



URNM

NORTH SHORE GLOBAL URANIUM MINING ETF

INVESTMENT CASE



We believe that now is an opportune time to invest in uranium, the fuel for nuclear power. Our investment case for uranium is underpinned by the following:

1. After peaking in price at \$137/pound (lb.) during 2007, uranium prices plummeted to below \$20 lb. during 2016, a decline of over 85%, which we believe was its bottom.
 - Uranium mining equities are priced like nuclear power is dying business.
 - The supply of equities has been dramatically reduced from 500 to ~40.
2. Demand for uranium (estimated at 200 million pounds per year) is rising as more nuclear power plants around the world are either under construction or in varying phases of the planning and development stage.
 - Clean air initiatives may further increase demand for “base load,” carbon-free nuclear energy.
 - Long term utility contracts are ending and will need to be renewed.
3. Mining at current prices is uneconomical. Due to uranium mine supply cuts (supply is estimated at 170 million pounds per year) and the price of physical uranium being below the cost of production (\$50-60) the supply of uranium is insufficient to meet current and future demand.
 - **The price of uranium must rise at least 2x in order to incentivize production to meet future demand.**

THE NORTH SHORE GLOBAL URANIUM MINING ETF (URNM)

The North Shore Global Uranium Mining ETF (URNM) was created to provide investors with a vehicle to gain exposure to uranium. The fund seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the North Shore Global Uranium Mining Index (URNMX). The rules of the index aim to provide investors with a pure-play on the uranium mining industry.

In this paper, we will first outline the investment case for uranium. Then we will describe how the fund looks to provide exposure to uranium.

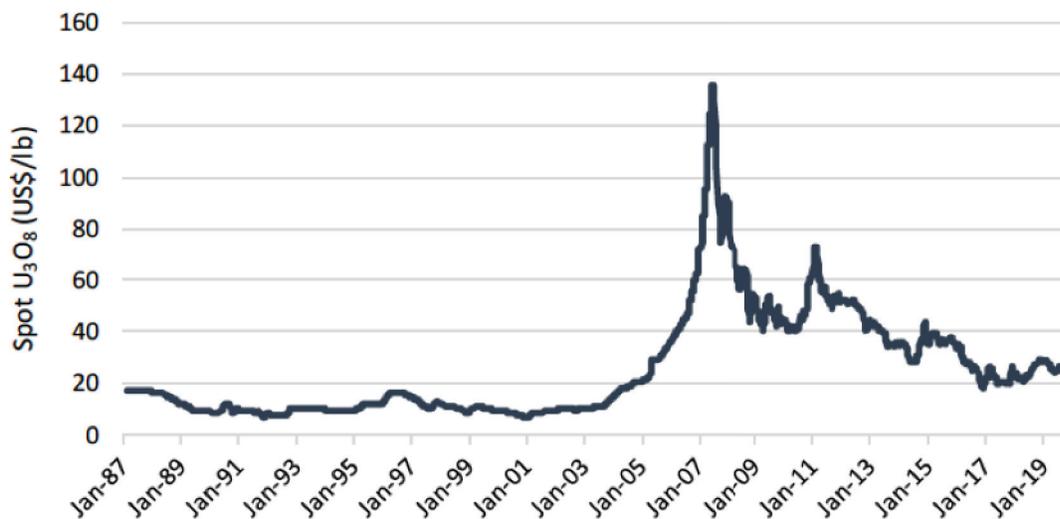
THE CASE FOR URANIUM

PILLAR I: POTENTIAL MARKET BOTTOM

Uranium prices peaked at \$137/pound during 2007. Uranium prices had already been declining when, in March 2011, a tsunami off the coast of Japan breached a seawall at the Fukushima-Daiichi nuclear power plant causing a meltdown of three reactors. As a result, all of Japan's 54 reactors, accounting for 13% of global nuclear generation capacity, were taken offline.

As uranium prices plunged in the aftermath of the Fukushima disaster, uranium miners continued to increase the supply of uranium. As a result, uranium prices plummeted to a low of under \$20/lb. by November 2016. We believe that this marked a bottom for uranium prices.

