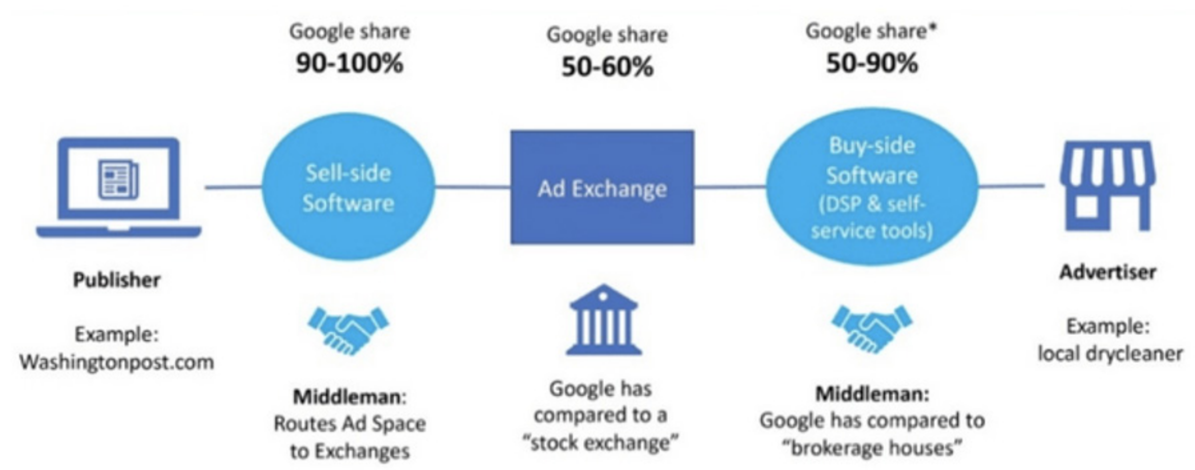
In other words, Google could be forced to break up its advertising business as the company runs a highly integrated operation involving many aspects of the online advertising ecosystem. Other major tech firms such as Meta, Amazon and Apple could also be impacted.

Across the Atlantic, the European Commission (EC) has also unveiled the Digital Markets Act (DMA), which, if enacted, will allow the EC to break up any major gatekeeper platforms that have been fined for anti-competitive behavior 3 times within 5 years (Google fits this criteria). The EU, however, has delayed its enforcement until early 2023.

Competition & Transparency in Digital Advertising (continued)

Why is Google a target under CTDA?

In the digital advertising value chain, advertisers (e.g., P&G) purchase ad space through DSPs while publishers (e.g., The Wall Street Journal) sell inventory through SSPs. An ad exchange connects orders from both ends and processes transactions in real-time just like a stock exchange. Google is the center of attention under CTDA because it is involved in many steps of the ad buying/selling process by acting as an SSP (Google Ad Manager, AdSense, and AdMob), a DSP (Display & Video 360) and an exchange (DoubleClick Ad Exchange/Google AdX).



Source: lee.senate.gov

In 2007, Google acquired DoubleClick for $3.1 billion in an effort to expand its ad offerings from search to display. At the time, DoubleClick was a well-established company with a 57% share in the US publisher ad server market and was about to develop the DoubleClick Ad Exchange. The FTC approved the merger without conditions in a 4:1 vote. Understandably, the acquisition provided Google with a significant information advantage by leveraging DoubleClick's valuable relationships with publishers and advertisers.

In June 2018, Google undertook a series of rebranding activities. On the supply side, DoubleClick for Publishers (DFP) and DoubleClick Ad Exchange would be combined to become Google Ad Manager. DoubleClick and Google Analytics 360 would merge to become Google Marketing Platform. On the demand side, DoubleClick Campaign Manager and DoubleClick Bid Manager would be integrated into DV360, Google's own DSP under Google Marketing Platform.

In short, Google participates in literally every part of the online ad ecosystem and its highly integrated operations are the backbone behind the Google Network division that generated $31.7 billion in revenue in 2021. In effect, CTDA would potentially ask Google to divest many of the ad businesses under Google's umbrella. For example, Google AdX would become an independent ad exchange, and Google Ad Manager would become a standalone SSP.

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Competition & Transparency in Digital Advertising (continued)

However, cases of companies being split up due to anti-competitive behaviors are rare in US history, and a Google breakup is an unlikely outcome. Thus, a more likely scenario is that Google will be asked to change its business practices rather than to divest significant parts of its advertising business. While Google does command a meaningful share in programmatic advertising, alternatives such as PubMatic, Magnite, The Trade Desk, OneView (Roku) and Xandr (sold by AT&T to Microsoft) do exist.
Additionally, it could be difficult for lawmakers to prove that (1) Google is the sole supplier of programmatic advertising and (2) customers are forced to accept whatever prices are set by Google. Programmatic ads are driven almost entirely by ROI, so if advertisers are not getting the most bang for their bucks at Google, nothing is stopping them from turning to The Trade Desk for example. The same notion applies to Google's search business and YouTube, as consumers are never forced to go on google.com and YouTube to find what they want in the first place.

If judges do see the need for Google to split into different businesses, expect Google to appeal against the decision, which will likely take years until all matters are resolved.

There's more where that came from!

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