



2018 Q3 COMMENTARY



MARKET COMMENTARY

Q3 2018 saw a number of significant developments for the young, but expanding, cannabis industry.

Arguably, the largest regulatory development occurred in September when the Drug Enforcement Agency (DEA) announced that cannabidiol (CBD) drugs with THC content below 0.1% are now considered Schedule 5 drugs as long as they have been approved by the U.S. Food and Drug Administration (FDA). The DEA's rescheduling comes on the heels of the FDA approval of its first non-synthetic cannabis-derived medicine, EPIDIOLEX®, a CBD preparation made by GW Pharma for rare forms of epilepsy.

Meanwhile, in Canada, the federal and provincial governments continue to move towards legalization of recreational use of cannabis nationwide for adults. As expected, the Cannabis Act will become effective on October 17, 2018, officially ending 95 years of recreational cannabis prohibition in Canada.

In a 'first' for the industry, on July 19, Tilray (NSDQ: TLRY) became the first pure-play marijuana company to go public on a major U.S. exchange. While Canopy Growth Corp. (NYSE: CGC) and Cronos Group Inc. (NSDQ: CRON) are also listed on major U.S. exchanges, Tilray is unique in that it is only listed on a U.S. exchange – and not on a Canadian exchange. Demand from U.S. investors for Tilray shares have been strong – after pricing its IPO at \$17/share, Tilray's stock price closed the quarter at \$143.62.



Canopy Growth Corporation had two major developments in Q3. In August, it was announced that Constellation Brands, Inc. (NYSE: STZ) would take an additional \$4 billion stake in Canopy Growth. With this latest investment coupled with the execution of some warrants, Constellation will end up owning 38% of Canopy Growth. Constellation also has the right to buy up an additional 139.7 million new shares in Canopy Growth over the next three years. If Constellation utilizes these warrants, it could raise its total stake in Canopy Growth to more than 50%. The other major Q3 development for Canopy Growth involved the spin-off of its venture capital investment platform – Canopy Rivers – in September. Canopy Rivers Inc. completed its spin-off from Canopy Growth and started trading on the TSX Venture exchange under the ticker symbol “RIV”.

Two other Canadian cannabis companies took steps to strengthen their position in the U.S. markets while staying outside U.S. federal laws. Licensed marijuana producer, Aphria Inc. (TSX:APH), completed its exit of the U.S. market by completing the sale of its remaining holdings in Liberty Health Sciences Inc. (CNSX: LHS). Aphria’s CEO said it will re-enter the U.S. market and become a significant player in the U.S. cannabis industry when its federal laws are changed. In the interim, it has an irrevocable option to repurchase its prior Liberty holdings for five years. Having completed its spin-off of Liberty Health, it is anticipated that Aphria will now obtain a listing on a major U.S. exchange to have better access to the U.S. capital markets and its investor base.

In late September, Aurora Cannabis Inc. (TSX: ACB) announced that it is planning to list its shares on a major U.S. exchange in October 2018. Aurora’s chief corporate officer Cam Battley has told the media that a new listing will expand the potential investor base for the company to include U.S. institutional investors.

FUND PERFORMANCE

MJ ETF returned 38.09% for the quarter ended September 30, 2018, as investors' demand for shares in cannabis-related companies far outpaced supply. At the security level, MJ was led by Tilray (TLRY, +438.6%), Canopy Growth (WEED, +66.1%), and Cronos (CRON, +73.0%). Companies detracting from fund performance include Cann Group (CAN AU, -23.6%), MedReleaf (LEAF, -8.5%), and Radient (RTI CN, 4.3%). MedReleaf was acquired by Aurora Cannabis in late July.

Top 10 Postive Contributors	Average Weight (%)	Total Return (%)	Contribution to Return (%)
TILRAY INC-CL 2	2.65	438.61	8.37
CANOPY GROWTH CO	7.77	66.12	5.82
CRONOS GROUP INC	7.15	73.33	5.19
AURORA CANNABIS	7.55	35.72	3.73
CANNTRUST HOLDIN	4.50	65.10	2.75
HEXO CORP	4.32	64.04	2.26
GW PHARM-ADR	5.29	23.79	1.50
CORBUS PHARMACEU	2.72	49.50	1.27
EMERALD HEALTH T	3.30	26.45	1.24
TERRASCEND CORP	2.50	60.07	1.19

Bottom 10 Negative Contributors	Average Weight (%)	Total Return (%)	Contribution to Return (%)
CANN GROUP LTD	1.76	-23.63	-0.66
MEDRELEAF CORP	1.58	-8.50	-0.60
RADIANT TECHNOLO	0.92	4.32	-0.58
VECTOR GROUP LTD	1.37	-22.19	-0.40
GIMA TT SPA	1.39	-23.51	-0.40
GREEN ORGANIC DU	5.62	13.17	-0.36
HUABAO INTL	1.41	-13.44	-0.22
SCHWEITZER-MAUDU	1.46	-11.43	-0.19
CRONOS GROUP INC	0.33	-1.42	-0.19
SCOTT'S MIRACLE	1.46	-4.62	-0.11

