

# SILJ<sup>TM</sup>

## 2018 Q3 COMMENTARY



## MARKET COMMENTARY

Silver and Silver Miners have moved even more out of favor as the ETFMG Prime Junior Silver ETF struggled throughout Q3 2018. The price of silver ended the second quarter at \$14.5/oz (down 10% from the second quarter). Silver's all-time high is \$49.45 and low is \$3.55. During that same period, the Prime Junior Silver Miners & Explorers Index decreased by nearly 18%. As silver miners (especially small cap silver miners) tend to be a leveraged play on the price of silver, the significant downward move in the index level is as expected.

The gold-silver ratio (the amount of silver ounces required to equal one ounce of gold) ended the quarter at 83 oz of silver to 1 oz of gold vs. a 10-year average of approximately 60 and an average for 1900-1999 of 47. The ratio has increased since the end of the second quarter, when it stood at 77. As a reminder, traders look at the gold-silver ratio as a trading indicator and expect the gold-silver ratio to revert to its historical mean, which would result in silver increasing in price between 38%-77% (depending on whether you look at the 10-year average or the average of 1900-1999) assuming gold prices don't change.

## FUND PERFORMANCE

SILJ returned -18.99% for the quarter ended September 30, 2018, which was in line with its benchmark index and the precious metals market as a whole.

At the security level, there were not many bright spots - the top positive contributors to performance were Silvercrest Metals (SIL CN, +16.9%) and Arizona Mining (AZ CN, +1%). Meanwhile, detractors included Pan American Silver (PAAS, -17.5%), Hecla Mining (HL, -19.8%), and Hochschild Mining (HOC LN, -14.4%).

Top 10 Postive Contributors	Average Weight (%)	Total Return (%)	Contribution to Return (%)
SILVERCREST META	1.76	16.93	0.21
ARIZONA MINING I	1.81	1.00	0.03
MINCO SILVER COR	0.21	-10.81	-0.02
KOOTENAY SILVER	0.18	-15.24	-0.03
SIERRA METALS IN	1.40	-4.24	-0.07
GOLDEN MINERALS	0.16	-40.02	-0.08
MIRASOL RESOURCE	0.45	-20.17	-0.12
MCEWEN MINING IN	2.18	-6.05	-0.15
AMERICAS SILVER	1.09	-24.52	-0.29
HUDBAY MINERALS	3.59	-9.09	-0.29

Bottom 10 Negative	Average Weight (%)	Total Return (%)	Contribution to Return (%)
PAN AMER SILVER	12.71	-17.52	-2.25
HECLA MINING CO	11.45	-19.75	-2.23
HOCHSCHILD MININ	11.27	-14.37	-1.48
ENDEAVOUR SILVER	2.83	-25.96	-0.77
YAMANA GOLD INC	4.92	-14.31	-0.75
SSR MINING INC	3.26	-11.94	-0.41
BEAR CREEK MININ	1.35	-23.57	-0.35
SILVERCORP METAL	3.79	-7.38	-0.30
HUDBAY MINERALS	3.59	-9.09	-0.29
ALEXCO RESOURCE	1.24	-22.85	-0.29

Looking at factor performance, overweights to the US market, Canada, and Earnings Variability were all positives. On the negative side, the portfolio's exposures to Canada and U.S. Metals accounted for the vast majority of the negative return.

Top 6 Factor Contributors	Active Exp	Factor Rtn	Factor Cont
NorthAm:US Market	0.26	5.48	1.3
Style:CA EarnVarib	0.63	2.02	1.14
Currency:CAD	0.61	1.88	0.97
LatAm:LA Market	0.16	4.49	0.62
Style:CA Leverage	-0.58	-1.07	0.54
Style:LA TradeAct	0.38	0.99	0.3

Sector Contributors	Active Exp	Total Rtn	Sector Cont
ETFMG PRIME JUNIOR SILVER ET	100	-19.02	-19.02
Industrials	1.24	-22.85	-0.29
Materials	97.58	-19.07	-18.73
Not Classified	1.18	-1.32	0

