

FANZ Investment Case

When you watch Pro Sports you are exposed to companies like Pepsi, Budweiser, McDonald's, Dunkin Donuts and Nike. In fact, a combined 106 companies partner with the core four major professional sports leagues in North America. Why? Because sports sponsorship can help increase their bottom line and brand awareness!



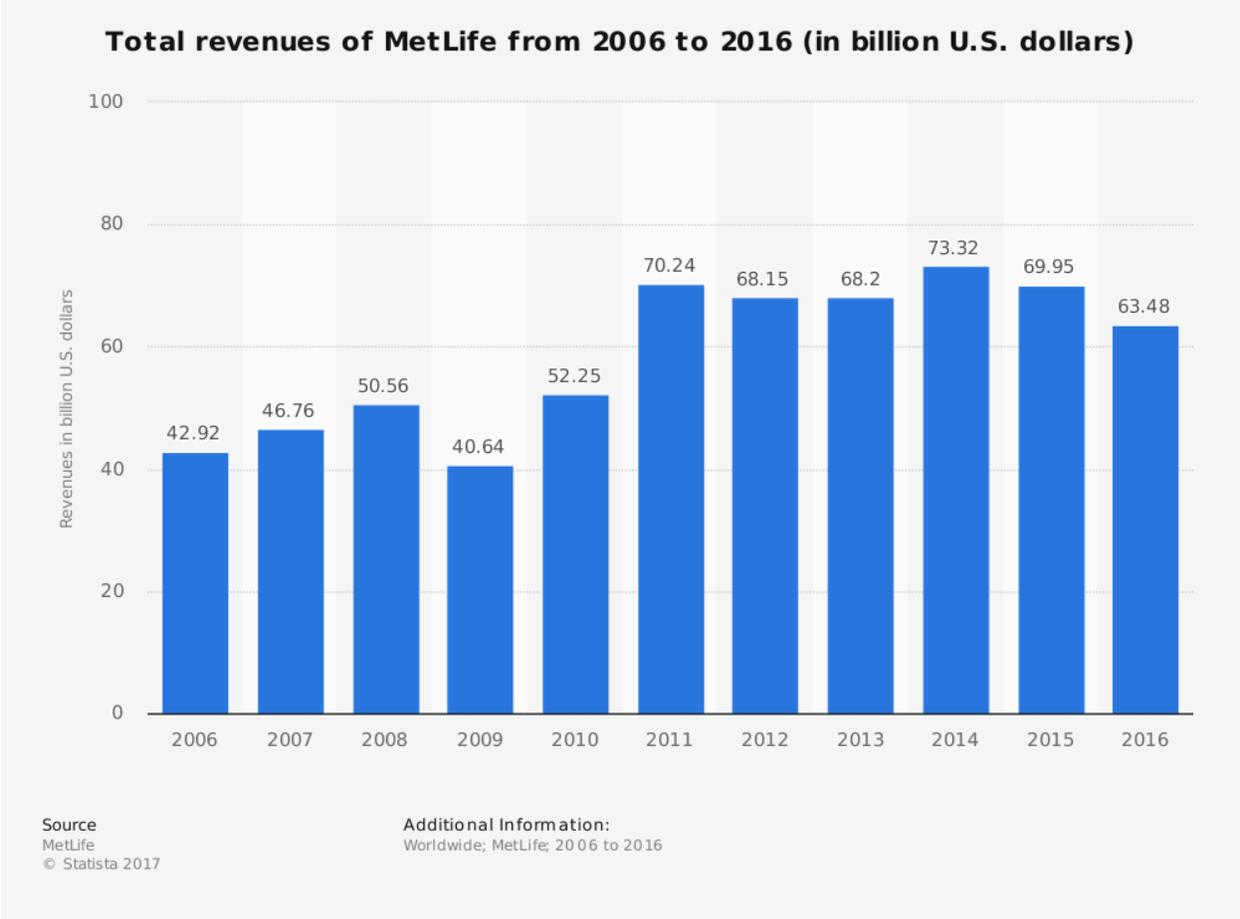
What is Sports Sponsorship?

A sports sponsorship is a commercial agreement between a company and a sports league, or team, that promotes their mutual interests. Companies pay sports organizations for the right to use their shield/logo/trademark and attach it to their products. That connection is powerful for the millions of fans who follow professional sports.

