



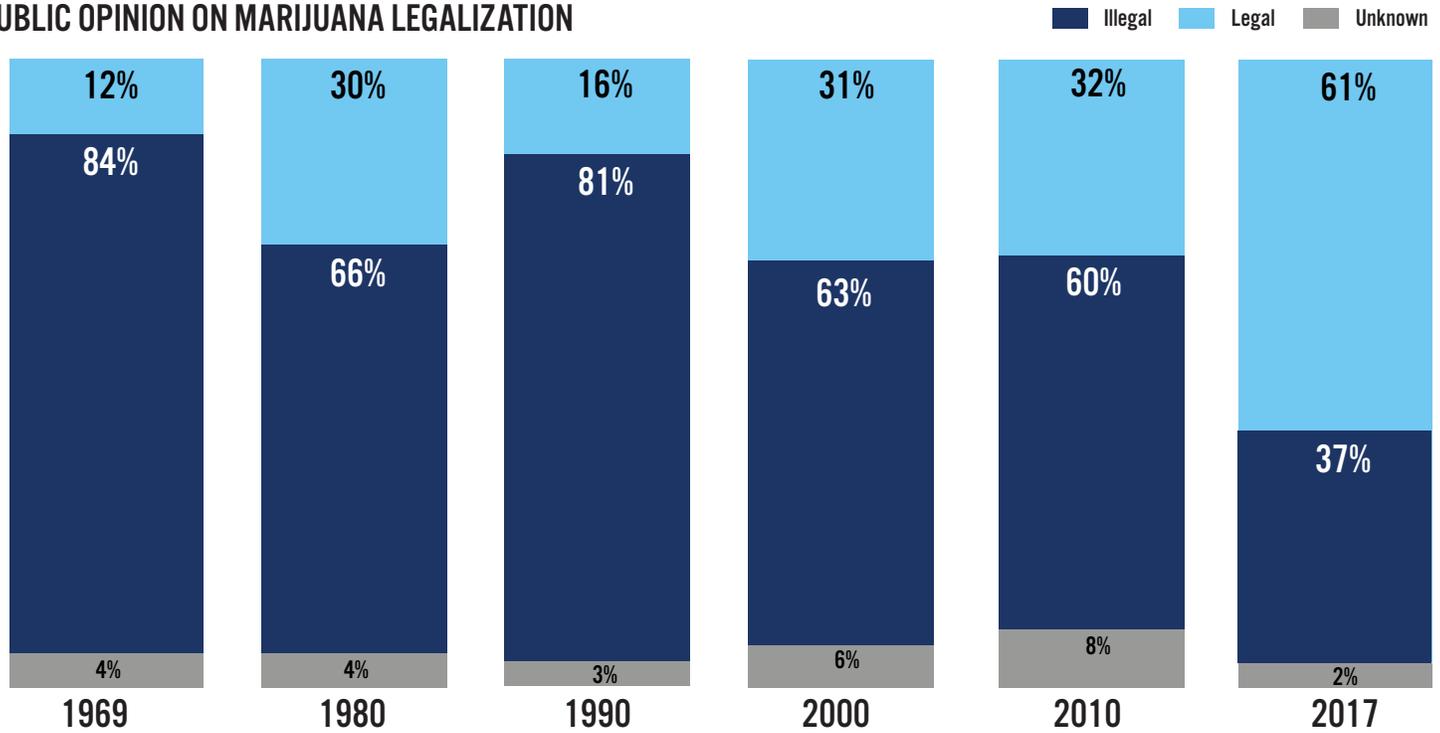
Investment CASE



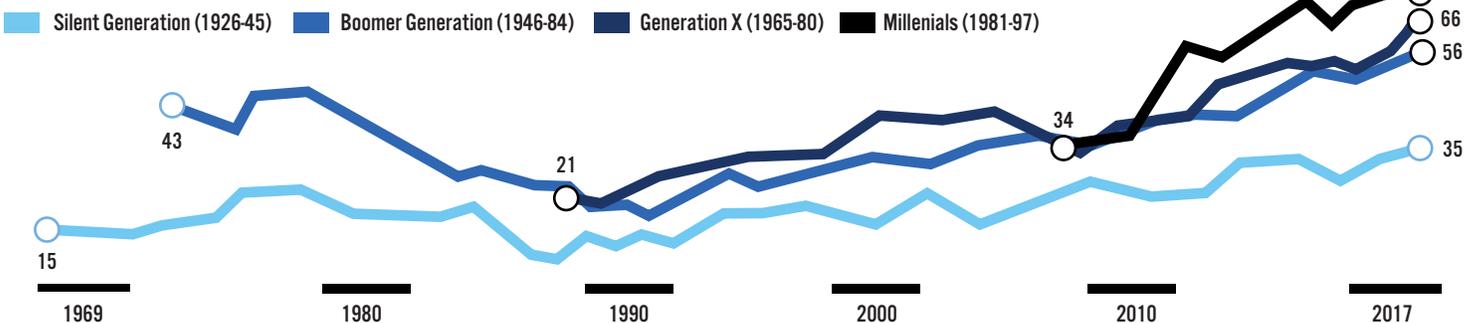
CANNABIS RENAISSANCE

Ancient knowledge is being rediscovered. Cannabis, a flowering plant used medicinally and recreationally for centuries, is finding its way into modern medicine and industry. Marijuana, which is the drug made from the plant's leaves and widely considered a controlled substance, is losing its stigma in the U.S. and around the world. The firms that could benefit from this changing perception see opportunities with medicinal applications, industrial innovation, and recreational use. Those companies are the focus of the Alternative Harvest ETF (MJ).

U.S. PUBLIC OPINION ON MARIJUANA LEGALIZATION



% PRO MARIJUANA ADVOCATES



Note: 1973-2008 data from General Social Survey; 1969 and 1972 data from Gallup. Source: Survey of U.S. adults conducted Oct. 25-30, 2017. PEW RESEARCH CENTER
