

# MRAD

## The SmartETFs Advertising & Marketing Technology ETF

December 2021 Update

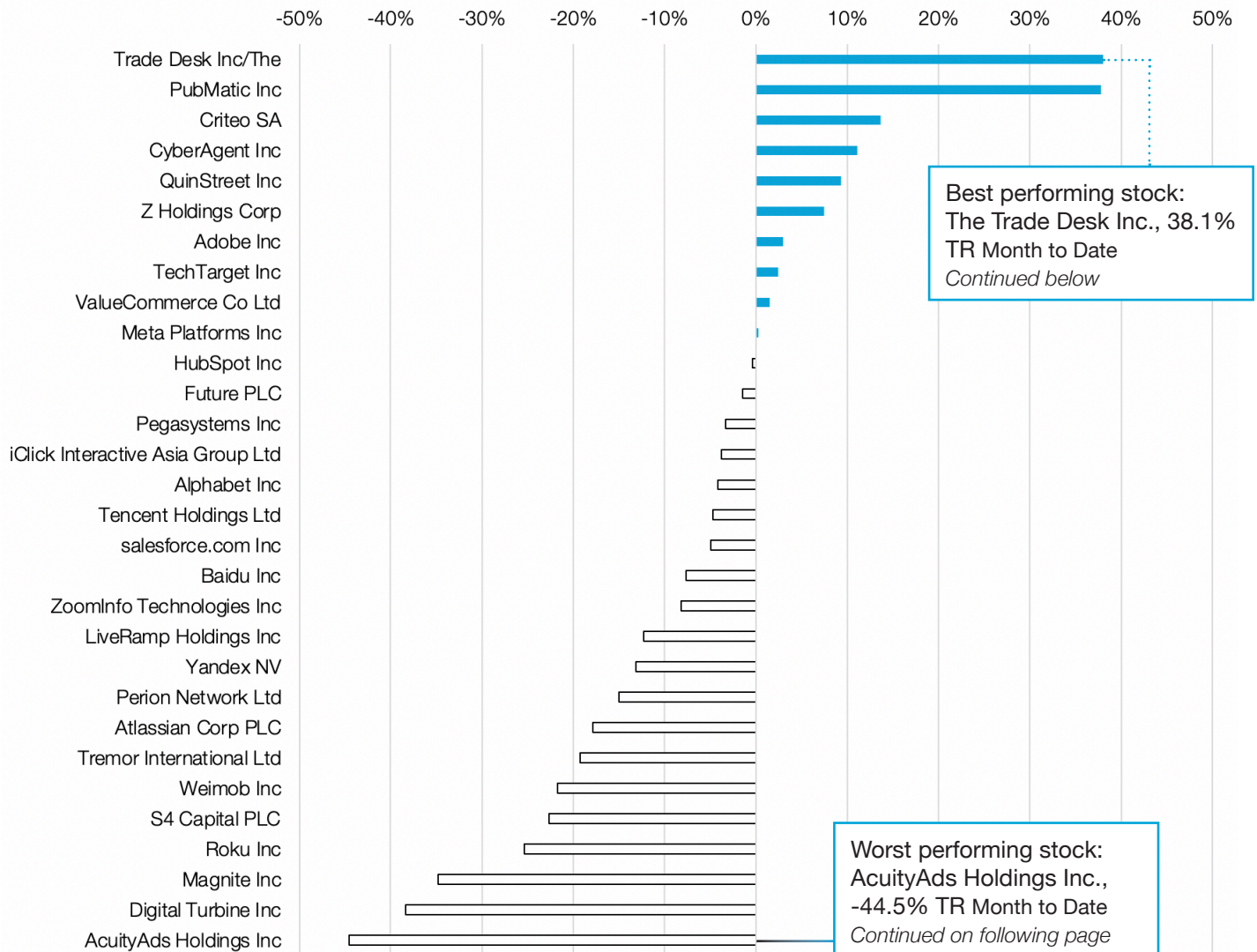


SmartETFs

### Portfolio Performance

as of 11/30/2021

MRAD produced a total return of -5.47% on a net asset value basis (-5.38% market basis) in the month of November. The Trade Desk Inc. was the top performing MRAD holding for the month thanks to quarterly earnings figures and a new product that offers a potential solution to the demise of Apple and Google tracking data. On the other hand, AcuityAds was the MRAD laggard for the month. While AcuityAds also has a new product, their quarterly earnings figures were not up to analyst expectations. Our marketing minute takes a look at AcuityAds and whether they can still bring something to the table.



Holdings are subject to change.

**The Trade Desk** was the best performer in the month after its quarterly earnings figures beat analyst expectations. The company is the world's largest independent demand-side platform (DSP), operating an online advertising platform that manages display, social, mobile, and video advertising campaigns in real-time. Through live programmatic ad pricing and placement, media buyers can target specific audiences with customized interactions across a variety of sell-side platforms and devices. The recent rally in share price comes as the company posted stronger than expected results for Q3 2021, with revenue rising by 39% year-over-year to \$301 million with adjusted EPS rising 38% to \$0.18. Moreover, the



#### Portfolio Performance

outlook for Q4 2021 was also better than expected, with the company noting that sales could grow to at least \$388 million, translating into a 21% plus year-over-year growth. With the strong results and outlook, investors are likely increasingly confident that the company will be able to navigate the two big headwinds ad-tech players have been facing, namely Apple's move to prevent advertisers from tracking iPhone users without their consent and Google's plans to phase out ad-tracking cookies from its Chrome browser.

