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THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

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MONEY MANAGER INTERVIEW

ANDREW CHANIN

PureFunds

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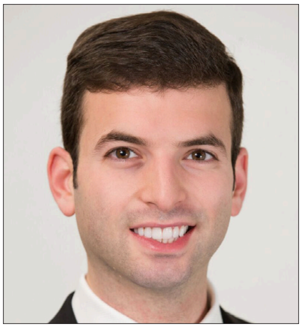
MONEY MANAGER INTERVIEW

Providing Diversification with Thematic ETFs

ANDREW CHANIN, PUREFUNDS



ANDREW CHANIN is Chief Executive Officer of PureFunds. At PureFunds, Mr. Chanin oversees all activities and focuses on ways to increase brand/ETF awareness and product offerings while building strategic partnerships and institutional relationships. Previously he was Director of International Trading at Cohen Capital Group developing the company's ETF trading capabilities and specializing as an ETF Arbitrage Trader. He began his career on the American Stock Exchange for Kellogg Capital Group. In 2008, he became Lead Market Maker for newly NYSE Arca-listed International/Global Equity ETFs at Kellogg Capital Group. Mr. Chanin has made markets in over 100 ETFs, and this experience has provided him with a vast knowledge of all varieties of ETF products. Mr. Chanin holds a Bachelor of Science in Management degree in finance from Tulane University.

SECTOR — GENERAL INVESTING

(AGT505) TWST: Can you describe what PureFunds is?

Mr. Chanin: PureFunds is a thematic ETF company that has first-of-their-kind ETFs that focus on specific industries. I am the CEO of this company, and I specialize in marketing, sales, product development, business development and a whole bunch more.

TWST: Are the PureFunds ETFs managed differently than other ETFs?

Mr. Chanin: It is tough to say because I do not know the workings of all our competitors, but the ETFs we have launched focus on unique areas and, as such, represent first-of-their-kind products.

TWST: Tell me how they are set up in terms of how each one is determined, including how the holdings are determined.

Mr. Chanin: Each fund has its own index methodology. Each of our funds are based on passive indexes, and it is the portfolio manager's role for each of these funds to try to, as accurately as possible, mimic the weightings or holdings of that index. Each of these indexes seeks to invest in a specific theme or industry, such as cybersecurity, mobile payments, Big Data, fintech, health tech, drones, video game technology or junior silver.

TWST: Are the indexes on which they are based in any way standard in the industry as far as being looked to for some indicator of how an area of the economy is doing?

Mr. Chanin: We hope that each of our indexes for our funds can become benchmarks for people to view the performance of that specific industry. We work with custom index shops that can take something as abstract or complex as developing an index to invest in an industry that has been previously difficult to invest in and actually categorize that industry, determine what types of companies are involved in it, and then follow through in developing an index to represent that overall industry.

TWST: Are the indexes structurally based on ones like the Russell index or the S&P? Also, are they well-known by the investment community?

Mr. Chanin: Our index partners for many of our indexes will mostly likely be known by many ETF investors. The International Securities Exchange — ISE — has made many of our indexes as well as Solactive. These are just some of the index providers that we've worked with, and they have many clients across the ETF industry large and small.

TWST: Are there other companies creating ETFs that are based on these indexes, or will you be unique for a while in the areas that you have chosen?

Mr. Chanin: For video game technology, we are the first ETF company in the world to help launch an ETF focused

Highlights

Andrew Chanin discusses PureFunds, a thematic ETF company. Mr. Chanin's firm offers ETFs that focus on specific industries, such as video game technology, mobile payments, drones and health tech. He says the ETFs are about providing differentiation and something different for investors who are in broad-based sector funds. He says that while many people are invested in broad-based sectors, they may also want different exposures that are also in that sector which aren't being covered by those broad-based funds and that are providing disruptive technologies.

Companies discussed: Teladoc (NYSE:TDOC).

on that specific industry. And for fintech, we actually launched a mobile payments ETF prior to our ETF that focuses on the broader fintech industry, and the mobile payments one, in our minds, is a more developed sub-focus within the broader fintech industry. We have possibly the first fintech-focused ETF ever launched, and it is listed under the ticker FINQ.