The potential benefits for this sponsorship are twofold: First, it can be a marketing expense that produces an attractive Return on Investment (ROI). Once a partnership is activated it can help grow business by increasing total sales. Second, sports sponsorships can help to create and strengthen brand identity. Many companies looking to enter the North American market (Danone and Hyundai, for example) see sports as a way to get in front of the most active and loyal consumers: Sports Fans!

How does it work? These sports sponsorships allow partner firms to have access to tickets and exclusive opportunities that assist their sales teams. Now top clients have experiences that other similar brands cannot provide, and that can help increase potential business. Also, when your brand is attached to a Pro Sports league it carries more weight in the industry, and clients understand that. When calling on clients as an official partner of a Pro Sports league, and when you have sports tickets and access at your disposal, many more clients and prospects will take your call. Typical call efficiency is making 50 calls a day which leads to have 10 good conversations. An experience within Pro Sports can increase that efficiency. If you can make 25 calls for the same 10 conversations, then you have just doubled your call efficiency rate.

As an example, MetLife signed a 25-year sponsorship for the new Jets and Giants Stadium in **2011**, see the gross revenue chart for MetLife below.¹ Our research found a MetLife salesperson in NYC who made claims of increased sales, referrals and call efficiency rates that he attributed to the Stadium Naming Rights deal and exclusive access that he now could bestow on his best prospects and customers.



Sports Sponsorship Is Big Business

Sports sponsorship spending totaled over \$16B during 2016 and is expected to increase nearly 5% to over \$17B in 2018. Sponsorship of the four major U.S. sports leagues – NFL, MLB, NBA, NHL – totaled over \$3.5B in 2017 according to the ESP Sponsorship Report.

¹ Metlife acquired American Life Insurance Company on 11/1/10. Approximately \$12.5 billion of the revenue increase can be attributed to the acquisition according to MetLife’s 10-K (Notes to Consolidated Financial Statements – Note 2)

NORTH AMERICAN SPONSORSHIP SPENDING BY PROPERTY TYPE

	2016 SPENDING	2017 SPENDING	INCREASE FROM 2016	2018 SPENDING Projected	INCREASE FROM 2017 Projected
SPORTS	\$15.7 BILLION	\$16.26 BILLION	3.6%	\$17.05 BILLION	4.9%
ENTERTAINMENT	\$2.22 BILLION	\$2.29 BILLION	3.2%	\$2.4 BILLION	4.8%
CAUSES	\$1.99 BILLION	\$2.05 BILLION	3.0%	\$2.14 BILLION	4.4%
ARTS	\$962 MILLION	\$993 MILLION	3.2%	\$1.03 BILLION	3.7%
FESTIVALS, FAIRS AND ANNUAL EVENTS	\$878 MILLION	\$903 MILLION	2.8%	\$936 MILLION	3.7%
ASSOCIATIONS AND MEMBERSHIP ORGANIZATIONS	\$604 MILLION	\$616 MILLION	2.0%	\$635 MILLION	3.1%

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Why do companies spend billions of dollars to sponsor sports and how can you participate?

The Bottom Line is the Bottom Line

Pro Sports sponsorships can help companies to increase sales, and loyalty plays a major part. Do you know anyone who wears Nike because LeBron James does? Why is Stephen Curry a pitchman for JP Morgan Chase? How effective are the DirecTV ads with Peyton and Eli Manning as spokespeople? Fans identify with these athletes and are loyal to players, teams and leagues. These companies, and many others, know that identifying their brand with Pro Sports is good for business! Studies have shown that sponsors of sporting events realize increased sales which carry over even after the sponsored event.² Also, sports fans may be more likely to purchase products of companies which sponsor their teams. These fans often associate the product with the attributes and qualities of the team or team members and want to acquire those traits.



² Hartman, Wesley R., and Klapper, Daniel, 2017, Superbowl Ads, Articles In Advance

Builds Brand Awareness and Loyalty

Sponsorships afford the opportunity for a company's brands, products and services to be seen by millions of individuals. Spectators at sports venues can see a company's logo at the stadium or arena. Television can increase and reinforce brands that are seen in-game. How often have we viewed NFL officials reviewing a big play on the sideline? Then you know they are using a Microsoft Tablet to do so! These repeated images create an impression on the viewer that carries over to their purchasing decisions.