The Trade Desk's UID 2.0 is a particular growth area for the company as it could potentially be a long-term replacement for 3rd party browser cookies. UID 2.0 converts sensitive data such as email addresses into anonymized ID strings. The valuable data about a person - that allows advertisers to provide targeted advertising - is still available, but in an anonymized format, and with this solution, valuable information for advertising is kept while privacy and security are maintained.

**AcuityAds** was the worst performer in the month after its quarterly earnings figures disappointed analyst expectations. We take a deeper dive into the company in our "Marketing Minute" on page 3.

As of 11/30/2021	1 Month	6 Months	YTD	Since Inception (12/31/20)
MRAD at NAV	-5.47%	7.46%	10.10%	10.10%
MRAD at Market Price	-5.38%	7.33%	10.14%	10.14%
MSCI World NR	-2.19%	4.88%	16.82%	18.52%

As of 09/30/2021	1 Month	6 Months	YTD	Since Inception (12/31/20)
MRAD at NAV	-3.73%	6.71%	10.26%	10.26%
MRAD at Market Price	-3.73%	6.57%	10.42%	10.42%
MSCI World NR	-4.15%	7.74%	13.04%	17.81%

Expense Ratio: 0.68% (net) | 0.71% (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.*



#### Marketing Minute

##### What does AcuityAds do?

AcuityAds is a DSP (like The Trade Desk), a 3rd party software that is used by advertisers to buy mobile, search, and video ads from a marketplace on which publishers list advertising inventory. A DSP allows for the management of advertising across many real-time bidding networks, as opposed to just one (like Google Ads).

Traditional DSPs predominately work with ad agencies and large companies with big ad departments, however AcuityAds is focused on its self-service platform, Illumin. This could potentially allow advertisers to cut out the ad agency middle-man, and their 30%-50% cut of ad fee's.

In addition, the Illumin platform has the potential to give small local businesses the opportunity to advertise in their local area efficiently and affordably (something that is not currently commercially available to them).

AcuityAds is going all in on Illumin. On their latest earnings report, CEO Tal Hayek stated that they plan to move all clients off their legacy system, and onto Illumin by the end of 2022.

