

ITEQ™

2018 Q3 COMMENTARY



MARKET COMMENTARY

The Israeli tech sector, as measured by the ITEQ ETF's benchmark, the BlueStar Israel Global Technology Index (BIGITech), gained 6.4% in Q3 2018 - up 14.6% 2018 year-to-date. This compares to a year-to-date performance of 13.8% for the S&P Global 1200 Info. Tech Index and 19.3% for the Dow Jones U.S. Tech sector. Note, there is no constituency cross-over between the BlueStar Israel Tech Index and either of the abovementioned indexes, further exemplifying ITEQ's unique exposure.

The bioTech and medical device sub-sector of the BIGITech gained 15% in Q3, marking the second quarter in a row that this group outperformed. Israel's largest medical device company, Novocure, was a clear standout, gaining 67% during this same period. Novocure's positive phase 2 test results for its device for treating cancer with electric fields proved to be a positive catalyst and will be instrumental in new product development. Eight of ITEQ's top ten constituents gained in Q3 including CheckPoint Software, 20.5%; NICE, 9.7%; and Wix.com, 19.3%.

Last quarter, we began to see volatility return to the global information technology sector but noticed a marked divergence between semiconductor/electronics stocks and software stocks. Specifically, Israeli semiconductors were down 9.7% in Q3 while software gained 14%. We believe this trend may continue in to the end of the year as PE ratios on semiconductor stocks seem to be more vulnerable to a correction amid concerns of industry oversupply issues that need to be worked through.

On the other hand, software stocks, with asset-light business models, seem to be better positioned in the current market environment, especially as inflation returns. Large and small-cap Israeli software companies performed well in Q3. The best performer was big data management solutions provider, Attunity, which posted a 62.7% gain. Other notable gainers were cyber security company, CyberArk, and AI-based customer support chat bot provider, LivePerson, which gained 26.8% and 24.8%, respectively.



FUND PERFORMANCE

The ITEQ ETF returned 6.13% for the quarter ended September 30, 2018, which was in line with its benchmark index.

Top contributing sectors included Information Technology (6.6%) and Health Care (+15.9%). Main detractors to performance included Communication Services (-4.6%), Consumer Discretionary (-13.3%) and Financials (-12.7%).

Sector Contributors	Active Exp	Total Rtn	Sector Cont
Information Technology	71.03	6.56	6.65
Health Care	13.07	15.92	1.11
Industrials	6.40	6.98	0.58
Financials	2.77	-12.67	0.27
Utilities	3.36	1.40	0.08
Consumer Discretionary	1.82	-13.33	0.02
Communication Services	1.24	-4.56	0.02
Not Classified	0.32	0.46	0.00

At the security level, ITEQ was led by Novocure (NVCR, +67.41%), Checkpoint Software (CKPT, +20.46%), and Wix.Com (WIX, +19.34%). Negative contributors to performance included Mellanox Technologies (MLNX, -12.87%), and Solaredge Technologies Inc (SEDG, -21.32%).

Top 10 Postive Contributors	Average Weight (%)	Total Return (%)	Contribution to Return (%)
BLUESTAR ISRAEL TECHNOLOGY ETF	100.00	6.46	6.46
NOVOCURE LTD	3.41	67.41	1.87
CHECK POINT SOFT	8.59	20.46	1.57
WIX.COM LTD	4.61	19.34	0.87
CYBERARK SOFTWARE	3.22	26.81	0.81
NICE LTD	7.54	9.62	0.69
VERINT SYSTEMS	3.94	12.97	0.50
LIVEPERSON INC	1.86	24.79	0.40
STRATASYS LTD	1.72	20.74	0.33
ELBIT SYSTEMS	3.73	8.43	0.31

