



Innovation $\alpha^{\text{®}}$ Indexes July 1, 2019 Rebalance Highlights

Summary:

The second quarter of 2019 saw remarkable market uncertainty despite a secular growth in the equity markets generally. While trade disputes between the United States and China dominated the headlines, underlying concerns about global growth, the perceived limited effectiveness of Central Bank policy, and the potential geopolitical conflicts undermined confidence. Traditional financial metrics were mixed. Employment, interest rates, and growth expectations remain low with few inflationary concerns in most markets. The Federal Reserve Bank of New York's Center for Microeconomic Data reported the 19th consecutive quarter during which total household debt increased with delinquencies increasing on the \$13.67 trillion outstanding as of the end of the 1st quarter of 2019. Similarly, corporate debt expanded during the same period. Most alarming is the government indebtedness which continues to grow at a rate that limits the capacity to invest in infrastructure, long-term development and pro-stimulus activities. Across the world, corporate debt growth has grown in advanced economies by over 70% and in emerging markets (led by China) by 395% in the past decade.

While non-financial debt has fueled corporate share buybacks, mergers, acquisitions, and dividends, concerns of the long-term effect of this growing indebtedness places headwinds on corporate performance outlooks in developed and emerging economies.

M•CAM's view of innovation activity by corporations around the world reveal that several companies have used the first two quarters of 2019 to invest in agility in manufacturing and distribution – concerns highlighted in the recent tariff and trade war environment. Technology transfer as a component of global procurement continues to play a role in transactions but is falling out of favor in a number of markets.

Innovation $\alpha^{\text{®}}$ Global ETF

tracking Innovation $\alpha^{\text{®}}$ Global Index

During the second quarter of 2019, electronic technology manufacturers have borne the brunt of the uncertainty in global trade disputes reaching across telecommunications, health technology, and business machines. Moving into the third quarter, innovations in data management (Software as a Service (SaaS), data analytics, data transmission) are demonstrating resilience in the global market with little trade dispute disruption. Consumer non-durables that are performing well are those who have focused their innovation on the materials supply chains that are going into their products. Companies that have innovated end-product designs or delivery are struggling.

Expectations for market resilience fueled by innovation are generally focused on companies that have successfully integrated technology and content or media delivery. From media and entertainment to health care to defense and infrastructure, innovation in making information or services useable is out-performing most pure technology or media businesses.

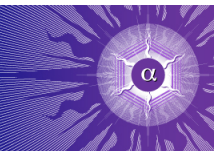


INAG Top Movers

Symbol	Name	Sector	Industry	Difference
MSFT-US	Microsoft Corporation	Technology Services	Packaged Software	0.84%
ADS-DE	adidas AG	Consumer Non-Durables	Apparel/Footwear	0.79%
QCOM-US	QUALCOMM Incorporated	Electronic Technology	Telecommunications Equipment	0.60%
DXCM-US	DexCom, Inc.	Health Technology	Medical Specialties	0.31%
HON-US	Honeywell International Inc.	Producer Manufacturing	Industrial Conglomerates	0.31%
LMT-US	Lockheed Martin Corporation	Electronic Technology	Aerospace & Defense	0.31%
6758-JP	Sony Corporation	Consumer Durables	Electronics/Appliances	0.30%
BSX-US	Boston Scientific Corporation	Health Technology	Medical Specialties	0.27%
CCL.B-CA	CCL Industries Inc.	Commercial Services	Miscellaneous Commercial Services	0.18%
SAND-SE	Sandvik AB	Producer Manufacturing	Industrial Machinery	0.18%
BB-CA	BlackBerry Limited	Technology Services	Packaged Software	-0.20%
DE-US	Deere & Company	Producer Manufacturing	Trucks/Construction/Farm Machinery	-0.21%
EW-US	Edwards Lifesciences Corporation	Health Technology	Medical Specialties	-0.34%
MU-US	Micron Technology, Inc.	Electronic Technology	Semiconductors	-0.34%
DAI-DE	Daimler AG	Consumer Durables	Motor Vehicles	-0.36%
KER-FR	Kering SA	Consumer Non-Durables	Apparel/Footwear	-0.36%
XRX-US	Xerox Corporation	Electronic Technology	Computer Peripherals	-0.38%
IBM-US	International Business Machines Corporation	Technology Services	Information Technology Services	-0.41%
CSCO-US	Cisco Systems, Inc.	Electronic Technology	Computer Communications	-0.53%
GE-US	General Electric Company	Electronic Technology	Aerospace & Defense	-1.21%

