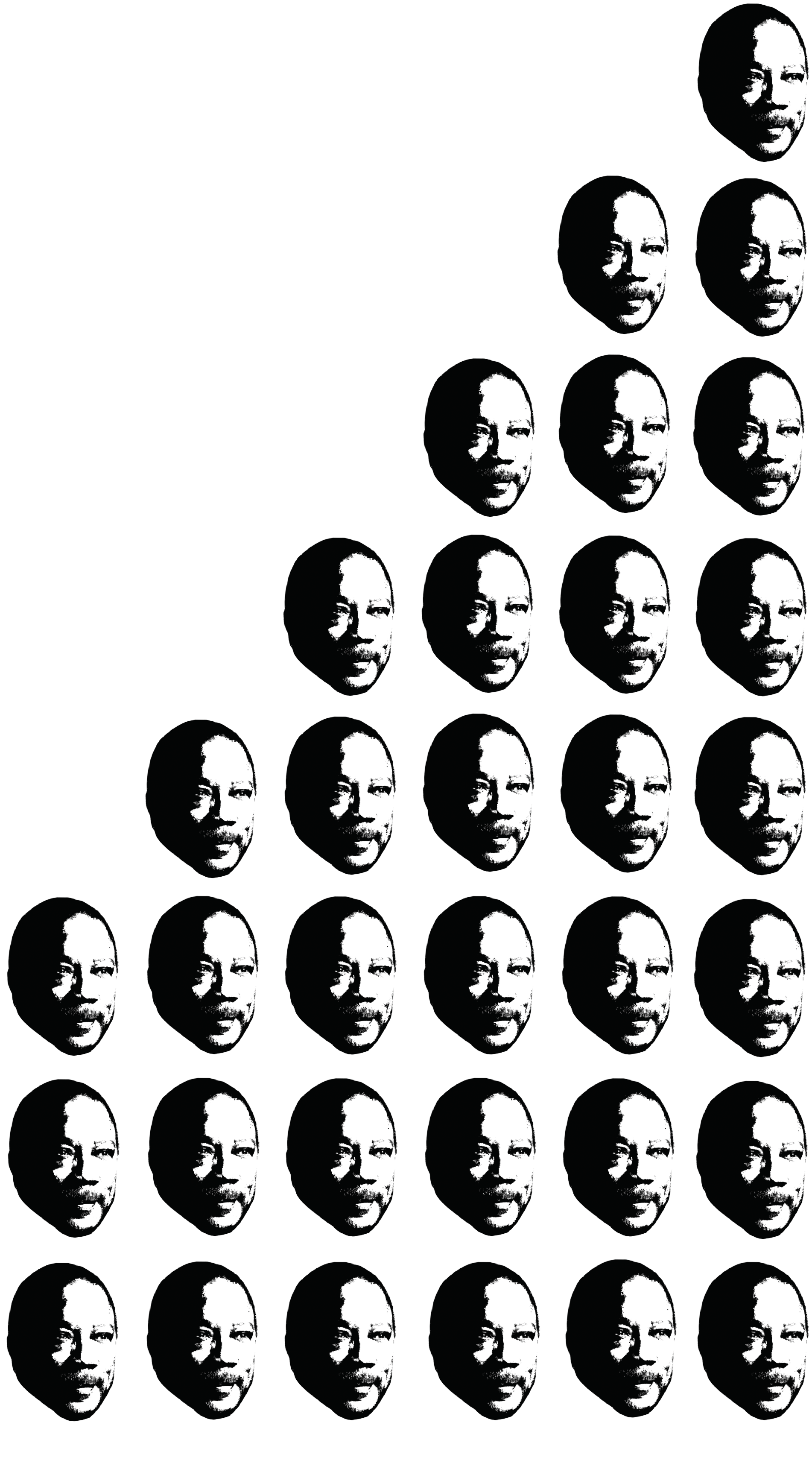
ICONICBETA™

# QUINCY100



## WHITE PAPER

"

People often ask me if I built the index, I did not. Our experts did. But I can tell you this, I've been in the industry for over 70 years and I've witnessed it transform. Things are so different now. The way people listen to and watch content I created and produced amazes me. The industry has evolved from when I first started and it makes my heart sing to see it growing stronger.