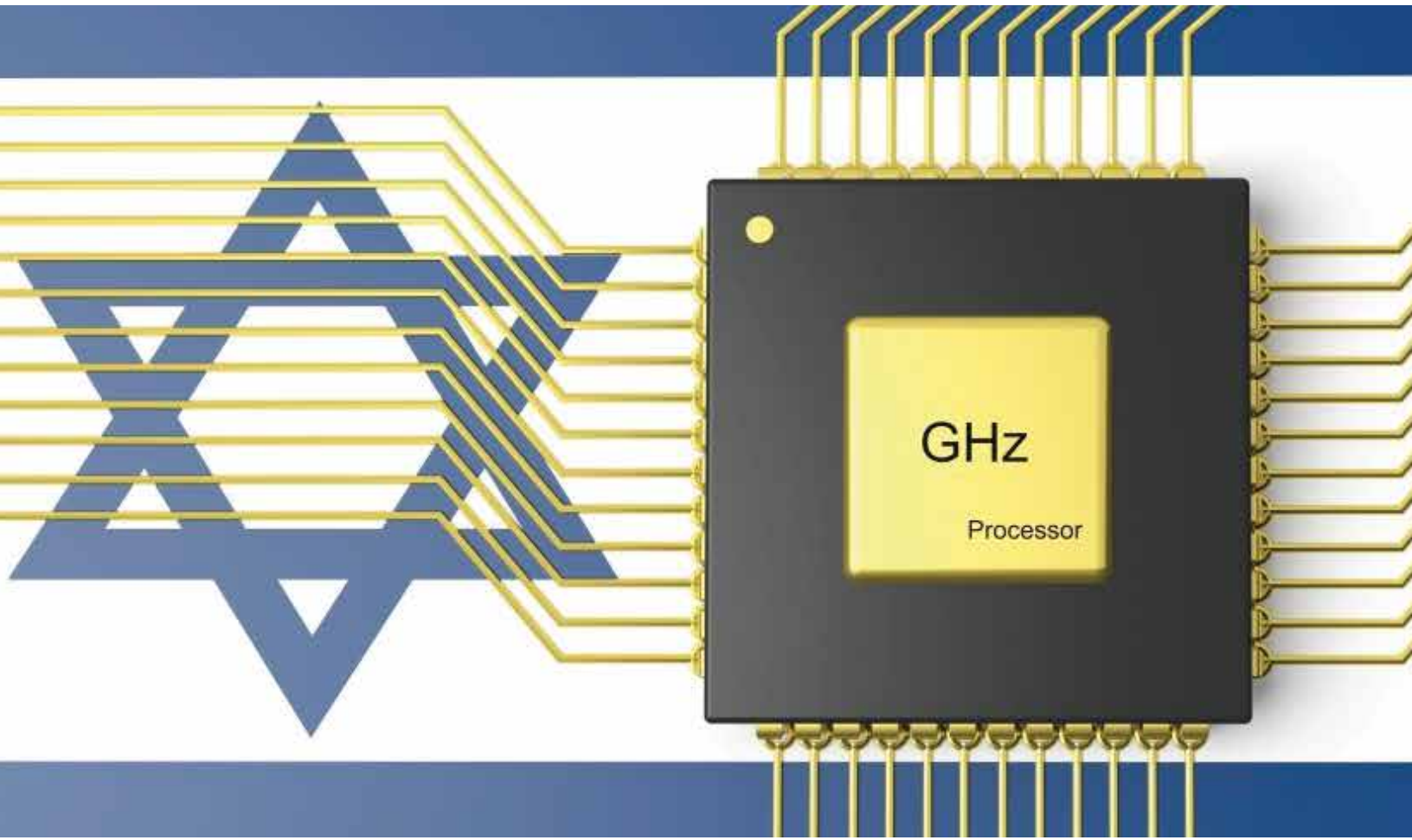
Bottom 10 Negative Contributors	Average Weight (%)	Total Return (%)	Contribution to Return (%)
MELLANOX TECHNOL	4.83	-12.87	-0.65
SOLAREGE TECHNO	2.56	-21.32	-0.55
OPKO HEALTH	2.58	-20.25	-0.42
888 HOLDINGS	1.04	-27.00	-0.33
PLUS500 LTD	2.77	-12.67	-0.32
RADCOM LTD	0.41	-43.04	-0.19
ORBOTECH LTD	3.65	-3.82	-0.13
SARINE TECHNOLOG	0.35	-23.59	-0.09
IMPERVA INC	2.14	-3.73	-0.08
VASCULAR BIOGENI	0.21	-26.14	-0.07

Looking at fundamental factor performance, factors contributing positively were overweights to the U.S. market as well as to the EMEA region. The index was also helped by underweights to the Value and Leverage factors.