Looking at fundamental factor performance, factors contributing positively were the portfolio's exposures to the Healthcare sector and Earnings Variability. Other top contributors are as follows:

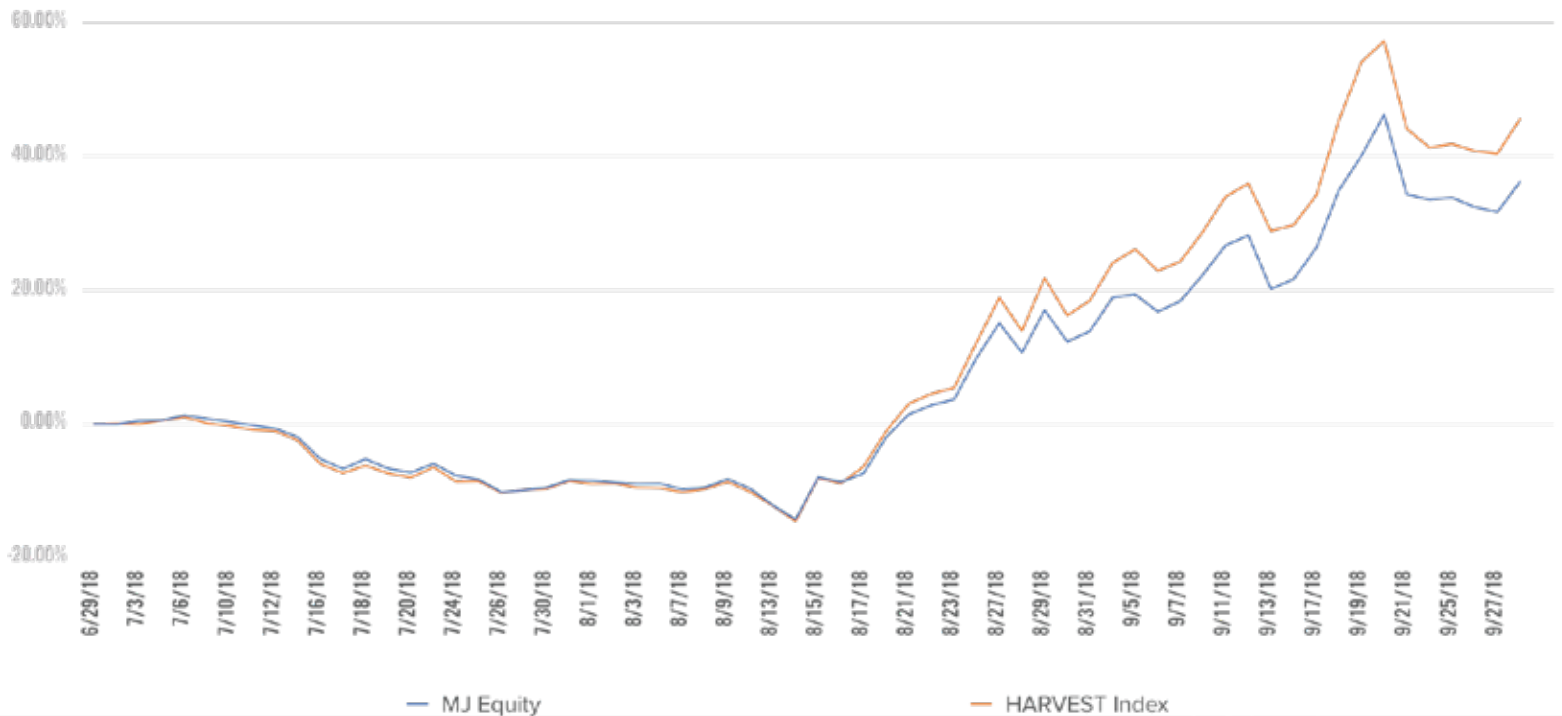
Top 6 Factor Contributors	Active Exp	Factor Rtn	Factor Cont
Industry:CA HealthCar	0.48	21.53	10.81
Style:CA EarnVarib	1.6	2.02	3.75
NorthAm:US Market	0.25	5.48	1.54
Currency:CAD	0.58	1.88	1.21
Style:CA TradeAct	1.26	0.62	0.85
Style:CA Growth	1.3	0.47	0.75

Style Return	Contribution
Earnings Variable	3.51
Momentum	-0.36
Size	-1.42
Leverage	0.73
Dividend Yield	-0.59
Trade Activity	0.86
Profitability	-0.40
Growth	0.72
Liquidity	0.00
Volatility	-0.02
Value	0.99

The breakdown of the style factors shows the most significant positive contribution coming from Earnings Variability and Value, while the main detractors were Size and Dividend Yield.



Q3 2018 TOTAL RETURNS



PERFORMANCE¹

¹Performance of the Fund prior to December 26, 2017 was based upon the total return of an entirely different index.

	CUMULATIVE				ANNUALIZED				
	1 month	3 months	YTD	Since Incep.	1 year	3 years	5 years	10 years	Since Incep.
MARKET PRICE	19.62%	36.22%	23.42%	92.95%	30.10%				26.14%
NAV	22.09%	38.09%	25.96%	97.33%	33.85%				27.15%

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 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.