"

# QUINCY JONES

**INDEX AMBASSADOR**

**EST. 1933**

# Why Music,Media& Entertainment?

**MILLENNIAL AND GEN-Z DEMOGRAPHIC**

A younger and more dynamic demographic is driving transformation and growth in the industry.

**EMERGING MARKETS**

Emerging market smartphone usage is igniting new demand for interactive gaming, streaming music and video subscriptions.

**THE SUBSCRIPTION MODEL**

Streaming is driving a music industry comeback with revenues expected to grow from $54B in 2015 to $104B in 2030.

Source: Goldman Sachs

**TIME SPENT ONLINE IS INCREASING**

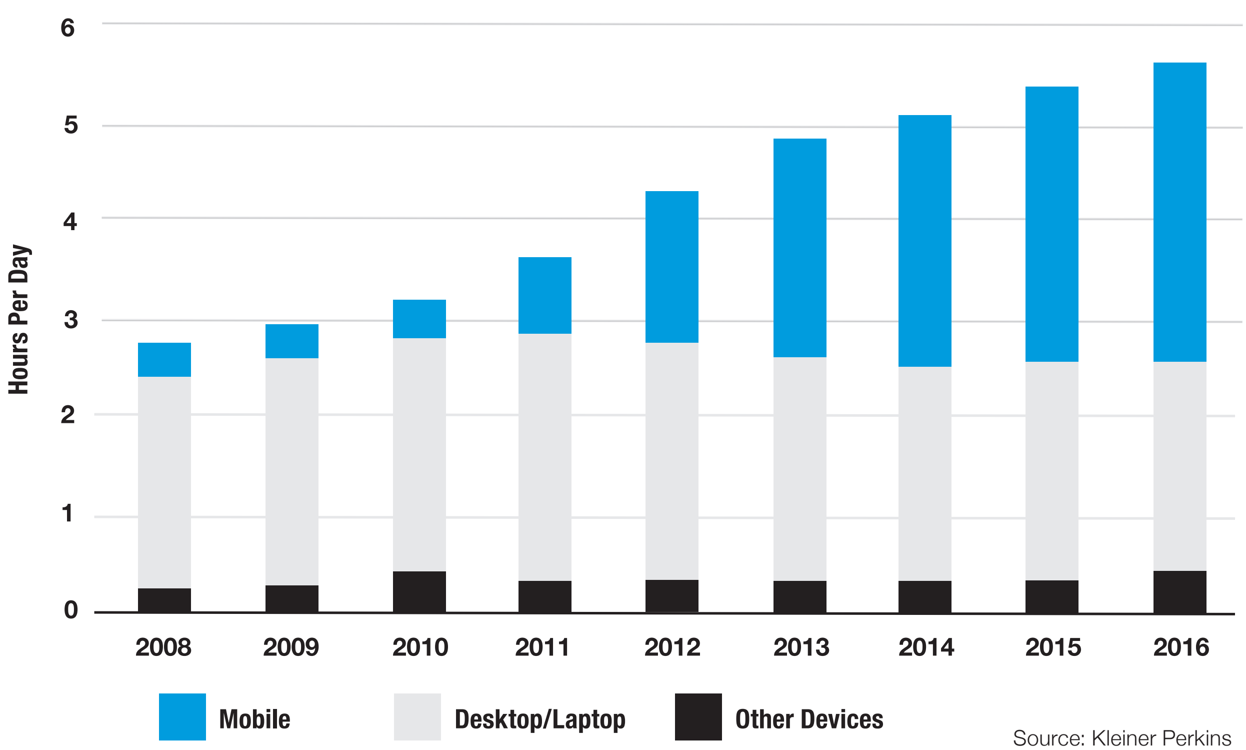
Growth in social media, mobile device usage and the internet is significantly increasing time spent online.

