

# HACK

# Investment CASE

## ETFMG PRIME CYBER SECURITY ETF

The ETFMG Prime Cyber Security ETF gives you exposure to over 40 companies that provide cyber security and data protection services to protect governments, institutions, corporations and people across the world. Technology and the Internet have rushed the world into a new age of incredible connectedness, where almost all information is stored on a networked device, and therefore theoretically accessible from any location on Earth with an Internet connection.

Major cyber attacks over recent years have demonstrated the reality of the threat to information in the digital age, which is not contained by borders, armies or geography, and the substantial costs information breaches can carry. The challenges in cyber security are ever evolving; the ETFMG Prime Cyber Security ETF provides an opportunity to own the new age companies delivering cyber security solutions through a single investment.

**“Major cyber attacks over recent years have demonstrated the reality of the threat to information in the digital age...”**

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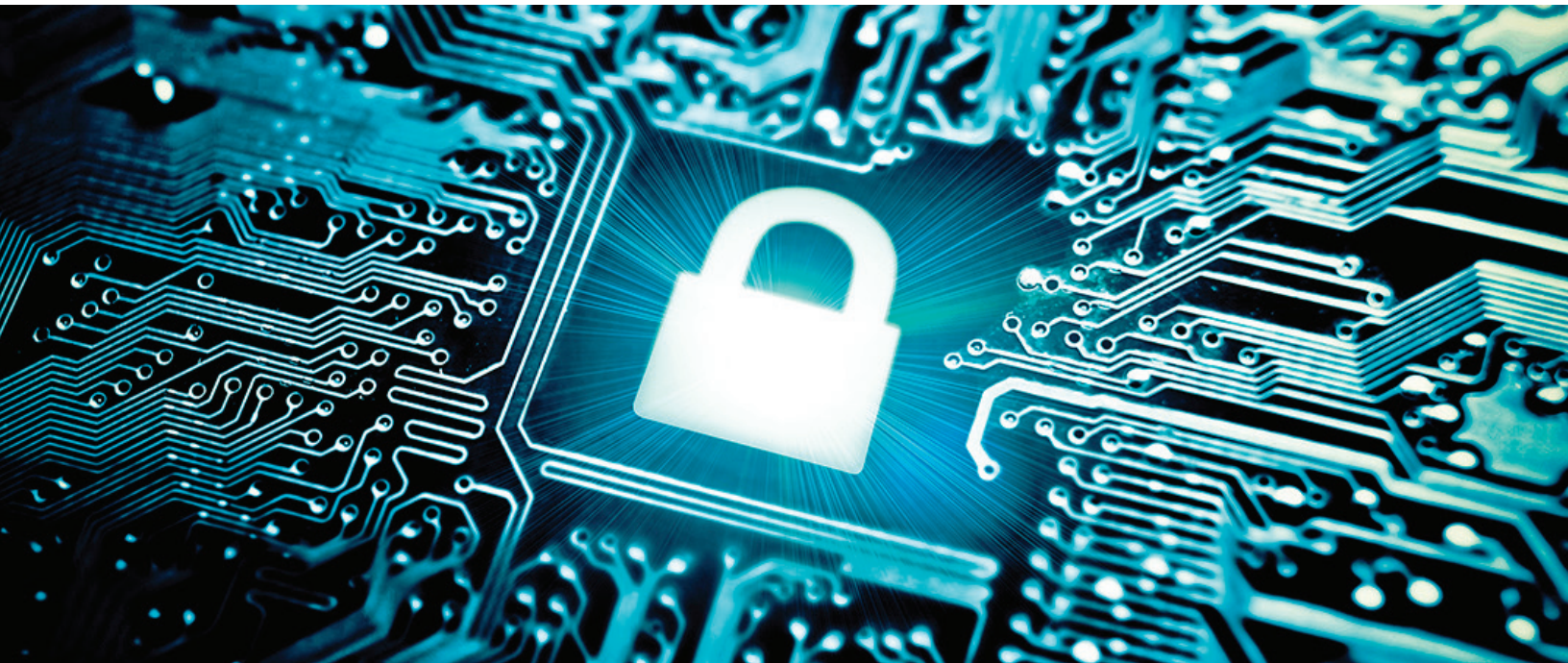
# KEY DRIVERS OF CYBERSECURITY GROWTH



