UNDERSTANDING EMQQ

THE EMERGING MARKETS INTERNET + ECOMMERCE ETF

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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 Internet or Ecommerce activities; constituents of the fund include search engines, online retail, social networking, online video, e-payments, online gaming and online travel.

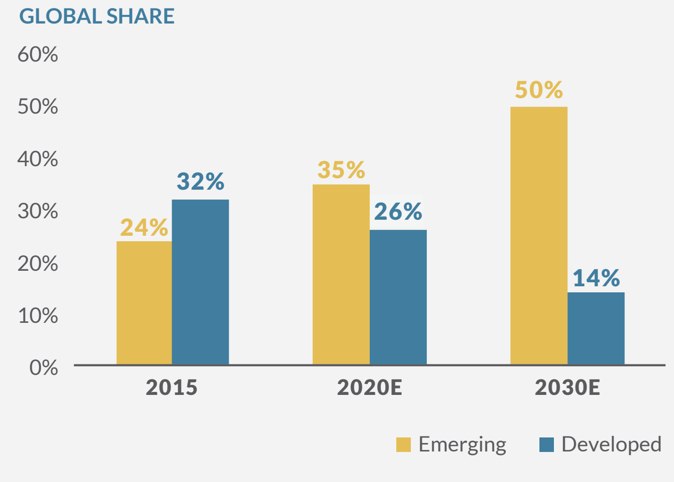
WHY DO EMERGING MARKETS MATTER?

Emerging markets continue to represent tremendous potential because of their youthful populations and growing consumer class. Their ability to "leapfrog" traditional models of consumption is driven largely by the confluence of burgeoning emerging market consumerism, smartphones, and the internet. In fact, McKinsey & Company has called this digital revolution "the biggest growth opportunity in the history of capitalism,"[2] an observation that helped inspire EMQQ's unique approach to investing.

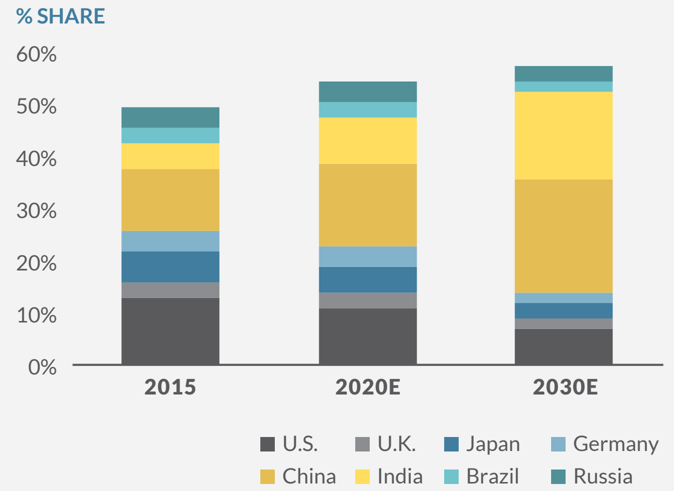
Today, nearly 90% of the world's population under the age of 30 lives in emerging and developing economies.[3] By 2030, the global middle class is expected to swell to 5.5 billion people,[4] with consumption in emerging markets accounting for $30 trillion[5]—nearly half of the global total.