# Global internet users = 3.8 Billion + 10% per yr growth

## Driving the streaming music, media & entertainment industry

As internet and mobile users continue to grow at a double-digit rate, mass consumption of music, media, and entertainment is increasing faster than ever. The way in which millennial and Gen-Z consumers utilize mobile devices to personalize and interact with on-demand content, including music, videos, TV, movies, and games, is continuously evolving. In frontier and emerging markets, the middle-class consumer has boosted demand for smartphones, which has introduced billions of users to an abundance of customized music, media, and entertainment options that they are willing to pay for, in the form of low-cost subscriptions.

### TIME SPENT PER ADULT USER PER DAY WITH DIGITAL MEDIA 2008-2016 (USA)




Source: Kleiner Perkins

# The Subscription Model

To better understand the transition that the music industry is undergoing, it is important to reflect upon the changes that have been made within the last 100 years. The newspaper and magazine business was mostly an ad-supported newsstand model, before the subscription model was adopted.

The music streaming industry is now undergoing a similar transition; however, in a much more condensed timeframe. What began as the "modern newsstand" in 2001 (with the example of iTunes, iPods, and music downloads) has now transformed into a robust streaming market. We are at an inflection point on the growth curve for digital entertainment: a space that companies such as Netflix, Amazon Prime, Pandora, and Spotify have implemented excellent subscription models within.

There are many reasons why streaming has seen growth, but it is mainly due to mobile accessibility, interactivity, and personalization. In most countries, online video streaming has increased, while pay-TV service revenue has seen a steady decline. For example, Spotify has grown their internet subscription base to over 60 million paid subscribers (140 million active users) in less than nine years, and in the same timeframe, Netflix has also realized an astounding 669% increase in its subscriber base. Undeniably so, Netflix has been a major catalyst for growth in the video streaming market, adding 105 million subscribers over the course of ten years.

As demonstrated in the U.S, the young global consumer is digitally savvy and continues to dedicate a large portion of their disposable income to mobile entertainment, music, video, games, and online interaction. We expect Spotify to go public next year, and if so, the addition of this leading organization to the index is very likely.

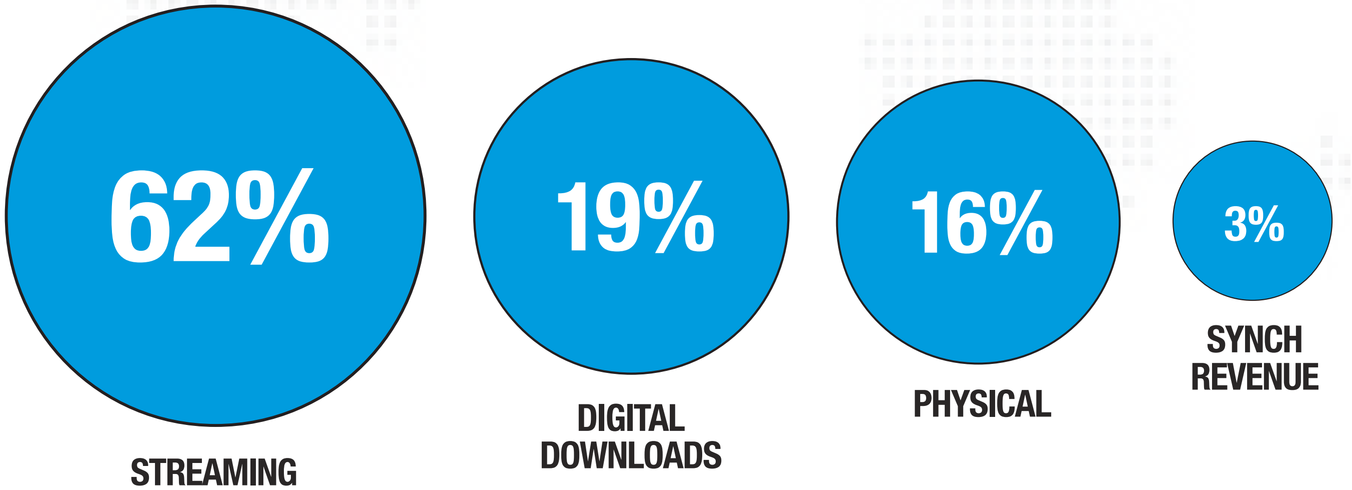
Furthermore, China's YY and Sina have proven to be great examples of strong online streaming businesses. E-commerce is dominant in China, as well as other emerging markets, with mobile payments representing up to 80% of all transactions in 2017; therefore, subscription services are an increasingly appealing way to simplify user experiences.

