EMQQ THE EMERGING MARKETS INTERNET ETF


Alibaba HQ, Hangzhou, China

Understanding **EMQQ**

EMQQ The Emerging Markets Internet & Ecommerce ETF **(NYSE: EMQQ)** is an exchange traded fund ("ETF") that tracks an index of leading Internet and Ecommerce companies serving Emerging Markets. It seeks to offer investors exposure to the growth of online consumption in the developing world. EMQQ holdings operate in diverse markets such as India, China, Brazil, Turkey, Nigeria and Indonesia, to name a few. To be included, the companies must derive their profits from Ecommerce or Internet activities and include search engines, online retail, social networking, online video, e-payments, online gaming and online travel.

Why do **emerging markets** matter?

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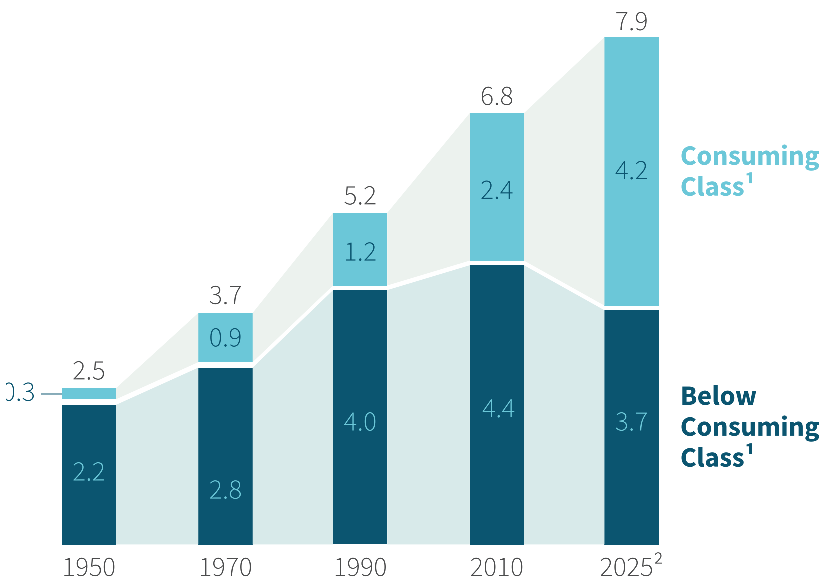
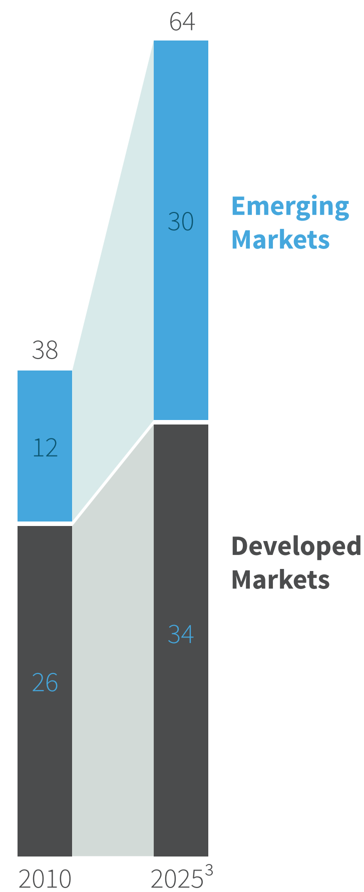
By 2025, the consuming class will swell to 4.2 billion people. Consumption in emerging markets will account for $30 trillion - nearly half of the global total.

World Population, billions

Source: McKinsey & Co., 2012: "Winning the $30 trillion decathlon: Going for gold in emerging markets"



World Consumption, $ trillion



[1] Consuming class: daily disposable income is ≥$10; below consuming class, <$10; incomes adjusted for purchasing-power parity.

[2] Projected.

[3] Estimate based on 2010 private-comsumption share of GDP per country and GDP estimates for 2010 and 2025; assumes private consumption's share of GDP will remain intact.

Where the growth is: **Ecommerce in Emerging Markets**

The transformative effects of the Internet are making themselves felt more strongly than ever before in emerging markets as fledgling middle classes expand and discretionary incomes rise. The plunging costs of smartphones and wireless broadband are providing unprecedentedly large swaths of the population in developing countries with access to the Internet for the first time, both in rural and urban areas.

Today, there are roughly 2 billion smartphone users worldwide. By 2020 that number appears set to double to more than 4 billion , or about 80% of all adults on earth, and with smartphones upending the ways people shop, date, or even hail a cab, Ecommerce is well positioned to take advantage of the growth in consumption in emerging markets.