It's All About the Consumer

% of Global Share for Middle Class Consumption *(10 Largest Countries)*



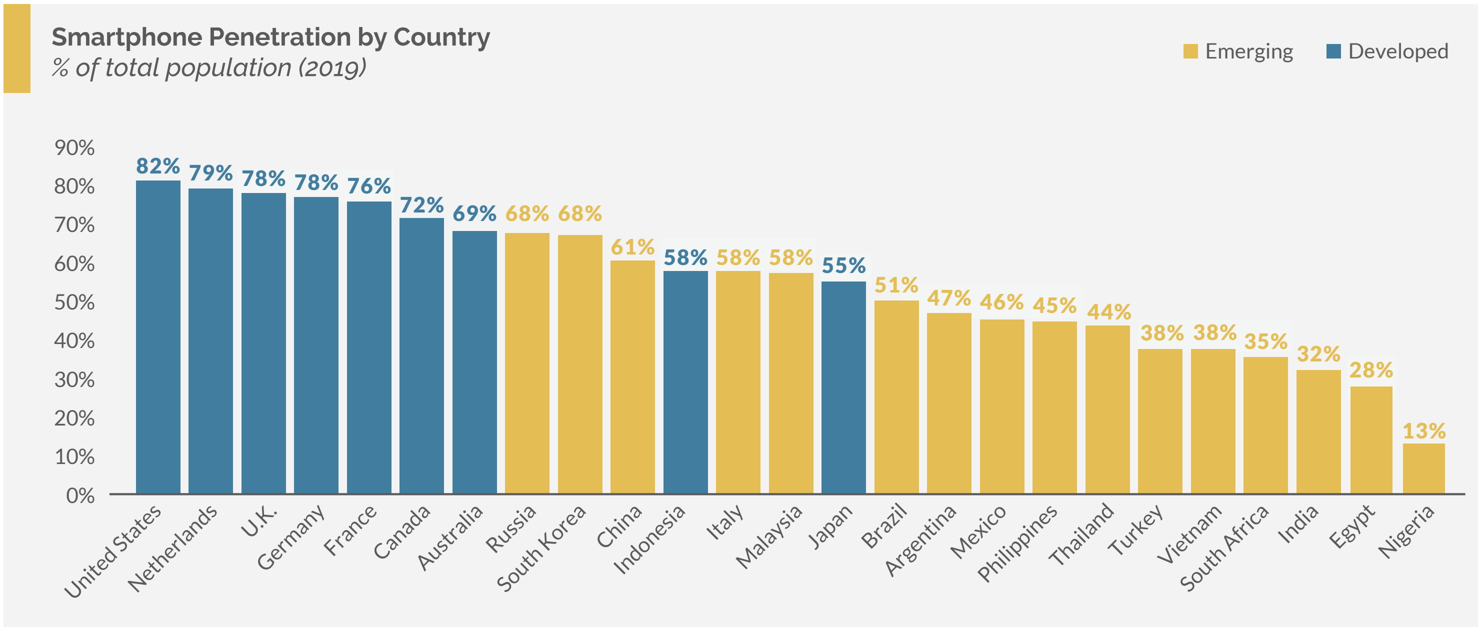
Global Share of Middle Class Consumption By Country



