

Pacer Data Transmission and Communication Revolution Index Methodology

Index Description

The Pacer Data Transmission and Communication Revolution Index (the “Index”) is a rules-based index that tracks the performance of publicly traded companies involved in the use, manipulation, transmission, and storage of data and the ancillary services surrounding those processes. The Index identifies companies for inclusion based on their revenue exposure and by using various keyword searches in company filings, investor presentations, websites, and business descriptions.

Index Calculation

The Index follows a modified market capitalized scheme. The value of the Index is equal to the sum of the shares of each security within the Index (“Index Shares”) multiplied by their last traded price (“Last Price”), divided by the Index Divisor. If trading in a given security is halted or suspended on its primary exchange, the most recently available price is utilized for all index calculations until such a halt or trading suspension is lifted. The Index history begins on 4/8/2022 with a base value of 100.

The formula for Index value is:

$$\text{Index Value} = \frac{\sum(\text{Index Shares} \times \text{Last Price})}{\text{Index Divisor}}$$

$$\text{Index Shares} = \text{Total Shares} \times \text{Investable Weight Factor} \times \text{Adjusted Weight Factor}$$

Where:

Index Value: the closing value of the index.

Index Shares: the number of shares of a given security in the index.

Total Shares: the total number of shares outstanding for a given security.

Investable Weight Factor: the percentage of shares that are freely available for trading, often referred to as the “float.”

Adjusted Weight Factor: the weight determined by the index’s weighting methodology, defined below.

Last Price: the last observed trading price of a given security.

Index Divisor: used to scale the resulting closing value to a number that is easier to utilize in reporting and performance measurement.

The Index Divisor may change from time-to-time as a result of certain corporate, index, or other actions. Such changes will occur after market close, and conducted in a way to preserve the continuity of the index.

There are three version of the Index that are calculated:

TRFKPR – The price return index, disregarding cash dividends paid from Index Shares.

TRFKTR – The total return index, showing the effect of dividend reinvestment into the Index Shares. Reinvestment is conducted on the ex-date.

TRFKNT – The net total return index, showing the net-of-tax effect of dividend reinvestment into the Index Shares. Reinvestment is conducted on the ex-date. Tax estimation utilizes tax withholding rates as published by the IRS.

The price return index is calculated and published once per second throughout every trading day as determined by the New York Stock Exchange trading calendar. The total return and net total return indexes are published once per day after the close of business on a trading day.

Eligibility Criteria

In order to a given security to be eligible for inclusion into the Index, the security must:

- Be a publicly-traded equity security;
- Be listed on a major stock exchange;
- Have a minimum market capitalization of \$1 billion;
- Have a minimum 3-month average daily value traded of 2,000,000 USD;
- Be the primary listing security;
- May not have entered into a materially binding/definitive agreement which would otherwise disqualify the security from index inclusion; and
- May not be currently involved with bankruptcy proceedings.
- May not be listed on exchanges based in countries on the Country Exclusion List.

INDEX COMPONENTS are selected based on a list of products and services that enable and/or enhance datacenter and cell tower operations, including, but not limited to, below business areas:

1. Hardware, including processors, motherboards, random access memory (RAM), storage drives, and other internal computer hardware.
2. Software, including operating systems, networking and virtualization programs, and cybersecurity.
3. Ancillary services, including data structuring, database maintenance and access, data mining, and data analysis.
4. Operational equipment, including wiring, networking and electrical equipment, redundancy systems, and heating and cooling systems.

Index Evaluation

The Index is evaluated on **an annual basis using the last trading day of April as the Evaluation Date. All securities meeting the above criteria are included in the Index.**

If, at any point outside of the Evaluation, an Index Security no longer meets the Eligibility Criteria above or is otherwise no longer investable, the security is removed from the Index, is not replaced, and the weight previously given to that security is redistributed pro-rata across the remaining Index Securities. This removal is conducted at the Last Price after market close, but may be removed at a price of 0 if trading the security is halted at the time of its removal.

Index Rebalancing and Weighting Procedure

The Index is rebalanced on the **third Friday of the months of February, May, August, and November**, (the “Rebalance Months”) utilizing data from the Index Evaluation and utilizing the same Evaluation Date. The Index is Reconstituted annually on the third Friday of May.

The weights of each name are determined as of the **second Friday of the Rebalance Months** (the “Reference Date”).

Index constituents are weighed according to the following step-by-step procedure:

1. The sum of all constituents’ weight that is 4.5% or higher is summed. If this sum is less than 45%, no further action is required.
2. If the sum of those weights is 45% or greater, the constituents with weights greater than 45% is scaled to equal 45% by multiplying the security’s initially indicated weight by the fraction of that weight and 45%:
$$\text{Intermediary Weight} = \frac{\text{Initial Weight} \times 45\%}{\text{Sum of Initial Weights Above 4.50\%}}$$
3. The excess weight identified from the above steps is then allocated pro-rata across names not previously subject to the scaling to 45%.
4. Then, the resulting Intermediary Weights are capped are capped to 10%.
5. The above steps are repeated iteratively until the sum of all constituent weights above 4.50% is equal to or less than 45% and no securities have more than 10% weight.

Index Maintenance

Outside of rebalances and reconstitutions, the Index Shares of Index Securities may only change due to the removal of an Index Security (as stated above) or in the event of changes to the Investable Weight Factor and/or Total Shares as defined in the Index Calculation.

Country Exclusion List

At the discretion of the Index Committee and as part of the Index Evaluation, certain countries may be excluded from entry into the index. The criteria for exclusion is both quantitative and qualitative in nature, with a primary goal of avoiding countries with excessive and/or onerous capital controls, trading constraints, regulatory hurdles, or other operational difficulties that would prevent an investor from fully replicating the index on their own.

As of 12/31/2021, the following countries are excluded from the index:

India, China A-Shares, Saudi Arabia, Russia