

# IPAY™

## 2018 Q3 COMMENTARY



## MARKET COMMENTARY

ETFMG Prime Mobile Payments ETF had an excellent Q3, as investors continued to show strong interest in this perpetually-growing theme. Square (NYSE:SQ) expanded a service allowing U.S. customers in all 50 states to buy and sell Bitcoin through its platform. Square's Cash App, a mobile payment app originally created as a peer-to-peer payment service similar to Venmo, has since expanded to include the ability to pay merchants, accept direct deposits, and grant U.S. customers access to Bitcoin. In order to allow this nationwide, Square navigated the regulatory landscape of each state, including a BitLicense in New York.

## FUND PERFORMANCE

The IPAY ETF returned +10.64% for the quarter ended September 30, 2018, in line with its benchmark index. Sectors which contributed positively to returns include Information Technology (+10.9%), which makes up more than 80% of the index, and Financials (+11.8%).

Sector Contributors	Active Exp	Total Rtn	Sector Cont
Information Technology	83.06	10.91	9.03
Financials	16.02	11.8	1.9
Not Classified	0.4	0.46	0
Industrials	0.53	-1.99	-0.01

At the security level, top contributors to IPAY's outstanding Q3 include Square Inc. (SQ, +60.6%), Wirecard AG (WDI GY, +34.6%), and Worldpay Inc (WP, +23.8%). Companies which detracted from performance included Cielo SA (CIEL3 BZ, -25.0%), and Ingenico (ING FP, -15.5%).

<b>Top 10 Postive Contributors</b>	<b>Average Weight (%)</b>	<b>Total Return (%)</b>	<b>Contribution to Return (%)</b>
SQUARE INC - A	4.70	60.63	2.38
WIRECARD AG	4.19	34.63	1.26
WORLDPAY INC-A	4.31	23.83	0.98
VISA INC-CLASS A	6.19	13.49	0.83
MASTERCARD INC-A	6.11	13.42	0.82
FIRST DATA COR-A	3.86	16.91	0.64
AMERICAN EXPRESS	6.04	9.05	0.57
DAI-ICHI LIFE HO	3.49	16.70	0.57
TOTAL SYS SERVS	3.20	16.98	0.52
FISERV INC	4.55	11.19	0.51

<b>Bottom 10 Negative Contributors</b>	<b>Average Weight (%)</b>	<b>Total Return (%)</b>	<b>Contribution to Return (%)</b>
CIELO SA	2.18	-24.96	-0.64
INGENICO GROUP	1.87	-15.46	-0.33
USA TECHNOLOGIES	0.60	-48.57	-0.30
QIWI PLC-SP ADR	1.38	-16.38	-0.26
WESTERN UNION	2.23	-5.30	-0.13
NCR CORP	1.70	-5.24	-0.10
MONEYGRAM INTERN	0.29	-20.03	-0.07
NET 1 UEPS TECH	0.28	-11.89	-0.03
PAGSEGURO DIGI-A	2.11	-0.29	-0.01
PAYPOINT PLC	0.53	-1.99	-0.01



Looking at fundamental factor performance, factors contributing positively include the portfolio's exposure to the U.S. market, as well as to the Asia Pacific region, while an underweights to the Value factor.

