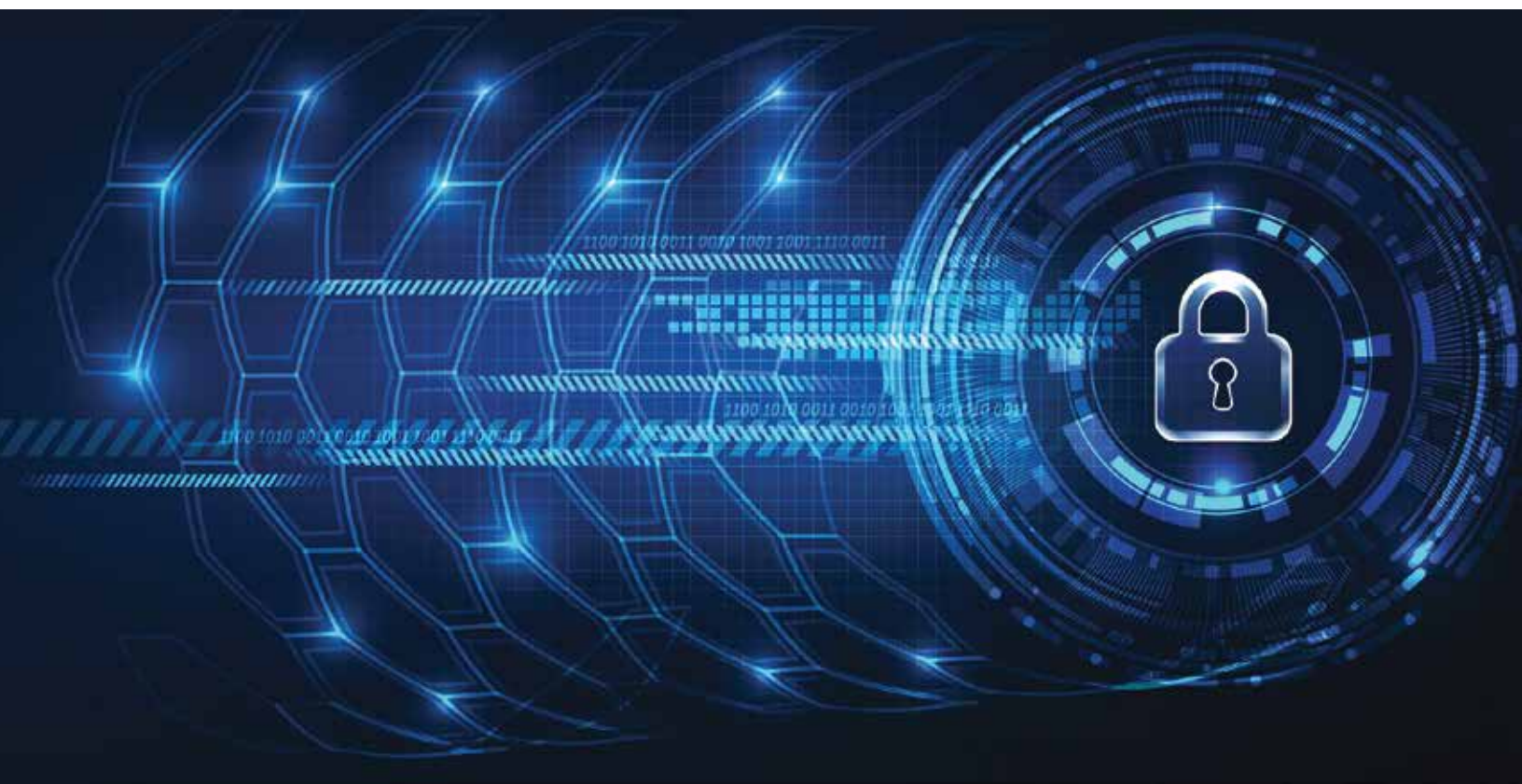


# HACK

## 2018 Q3 COMMENTARY



## MARKET COMMENTARY

Investing by companies and state/federal governments into cybersecurity continues to rise, with several high-profile breaches over the quarter. Notably, the Facebook hack on September 16th was the biggest security breach in Facebook's history, impacting more than 50 million users.

There was one cybersecurity company IPO in the third quarter, Tenable Holdings (symbol: TENB). After having risen as high as \$38.88, it currently trades at \$27.97, which is a nearly 22% return from its IPO price of \$23 on July 26th.