Historical Uranium Spot Price Chart (US\$/lb) As of 1/31/20



Uranium mining equities declined even more than the spot price of uranium. The number of miners has been reduced from over 500 to closer to 40 today.

PILLAR 2: RISING DEMAND

Currently, nuclear energy supplies approximately 11% of global energy supply, with nearly 20% of United States electricity generated by nuclear power. However, demand for nuclear energy is projected to grow. And, as more nuclear reactors are built, demand for uranium will rise. As it stands the World Nuclear Association states that there are 444 operable reactors, 54 nuclear power reactors under construction, 111 nuclear plants planned, and 349 nuclear plants proposed.

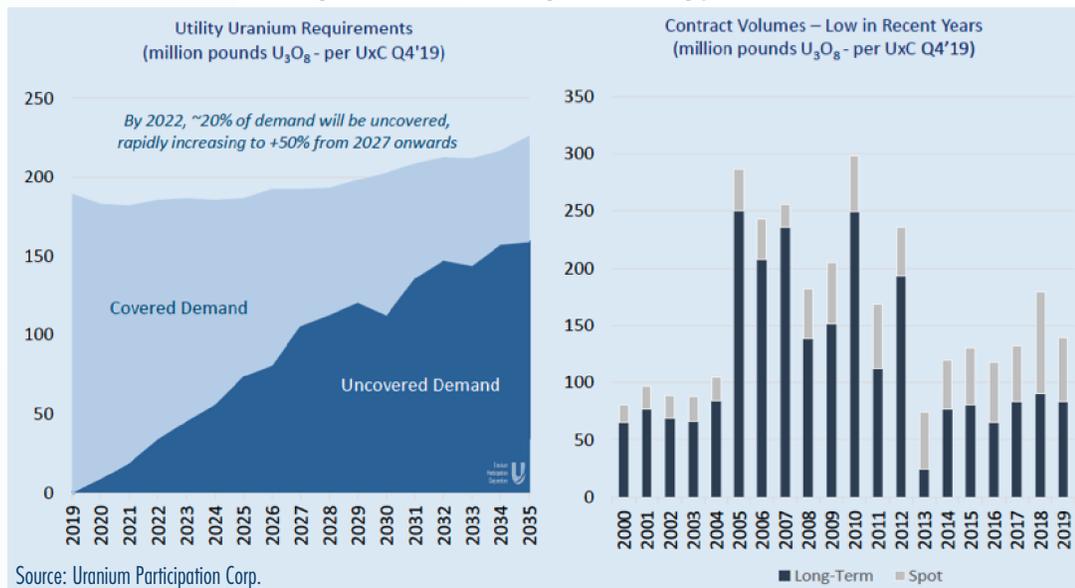
Rising Demand and Contracting Supply Has Led to a Supply Deficit

Based on our estimates, uranium supply totals 170-180MM pounds per year. However, demand totals 190-200MM pounds per year. Current production is not enough to supply existing demand, let alone the potential future growth.

That Will Be Exacerbated by Long-Term Contract Expirations

In order to ensure a steady supply of uranium, nuclear energy operators typically enter into long-term supply contracts. These contracts generally run for seven to ten years. By 2022, approximately 20% of utilities uranium needs will be uncovered by long-term contracts. That percentage is expected to rise to 50% by 2027.¹

Long-Term Contract Coverage is Increasingly Uncovered



And Low Inventory Levels

At the same time, nuclear power operators hold less than three years' worth of uranium inventory.² It generally takes 24 months to extract uranium from the ground and convert it into fuel for nuclear plants. Thus, nuclear power producers need to start seriously thinking about sourcing supply for future needs. Importantly, utilities are not sensitive to the prices they pay as uranium is a small percentage of the overall cost to operate a power plant. What utilities care deeply about is security of supply and ensuring they don't run out of fuel.