Source: Brookings 2017

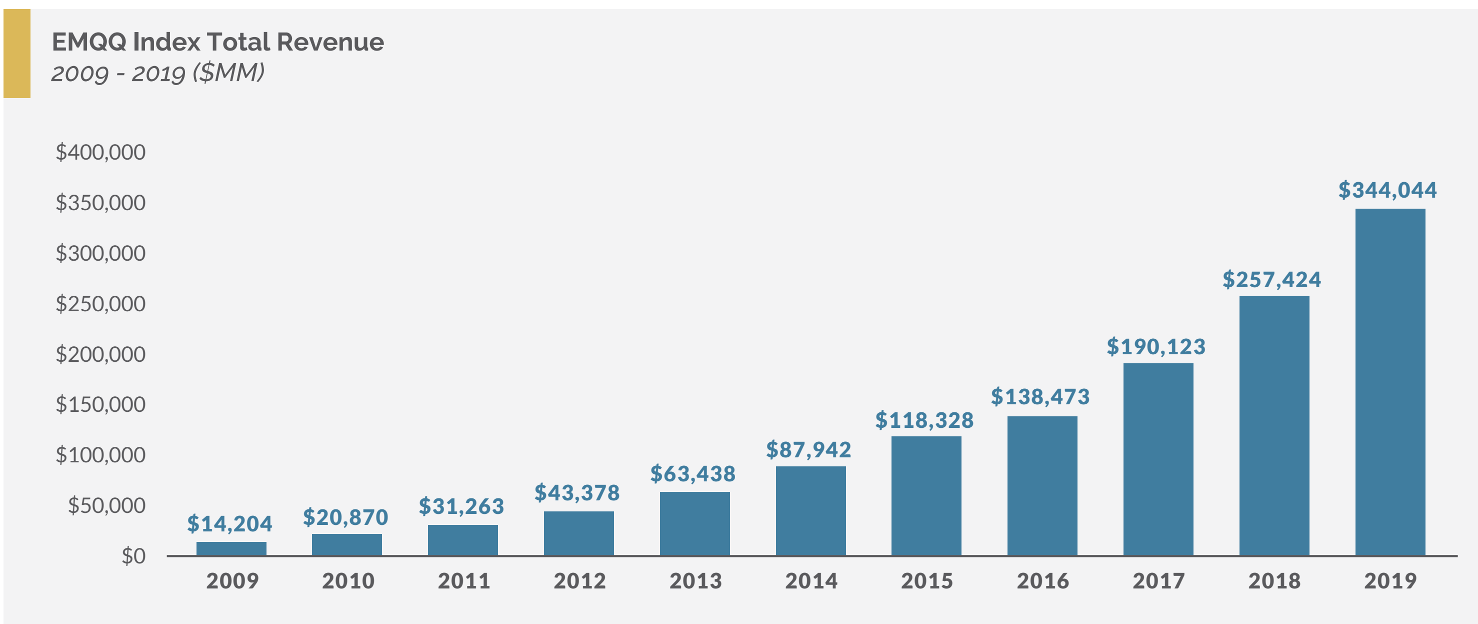
WHERE THE GROWTH IS: THE DIGITAL REVOLUTION IN EMERGING MARKETS

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, enabling revolutions not just in consumption patterns, but also digital payments, communication, healthcare, education, entertainment, grocery delivery, and more.[1] With smartphones upending the ways people shop, date, or even hail a cab, companies focused on Ecommerce and digital innovation are well positioned to take advantage of the growth in consumption in emerging markets.



Source: World Bank, Newzoo

The arrival of the digital revolution in the developing world is already manifesting itself in significant revenue growth and value creation. For the ten years ending in 2019, the companies in EMQQ grew their revenue at a compound growth rate of 38% per year—a total 10-year growth of 497%.[6]

