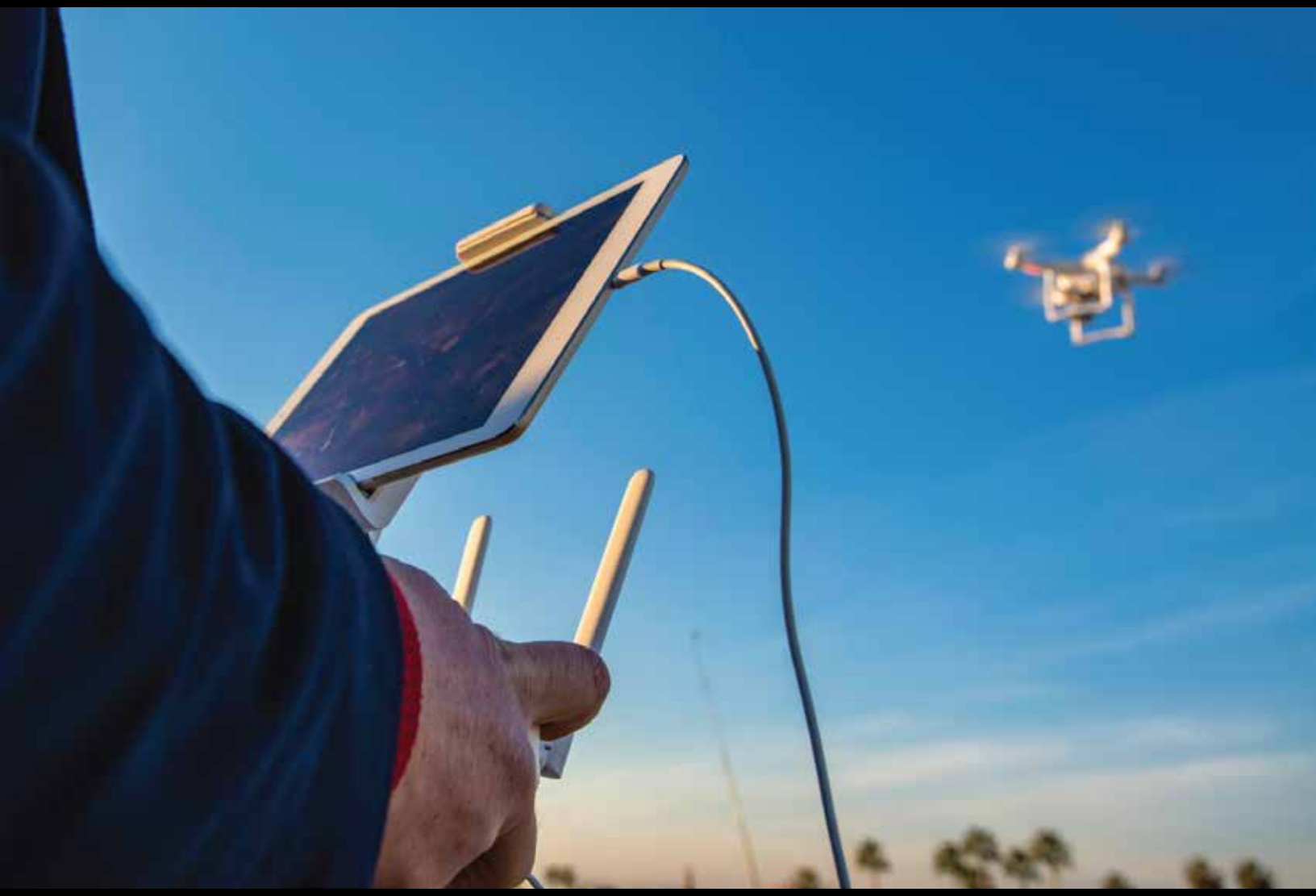
IFLY™ Investment CASE

UAV/DRONE GROWTH PHASE

Unmanned aerial vehicle (UAV) and drone technology companies are in the "growth phase" of their industry lifecycle – posing a valuable investment opportunity. The industry's contribution to the U.S. economy, over a five-year period, is expected to increase at a 3.8% annualized rate. The U.S. military remains the dominant investor and spender in the domestic drone industry, accounting for 96.3% of the market. Over the next five years, the US government is expected to increase spending on drones, in conjunction with the growing civilian commercial market.[1] As more companies employ drone technology, as recreational demand expands significantly, and as innovation drives progress, IFLY stands to potentially benefit from market exposure to the drone industry.