## FUND PERFORMANCE

HACK returned +8.22% for the quarter ended September 30, 2018, which was in line with its benchmark and the performance of the overall Information Technology Industry. At the security level, top positive contributors to performance were Fortinet (FTNT, +47.8%), Cyberark Software (CYBR, +26.8%), and Check Point Software (CHKP, +20.5%). Detractors included Sophos Group (SOPH LN, -24.2%), Proofpoint Inc (PFPT, -7.8%), and Carbon Black (CBLK, -18.5%).

Top 10 Positive Contributors	Average Weight (%)	Total Return (%)	Contribution to Return (%)
FORTINET INC	4.71	47.80	1.87
CYBERARK	4.17	26.81	0.99
CHECK POINT SOFT	4.49	20.46	0.85
SPLUNK INC	3.85	22.00	0.79
CISCO SYSTEMS	4.54	13.94	0.63
TREND MICRO INC	3.98	12.76	0.47
PALO ALTO NETWORKS	4.47	9.63	0.46
CACI INTL-A	4.23	9.26	0.42
JUNIPER NETWORKS	3.99	9.99	0.41
FIREEYE INC	3.70	10.46	0.37

Bottom 10 Negative Contributors	Average Weight (%)	Total Return (%)	Contribution to Return (%)
SOPHOS GROUP	3.30	-24.15	-1.06
PROOFPOINT INC	3.84	-7.79	-0.28
CARBON BLACK INC	0.71	-18.54	-0.16
IMPERVA INC	3.85	-3.73	-0.16
NETSCOUT SYSTEMS	0.82	-14.98	-0.14
DIGITAL ARTS INC	0.75	-12.95	-0.12
F-SECURE OYJ	0.32	-17.83	-0.07
BAE SYSTEMS PLC	0.83	-3.84	-0.04
ULTRA ELECTRONIC	0.81	-4.09	-0.04
ONESPAN INC	0.73	-3.05	-0.02



Looking at fundamental factor performance, overweights to both the US market and software industry factors contributed positively, while an underweight to dividend yield and an overweight to the GBP currency were the main detractors.

Top 6 Factor Contributors	Active Exp	Factor Rtn	Factor Cont
NorthAm:US Market	0.87	5.48	4.82
Industry:US Software	0.74	5.43	4.03
Style:US Value	-0.65	-1.56	1.08
Industry:US Hardwar	0.12	2.95	0.36
Industry:JP InfoCom	0.05	5.22	0.26
Style:US Growth	0.43	0.55	0.26

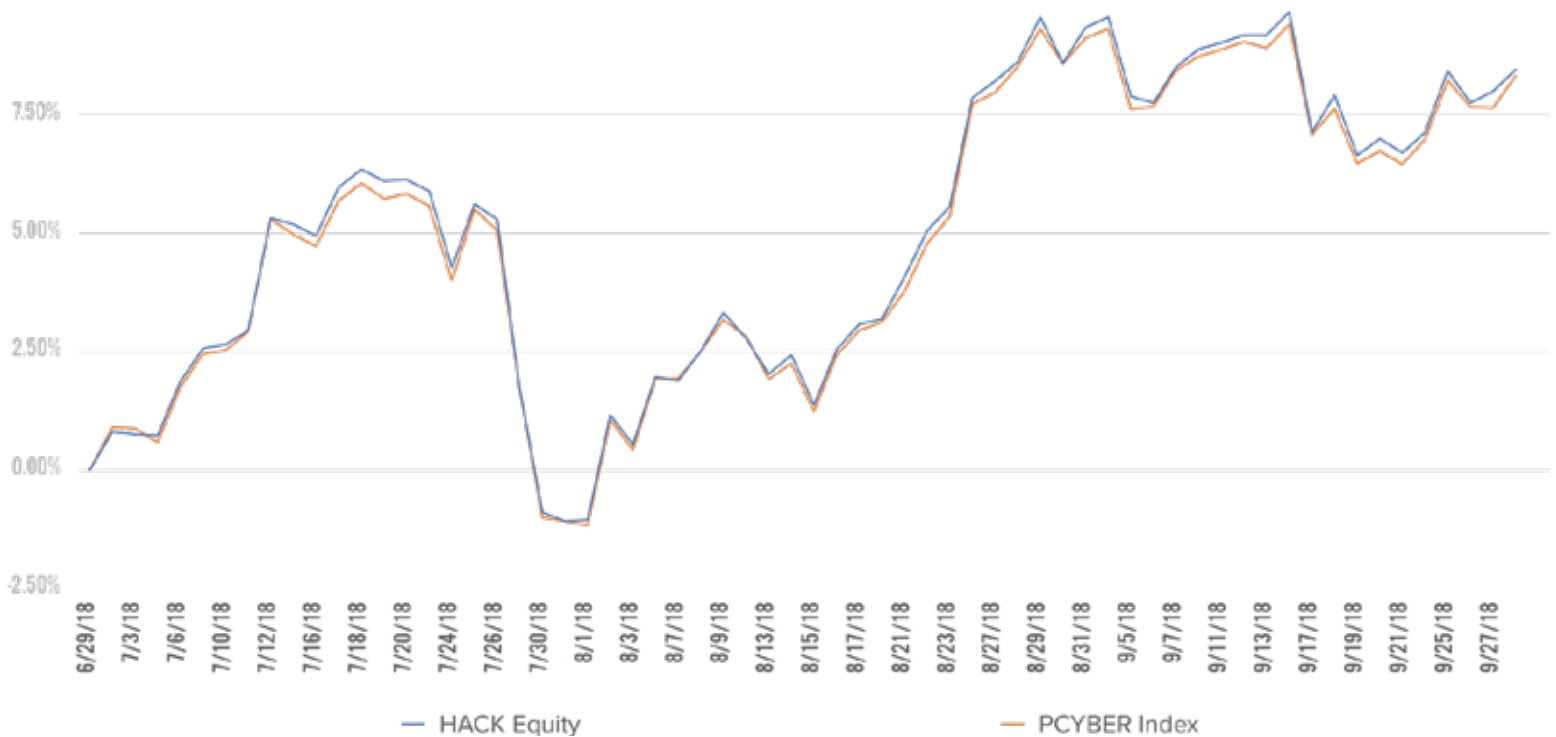
While style factors on the whole did not have a profound impact, drilling down we can see how they offset each other. In fact, the impact from the profitability factor underweight appeared to offset the positive impact from the underweight to Value.