¹ Major, Daniel, Uranium Collapse Signals 2020 Positive Supply Shock: GoviEx CEO, Mining.com, 1/15/16

² Littlewood, Nigel & Lee, Jackson, The Perfect Storm? Harness Asset Management, May 2018

PILLAR 3: REDUCTIONS IN SUPPLY

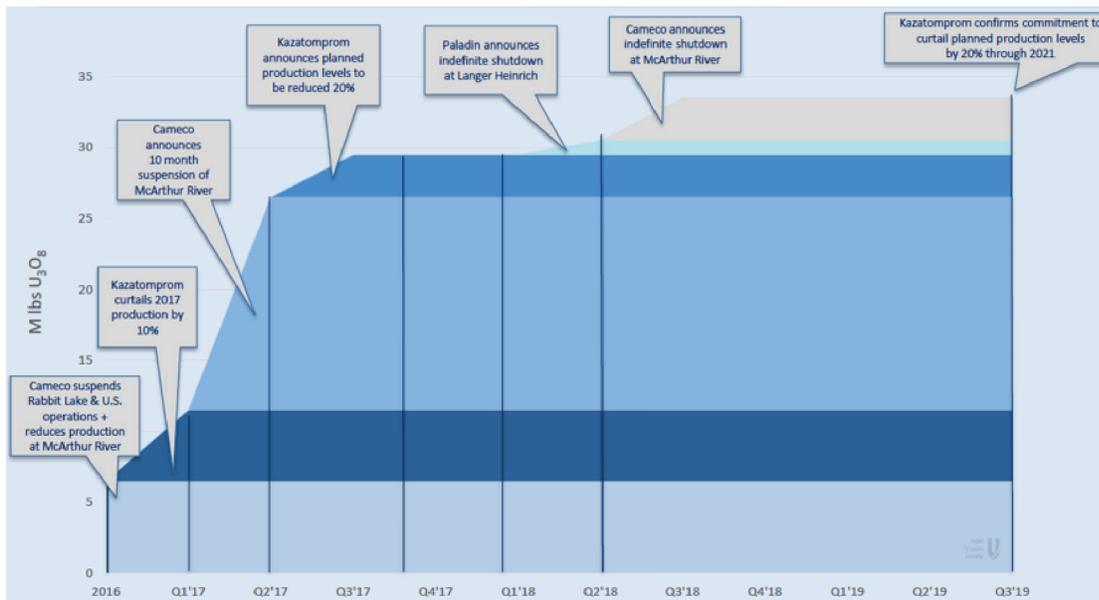
Low prices for many years have finally led to substantial reductions in the supply of uranium. Mining uranium at today's prices is uneconomical for even the lowest cost producers in the world.

Primary Supply

Primary supply refers to uranium directly mined from the ground. Today primary supply is estimated to be approximately 140 million pounds per year.

In reaction to price declines, uranium producers began making small cuts to production in 2016. As prices continued to drop and remained at low levels, more substantial cuts in uranium production were enacted during 2017 and the pace of the supply cuts accelerated in 2018.

Production Cuts Have Removed More than 35M Pounds Per Annum From The Market



Source: Uranium Participation Corp.

The perception is that production can be easily and quickly be brought back online when prices recover. However, it can take anywhere from 12-24 months for mines to resume their previous full production schedule. Additionally, the longer that a mine stays closed, the longer and more expensive it becomes to re-open.

Secondary Supply

Underfeeding is the largest source of secondary supply (secondary supply is estimated to be 30-40 million pounds per year). Underfeeding arises during the enrichment process and represents a trade-off between the amount of uranium that is extracted from ore and the expense involved in the enrichment process. North Shore estimates that enrichers have been reducing the amount of underfeeding. Additionally, other sources of secondary supply do not represent a threat to primary uranium supply stocks.

Only Higher Prices Will Support Increased Supply

Sustainable prices above \$45-50 range are needed for miners to begin bringing production back online and to start up new projects. With no new mining projects on the drawing board and the projected increasing supply deficit, pricing will likely begin to rise as power producers source their future uranium needs.

Thus, the third pillar supporting the case for uranium is the reduction in supply.

