



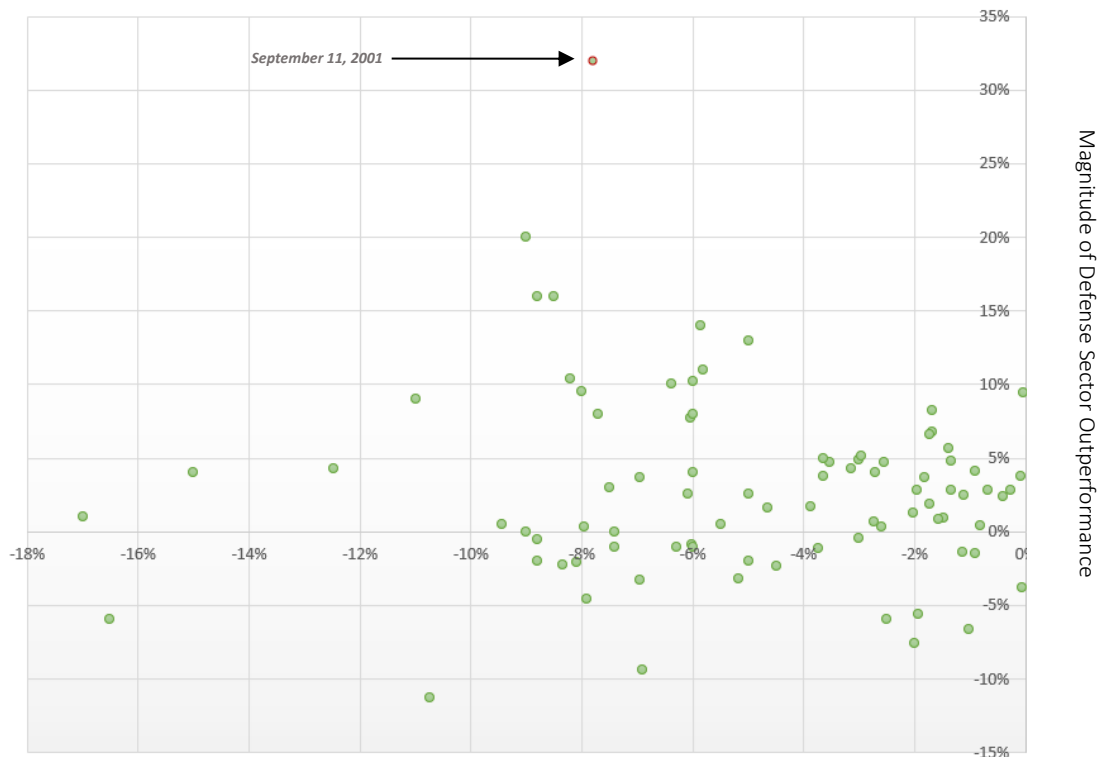
Defense Contractors set for war?

Historically, defense contractors tend to outperform the broad market over long periods. With looming conflicts and market turbulence in 2022, the setup looks particularly attractive.

Year to date, the Emler Federal Contractors ETF (FEDX) has outperformed the S&P 500 Index by over 4.5% as of January 18th, 2022. FEDX maintains meaningful exposure to defense contractors, including its two top holdings Northrop Gruman (NOC) and Lockheed Martin (LMT), as well as L3 Harris Technologies (LHX). This sector tends to outperform in times of geopolitical conflict and times of market stress. As the likelihood of tighter monetary conditions grips financial markets, and Russian border provocations make international headlines—we believe now is a strategic time to take a closer look at this affordably-priced, non-correlated defense sector. We have chosen to spotlight these three names due to their low correlation with the S&P 500 Index.

See FEDX Standardized performance here <https://emler.com/etf/emler-federal-contractors/>

Exhibit A



Magnitude of US equity market drawdown (as measured by S&P 500 Index)

Historically, defense names exhibit a low beta/correlation to the broad market, and a tendency to outperform when the broader equity market underperforms. Exhibit A above measures the magnitude of outperformance for the defense sector from 2000-2021 during months of market underperformance

(when the S&P 500 Index delivered monthly total returns of less than 0%).

Exhibit B

DEFENSE STOCKS TEND TO HAVE A LOW CORRELATION TO THE MARKET, AND OUTPERFORM THE S&P 500 INDEX DURING TIMES OF CRISIS (WHEN THE MARKET IS DOWN 5%)

	Correlation	Beta	Outperformance Times of Stress
LMT	0.47	0.63	4.72%
NOC	0.48	0.66	3.99%
LHX	0.54	0.95	1.52%

Correlation, Beta, and outperformance are measured vs the S&P 500 Index for every month between January 2000 – December 2021. Correlation/Beta are calculated based on daily price movements, and the value displayed is the average over all 263 observed months. “Times of Stress” are defined as monthly periods where the S&P 500 Index fell 5% or more. Outperformance is measured on a relative total return basis as the difference between monthly performance of a name and the S&P 500 Index. (Source: Bloomberg)

Exhibit C

DEFENSE STOCKS ALSO OUTPERFORM THE S&P 500 INDEX ON AVERAGE OVER THE LONG RUN (Jan 2000 – Dec 2021), DESPITE A LOWER BETA (LESS RISK)

	Compound Annual Growth Rate	Annual Outperformance
SPX	15.04%	--
NOC	21.07%	6.03%
LMT	17.53%	2.49%
LHX	15.85%	0.81%

CAGR (Compounded Annual Growth Rate) is the annualized total return of each name or index. “Annual Outperformance” displays the annualized return of each name in excess of the return of the S&P 500 Index. (Source: Bloomberg)

Exhibit D

DEFENSE STOCKS TRADE AT A SIGNIFICANT DISCOUNT TO THE S&P 500 INDEX, EVEN MORE SO TODAY THIS IS STILL TRUE EVEN THOUGH THEY HAVE OUTPERFORMED BY A WIDE MARGIN DATING BACK TO LAST YEAR

Discount vs S&P 500 Index				
	Est P/E	Avg P/E	Current Est	Avg
SPX	18.94	15.93	--	--
LMT	14.28	15.09	4.66	0.84
NOC	16.30	14.48	2.64	1.45
LHX	16.80	13.74	2.14	2.19

Performance		
Ticker	Since Dec 1st 2021	Vs S&P 500 Index
SPX	1.58%	--
LMT	14.65%	13.07%
NOC	16.08%	14.50%
LHX	10.43%	8.85%

Estimated P/E (price earnings ratio) based on the consensus earnings forecast in the Bloomberg composite. Average P/E (price earnings ratio) is the 10-year average of this same measure.

(Source: Bloomberg)

See Complete FEDX Holdings here <https://emles.com/etf/emles-federal-contractors/>