Style Return	Contribution
Earnings Variable	-0.15
Momentum	0.08
Size	-0.66
Leverage	0.02
Dividend Yield	-0.3
Trade Activity	0.004
Profitability	-1.14
Growth	0.26
Liquidity	0
Volatility	0.02
Value	1.07





## Q3 2018 TOTAL RETURN



# PERFORMANCE<sup>2</sup>

<sup>2</sup>Fund performance before 8/1/17 was based upon the ISE Cyber Security Index.

	CUMULATIVE				ANNUALIZED				
	1 month	3 months	YTD	Since Incep.	1 year	3 years	5 years	10 years	Since Incep.
<b>MARKET PRICE</b>	-0.82%	8.46%	26.83%	62.53%	33.34%	17.18%			13.32%
<b>NAV</b>	-0.75%	8.22%	26.52%	62.36%	33.16%	17.10%			13.29%

**Performance data quoted represents past performance and does not guarantee future results.** The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. All performance is historical and includes reinvestment of dividends and capital gains. Performance data current to the most recent month end may be obtained by calling 1-844-ETF-MGRS (1-844-383-6477). Market returns are based on the midpoint of the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times. Performance is annualized for periods greater than 1 year.

**Carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and additional information can be found in the Fund's prospectus, which may be obtained by calling 1-844-ETF-MGRS (1-844-383-6477), or by visiting [www.etfmg.com](http://www.etfmg.com).**

**Read the prospectus carefully before investing.**

Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Narrowly focused investments typically exhibit higher volatility. The fund is concentrated in technology-related companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. Such companies may have limited product lines, markets, financial resources or personnel. The products of such companies may face obsolescence due to rapid technological developments, frequent new product introduction, unpredictable changes in growth rates, competition for the services of qualified personnel, and competition from foreign competitors with lower production costs. Technology companies are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. The Funds are non-diversified, meaning they may concentrate its assets in fewer individual holdings than a diversified fund. Investments in smaller companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Diversification does not assure a profit or protect against a loss in a declining market. The Fund's return may not match or achieve a high degree of correlation with the return of the Prime Cyber Defense Index. To the extent the Fund utilizes a sampling approach, it may experience tracking error to a greater extent than if the Fund had sought to replicate the Prime Cyber Defense Index.

ETF shares are not individually redeemable and owners of the shares may acquire those shares from the Fund and tender those shares for redemption to the Fund in Creation Units only, typically consisting of aggregations of 50,000 shares.

The Prime Cyber Defense Index provides a benchmark for investors interested in tracking companies actively involved in providing cyber security technology and services.

ETF Managers Group LLC is the investment adviser to the Fund.

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