SUMMATION OF THE CASE FOR URANIUM

In summary, uranium may represent an attractive investment option for investors due to the end of a multi-year decline in uranium prices and associated equities as well as the favorable supply/demand conditions which should require a significant increase in the price of uranium in order to incentivize the production of future supply to meet both current and growing demand.

How may investors gain exposure to the potential of uranium?

INTRODUCING THE NORTH SHORE GLOBAL URANIUM MINING ETF (URNM)

The North Shore Global Uranium Mining ETF (URNM) seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the North Shore Global Uranium Mining Index (the index). By seeking to replicate the index, URNM looks to provide investors with access to both miners and holders of uranium.

The index consists of companies that have, or expect to have, a significant part of their business operations related to the uranium industry. In particular, the companies are engaged in uranium mining, exploration, physical uranium investments, and technologies related to the uranium industry. Additional rules relating to market capitalization and trading volume are also applied in an attempt to ensure ample liquidity.

The index will have a weighting of 82.5% in uranium miners, explorers, developers and producers and a 17.5% weighting in entities which hold physical uranium, uranium royalties, or other non-mining assets. The constituents within these buckets are market-cap weighted with a minimum and maximum security weighting of 0.50% and 15%, respectively. The index is rebalanced quarterly in March, June, September and December.

WHY URNM?

The URNM ETF may be an attractive vehicle for investors to gain access to uranium for the following reasons:

- URNM is the only pure-play uranium ETF
- Holds both miners and holders of uranium
- Tilted toward junior miners
- Advised by an expert in uranium

WHERE URNM MAY FIT IN YOUR PORTFOLIO

- **Commodities:** URNM may be used as a portion of your portfolio's commodity allocation.
- **Alternatives:** With its focus on uranium, URNM may be appropriate for an alternatives allocation.
- **Equity:** URNM may be used as a portion of your portfolio's equity allocation where an investor is willing to assume more risk in a high conviction strategy.

URNM may offer investors an attractive vehicle to gain focused exposure to uranium.

¹Littlewood, Nigel & Lee, Jackson, The Perfect Storm? Harness Asset Management, May 2018

DISCLOSURE

Exchange Traded Concepts, LLC serves as the investment advisor. The Fund is distributed by SEI Investments Distribution Co. (1 Freedom Valley Drive, Oaks, PA 19456), which is not affiliated with Exchange Traded Concepts, LLC, North Shore Indices, or any affiliates. Check the background of SIDCO on FINRA's BrokerCheck.

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 full or summary prospectus, which may be obtained by visiting (urnmetf.com). Investors should read it carefully before investing or sending money.

Investing involves risk, including possible loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments, investments in smaller companies, and those in commodities typically exhibit higher volatility. Issuers in energy-related industries can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels.

There is no guarantee the fund will achieve its stated objective. Indices are unmanaged and do not include the effect of fees. One cannot invest directly in an index. The fund is non-diversified.

Shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 PM Eastern time and do not represent the returns you would receive if you traded shares at other times. The first trading date is typically several days after the fund inception date. Therefore, NAV is used to calculate market returns prior to the first trade date because there is no bid/ask spread until the fund starts trading.

Commodity prices may be influenced or characterized by unpredictable factors, including high volatility, changes in supply and demand relationships, weather, agriculture, trade, changes in interest rates and monetary and other governmental policies, action and inaction. Uranium Companies may be significantly subject to the effects of competitive pressures in the uranium business and the price of uranium. The price of uranium may be affected by changes in inflation rates, interest rates, monetary policy, economic conditions and political stability. The price of uranium may fluctuate substantially over short periods of time, therefore, the Fund's share price may be more volatile than other types of investments. In addition, they may also be significantly affected by import controls, worldwide competition, liability for environmental damage, depletion of resources, mandated expenditures for safety and pollution control devices, political and economic conditions in uranium producing and consuming countries, and uranium production levels and costs of production. Demand for nuclear energy may face considerable risk as a result of, among other risks, incidents and accidents, breaches of security, ill-intentioned acts of terrorism, air crashes, natural disasters, equipment malfunctions or mishandling in storage, handling, transportation, treatment or conditioning of substances and nuclear materials.