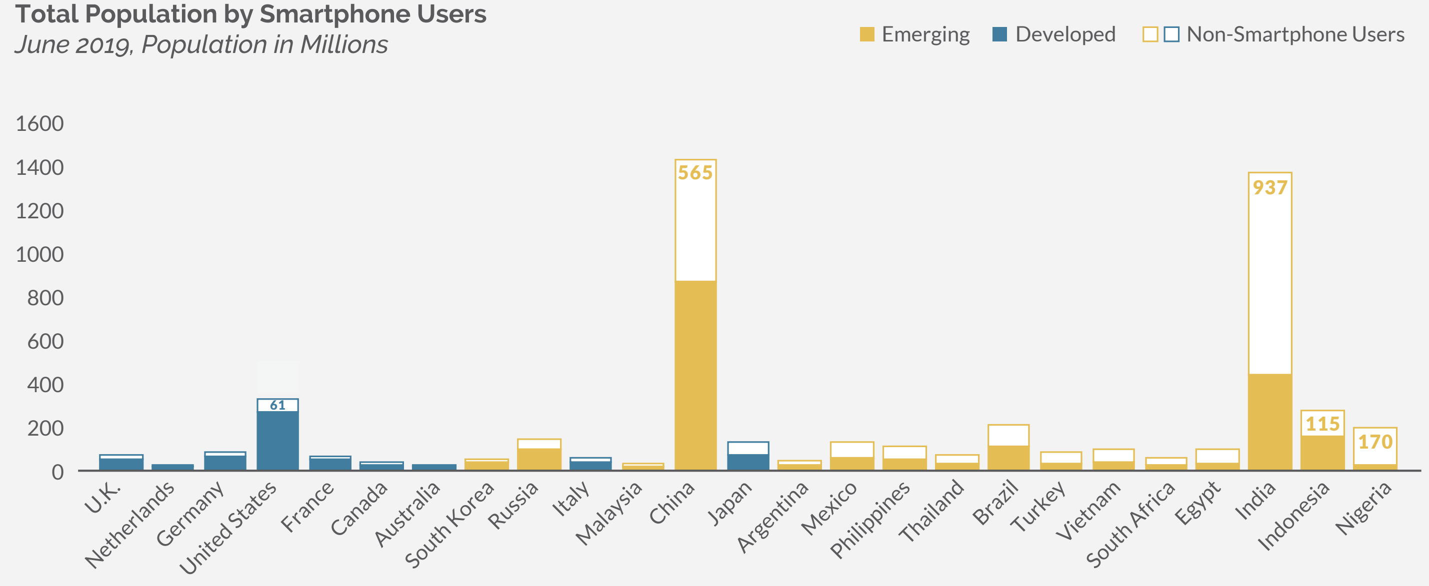


Source: Bloomberg Data, Bigtree Capital LLC Analysis

Revenue data for years prior to 2014 represents historical data of those companies that were index constituents as of 12/31/14.

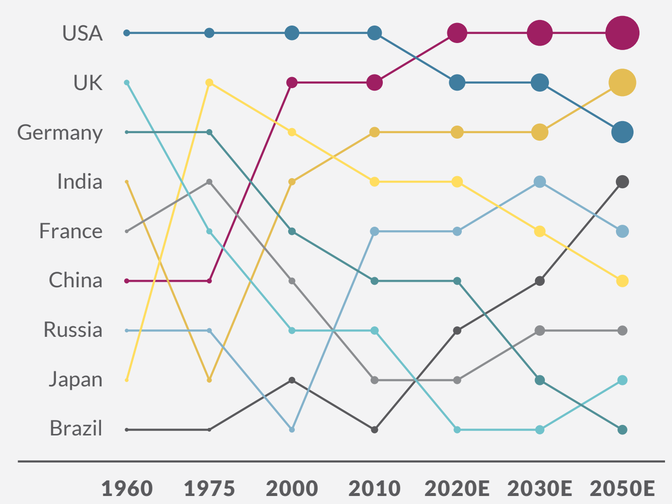
While the growth propelling this revolutionary trend in emerging markets has been extraordinary, there are signs that this opportunity is far from over. There are still over two billion people in the developing world who don't own a smartphone,[7] and smartphone penetration in many emerging markets is in its very early stages.

Total Population by Smartphone Users
June 2019, Population in Millions



Source: World Bank, Newzoo

Projected GDP Rankings Changing Over Time
(bubble size indicates projected relative size of GDP)



Source: World Bank 2017, The World in 2050, PricewaterhouseCoopers

The sheer size of the opportunity can be hard to grasp. India and China have more Millennials than the U.S. and Canada have people,[8] and of the 2.5 billion members of Generation Z (those born between 1995 and 2009), 89% live in emerging and developing markets.[9]

Moreover, the GDP of many emerging market economies are expected to continue growing over the longer term, becoming dominant on the world stage by 2050.

LEAPING FORWARD: THE "LEAPFROG" EFFECT IN ACTION

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, Internet and 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.