INAG Weight alterations by Industry Sector

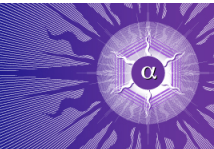
Sector	Weight Difference
Consumer Non-Durables	0.90%
Health Technology	0.60%
Technology Services	0.39%
Producer Manufacturing	0.32%
Commercial Services	0.16%
Energy Minerals	0.07%
Communications	0.07%
Non-Energy Minerals	-0.01%
Finance	-0.01%
Process Industries	-0.04%
Consumer Durables	-0.15%
Consumer Services	-0.15%



Industrial Services	-0.15%
Retail Trade	-0.18%
Electronic Technology	-1.81%

INAG Weight alterations by Industry Classification

Industry	Weight Difference
Telecommunications Equipment	0.71%
Packaged Software	0.69%
Medical Specialties	0.54%
Apparel/Footwear	0.43%
Industrial Conglomerates	0.37%
Household/Personal Care	0.31%
Electronics/Appliances	0.27%
Industrial Machinery	0.22%
Miscellaneous Commercial Services	0.16%
Beverages: Non-Alcoholic	0.16%
Pharmaceuticals: Major	0.13%
Internet Software/Services	0.07%
Life/Health Insurance	0.07%
Major Telecommunications	0.07%
Oil & Gas Production	0.07%
Biotechnology	0.03%
Chemicals: Major Diversified	0.03%
Chemicals: Specialty	0.03%
Computer Processing Hardware	0.03%
Construction Materials	0.03%
Data Processing Services	0.03%
Major Banks	0.03%
Miscellaneous Manufacturing	0.03%
Pharmaceuticals: Generic	0.03%
Integrated Oil	0.01%
Automotive Aftermarket	-0.01%
Metal Fabrication	-0.01%
Recreational Products	-0.03%
Tools & Hardware	-0.04%
Other Metals/Minerals	-0.04%
Finance/Rental/Leasing	-0.05%
Property/Casualty Insurance	-0.05%
Internet Retail	-0.09%
Specialty Stores	-0.09%
Auto Parts: OEM	-0.10%



Containers/Packaging	-0.11%
Pharmaceuticals: Other	-0.13%
Electronic Equipment/Instruments	-0.14%
Oilfield Services/Equipment	-0.15%
Other Consumer Services	-0.15%
Trucks/Construction/Farm Machinery	-0.19%
Electronic Production Equipment	-0.20%
Motor Vehicles	-0.34%
Semiconductors	-0.35%
Information Technology Services	-0.41%
Computer Peripherals	-0.43%
Computer Communications	-0.53%
Aerospace & Defense	-0.89%

Innovation $\alpha^{\text{®}}$ United States ETF tracking Innovation $\alpha^{\text{®}}$ United States Index

One of the unique features on Innovation $\alpha^{\text{®}}$ is that the intellectual property filings of corporations assist in determining the focus of corporate activity adding clarity to traditional industry or sector classifications. Nowhere is the more clearly seen than in Technology Services and Health Care. Innovation growth is not uniform across these sectors. The companies that we see positioning themselves for future business opportunity are seeking to find innovative ways to address behavioral and demographic changes. In Technology Services, for example, the focus on secure cloud services (for financial and business data) is vital. In Health Care, the proprietary price advantages are heavily biased towards chronic disease management and interventional medicine for aging populations.

In the coming quarter, we see nuanced innovation advantages favoring insurers over other financial institutions; system integrators with diverse product coverage favored in defense, and a recovery in the semiconductor marketplace for companies supplying communications and energy applications.

INAU Top Movers

Symbol	Name	Sector	Industry	Difference
MSFT-US	Microsoft Corporation	Technology Services	Packaged Software	4.20%
BSX-US	Boston Scientific Corporation	Health Technology	Medical Specialties	2.80%
LMT-US	Lockheed Martin Corporation	Electronic Technology	Aerospace & Defense	2.47%
QCOM-US	QUALCOMM Incorporated	Electronic Technology	Telecommunications Equipment	2.47%
KMB-US	Kimberly-Clark Corporation	Consumer Non-Durables	Household/Personal Care	2.14%
AXP-US	American Express Company	Finance	Financial Conglomerates	1.48%
HIG-US	Hartford Financial Services Group, Inc.	Finance	Multi-Line Insurance	1.48%
TEL-US	TE Connectivity Ltd.	Electronic Technology	Electronic Components	1.48%
AMAT-US	Applied Materials, Inc.	Electronic Technology	Electronic Production Equipment	1.15%
DXCM-US	DexCom, Inc.	Health Technology	Medical Specialties	1.15%