The **"Leapfrog"** effect

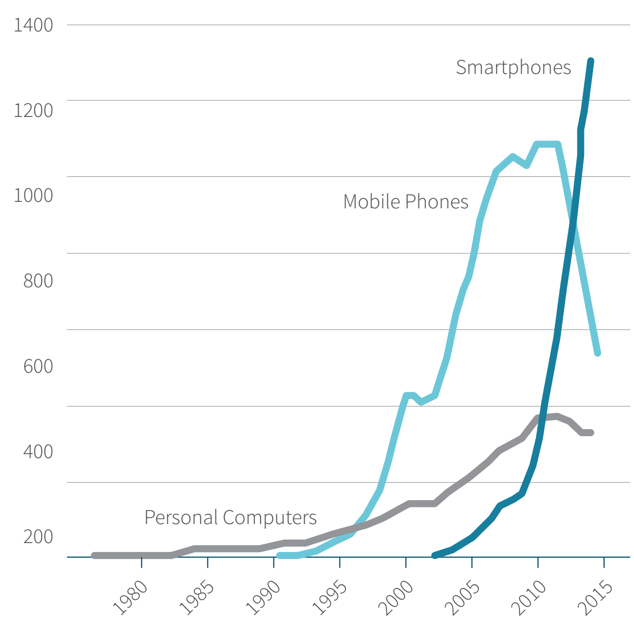
Thanks to a comparatively underdeveloped brick-and-mortar retail sector in emerging markets, it is reasonable to imagine a future where online sales in emerging markets make up a greater proportion of retail sales than in developed economies.

The vast majority of emerging market consumers have never owned a car, have never had a big box retail store to drive to, nor have they owned a computer of any kind, let alone one with an Internet connection. Without this traditional consumption infrastructure in place, Ecommerce companies are enabling emerging market consumers to "leapfrog" this stage of economic development entirely, moving on to the 21st century patterns of consumption now increasingly dominant throughout the developed world.

The arrival of Ecommerce in the developing world is manifesting itself in significant revenue growth and value creation. The revenue of the companies in EMQQ grew from $13 billion in 2009 to $73.8 billion in 2014—a total 5 year growth of 468% and an average annual growth rate of 41.5%. And while the rate of revenue growth is likely to slow over time, it was still an impressive 39.9% in 2014.

Shipments - Electronics, millions

Source: The Economist, 2015



Filling the hole in major **Emerging Market ETFs**

EMQQ avoids the gaps that traditional index methodologies produce by requiring that its constituents derive at least half of their revenue from Ecommerce in emerging or frontier markets. In other words, EMQQ is agnostic when it comes to exchange listing or company domicile; as long as a company generates more than half of its revenue in emerging markets, it is eligible for consideration for inclusion in the index.

Many investors were aware of the recent Alibaba IPO , however they might be surprised to learn that Alibaba is NOT included in the largest emerging market ETFs because it is listed on the NYSE and so does not qualify for inclusion in traditional emerging market indexes. Alibaba is hardly alone. Many leading emerging market Ecommerce companies, from Yandex, "the Russian Google," to MercadoLibre, "the Amazon.com of South America" have elected to list their companies on American stock exchanges.

Better **Corporate Governance**

While traditional emerging market ETFs are typically dominated by inefficient and often corrupt state owned enterprises ("SOEs"), all of EMQQ's holdings are private companies and most are financed by American venture capital. Furthermore, the majority of the companies in EMQQ are listed on either the NYSE or NASDAQ, and therefore subject to higher listing standards and greater transparency than exchanges in emerging markets. This translates into more stringent ethical guidelines as well as better corporate governance.

A **Diversified** Approach

EMQQ provides diversified exposure to over 40 emerging market Ecommerce companies using a modified float-adjusted market capitalization weighting methodology, with the largest holding capped at an 8% weighting. This seeks to prevent any single company from exercising an outsize influence on the ETF.

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 visiting www.emqqetf.com. Read the prospectus carefully before investing.

Investing involves risk, including the possible loss of principal. Investments in smaller and mid-sized companies typically exhibit higher volatility. The fund is non-diversified. International investing may involve risk of capital loss from unfavorable fluctuations in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Frontier markets generally have less developed capital markets than traditional emerging market countries, and, consequently, the risks of investing in foreign securities are magnified in such countries. These countries are subject to potentially significant political, social and economic instability, which could materially and adversely affect the companies in which the Fund may invest. The Fund invests in the securities of Internet Companies, including internet services companies and internet retailers, and is subject to risk that market or economic factors impacting technology companies and companies that rely heavily on technology advances could have a major effect on the value of the Fund's investments.

There is no guarantee that the Fund or the index will achieve its investment objective.

The NAV of the Funds shares is calculated each day the national securities exchanges are open for trading as of the close of regular trading on the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern time (the NAV Calculation Time). Shares are bought and sold at market price not NAV. Closing price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined) and do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns.

Exchange Traded Concepts, LLC serves as the investment advisor, and Penserra Capital Management LLC serves as a sub advisor to the fund. The Funds are distributed by SEI Investments Distribution Co. (1 Freedom Valley Drive, Oaks, PA, 19456), which is not affiliated with Exchange Traded Concepts, LLC or Penserra Capital Management LLC.

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