“For each one of these funds, there are different aspects that are looked at to determine which companies will be involved. That being said, once the index is developed, it is the fund’s goal to try to best mimic the weightings and performances of that index minus fees and expenses.”

TWST: To what extent do your ETFs vary at all relative to the indexes, and how is that variance at all determined?

Mr. Chanin: It is a portfolio manager’s job for each of these funds to try to best track the index before fees and expenses. One way to look at them is related to the tracking error of the funds versus the index.

TWST: What other aspects are there in the investment process in each of these funds? Can you describe the average number of holdings, the way that the holdings might be adjusted, or the actual process by which they might be adjusted?

Mr. Chanin: Each fund is looked at differently. Each of these industries that these funds invest in are different industries, so each should be approached differently. With different funds, we worked with different index providers.

For our first four ETFs, we worked with the International Securities Exchange, and the process was to come up with an idea that we wanted to create a fund around, and then to determine what that overall universe looks like and actually try to identify the different types of companies and the different technologies that they are working or focusing on. Additionally, after you have identified what types of companies fit into that overall industry, then it is a matter of screening for liquidity parameters as well.

TWST: I am seeing that the drone economy strategy ETF corresponds to the Reality Shares Drone Index that is a group of 47 companies determined by projected revenue from drone technology, direct involvement in developing a researching drone technology, services provided to companies directly involved in drone technology and expected growth of the company’s revenue from drone technology. So for each of the funds, are these four factors or something similar embedded in them?

Mr. Chanin: I personally do not think that each industry or technology is created equal, which is why we worked with different groups for developing each of these funds. The Reality Shares Drone Index is one that is really unique whereby Reality Shares actually has ETFs themselves. We partnered to develop this index for our IFLY ETF. They actually developed a proprietary “Drone Score” that measures each of those companies that focuses on the specific areas that you just mentioned as qualifiers, and they weigh and rank them based on that. That is how the weighting is determined.

With some of the other funds, it is a little bit easier for them to do whereby they can look at the revenues generated from that specific industry because some of the funds have an equal weighted, market cap weighted, or even market cap modified so each of them have may have different weighting methodologies. There are between roughly 20 and 65 companies in any one of the fund’s underlying indexes.

TWST: Regarding the Reality Shares Drone Index, how are you varying from those qualifiers used? How are you creating your own customized ETF so you are not mimicking what they are doing?

Mr. Chanin: We want the fund to as closely mimic the index as possible. Each of these indexes has a custom index that was designed in mind with an ETF to be launched. For us, when you are creating a new type of world’s first ETF, as we have done many times over now, it is a matter of working with an index provider that can help build out that ecosystem for what that industry looks like. For each one of these funds, there are different aspects that are looked at to determine which companies will be involved. That being said, once the index is developed, it is the fund’s goal to try to best mimic the weightings and performances of that index minus fees and expenses.

TWST: You mentioned Reality Shares, which created the drone index, also has its own ETFs. Why wouldn’t they compete with your ETF?

Mr. Chanin: Its focus is on dividend strategies or other types of strategies, although they might launch thematic ETFs. However, we are branded in such a way as to become synonymous with thematic ETFs at this point, and, as such, they found us as ideal partner to work with to help to get that fund to the market.

TWST: So you have a partnership with them? How does that work?

Mr. Chanin: There is a revenue share on profits generated from the funds.

1-Year Daily Chart of Teladoc Inc

Chart provided by www.BigCharts.com

TWST: OK, so they would not be in direct competition with you?

Mr. Chanin: No, it is a very symbiotic relationship whereby we are all hoping to see the funds grow in assets and popularity.

TWST: Are you doing that across all the indexes, and do you only work with Reality Shares?

Mr. Chanin: We are partner-agnostic and work with many different partners. We have partnered with an individual that has roughly a decade of experience as a research analyst who covers the video game technology industry and, to us, it seemed like a natural fit to work him to develop the index to our video game technology ETF with the ticker GAMR.

"Increasingly, technology is solving medical problems. Social media, where communications and technology merge, is a powerful tool helping pharma and marketers understand the issues patients face and where conversations about health can take place and reveal the problems to solve."

