



***SportsETFs***

**FANZ**

*The ProSports Sponsors ETF*

# Why invest in companies that partner with sports leagues?

You are a sports fan. Do any of these seem familiar:

- \*You own a pair (or more) of **Adidas, Nike** or **Under Armour** shoes.
- \*Have driven in a **Ford, Honda, Hyundai, Kia** or **GM** product.
- \*Tasted a **Coke, Pepsi, Budweiser, Miller** or **Coors** beverage.
- \*Feasted on **McDonald's, Taco Bell, Krispy Kreme** or **Dunkin' Donuts**.
- \*Paid with a **Visa, MasterCard, American Express** or **Discover Card**.
- \*Watched a game on a **Samsung TV** using **Comcast Cable** to view a game on **FOX**.
- \*Banked at **Bank of America** or **Barclays**.
- \*Eaten **Papa Johns, Snickers, M&Ms,** or **Campbells Soup**.
- \*Bought something on **Amazon**. Used a **Microsoft** device through a **Cisco** built network?.

If any of these companies, and their services, seem familiar to you, they should. These are just a few of the 106 companies (as of 10/31/17) who are official partners/sponsors of one of the four Major U.S. Pro Sports Leagues and contained within the Sports ETF – FANZ.

Investors looking to potentially capture the growth opportunities that may come from these partnerships may consider a thematic ETF like the ProSports Sponsors Fund -- FANZ.

## Why We Believe Pro Sports Sponsorship Works

What makes professional sports sponsorship powerful is that it gives businesses a unique connection with millions of engaged people around the world at an emotional level. Sports sponsorships acts as an active conduit between businesses and fans. This connection allows companies the opportunity to drive sales and increase brand awareness through an active engagement involving traditional routes and the ever-growing social media platforms. The key for businesses is return-on-investment (ROI). A 2014 McKinsey study<sup>1</sup> showed “executives who implement a comprehensive approach to gauge the impact of their sponsorships can increase returns by as much as 30 percent.” This is the basic premise for investing in a Sports ETF, that these companies are getting a better ROI on key marketing dollars spent than their competitors which has the potential to drive revenue and profitability.

## What is Sports Sponsorship?

A Sports Sponsorship is a commercial agreement between a company and a sports league who enter into a joint venture to promote their mutual interests. This is a requirement to be in the Index for the Sports ETF. In return for a financial contribution from said company a sports organization will allow the use of its name in commercial activities.

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<sup>1</sup>Is Sports Sponsorship Worth it? By Jeff Jacobs, Pallay Jain and Kushan Surana. McKinsey & Company June 2014. <http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/is-sports-sponsorship-worth-it>

These activities can be as creatively entrepreneurial as the imaginations of the participants. But the ultimate measure of success is a positive return on investment.

Companies using these partnership/sponsorship opportunities seek to do a number of things.

- 1) Increase sales
- 2) Drive brand awareness
- 3) Reach a loyal and passionate audience
- 4) Promote internal company engagement

Sports Sponsorship help companies build their business by association with a brand loyal customer base that wants the best for their home team and may support their sponsor/partners.

### **Brand Awareness**

**Hyundai** has used its NFL partnership to grow brand awareness in North America. In a letter to Automotive News<sup>2</sup>, CMO Dean Evans, stated, "in just two seasons of sponsorship Hyundai has achieved substantial awareness of its sponsorship among NFL fans and those fans have a much higher opinion, consideration and purchase intent for Hyundai:

- 34 percent of NFL fans are aware of the Hyundai sponsorship with the NFL.
- No. 1 awareness among automotive companies from a Hyundai sponsored poll/survey of NFL fans were asked to name a Car company that sponsors the NFL.
- 67 percent of fans who are aware consider Hyundai for a purchase.
- 77 percent of consumers who visited a Hyundai NFL activation said they would consider buying a Hyundai as their next vehicle."<sup>3</sup>An activation is usually a live kick-off event for the sponsor with the pro sports league.

### **Growth**

**Amazon** recorded \$136 billion in income in 2016 and is trying to grow their business. They are looking at professional sports leagues to find that growth potential. As Amazon continues to find ways to disrupt different industries, and increase their market share, they have paid the NFL \$50 million to livestream 10 Thursday night NFL games<sup>4</sup>. Some believe this is an entree into more sports programming in the future. And it is not just a consumer facing arrangement - Amazon has also been the official web service provider of MLB for a number of years and uses their partnership as a case study in their service offering.