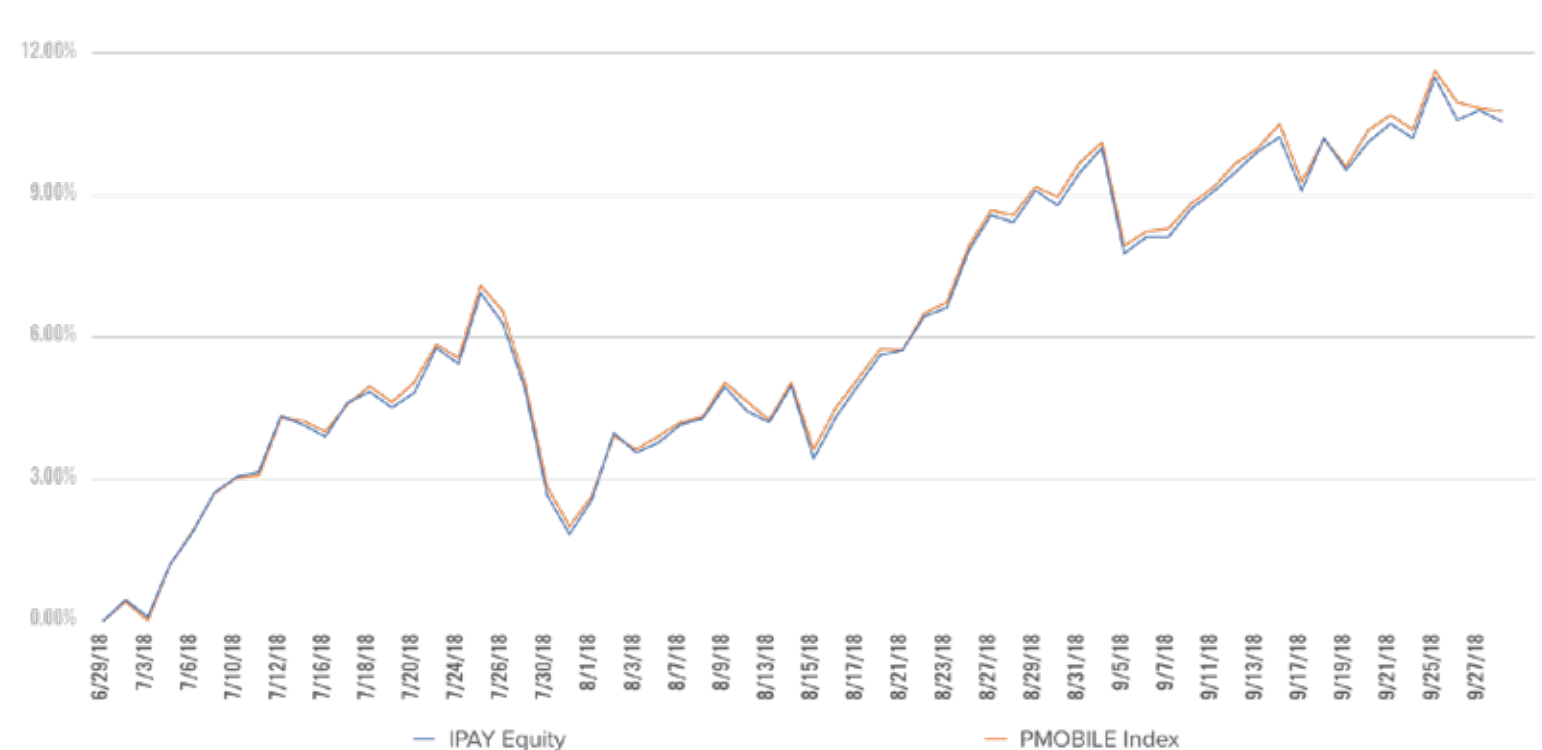
Top 6 Factor Contributors	Active Exp	Factor Rtn	Factor Cont
NorthAm:US Market	0.82	5.48	4.63
Industry:US ConsFinc	0.75	4.79	3.74
Style:US Value	-0.26	-1.56	0.42
AsiaPac-Dev:JP Marke	0.06	3.67	0.28
Industry:US Software	0.04	5.43	0.24
Style:US Profit	0.2	1.15	0.22

Drilling down to look at the impact of style factors in Q3, the portfolio was negatively affected by the Dividend Yield and Size factors (given the significant underperformance of small caps in Q3). Conversely, the portfolio was positively affected last quarter by its overweight to Profitability and underweight to Value, as mentioned above.

Style Return	Contribution
Earnings Variable	-0.05
Momentum	0.14
Size	-0.27
Leverage	0.00
Dividend Yield	-0.29
Trade Activity	-0.01
Profitability	0.21
Growth	0.17
Liquidity	0.00
Volatility	0.06
Value	0.45



## Q3 2018 TOTAL RETURN



# PERFORMANCE<sup>1</sup>

<sup>1</sup>Fund performance before 8/1/17 was based upon the ISE Mobile Payments Index.

	CUMULATIVE				ANNUALIZED				
	1 month	3 months	YTD	Since Incep.	1 year	3 years	5 years	10 years	Since Incep.
<b>MARKET PRICE</b>	<b>0.99%</b>	<b>10.56%</b>	<b>22.99%</b>	<b>72.55%</b>	<b>31.38%</b>	<b>22.74%</b>			<b>18.52%</b>
<b>NAV</b>	<b>0.97%</b>	<b>10.64%</b>	<b>23.15%</b>	<b>72.35%</b>	<b>31.62%</b>	<b>22.33%</b>			<b>18.48%</b>

**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. Mobile Payment Companies face intense competition, both domestically and internationally, and are subject to increasing regulatory constraints, particularly with respect to fees, competition and anti-trust matters, cybersecurity and privacy. Mobile Payment Companies may be highly dependent on their ability to enter into agreements with merchants and other third parties to utilize a particular payment method, system, software or service, and such agreements may be subject to increased regulatory scrutiny. Additionally, certain Mobile Payment Companies have recently faced increased costs related to class-action litigation challenging such agreements. Such factors may adversely affect the profitability and value of such companies. 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 Prime Mobile Payments 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 Prime Mobile Payments Index is designed to provide a benchmark for investors interested in tracking the mobile and electronic payments industry. The stocks are screened for liquidity and weighted according to a modified linear-based capitalization-weighted methodology. The Index generally is comprised of 25-40 securities. An investment cannot be made directly in an index.

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

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