Given the relatively 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. Online shopping is projected to overtake brick-and-mortar sales in the U.S. by 2024,[10] and emerging markets may not be far behind. Indeed, China has already become the world's largest e-commerce market, accounting for over 50 percent of global online transactions,[11] even as other regions such as Latin America and Africa transition towards Ecommerce, positioning Internet and Ecommerce companies active in the region for further growth.[12]

FILLING THE GAP IN EMERGING MARKETS ETFS

While many emerging market ETFs appear designed to take advantage of this growing opportunity in emerging markets, the reality is that few have managed to include important emerging market Internet and Ecommerce companies participating in this digital transformation. Companies we believe to be best positioned and truly poised for growth, such as Alibaba, Yandex ("the Russian Google"), or MercadoLibre* ("the Amazon.com of South America"). Some emerging market ETFs waited years after Alibaba's IPO before including the stock in their portfolios.[13] To this day, many emerging market ETFs continue to own state-owned enterprises in legacy industries, rather than focusing on the specific areas of the economy—internet, ecommerce, and digital innovation—that are primed for growth.[14]

EMQQ avoids the gaps that traditional emerging market index methodologies produce—while targeting the areas of the digital economy primed for growth—because it is agnostic when it comes to listing or company domicile. EMQQ's index only requires that its constituents derive at least half of their revenue from Ecommerce in emerging or frontier markets. This stands in stark contrast to other emerging market-centric ETFs that often lag in including U.S.-domiciled emerging market companies or fail to include them altogether.[15]

Instead, traditional emerging market ETFs frequently end up dominated by inefficient and often corrupt state-owned enterprises ("SOEs").[16] To avoid this common pitfall of emerging market investing, all of EMQQ's holdings are private companies and most are listed on U.S. exchanges and financed by American venture capital, resulting in greater accountability in the form of higher transparency with stringent ethical guidelines and better corporate governance.

A DIVERSIFIED APPROACH

EMQQ provides targeted exposure to a global theme with over 80 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.

With a significant proportion of its holdings deriving their revenue from outside of China, EMQQ also seeks to position investors for future growth in frontier and emerging markets, which have more room to grow in terms of smartphone usage and internet access as their economies transition to 21st century models of consumption through Ecommerce.

THE BOTTOM LINE

EMQQ seeks to harness the incredible growth potential of Internet and Ecommerce companies in emerging market economies. Thanks to the great confluence of smartphones, the internet, and growing consumer classes in the developing world, as well as the leapfrog effect that is enabling developing economies to skip over the brick-and-mortar stage that has defined developed market consumer models, EMQQ's constituents have enjoyed strong revenue growth over the last decade and appear well-positioned to continue to do so in the future.

* Holdings are subject to change.

ENDNOTES

1 GSMA Accelerating Affordable Smartphone Ownership in Emerging Markets (gsma.com)

2 World Bank, Newzoo 2019, Big Tree Capital LLC

3 As of 2012. “Statistics on Youth,” UNESCO, Accessed November 17, 2020.

4 “Developments and Forecasts of Growing Consumerism,” European Commission, Accessed November 17, 2020.

5 GSMA Accelerating Affordable Smartphone Ownership in Emerging Markets (gsma.com)

6 Bloomberg Data, Big Tree Capital LLC Analysis

7 World Bank, Newzoo 2019, Big Tree Capital LLC

8 BofA Thematic Investing 2020

9 Halm Israel et al., OK Zoomer: Gen Z Primer (Bank of America: BofA Global Research, 2020), page 29.

10 Generix Group. “In 2024 E-commerce will overtake physical retail,” Generix Group, March 27, 2020.

11 John Ninia. “The impact of e-commerce: China versus the United States,” Cornell SC Johnson School of Business, February 18, 2020.

12 Oxford Business Group. “Online shopping continues to grow in emerging markets, despite challenges,” Oxford Business Group, Accessed November 17, 2020

13 Tariro Mzezewa. “MSCI adds Alibaba, other U.S.-listed China shares to indexes,” Reuters, Novermber 12, 2015.

14 Daniel Sotiroff. “Be Wary of State-Owned-Enterprises,” MorningStar, October 9, 2019

15 Tariro Mzezewa. “MSCI adds Alibaba, other U.S.-listed China shares to indexes,” Reuters, Novermber 12, 2015

16 Daniel Sotiroff. “Be Wary of State-Owned-Enterprises,” MorningStar, October 9, 2019

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.

Risk Information

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.

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EMQQ

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