The largest driver of cybersecurity spending is cybercrime. Increasing in size, frequency, and sophistication, cybercrime has become the fastest growing crime in the US.<sup>1</sup>

Cybersecurity Ventures projects that the resulting damages will cost \$6 trillion annually by 2021, up from \$3 trillion in 2015. This represents the greatest transfer of economic wealth in history.<sup>2</sup> Further, Ginni Rometty, IBM's chairman, president, and CEO, has been quoted as naming cybercrime the "greatest threat to every profession, every industry, every company in the world." Companies worldwide are steadily increasing their spending on cybersecurity to protect against this threat.

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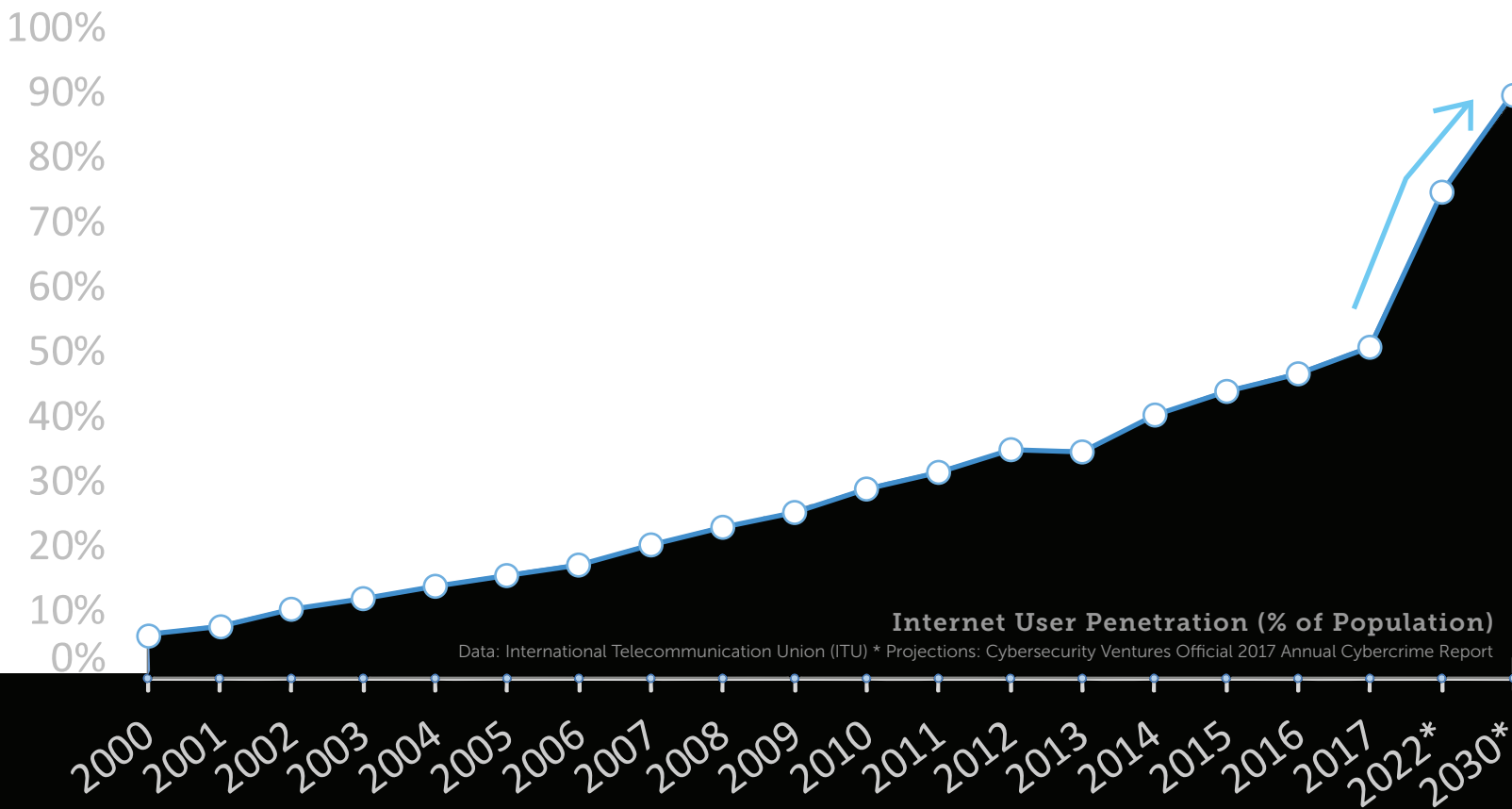