 Source: http://www.pewresearch.org/fact-tank/2018/01/05/americans-support-marijuana-legalization/ft_18-01-05_marijuana_line_update/

POTENTIAL FOR BIG BUSINESS

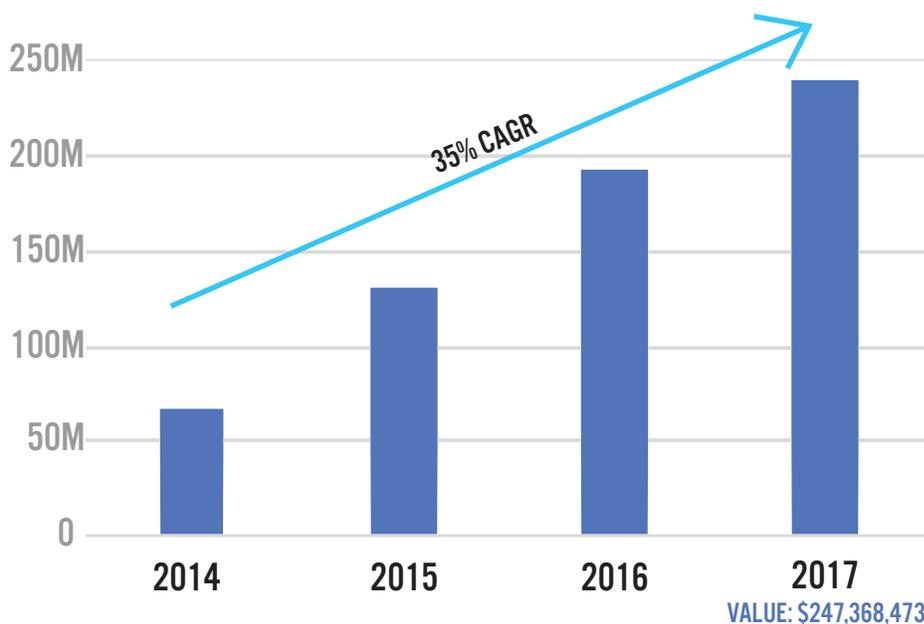
“...total U.S. marijuana sales are already over half that of U.S. cigarette sales.”

According to market research firm Arcview, North American black market marijuana sales in 2016 were \$46.4 billion, while legal marijuana sales were \$6.9 billion, for a total of \$53.3bln. To give some context, total U.S. marijuana sales are already over half that of U.S. cigarette sales. According to tobacco industry trade group TMA, U.S. cigarette revenue in 2016 was about \$93.4 billion, despite the massive tobacco settlement and government efforts to reduce consumption. As legalization initiatives continue to expand, marijuana sales could continue to scale into a tobacco-sized market.