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<sup>2</sup>Hyundai: NFL deal has been a success. Automotive News Letter to the Editor. By Dean Evans July 13, 2017. <http://www.autonews.com/article/20170713/RETAIL03/170719817/dean-evans-letter-hyundai-nfl-partnership>

<sup>3</sup> Hyundai: NFL deal has been a success. Automotive News Letter to the Editor. By Dean Evans July 13, 2017. <http://www.autonews.com/article/20170713/RETAIL03/170719817/dean-evans-letter-hyundai-nfl-partnership> Data as of July 13, 2017

<sup>4</sup> Bloomberg.com. Amazon to Pay \$50 Million to Stream NFL Thursday Games: Source. April 4, 2017 By Spencer Soper, Scott Soshnick and Sarah Frier. <https://www.bloomberg.com/news/articles/2017-04-05/amazon-said-to-pay-50-million-to-stream-nfl-thursday-games>

Then there is **Papa John's Pizza**. In 2010 they signed on as the official pizza sponsor of the NFL. According to Trendsourc<sup>5</sup>, the pizza chain has had same store sales growth each year of their sponsorship<sup>6</sup>. And according to Turnkey Sports & Entertainment<sup>7</sup>, a market research firm covering the industry, Papa John's is the NFL's most recognized sponsor. The sports-related marketing success has been so great that they have doubled-down on sports. Papa John's is now the official pizza sponsor of Major League Baseball. Company founder John Schnatter said<sup>8</sup>, "we look forward to a long and successful partnership with MLB for many years to come."

## Loyalty & Engagement

More companies see Pro Sports as a great way to connect with potential consumers. **Esurance** has focused their sponsorship on "America's Pastime". Kristen Gambetta, the company's manager of brand sponsorships, points to the engaged and dedicated fanbase.

"The reach and the amount of fans and the engagement of the fans in MLB is really unparalleled in sports," she said. "We're based in the United States and we also have a presence in Canada, so it was the right fit for us in that regard, too."

## Changing Behavior - Cause Marketing Partnerships

Sometimes it is important to look outside of the direct impact sports leagues have with their corporate partners to get a better sense of how a message can reach across communities and the entire country. The NFL PLAY 60 Challenge is an excellent example of a cause marketing partnership where multiple partners work together to tackle one cause—in this case, childhood obesity.

The NFL works with like-minded corporate and nonprofit partners to design and help implement in-school, afterschool and team-based exercise programs for kids. They've even built online and mobile tools to encourage parents and kids to get active at NFLRUSH.com.

As an example, nonprofit partner American Heart Association worked with the NFL and Discovery Education to provide interactive lesson plans and resources that inspire teachers and kids to get the recommended 60 minutes of physical activity a day in school and at home. The PLAY 60 Challenge lesson plans include ideas on how to incorporate physical activity breaks in the classroom.

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<sup>5</sup> Trendsourc. Papa John's NFL Sponsorship Success, September 1, 2016 By Nick Bravo. <http://trustedinsight.trendsourc.com/trusted-insight-trends/papa-johns-nfl-sponsorship-success>

<sup>6</sup> Business Insider. How a \$100 Million investment helped make Papa John's America's favorite pizza chain. June 25, 2016 By Kate Taylor. <http://www.businessinsider.com/papa-johns-is-americas-favorite-pizza-chain-2016-6>

<sup>7</sup> Trendsourc. Papa John's NFL Sponsorship Success, September 1, 2016 By Nick Bravo. <http://trustedinsight.trendsourc.com/trusted-insight-trends/papa-johns-nfl-sponsorship-success>

<sup>8</sup> Insider Louisville. Papa John's turns its attention from NFL to MLB partnership. November 4, 2016 By Caitlin Bowling <https://insiderlouisville.com/business/papa-johns-turns-its-attention-from-nfl-to-mlb-partnership/>

## ANHEUSER-BUSCH CASE STUDY

A Seahawks partner for over 16 years, Anheuser-Busch brands can be seen and consumed throughout Century Link Field. Known for excellence in fan engagement and creating innovative experiences, Anheuser-Busch introduced the Fan Can in 2015 and took it one-step further in 2016 with a custom can for the 12s along with unique digital content showcasing the cans reenacting iconic moments from Seahawks history through stop-motion animation.

### Investment Case

Revenue within Pro Sports has risen in the four major U.S Pro Sports leagues since 2005-2006 and sponsorship is one of the few opportunities that companies have to engage and connect with such a broad customer base. As these leagues continue to create partnership categories, more global companies could look to enhance their brand through partnerships. Using Dannon yogurt as a case study, they wanted to make their Oikos yogurt brand a more fun and engaging product. They partnered with the NFL and company CMO Sergio Fuster stated<sup>9</sup>, “Our hope is for Americans to look at yogurt - and our brands - as among the best possible choices to enjoy it. This is a big bet for us because we firmly believe that as a nation we have a huge opportunity to improve our eating habits, and the broad appeal and wide reach of the NFL will have a positive impact on that.”