Pro Sports creates dedicated fans who may use a brand that their team suggests. Brand loyalty is enhanced through the power of brand affiliation. Studies show sports fans tend to buy a product or service that a team or athlete is promoting.³ Studies have also shown that brand loyalty and trust increase after sports sponsorships.

Drive Excitement and Build Positive Brand Image

Being associated with sports events and organizations can help to drive excitement for a company's brands, products, or services. Not all brands naturally drive excitement. For example, it may be difficult to get too excited about your insurance company or bank. Yet State Farm has done a fantastic job of utilizing NBA superstars Chris Paul, James Harden, DeAndre Jordan and others in their insurance commercials. These companies who partner with Pro Sports know they can drive excitement by being associated with organizations that consumers view as cool or culturally tuned-in. Often, this can be accomplished through sports sponsorship.

Large, Live Audience

Sporting events offer sponsors access to large and diverse audiences. In 2017, twenty-two of the Top 25 most watched TV shows were Sporting Events. Companies can showcase their products to a large audience, reach new largely consumers, or use their sponsorship as a venue to launch new products. As a bonus sports are immune to the DVR. Because sports are consumed 'Live' viewers can't skip through commercials, ensuring maximum exposure to a loyal audience. Those characteristics are very attractive to companies looking to increase their exposure and drive sales.

How Can You Potentially Benefit?

Since sports sponsorship offers attractive opportunities for companies to grow business and increase brand awareness, investors may be well-served by investing in companies that sponsor with Pro Sports.

FANZ ETF

SportsETFs' ProSports Sponsors ETF (FANZ) tracks the ProSports Sponsors Index, an equally-weighted index designed to measure the performance of companies which are official partners of U.S. pro-sports leagues – NFL, MLB, NBA, and NHL; or a national sports broadcaster with rights agreements with the aforementioned leagues.

An investment in FANZ provides exposure to publicly traded companies currently investing in their sales teams which stand to potentially benefit from the positive effects of Pro Sports sponsorships.

³ Mazodier, Marc and Merunka, Dwight, 2011, Achieving Brand Loyalty Through Sponsorship: The Role of Fit and Self-Congruity, Journal of the Academy Marketing Science

Top 10 Holdings 6/30/2018

Company	% of Mval
New Relic, Inc.	1.94%
AT&T, Inc.	1.93%
Under Armour Inc., Class C	1.82%
Twenty First Century Fox – A	1.81%
Live Nation Entertainment	1.66%
Foot Locker, Inc.	1.65%
Electronic Arts, Inc.	1.59%
Take-Two Interactive Software, Inc.	1.57%
Nathans Famous, Inc.	1.55%
Nike Inc., Class B	1.55%

Important Disclosures

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.sportsetfs.com). Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal. Investments in foreign securities may involve risks such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Investing in emerging markets involves different and greater risks, as these countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets. The Fund may invest a relatively large percentage of its assets in securities denominated in non-U.S. currencies, the values of which may be affected by changes in the currency rates or exchange control regulations. To the extent the Fund invests a significant portion of its assets in the securities of companies of a single country or region, it is more likely to be impacted by events or conditions affecting that country or region.

The Fund's return may not match or achieve a high degree of correlation with the return of the Index. To the extent the Fund's investments are concentrated in or have significant exposure to a particular issuer, industry or group of industries, or asset class, the Fund may be more vulnerable to adverse events affecting such issuer, industry or group of industries, or asset class than if the Fund's investments were more broadly diversified. Small and mid-capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. Issuer-specific events, including changes in the financial condition of an issuer, can have a negative impact on the value of the Fund. The Fund is not actively managed and therefore the Fund would not sell shares of an equity security unless that security is removed from the Index or the selling of shares is otherwise required upon a rebalancing of the Index. Diversification may not protect against market risk. Holdings are subject to change.

Shares are bought and sold at market price not net asset value (NAV) and are not individually redeemed from the Fund. Market performance is determined using the bid/ask midpoint at 4:00pm Eastern time when the NAV is typically calculated. Brokerage commissions will reduce returns.

Exchange Traded Concepts, LLC serves as the investment advisor, and Vident Investment Advisory, LLC serves as the sub-advisor to the fund. The fund is distributed by Foreside Fund Services, LLC, which is not affiliated with Exchange Traded Concepts, LLC or any of its affiliates.