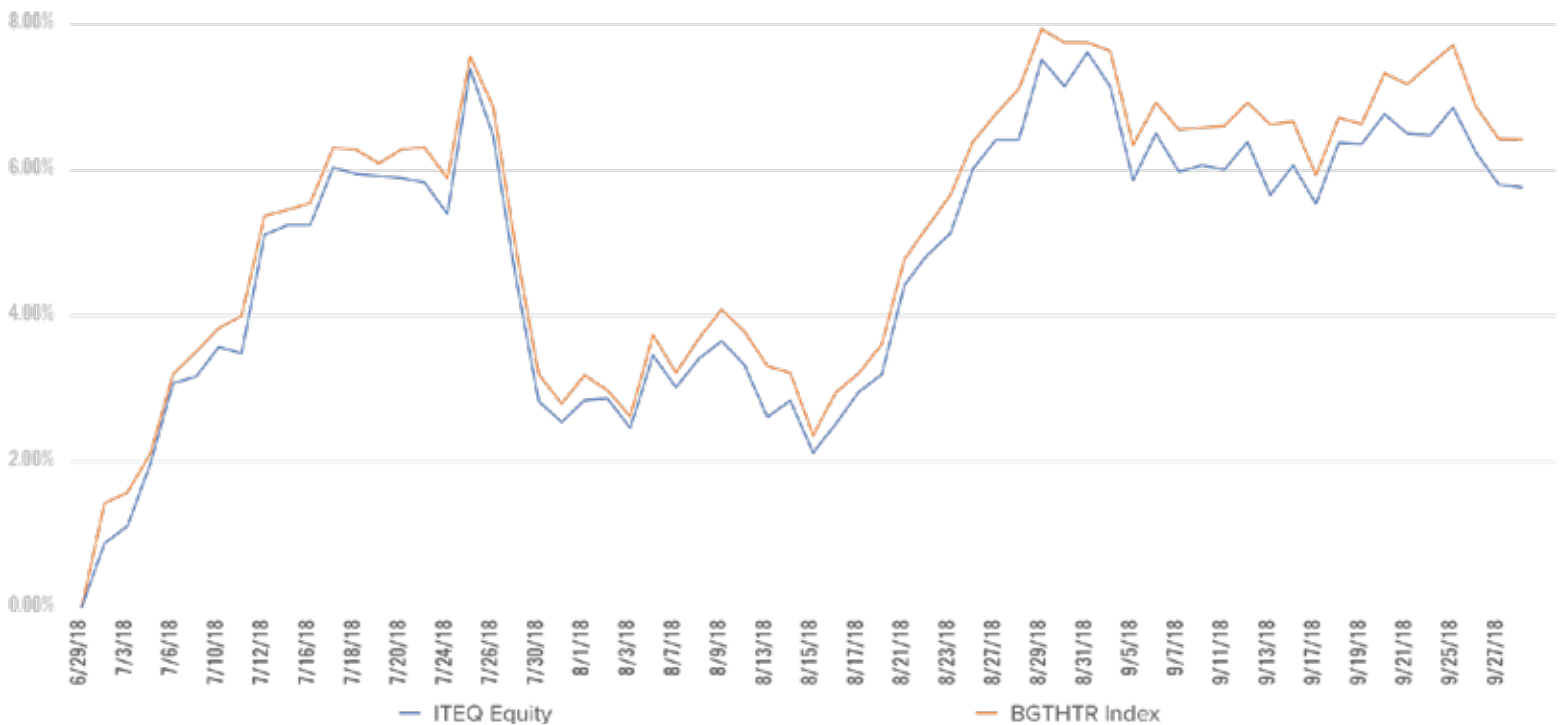
Top 6 Factor Contributors	Active Exp	Factor Rtn	Factor Cont
NorthAm:US Market	0.71	5.48	3.91
MdlEast Africa:EMEA Is	0.25	9	2.2
Industry:US Software	0.32	5.43	1.72
Style:US Value	-0.49	-1.56	0.8
Industry:US MedicEq	0.06	7.91	0.48
Style:EMEA Leverage	-0.28	-1.56	0.45

Breaking down the style factors, ITEQ's performance was helped by its underweight to the Value factor and overweight to Growth, while a significant underweight to Size was the main detractor.

Style Return	Contribution
Earnings Variable	-0.49
Momentum	0.24
Size	-0.83
Leverage	0.54
Dividend Yield	-0.25
Trade Activity	-0.07
Profitability	-0.73
Growth	0.37
Liquidity	0.00
Volatility	0.07
Value	0.81



Q3 2018 TOTAL RETURN



PERFORMANCE

	CUMULATIVE				ANNUALIZED				
	1 month	3 months	YTD	Since Incep.	1 year	3 years	5 years	10 years	Since Incep.
MARKET PRICE	-1.72%	5.77%	14.10%	45.67%	15.08%				13.79%
NAV	-1.68%	6.13%	13.97%	45.43%	15.41%				13.72%

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. All performance is historical and includes reinvestment of dividends and capital gains. Performance data current to the most recent month end may be obtained by calling 1-844-ETF-MGRS (1-844-383-6477). Market returns are based on the midpoint of the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times. Performance is annualized for periods greater than 1 year.

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.iteqetf.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. Investment in securities of Israeli companies involves risks that may negatively affect the value of your investment in the Fund. Among other things, Israel's economy depends on imports of certain key items, such as crude oil, coal, grains, raw materials and military equipment. Foreign investing involves special risks such as currency fluctuations and political uncertainty. Funds that invest in smaller companies may experience greater volatility. Funds that emphasize investments in technology generally will experience greater price volatility. The Fund's return may not match or achieve a high degree of correlation with the return of the BIGITech® 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 Index. Diversification does not guarantee a profit, nor does it protect against a loss in a declining market.

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 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 BlueStar Indexes.