#### Revenue Growth of ProSports Leagues<sup>10</sup>

League	2005/2006 Total Revenue	2008/2009 Total Revenue	2016/2017 Total Revenue
NFL	\$6.5BN	\$8.0BN	\$13.3BN
MLB	\$5.1BN	\$5.9BN	\$9.0BN
NHL	\$2.3BN	\$2.8BN	\$4.1BN
NBA	\$3.4BN	\$3.8BN	\$5.9BN

Businesses of all size use sports because fans are an engaged audience. How does one participate in the tremendous growth of sports leagues revenues?

### ProSports Sponsors Index

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 US Pro Sports Leagues: Football – Baseball – Hockey – Basketball; or a national sports broadcaster with rights agreements with the aforementioned leagues.

<sup>9</sup> Dannon Yogurt. July 30, 2014 <http://www.dannon.com/dannon-to-be-official-yogurt-sponsor-of-the-nfl/>

<sup>10</sup> Statista. The Statistics Portal [www.statista.com](http://www.statista.com) 2017

<u>Index of Brands or Companies Advertising with Pro Sports Leagues listed above as of 10/31/2017</u>	<u>In Index</u>
<u>Adidas</u>	<u>no</u>
<u>Nike</u>	<u>yes</u>
<u>Under Armour</u>	<u>yes</u>
<u>Ford</u>	<u>yes</u>
<u>Honda</u>	<u>yes</u>
<u>Hyundai</u>	<u>no</u>
<u>Kia</u>	<u>no</u>
<u>General Motors</u>	<u>yes</u>
<u>Coca Cola</u>	<u>yes</u>
<u>Pepsi Cola</u>	<u>yes</u>
<u>Budweiser</u>	<u>yes</u>
<u>Miller Coors</u>	<u>yes</u>
<u>McDonald's</u>	<u>yes</u>
<u>Taco Bell</u>	<u>yes</u>
<u>Krispy Kreme</u>	<u>yes</u>
<u>Dunkin Donuts</u>	<u>yes</u>
<u>Visa</u>	<u>yes</u>
<u>Mastercard</u>	<u>yes</u>
<u>American Express</u>	<u>yes</u>
<u>Discover Card</u>	<u>yes</u>
<u>Samsung TV</u>	<u>no</u>
<u>Comcast Cable</u>	<u>yes</u>
<u>Fox Networks</u>	<u>yes</u>
<u>Bank of America</u>	<u>yes</u>
<u>Barclays</u>	<u>yes</u>
<u>Papa Johns</u>	<u>yes</u>
<u>Snickers</u>	<u>no</u>
<u>M&amp;Ms</u>	<u>no</u>
<u>Campbell Soup</u>	<u>yes</u>
<u>Amazon</u>	<u>yes</u>
<u>Microsoft</u>	<u>yes</u>
<u>Cisco</u>	<u>no</u>
<u>Esurance</u>	<u>yes</u>
<u>Dannon Yogurt</u>	<u>no</u>

## Top 10 Holdings (as of 10/31/2017)

Name	CUSIP	Shares	Market Value	% of Market Value	% of Net Assets
NATHAN'S FAMOUS INC	632347100	851	\$78,292.00	1.85%	1.85%
AMAZON.COM INC	023135106	65	\$72,254.00	1.70%	1.70%
MICROSOFT CORP	594918104	840	\$70,677.60	1.67%	1.67%
DUNKIN' BRANDS GROUP INC	265504100	1,186	\$69,926.56	1.65%	1.65%
HONDA MOTOR CO LTD-SPONS ADR	438128308	2,108	\$69,289.96	1.63%	1.63%
MARRIOTT INTERNATIONAL -CL A	571903202	564	\$68,554.20	1.62%	1.62%
BANK OF AMERICA CORP	060505104	2,459	\$68,409.38	1.61%	1.61%
EXELON CORP	30161N101	1,671	\$68,410.74	1.61%	1.61%
CIGNA CORP	125509109	335	\$67,636.50	1.60%	1.60%
MCDONALD'S CORP	580135101	399	\$67,291.35	1.59%	1.59%

Index and ETF holdings are subject to change at any time and should not be interpreted as an offer of these securities.

### 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](http://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.