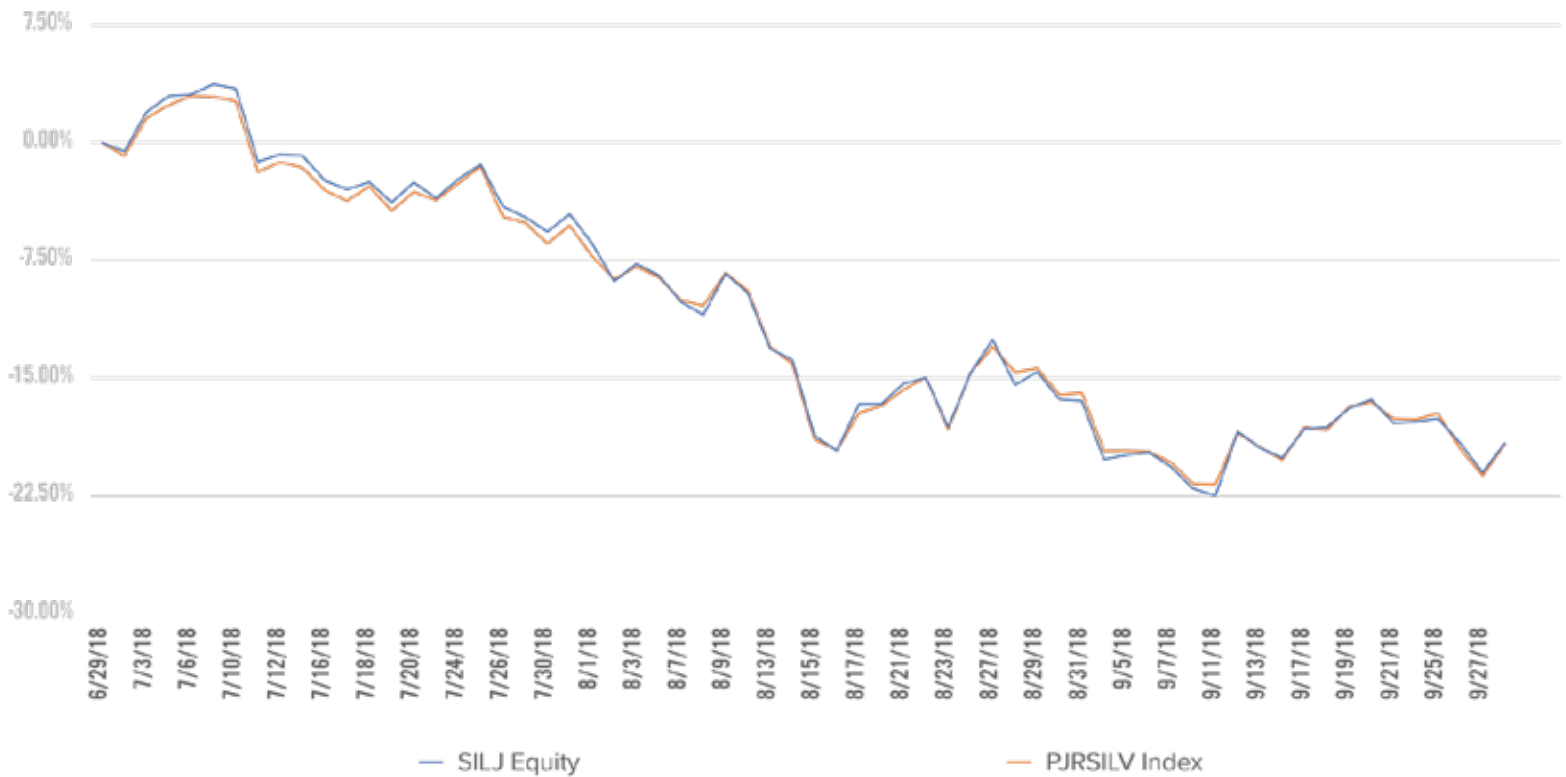
Drilling down to look at the components of the style factor, we see that both Momentum and Size had negative impact on performance but were offset by Earnings Variability and Leverage. Therefore, style was only slightly net negative in Q3.

Style Return	Contribution
Earnings Variable	1.13
Momentum	-1.11
Size	-1.08
Leverage	0.63
Dividend Yield	-0.52
Trade Activity	0.31
Profitability	-0.26
Growth	0.21
Liquidity	-0.12
Volatility	0.03
Value	-0.01



Looking at fundamental factor performance, factors contributing positively were overweights to the Canadian market as a whole as well as to the Canadian precious metals industry specifically, while an overweight to the CAD currency and an underweight to Canadian leverage were the main detractors.

## Q3 2018 TOTAL RETURN



# PERFORMANCE<sup>1</sup>

<sup>1</sup>Fund performance before 8/1/17 was based upon the ISE Junior Silver (Small Cap Miners/Explorers) Index.

	CUMULATIVE				ANNUALIZED				
	1 month	3 months	YTD	Since Incep.	1 year	3 years	5 years	10 years	Since Incep.
<b>MARKET PRICE</b>	- 3.23%	- 19.14%	- 23.35%	- 55.19%	- 26.64%	17.88%	- 5.36%		- 12.85%
<b>NAV</b>	- 3.88%	- 18.99%	- 23.49%	- 55.15%	- 26.50%	19.29%	- 5.19%		- 12.83%

**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. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. These risks are greater for investments in emerging markets. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual issuer volatility than a diversified fund. Funds that are less diversified across countries or geographic regions are generally riskier than more geographically diversified funds and risks associated with such countries or geographic regions may negatively affect a Fund. Investments in smallcapitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. The ETFMG Prime Junior Silver ETF is subject to risks associated with the worldwide price of silver and the costs of extraction and production. Worldwide silver prices may fluctuate substantially over short periods of time, so the Fund's share price may be more volatile than other types of economic conditions, tax treatment, government regulation and intervention, and world events in the regions in which the companies operation. Several foreign countries have begun a process of privatizing certain entities and industries. Privatized entities may lose money or be renationalized. The Fund invests in some economies that are heavily dependent upon trading with key partners. Any reduction in this trading may cause an adverse impact on the economy in which the Fund invests. The Fund's return may not match or achieve a high degree of correlation with the return of the Prime Junior Silver Miners & Explorers 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 Junior Silver Miners & Explorers Index. IOPV or indicative optimized portfolio value is an estimated intraday fair value of one share of an ETF determined by the last trade price of the fund's underlying securities. 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 Junior Silver Miners & Explorers Index is designed to provide a benchmark for investors interested in tracking public, small-cap companies that are active in silver mining exploration and production industry. The stocks are screened for liquidity and weighted according to modified free-float market capitalization. The Index generally is comprised of 25-35 securities. An investment cannot be made directly in an index.

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

The Fund is distributed by ETFMG Financial LLC. ETF Managers Group LLC and ETFMG Financial LLC are wholly owned subsidiaries of Exchange Traded Managers Group LLC (collectively, "ETFMG"). ETFMG Financial LLC is not affiliated with Prime Indexes.