Many times, when we are creating these for an ETF, it is very important for us to align ourselves with index providers that have a history and track record of being able to develop these types of products because, at the end of the day, if our funds' holdings do not represent that specific industry that someone is hoping to invest in, they will most likely not invest in it, so we do a lot of due diligence and take a lot of time working with the various index providers that we partner with to make sure that the final index looks like something that someone wanting exposure to the industry is looking for.

TWST: Can you talk about a particular ETF?

Mr. Chanin: Let's go with our fund IMED, the world's first health tech ETF. IMED was designed to be an ETF that focuses on three innovative areas within the health care sector right now: health care informatics, medical instruments and medical appliances. The reason that we were excited to launch this fund is that there are many new trends taking place due to the convergence of health care with technology. Looking at the roughly 50 health care ETFs that are out there, I realized that there was an area that was not really being addressed thoroughly, and that was health technology. There were medical device ETFs out there, but many of them actually have a very high weighting to biotech and pharma.

Health care informatics in particular is one area that has not really been addressed in an ETF product before. The idea was to find a high-innovation area within the health care sector which has not really been addressed via ETFs and to provide something with some different exposures so that an investor who is interested in the health care space can have new exposures in the ETF as opposed to having a lot of overlap with existing holdings that they may already own through other ETFs.

TWST: Talk about some of the specific holdings.

Mr. Chanin: I will start at a broader level. Regarding medical instruments, medical appliances and especially health care informatics, these selected companies are principally engaged in providing information technology services, primarily to health care providers and to facilitate interactions with patients and consumers. These include companies that are providing applications, systems and data processing software, advanced visualization software, Big Data analytics, internet-based tools, IT consulting services to doctors, hospitals, businesses and many other types of services. The use of software products and workflow automation is being driven by health insurance by HIPAA and includes the ability to generate secure electronic medical records. So in broad terms, health care informatics is really the transfer of any type of data across the health care sector, and it is an area that had not been addressed as being a focus of any other health care ETFs to our knowledge at this point.

Another one of those three areas, medical instruments, are companies that are principally engaged in the design and sale of instruments with physicians with medical procedures and treatments as well as patient care and recovery, and these can include biosurgery products, vaccine and blood collection, processing and storage products and technologies for transfusion therapies. The third area is medical appliances, and these companies are principally engaged in the development and sale of devices used in the treatment of certain medical conditions. Patient care is being enhanced on a daily basis by implantable biomedical devices such as fibrillators, pacemakers, spinal implant devices and drug delivery systems.

Increasingly, technology is solving medical problems. Social media, where communications and technology merge, is a powerful tool helping pharma and marketers understand the issues patients face and where conversations about health can take place and reveal the problems to solve. Wearables are further empowering patients to use data to better manage their own health, as well as feeding information back to doctors. Devices are also replacing patients' paper health diaries. It has long been a challenge for patients to record data relevant to clinical trials, but now apps and technology can track and collect such data more accurately, and clinical trial leaders in turn can use mobile apps to improve management of trial data and trials themselves.

Mobile apps are also being prescribed as treatments. We have mobile apps going through medical trials to demonstrate that they can work with medication and improve outcomes over using medicine alone. Technology can serve as a treatment as much as a medicine can. Added to this, now there are tattoos and tiny patches that collect biometric information in development, further illustrating how the lines between the worlds of tech and health care are blurring. The sector is potentially benefiting from recent advances in computer chip design and nanotechnology.

TWST: Talk about anything else that you like and that you think the people should own again through this ETF.

Mr. Chanin: An example of one holding that is interesting, but by no means am I saying this is our favorite one, is **Teladoc** (NYSE:TDOC), a telemedicine company. One reason that this is interesting is that it allows individuals using telemedicine to be more efficient because it reduces the need for travel. Additionally, another potential benefit of telemedicine is also that the patient can reduce the risk of infection or injury from the actual action of going to a hospital or a health care provider. Care can potentially be received from the safety of home. That is just one technology within the broader realm of health care informatics.

TWST: You have got a lot of proprietary information

embedded in these ETFs, so I want to give you an opportunity to talk about any aspects of them that you would like to discuss.