# U.S. music industry's revenue growth is accelerating with paid streaming subscriptions

The U.S. recorded music industry has seen revenue growth accelerate again in the first half of 2017, up 17 percent over the first half of 2016 to $4.0 billion, according the the RIAA's 2017 mid-year report. And the driver? Paid streaming subscriptions. The average number of paid subscribers to services like Apple Music and Spotify ballooned to 30.4 million, up 50 percent from the 20.2 million in the first half of 2016. That's both a record high for the U.S. and a growth of 1 million new subscriptions per month over the prior year, according to RIAA Senior VP Strategic Data Analyst, Josh Friedlander.

## RECORDED MUSIC INDUSTRY REVENUE BREAKDOWN

H1 2017



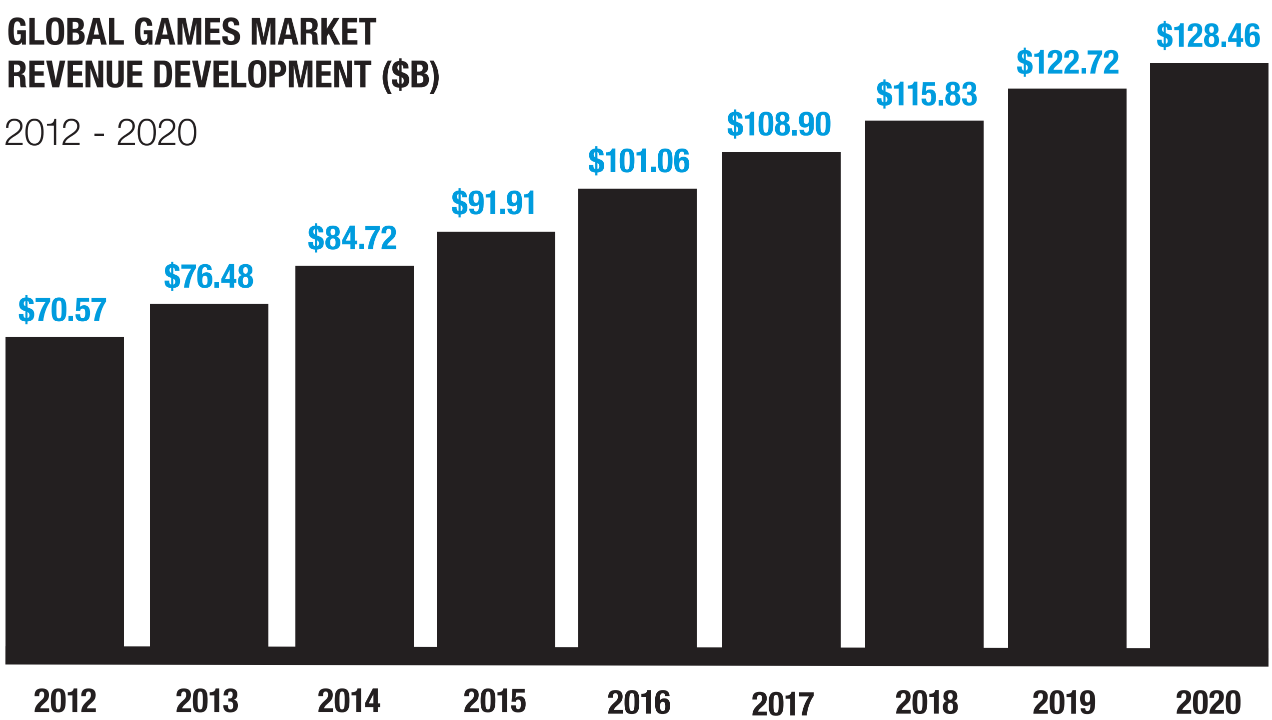

Source: Billboard and RIAA

# Gaming: A $109 Billion Market

The interactive gaming market is rapidly evolving; however, in perspective of its short timeline, we are still in the early days. Gaming started in 1967, now games are on over 2.6 billion cell phones, plus in billions of homes and online. Games can be shared to compete against friends or thousands of people in stadiums. As alluded to by Moore's Law of increased computing power, which has significantly improved gaming systems, Zuckerberg's Law of Social Sharing has helped to create an explosion of online competition within gaming.