Tobacco companies are well-suited to take advantage of expanding cannabis legalization. The cigarette business is based on the infrastructure of processing tobacco leaves for recreational smoking. The farming and processing, product design, packaging, distribution, and marketing functions of well-financed tobacco companies can be leveraged to expand into cannabis. Indeed, some ‘Big Tobacco’ companies have either acquired or are funding research of e-cigarette technology, a popular delivery system of cannabis.¹

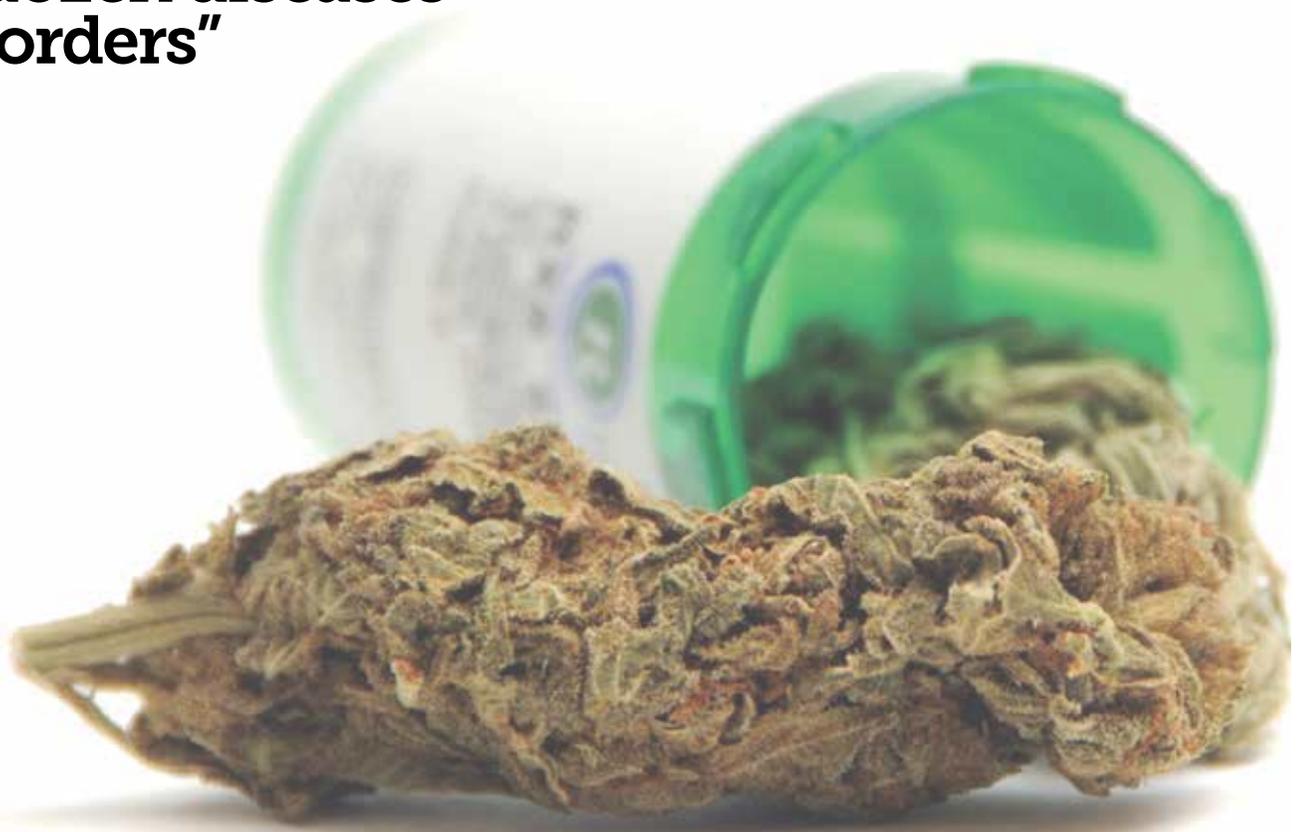
There are significant incentives for state and local governments to broaden legalization because recreational marijuana may generate significant tax revenue for the states that allow it. The chart on the right shows how Colorado’s tax and fee revenue has increased at a 35% compound-annual-growth-rate (CAGR) since legalization.

COLORADO RECREATIONAL MARIJUANA - TAX AND FEE REVENUE



Source: <https://www.colorado.gov/pacific/revenue/colorado-marijuana-tax-data>

“Medical marijuana is used in the treatment of more than a dozen diseases and disorders”



EXPANDING MEDICAL APPLICATIONS

Medical marijuana is used in the treatment of more than a dozen diseases and disorders, and the list continues to expand. Many states have legalized medical marijuana to treat patients suffering from cancer, Alzheimer’s Disease, Parkinson’s Disease, multiple sclerosis, HIV/AIDS, Crohn’s Disease, seizures, PTSD, and many others.²

Already, there are FDA approved drugs that are derived from natural or synthetic cannabinoids, such as delta-9- tetrahydrocannabinol (THC) and cannabidiol (CBD), and more are in clinical trials. Biopharmaceutical companies see the potential of cannabinoid-based medications as replacements for opioid drugs, which are highly addictive and have led to prescription drug abuse.³

According to the National Institute on Drug Abuse 90 Americans die from an opioid overdose each day. Further, the Center for Disease Control and Prevention estimates that prescription opioid misuse alone creates an “economic burden” in the U.S. of \$78.5 billion per year.⁴ Recent research is focusing on cannabis as an effective substitute to opioids because cannabis reduces the chances of dependence and eliminates the risk of fatal overdose.⁵



A NEW ECOSYSTEM

Medical and recreational marijuana consumption will likely be the primary growth drivers, but new applications are emerging.