##### So what makes Illumin special?

- The ability for advertisers to set up, monitor, and adjust their own ad campaigns, without the assistance or fees of an ad agency.
- The ability for small advertisers (\$500/mo.) to have affordable access to programmatic advertising in their local area.
- The ability for advertisers to see their full advertising campaign from top of funnel awareness, to bottom of funnel buying, across multiple audience targets. Here they can view and adjust spending to their highest conversion audiences, done in real-time on a single dashboard.

##### Q3 2021 – Financials

- Revenue: \$27.5 million (+5.4% YoY, +11% constant currency basis)
- Adjusted EBITDA: \$4.4 million (+9.5% YoY)
- Illumin Revenue: \$7.4 million (+42%; new Tier 1 clients grew 53%, Illumin accounted for 27% of total revenue)
- CTV: +220% YoY; no dollars given
- Gross Margin: 51.9%, in line with 3Q20
- Net income: \$3.4 million (+265% YoY)
- Operating cash flow: \$9.5 million (+41.8% YoY)
- Cash Balance: \$100 million

Revenue increase attributed to strong sequential revenue growth from Illumin, which more than offset lower advertising spend partly related to supply chain disruptions from some of their legacy customers. Revenue growth was also aided by newer emerging verticals such as pharmaceutical, technology, automotive and direct-to-consumer brands.



#### Marketing Minute (continued)

##### What's driving the Illumin growth today?

CEO Tal Hayek:

*"Mid-market is what's driving the revenue of Acuity today, or Illumin, I would say, today. So mid-market are still large brands but not as large as the Fortune 1000 brands and they're more flexible and they move faster and they tried Illumin, and there's been a success with Illumin and they're increasing their spend on Illumin. And so we're turning a little bit more attention to them as well. So we can see even bigger growth from that market. I'd like to share some examples of those mid-market companies. So there was an e-commerce company that started using Illumin in Q1 of this year; they spent \$22,000. They liked it so much that in Q3 they spent \$152,000; a clothing retailer, that spent only \$5,000 in Q1, spent \$175,000 in Q3; a large auto manufacturer started with \$98,000 and in last quarter spent \$216,000 on this; and a healthcare company who spent \$194,000 in Q1, spent \$648,000 in Q3. Purina, which we're vocal about before spent \$49,000 in Q1 and \$169,000 in Q3. So as you can see, it's working, they try it, they really like it, they see the ability to control the consumer to have it as a conversation with their consumer and then they see the insights and those learnings they get from it, all of that with a fact that it's very easy to use, very intuitive, brings them back for more and spending more and more and more, and we expect that trend to continue."*

That's 5 clients increasing spend from \$368k to \$1.36M in two quarters, a 370% increase.

##### Risks

The two main risks here are:

1. There is no substantial growth in Illumin, and the majority of growth we are seeing now is being converted from the legacy system. This question was asked (if vaguely) on the conference call. Tal's response was reasonable; legacy user revenue was down due to supply chain issues, and 67% of Illumin revenue growth was due to new users. Taken at face value, this indicates that AcuityAds is seeing increased growth from new business.
2. The Tier 1 clients in the pipeline never convert to revenue. This is a legitimate risk. All we have to go on is the commentary from the earnings call that there are several Tier 1 clients in the pipeline that are ready to make a deal but are hampered by macro-economic issues such as supply chain delays. Specifically mentioned were 8 auto manufacturers and Tal stated that he expected Tier 1 deals to be in the \$10+ million range each.

#### There's more where that came from!

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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.

**Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)** is a measure of a company's overall financial performance and is used as an alternative to net income in some circumstances.

**Earnings Per Share (EPS)** is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

**Connected TV (CTV)** refers to premium content streaming through apps, either on a smart TV or through an over-the-top device. Ads can be served before content or during traditional commercial breaks.

**Cash Flow** refers to the net amount of cash and cash equivalents being transferred in and out of a company. Cash received represents inflows, while money spent represents outflows.

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

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](http://www.SmartETFs.com). Read the prospectus or summary prospectus carefully before investing.**

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