**There are 2.2 Billion Active Gamers in 2017 vs. 100 Million in 1995.**

With the advent of Farmville, Candy Crush, and others, online and mobile gaming has become more appealing to a wider range of ages. Additionally, with smartphones selling for as low as $50 in China and subscriptions as low as $1-$5 per month, a much larger population globally can now participate.




Source: newzoo

# Content Is King

## Demand for content anywhere and anytime is reshaping the media industry before our very eyes

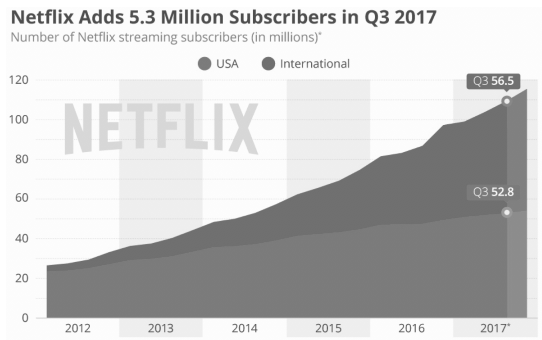
The media industry is in the midst of a technological revolution which affects every sector: from revenue streams to distribution models. The shift from analog to digital has significantly impacted the way in which consumers interact with content and it is clearly demonstrated by a change in consumption patterns.

Programs that used to be watched on one television are now readily available on multiple devices, anywhere, anytime. Therefore, it is increasingly important for broadcasters to produce various types of content to be able to cater different consumer desires. The same applies to social media, music, and gaming content.

## ~67% of American households own digital TV services.

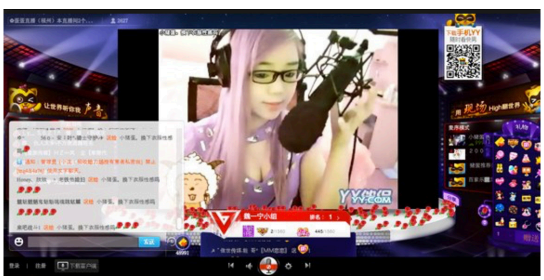
Netflix is a perfect example of this type of media disruption, and its recent partnership with traditional cable company, Comcast (once publicly feuding companies) signals further evolution to come. Netflix plans to spend between $7 - $8 billion on original content in 2018 and is focusing on subscriber growth overseas.

According to Netflix, as of Q3 2017, they had 56.5m international streaming subscribers and 52.8m in the U.S. As growth continues to accelerate, much of its overseas success has been propelled by partnerships with foreign cable companies and cellphone carriers.