HRS-US	Harris Corporation	Electronic Technology	Telecommunications Equipment	1.15%
MET-US	MetLife, Inc.	Finance	Life/Health Insurance	1.15%
NCR-US	NCR Corporation	Electronic Technology	Computer Processing Hardware	1.15%
NVS-US	Novartis AG	Health Technology	Pharmaceuticals: Major	1.15%
ABT-US	Abbott Laboratories	Health Technology	Medical Specialties	-1.17%
BHGE-US	Baker Hughes, a GE company	Industrial Services	Oilfield Services/Equipment	-1.17%
CSCO-US	Cisco Systems, Inc.	Electronic Technology	Computer Communications	-1.17%
FISV-US	Fiserv, Inc.	Technology Services	Data Processing Services	-1.17%
GIS-US	General Mills, Inc.	Consumer Non-Durables	Food: Major Diversified	-1.17%
GRMN-US	Garmin Ltd.	Electronic Technology	Telecommunications Equipment	-1.17%
PGR-US	Progressive Corporation	Finance	Property/Casualty Insurance	-1.17%
SEE-US	Sealed Air Corporation	Process Industries	Containers/Packaging	-1.17%
SYK-US	Stryker Corporation	Health Technology	Medical Specialties	-1.17%
WY-US	Weyerhaeuser Company	Finance	Real Estate Investment Trusts	-1.17%
XLNX-US	Xilinx, Inc.	Electronic Technology	Semiconductors	-1.17%
EW-US	Edwards Lifesciences Corporation	Health Technology	Medical Specialties	-1.57%
GE-US	General Electric Company	Electronic Technology	Aerospace & Defense	-6.06%
IBM-US	International Business Machines Corporation	Technology Services	Information Technology Services	-6.87%

INAU Weight alterations by Industry Sector

Sector	Weight Difference
Health Technology	3.60%
Finance	2.88%
Consumer Non-Durables	1.27%
Consumer Services	0.96%
Communications	0.28%
Energy Minerals	0.28%
Retail Trade	0.28%
Producer Manufacturing	0.17%
Health Services	0.14%
Electronic Technology	-0.28%
Consumer Durables	-1.24%
Industrial Services	-1.78%
Process Industries	-2.26%
Technology Services	-4.31%



Industry	Weight Difference
Packaged Software	3.44%
Telecommunications Equipment	2.88%
Multi-Line Insurance	2.30%
Pharmaceuticals: Major	2.11%
Household/Personal Care	1.79%
Financial Conglomerates	1.76%
Electronic Components	1.62%
Computer Processing Hardware	1.29%
Life/Health Insurance	1.29%
Medical Specialties	1.21%
Beverages: Non-Alcoholic	0.82%
Broadcasting	0.82%
Electronic Production Equipment	0.53%
Industrial Machinery	0.28%
Integrated Oil	0.28%
Major Banks	0.28%
Major Telecommunications	0.28%
Motor Vehicles	0.28%
Trucks/Construction/Farm Machinery	0.28%
Biotechnology	0.14%
Chemicals: Major Diversified	0.14%
Electrical Products	0.14%
Internet Retail	0.14%
Internet Software/Services	0.14%
Managed Health Care	0.14%
Other Consumer Services	0.14%
Pharmaceuticals: Generic	0.14%
Specialty Stores	0.14%
Miscellaneous Manufacturing	-0.23%
Industrial Conglomerates	-0.30%
Finance/Rental/Leasing	-0.42%
Food: Major Diversified	-0.59%
Computer Peripherals	-0.62%
Apparel/Footwear	-0.76%
Electronics/Appliances	-0.76%
Recreational Products	-0.76%



Industry	Weight Difference
Computer Communications	-1.17%
Data Processing Services	-1.17%
Property/Casualty Insurance	-1.17%
Real Estate Investment Trusts	-1.17%
Oilfield Services/Equipment	-1.78%
Semiconductors	-1.80%
Containers/Packaging	-2.40%
Aerospace & Defense	-3.02%
Information Technology Services	-6.73%

Innovation α [®] Trade War ETF tracking Martin Global Innovation Equity (MGIE) Trade War Index

The trade war has not had equivalent impact across sectors. Companies that invested heavily in merely off-shoring their production in international labor markets have not been protected from the tariffs and market uncertainty in the same way that companies who have globalized their commodity supply and innovation chain have seen. Employment, while desired by all governments, is less defensible as is incumbency (the ability to rely on long term supply relationships). The 1987 U.S. Trade Policy that **encouraged U.S. companies to transfer technology to China** appears to have benefited the companies that built their growth strategy around this policy. And while market pundits continue to echo former Commerce Secretary Donald Evans' refrain of Chinese IP theft, the reality is that much of China's economic power is coming from legal sales and transfer of intellectual property rights by multi-nationals to China's National Development and Reform Commission (NDRC).

