

All disclosures in this term sheet regarding the Pacer US Cash Cows 100 Index (USD) (the “**Index**”) have been derived from the index methodology and prospectus. The information summarizes the index methodology as published by Index Design Group (“IDG” or the “Index Sponsor”) and may be changed by IDG. Additional information on the Index is available at [www.indexdesigngroup.com](http://www.indexdesigngroup.com)

## **Overview**

The Index uses a rules-based strategy to provide exposure to companies with high free cash flow yields. The Index universe is derived from the constituents of the Russell 1000 Index. All Financials except for Real Estate Investment Trusts (REITS) are excluded. For companies with multiple share classes, only the primary equity is to be included.

The Index was established on June 30, 2016 with an Index closing level equal to 100. FTSE Russell or another party designated by the Index Sponsor will act as the calculation agent (the “**Index calculation agent**”) for the Index.

### *Free Cash Flow*

Defined as (TTM) Cash from Operations less (TTM) Capital Expenditures.

### *Enterprise value*

Defined as market capitalization, plus total debt outstanding, less cash & cash equivalents (i.e. short term investments and marketable securities)

## **Security Selection**

1) The initial universe is screened based on the average consensus forward year free cash flows and earnings estimates. Companies with negative values are excluded. If no forward year estimated values are available, the company will be included.

2) The remaining securities are ranked by their Free Cash flow yield (trailing twelve month (TTM) Free Cash Flow / Enterprise Value). The 100 securities with the highest values are selected.

## **Index Construction**

The 100 securities are weighted by their trailing TTM free cash flow. The Index is reconstituted and rebalanced quarterly. Each quarter, the initial universe is screened on the average consensus forward year free cash flows and earnings estimates and the remaining securities are ranked by their free cash flow yield. Index weightings are capped at 2% during each rebalance. Index holdings may exceed 2% between rebalances. From time to time, the Index may include more or less than 100 companies as a result of events such as acquisitions, spinoffs and other corporate actions

## **Index Calculation**

The Index calculation agent will calculate the Index Level for each Index business day. The Index Level will be displayed on Bloomberg page “X” by no later than 6:00 p.m. EST on each Index business day. Intraday Index levels will be published by the Index calculation agent via the BATS Exchange under ticker symbol “COWZ”. All numerical values for the Index will be rounded to fifteen decimal places.

In the event that the Index calculation agent or the Index Sponsor determines that a material error has

occurred in the calculation of the Index (**index disruption event**), the Index calculation agent will correct such error on a date agreed to by the Index Sponsor.

If the Index is no longer calculable in accordance with the Index Methodology, due to any event or condition giving rise to the right to so adjust, amend, delete or alter the Index, an **Index adjustment event** may be made to correct or supplement any ambiguity or defective provision contained in the Index Methodology.

#### **Changes to index methodology**

Should a circumstance arise including, fiscal, market, regulatory, juridical, and financial or other circumstances, the Index Sponsor can make a modification of, or change to, the Index Methodology.