SHIFT TO CIVILIAN MARKET

Drones and UAVs – technology developed and restricted by the military – fall into a particular product trajectory. Analogous technologies that were originally controlled by the military, such as cell phones and microwaves, historically came to market meeting explosive civilian demand and acceptance.[2]

With the Federal Aviation Administration (FAA) easing regulations, drones are poised to enter the market with similar success. Regulators project the 110,000 of civilian UAVs to increase from to 450,000 by 2022.[3]

The corresponding number of pilots in the U.S. is expected to increase from 70,000 to 300,000 in 2022.[3] Adoption of drone technology in the civilian market has the potential to create a substantial new market for drone products.

INFRASTRUCTURE DEVELOPMENT

As federal regulations are expected to ease in the future, industry players are preparing for an airspace dominated by UAVs.[4] The number of pilots and civilian drones are expected to quadruple over the next 5 years, and large companies are eager to procure an infrastructure plan.[5] Companies with the cash, expertise, and resources, such as Boeing, General Electric, and Alphabet, are most likely to build upon this infrastructure.[4]

Luckily, technology and engineering required to build this already exists; much of the capital can be reallocated from other industries. This aid from privatized air traffic infrastructure, along with federal support, will further catalyze the growth and adoption of drone and UAV technology.

COMMERCIAL DRONE USE

Drones provide a multitude of applications for a wide number of industries including: agriculture, security, search and rescue, firefighting, and meteorology.[6] According to the International Association of Certified Home Inspectors, drone usage for home inspections has increased from 0% to 8% in just a four year period.[7]

The technology is able to bring operation costs down due to the enhanced mobility, reduction of human error, and improved safety conditions. Additionally, the decreasing costs and availability of drones and pilots are making adoption more attractive to businesses. As regulations and infrastructure are established, the unlimited applications of drones will drive demand, revenue, and performance of the drone sector fund IFLY.

FEDERAL AVIATION ADMINISTRATION (FAA) REGULATIONS

The Federal Aviation Administration (FAA) has significantly promoted the evolution and expansion of drone usage incorporated in worldwide business models. The commercial drone industry adopted recent openings in the regulations, which granted hundreds of new exemptions for companies to operate drones in the U.S.[9]

Industries witnessing the biggest impact from these regulations include: insurance, construction, and agriculture. The FAA has projected over 450,000 drones to be functioning in civil airspace in 2022, while today it is around 110,000. The FAA has outlined growth likelihoods as long as new drone designs "become operationally more efficient and safe, battery life expands, and regulatory constraints are reduced."[10]

With FAA regulations in the decline, businesses have been integrating drones within their business models Amazon is a clear candidate to lead the way in deploying drones for commercial deliveries.

Commercial drone shipments are predicted to reach 805,000 with a compound-annual-growth-rate (CAGR) of 51% in 2021.[11]Shipping soon will be easier than ever before. It has been reported that Amazon's vice president, Gur Kimchi, forecasted that "Prime Air" is expected to be "secured by 2019."[12]

SHIPMENTS

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.etfmgfunds.com. Read the prospectus carefully before investing.

Investing involves risk, including the possible loss of principal. The fund is new with limited operating history. 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. Drone Economy Companies face intense competition, both domestically and internationally and are heavily dependent on the protection of patentand intellectual property rights. In addition, Drone Economy Companies may be dependent on the U.S. government and its agencies for a significant portion of their sales, and their success and growth may be affected by budgetary constraints, spending reductions, congressional appropriations, and administrative allocations of funds that affect the U.S. government and its agencies. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. The Fund is non-diversified, meaning it 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. The Fund's return may not match or achieve a high degree of correlation with the return of the Reality Shares Drone 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 Index. Diversification does not guarantee a profit, nor does it protect against a loss in a declining market. 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 Reality Shares Drone™ Index provides a benchmark for investors interested in tracking companies actively involved in drone technology and services. The Index uses Modified Equal Weight capitalization-weighted methodology. The index was created and is maintained by Reality Shares Index Committee. You cannot invest directly in an index.

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Sources

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