TWAR Top Movers

Symbol	Name	Sector	Industry	Difference
MSFT-US	Microsoft Corporation	Packaged Software	Technology Services	0.75%
6758-JP	Sony Corporation	Electronics/Appliances	Consumer Durables	0.51%
QCOM-US	QUALCOMM Incorporated	Telecommunications Equipment	Electronic Technology	0.50%
ADS-DE	adidas AG	Apparel/Footwear	Consumer Non-Durables	0.36%
HON-US	Honeywell International Inc.	Industrial Conglomerates	Producer Manufacturing	0.35%
DXCM-US	DexCom, Inc.	Medical Specialties	Health Technology	0.31%
LMT-US	Lockheed Martin Corporation	Aerospace & Defense	Electronic Technology	0.31%
SAND-SE	Sandvik AB	Industrial Machinery	Producer Manufacturing	0.30%
BSX-US	Boston Scientific Corporation	Medical Specialties	Health Technology	0.26%
HRS-US	Harris Corporation	Telecommunications Equipment	Electronic Technology	0.24%
SN-GB	Smith & Nephew PLC	Medical Specialties	Health Technology	0.24%
AMAT-US	Applied Materials, Inc.	Electronic Production Equipment	Electronic Technology	-0.24%
AMZN-US	Amazon.com, Inc.	Internet Retail	Retail Trade	-0.24%
LLY-US	Eli Lilly and Company	Pharmaceuticals: Major	Health Technology	-0.24%
MA-US	Mastercard Incorporated	Finance/Rental/Leasing	Finance	-0.24%



TGT-US	Target Corporation	Specialty Stores	Retail Trade	-0.24%
DOV-US	Dover Corporation	Miscellaneous Manufacturing	Producer Manufacturing	-0.24%
MU-US	Micron Technology, Inc.	Semiconductors	Electronic Technology	-0.38%
XRX-US	Xerox Corporation	Computer Peripherals	Electronic Technology	-0.42%
IBM-US	International Business Machines Corporation	Information Technology Services	Technology Services	-0.52%
EW-US	Edwards Lifesciences Corporation	Medical Specialties	Health Technology	-0.55%
CSCO-US	Cisco Systems, Inc.	Computer Communications	Electronic Technology	-0.67%
GE-US	General Electric Company	Aerospace & Defense	Electronic Technology	-1.17%

TWAR Weight alterations by Industry Sector

Sector	Weight Difference
Consumer Durables	0.92%
Producer Manufacturing	0.74%
Consumer Non-Durables	0.65%
Health Technology	0.28%
Commercial Services	0.18%
Non-Energy Minerals	0.17%
Technology Services	0.13%
Communications	-0.07%
Grand Total	-0.09%
Energy Minerals	-0.14%
Consumer Services	-0.18%
Industrial Services	-0.18%
Process Industries	-0.25%
Finance	-0.47%
Retail Trade	-0.48%
Electronic Technology	-1.39%

Industry	Weight Difference
Telecommunications Equipment	0.76%
Packaged Software	0.59%
Industrial Conglomerates	0.56%
Electronics/Appliances	0.55%
Household/Personal Care	0.38%
Medical Specialties	0.36%
Industrial Machinery	0.32%
Apparel/Footwear	0.25%
Miscellaneous Commercial Services	0.18%
Tools & Hardware	0.13%



Automotive Aftermarket	0.13%
Construction Materials	0.13%
Metal Fabrication	0.13%
Pharmaceuticals: Generic	0.13%
Electronic Equipment/Instruments	0.08%
Recreational Products	0.07%
Internet Software/Services	0.04%
Life/Health Insurance	0.04%
Motor Vehicles	0.04%
Other Metals/Minerals	0.04%
Beverages: Non-Alcoholic	0.02%
Biotechnology	0.02%
Chemicals: Specialty	0.02%
Computer Processing Hardware	0.02%
Data Processing Services	0.02%
Auto Parts: OEM	0.02%
Trucks/Construction/Farm Machinery	-0.05%
Integrated Oil	-0.07%
Major Telecommunications	-0.07%
Oil & Gas Production	-0.07%
Pharmaceuticals: Other	-0.07%
Grand Total	-0.09%
Electronic Production Equipment	-0.09%
Major Banks	-0.09%
Chemicals: Major Diversified	-0.09%
Property/Casualty Insurance	-0.09%
Pharmaceuticals: Major	-0.16%
Oilfield Services/Equipment	-0.18%
Other Consumer Services	-0.18%
Containers/Packaging	-0.18%
Internet Retail	-0.24%
Miscellaneous Manufacturing	-0.24%
Specialty Stores	-0.24%
Semiconductors	-0.31%
Finance/Rental/Leasing	-0.33%
Information Technology Services	-0.52%
Aerospace & Defense	-0.56%
Computer Peripherals	-0.62%
Computer Communications	-0.67%