## Facts & Figures<sup>2</sup>

1. In its 2017 report, Cybersecurity Ventures predicts 12-15 percent year-over-year cybersecurity market growth through 2021.

2. Currently, a business falls victim to a ransomware attack every 40 seconds, projected to increase in frequency to every 14 seconds by 2019.

3. ETFs enable investors to own multiple positions across different companies in the same industry in a more convenient manner than buying the ETF components directly.



The cybersecurity industry has experienced rapid growth over the past several decades. As the number of internet-connected devices increases, so does the need for keeping them all secure. According to the Official 2017 Annual Cybercrime Report published by Cybersecurity Ventures, the rate of internet connection worldwide is outpacing our capacity to properly secure it. The following are some of the areas that could potentially benefit from increased investment in cybersecurity spending:

**90%**

The population of internet users worldwide is projected to increase from 51% in 2015, to 90% of the world's population in 2030 – Cybersecurity Ventures<sup>2</sup>

**50X**

Online data volumes will be 50 times greater in 2020 than they were in 2016 – Microsoft<sup>3</sup>

**200B**

The number of smart devices that communicate wirelessly will expand from 2 billion in 2006 to a projected 200 billion by 2020 – Intel<sup>4</sup>

**500M**

More than half a billion wearable devices will be sold worldwide in 2021, up from roughly 310 million in 2017 – Gartner<sup>5</sup>

**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 calling 1-844-ETF-MGRS (1-844-383-6477), or by visiting [www.etfmgfunds.com](http://www.etfmgfunds.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 fund is concentrated in technology-related companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. Such companies may have limited product lines, markets, financial resources or personnel. The products of such companies may face obsolescence due to rapid technological developments, frequent new product introduction, unpredictable changes in growth rates, competition for the services of qualified personnel, and competition from foreign competitors with lower production costs. Technology companies are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. The Funds are non-diversified, meaning they may concentrate its assets in fewer individual holdings than a diversified fund. Investments in smaller companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Diversification does not assure a profit or protect against a loss in a declining market. The Fund's return may not match or achieve a high degree of correlation with the return of the Prime Cyber Defense Index. To the extent the Fund utilizes a sampling approach, it may experience tracking error to a greater extent than if the Fund had sought to replicate the Prime Cyber Defense Index.

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 Prime Cyber Defense Index provides a benchmark for investors interested in tracking companies actively involved in providing cyber security technology and services.

ETF Managers Group LLC is the investment adviser to the Fund.

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 LLC is not affiliated with Prime Indexes.

## Sources:

<sup>1</sup> Abigail Summerville, Protect against the fastest-growing crime: cyber attacks, 26 July 2017,

<https://www.cnn.com/2017/07/25/stay-protected-from-the-uss-fastest-growing-crime-cyber-attacks.html>

<sup>2</sup> Cybersecurity Ventures Cybercrime Report 2017

<sup>3</sup> Terry Myerson, The Emerging Era of Cyber Defense and Cybercrime, 27 January 2017,

<https://cloudblogs.microsoft.com/microsoftsecure/2016/01/27/the-emerging-era-of-cyber-defense-and-cybercrime/>

<sup>4</sup> Intel, The Big Data Bang, <https://www.intel.com/content/www/us/en/internet-of-things/infographics/guide-to-iot.html>

<sup>5</sup> Gartner Says Worldwide Wearable Devices to Grow 17 Percent in 2017, 24 August 2017, <https://www.gartner.com/newsroom/id/3790965>