Mr. Chanin: For us the big thing is differentiation. It is really about providing new and different exposures, with the reason being that we believe that these methodologies maybe of interest to investors. For IMED, as I mentioned, there are many other health care ETFs out there. So why get involved in such a competitive space? For us, it is because we think that there are investors who really want different exposures to many of these highly technologically driven solutions in health care. As we mentioned, in this fund there is not large exposure to vaccines or pharma or hospitals. Additionally, there is also a large international exposure, whereas many health care funds have a huge focus primarily in the U.S.. It is roughly 55% U.S., 45% international at this moment.

We see ourselves as providing something different for many investors who are in these broad-based sector funds, as few realize that many broad-based sector indexes are actually highly concentrated in the top couple of companies, the top four or five holdings, say. So this kind of comes back to this differentiation side, where we think that because there are many people that are invested in broad-based sectors, they may also want different exposures that are also in that sector which aren't being covered by these broad-based funds. So if someone investing in health care owns several health care ETFs, hopefully IMED is providing them additional and different exposures for many of these investors. Someone that wants to have traditional companies, larger more well-known companies, can have that in a broad-based health care ETF, but now they can also add-on say a satellite position using something like our HealthTech ETF to have additional exposure to this high innovation area that we are seeing within health care.

And the same could be said about many of our other funds; where many people are invested in the financial industry, and they own large traditional financial institutions/financial service companies through broad-based financial ETF. However, very few of them are actually getting much exposure in those holdings to areas like mobile payments or these high-innovation, high-disruptor areas like fin tech. That's why when we look at the pie chart of traditional sector classifications, we say, "What are those high-innovation areas within those broader sectors that we can provide in a packaged product for investors?"

TWST: The drone space seems like it would be changing very rapidly, and there are a lot of new technologies being introduced into it, and that would be perhaps slightly speculative. Why should somebody devote much money to an ETF that would be in such speculative technology?

Mr. Chanin: I think it is a great question, and one that we hear many times. People say: Why invest in a speculative industry? Certainly there can be volatility, and there could be higher risk in a new kind of emerging technology, but that doesn't mean that there aren't people who believe in the technology who want to invest in it. For us, we are not saying we are going to pick the best company, and that is the one that you should invest in. What we are saying is we know that people want to invest in drones, but how could we develop something that they can utilize in their portfolio?

Essentially we are providing investors with the vehicle where they can invest in many publicly traded companies from around the world that are doing all different sorts of things within the drone industry that make up the many parts of the drone ecosystem. We provide people with instant diversification to a wide range of companies that are prevalent in that space. Hopefully, that is a way to reduce individual company risk and potentially overall volatility.

TWST: Because these industries are going to be changing and some of the companies will be going away potentially, how often are the indexes themselves going to be updated and/or changed, and then hence your ETFs will have to change?

Mr. Chanin: They are typically rebalanced or reconstituted semiannually or quarterly.

TWST: So it would be very important for investors to know who you are partnering with, because they are making the decision as to what goes into the index?

Mr. Chanin: Sure. There is plenty of information available either through our website or through our partners' websites of how the actual indexes are being developed and their methodologies

TWST: Lastly, could you summarize again why somebody should choose this type of ETF fund over another one? Also, how does one incorporate this into an investment portfolio, broadly speaking?

Mr. Chanin: Again, each of these funds has a different area that can be introduced into someone's portfolio. Our junior silver ETF is an equity way of getting exposure to the price of precious metals, silver in particular. However, our others could make up part of either a global tactical position or be an add-on satellite piece of one or more broad-based sector-specific funds. Many of these new technologies are described as disruptive technologies.

To us, it seems interesting that people may invest in broad-based traditional names in these sectors, but there are also entire industries that have been developed with the mindset of essentially disrupting that traditional type of industry or technology, as in fin tech with its focus on financials or in health care where health tech companies are trying to disrupt the traditional status quo of the old-guard health care companies. It could potentially be even dangerous to not be looking at these disruptive companies if they succeed in their goal to replace those traditional industries you may already be investing in. People who do not have exposure to them could be in a difficult position, so it is a way of getting increased diversification and to invest in the several companies that are involved in these new emerging technologies.

TWST: Thank you. (KJL)

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