# QJ Index Constituent Spotlight: YY, Inc

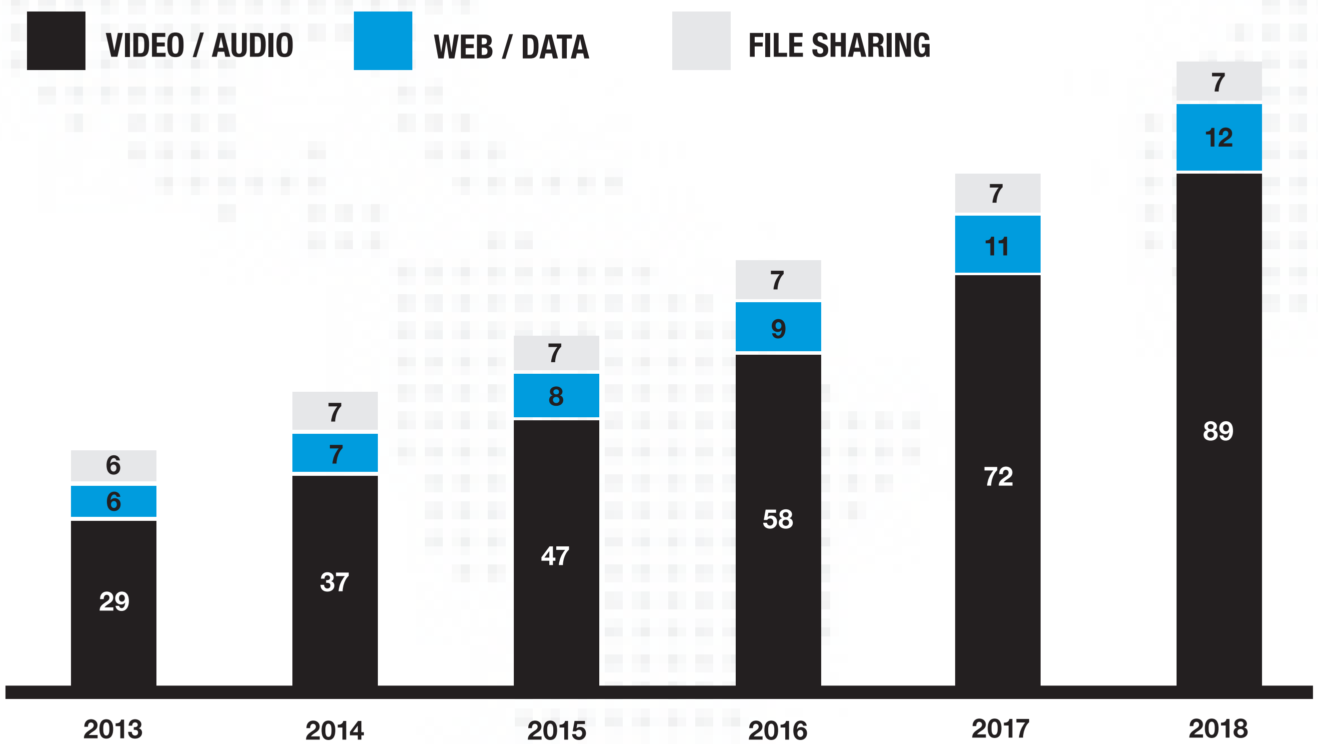
YY, Inc. is primarily a content streaming company in China that enables users to livestream activities, individually or in groups, as well as participate in a range of online activities, including music shows, dating shows, online games, and e-learning. TTM as of Jun. 2017: During the past 12 months, the average EBITDA growth rate of YY Inc was 77.60% per year and the past 3 years was 53.10% per year. YY's growth has come from both user growth and average revenue per user (ARPU). The streaming media division accounts for roughly 83% of revenue.



YY monetizes its livestreaming capabilities through in-channel virtual items. Consumers can access the basic service for free while paying for additional features: a perfect example of the freemium model which is prevalent in the Chinese gaming industry.

China has become the home of livestreaming adoption. According to PWC, livestream apps in China serve ~200 million monthly active users. Live video streaming created revenue of ~$4.3 billion in China, which is expected to triple by the end of 2020, notes China Renaissance Securities. According to iResearch, China's live video streaming market should reach $13.1 billion by 2019, an increase of 43.2% p.a.

# Video and audio will generate 89% of all consumer internet data traffic by 2018 (exabytes per month)




Source: Deloitte/Cisco

# Conclusion

## Thanks to streaming, the future is bright for the Music, Media & Entertainment industry, globally

In emerging markets, demographic trends point towards billions of young adults with discretionary income, which signals the potential for significant growth; coupled with solid and evolving business models for dominant firms, the opportunities for new investments in local and international markets are expanding.

Another important component of the index is the utility provided by revenue streams from the modern internet infrastructure, as well as mobile phone companies that provide networks with support in areas of content creation, consumption and distribution. Within the blockchain economy of the future, traditional phone companies have transitioned to become a more integral part of the internet infrastructure, and network firms continue to evolve to support market distruptors. Even in the midst of such change, the traditional constituents remind us of Quincy Jones himself, a solid backbone who has supported growth and will continue to support disruption in the industry.

# BEYOND WALL ST.