Legalization will expand use of industrial hemp. Hemp, which is also derived from the cannabis plant, has very low concentrations of the psychoactive component in marijuana (THC). Historically, hemp has been refined into a wide variety of products, such as paper and textiles, but has been illegal to farm in the U.S. due to its relationship to marijuana. Legalization would allow it to be farmed domestically rather than imported, and meet the demand of new applications such as alternatives to housing insulation, concrete, and fiberglass.

Supporting businesses are also expected to emerge, including hydroponic equipment, fertilizers and pesticides, and alternative delivery systems. For example, some companies are developing soluble strips, creams, and sprays that may allow patients to apply cannabinoid-based medicine rather than ingesting pills.

“Legalization will expand use of industrial hemp.”

POTENTIAL BENEFITS OF AN ETF FOR INVESTMENT IN THE MARIJUANA THEME

1

Diversified Access to Marijuana-related companies

ETFs allow investors to diversify across a broader group of companies in the same theme. Rather than manage a position in one or more individual stocks, an ETF can provide exposure to a portfolio of companies that are engaged in the same or highly adjacent industries.

2

Global Marijuana-related Stocks

ETFs allow investors to get exposure to the performance of international companies that they would otherwise not be able to access from their traditional brokerage and investment accounts. The ETFMG Alternative Harvest ETF (MJ) is a global portfolio that includes stocks from the U.S., Canada, Europe, and Asia.

3

Convenience

ETFs enable investors to own multiple positions across different companies in the same industry in a more convenient manner than buying the ETF components directly.

4

Tax Efficiency

Lastly, ETFs typically provide greater tax efficiency for investors versus other investment products.

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 statutory and summary prospectus, which may be obtained by calling 1-844-383-6477, or by visiting www.etfmj.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 possession and use of marijuana, even for medical purposes, is illegal under federal and certain states' laws, which may negatively impact the value of the Fund's investments. Use of marijuana is regulated by both the federal government and state governments, and state and federal laws regarding marijuana often conflict. Even in those states in which the use of marijuana has been legalized, its possession and use remains a violation of federal law. Federal law criminalizing the use of marijuana pre-empts state laws that legalizes its use for medicinal and recreational purposes. Cannabis companies and pharmaceutical companies may never be able to legally produce and sell products in the United States or other national or local jurisdictions.

The Fund's investments will be concentrated in an industry or group of industries to the extent that the Index is so concentrated. In such event, the value of the Fund's shares may rise and fall more than the value of shares of a fund that invests in securities of companies in a broader range of industries. The consumer staples sector may be affected by the permissibility of using various product components and production methods, marketing campaigns and other factors affecting consumer demand. Tobacco companies, in particular, may be adversely affected by new laws, regulations and litigation. The consumer staples sector may also be adversely affected by changes or trends in commodity prices, which may be influenced or characterized by unpredictable factors.

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 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 is not affiliated with Prime Indexes.

Sources:

- ¹Imperial Brands PLC acquired e-cigarette liquid maker Nerudia in late 2017; Japan Tobacco Inc. acquired e-cigarette marker Logic Technology Development LLC in 2015; Altria Group acquired the e-vapor business of Green Smoke, Inc. in 2014; blue Cigs was acquired Lorillard Tobacco Company in 2012 (Lorillard was acquired by Reynolds American in 2014).
- ²<https://www.leafly.com/news/health/qualifying-conditions-for-medical-marijuana-by-state>
- ³<https://www.drugabuse.gov/about-nida/legislative-activities/testimony-to-congress/2016/americas-addiction-to-opioids-heroin-prescription-drug-abuse>
- ⁴<https://www.ncbi.nlm.nih.gov/pubmed/27623005>
- ⁵Reiman A, Welty M, Solomon P. Cannabis as a Substitute for Opioid-Based Pain Medication: Patient Self-Report. 2017. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5569620/>
- ⁶https://ballotpedia.org/Marijuana_on_the_ballot#By_year
- ⁷www.forbes.com