

THE INDEX

The Pacer US Small Cap Cash Cows Growth Leaders Index (USD) (the “**Index**”) was created by Index Design Group (the “**Index Sponsor**” or “IDG”). The Index was established 4/28/2023 with an Index closing level equal to 100.

The Index

The Index seeks to leverage a rules-based strategy to provide exposure to companies with high free cash flow margin.

The index universe is derived from the constituents of the S&P 600 Index. All companies from Financials and Real Estate sectors are excluded. For companies with multiple share classes, only the primary equity is to be included.

Security Selection

- 1) The initial universe is screened based on the average consensus forward year (FY1 and FY2)¹ 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 margin [trailing twelve-month (TTM) Free Cash Flow / trailing twelve-month (TTM) Sales]. The 100 securities with the highest values are selected.
 - Free Cash Flow is defined as TTM Cash from Operations less TTM Capital Expenditures. If TTM data is not available, then the most recent fiscal year data will be used.
 - All data points will be in US Dollars
 - All fundamental TTM data points are quarterly. If quarterly TTM data is not available, then semi-annual TTM data is used. If semi-annual TTM data is not available, then the most recent fiscal year data is used.

Index Construction

The index is reconstituted and rebalanced quarterly. Each quarter, the initial universe is screened on the average consensus forward year (FY1 and FY2) free cash flows and earnings estimates and the remaining securities are ranked by their Free Cash Flow margin. The top 100 ranked securities constitute the fund for the quarter. These 100 securities are then weighted by their 6-month price momentum score. Index weightings are capped at 5% during each rebalance. Index holdings may exceed 5% between quarterly 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.

- Price momentum score
 - 1) Momentum Value CalculationMomentum value is calculated for each of the securities in the index universe on each of the rebalancing reference dates. The momentum value is computed as the 6-month price change, as of the most recent month end, of the security in local currency. The effective rebalancing month is stated as month (M)

$$\text{Momentum Value} = \frac{\text{Price}_{M-0}}{\text{Price}_{M-6}} - 1$$

2) Z -Score & Momentum Score Computation

Computing a z-score is a widely adopted method of standardizing a variable. The z-score for risk-adjusted momentum value for each security is calculated using the mean and standard deviation of the relevant variable within each of the index universes

¹ Consensus third party analyst estimates sourced from FactSet Estimates databases.

The z-score is calculated as follows:

$$z = \frac{(x - \mu)}{\sigma}$$

where:

z = Z-score for a given security

x = Observed value for a given security

μ = Arithmetic mean of the variable in a given index universe, excluding any missing values

σ = Standard deviation of the variable in a given index universe

Winsorization reduces the impact of outliers on a data set by limiting them to a designated value or score. For the Pacer US Small Cap Cash Cows Growth Leaders Index, the winsorized z-score of a security is capped at ± 4 .

Price momentum Score Computation. Using the winsorized z-scores, a momentum score is computed for each of the securities. For a given security, if its winsorized z-score is above 0, then its momentum score will be the addition of 1 and the z-score. On the other hand, if its winsorized z-score is below 0, then its momentum score will be the result of the inverse of 1 subtracted by its z-score.

If $Z > 0$, Momentum Score = $1 + Z$

If $Z < 0$, Momentum Score = $(1 / (1 - Z))$

If $Z = 0$, Momentum Score = 1

Index Data Source

Fundamental and pricing data used to reconstitute and rebalance the Index will be sourced from the FactSet database. All FactSet data points will be compared with Bloomberg data in order to quality check the numbers. Any outliers will be evaluated by the index committee.

Index Review

- Pacer US Small Cap Cash Cows Growth Leaders Index **pro forma reference date**: All data points, including any fundamental data downloads, will be captured Close of the 1st Friday of each Rebalance Month (March, June, September, and December). Prices will be used as of this date to weigh the index and calculate index shares.
- **Indicative Review Files to be provided from close on the 2nd Friday of each rebalance month (March, June, September, and December) through to the 3rd Thursday.**
- Pacer US Small Cap Cash Cows Growth Leaders Index **rebalance date**: The index will rebalance at the close of the 3rd Friday of each rebalance month (March, June, September, and December) and will be completed over the next five days.

Index Availability

- **USD Price Return**: available real time
- **USD Total Return**: available end of day

Formulas

Free Cash Flow / Sales

$$\frac{\text{Free Cash Flow}}{\text{Sales}} = \frac{\text{T12M Cash from Operations} - \text{T12M Capital Expenditures}}{\text{T12M Sales}}$$

Index Calculation Agent

S&P or another party designated by the Index Sponsor, will act as the calculation agent for the Index (the “**Index calculation agent**”) and will be responsible for calculating the level of the Index using the Index Methodology published by the Index Sponsor. The Index Sponsor will be the final authority on the Index and the interpretation of the Index Methodology.

The Index calculation agent will calculate the Index Level for each Index business day. The Index Level will be displayed on Bloomberg page “X” (or on any successor page) by no later than 6:00 p.m. (New York City time) on each Index business day. Intraday Index levels will be published by the Index calculation agent via the Nasdaq Exchange under ticker symbol “COWG”. The Index Level will not be published on any day on which the Index Level is not calculated, whether because such day is a disrupted day (as defined under “—Index Disruption Events” below) or otherwise. 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, the Index calculation agent, having consulted, or having been consulted by, the Index Sponsor, will endeavor to correct such error on a date agreed to by the Index Sponsor. If a material error is corrected, the Index Sponsor will apply the correction from the relevant date forward.

Index Disruption Events

If, in the opinion of the Index Sponsor, any Index business day is a disrupted day (as defined below), the Index Level will not be published on such Index business day and will instead be calculated and published by the Index calculation agent on the next succeeding Index business day that is not a disrupted day, as determined by the Index Sponsor in good faith and subject to the index disruption fallbacks described under “—Index Disruption Fallbacks” below.

A “**disrupted day**” means any Index business day on which:

- any Exchange fails to open for trading during its regular trading session;
- an index disruption event (as defined below) occurs; or
- an Index adjustment event (as defined under “—Index Adjustment Events” below) occurs.

An “**index disruption event**” means the occurrence or existence of any of the following events if, as determined by the Index Sponsor, it has a material impact on the Index:

- it becomes impossible, on a certain Index business day, to obtain a closing level or any other price level for any component of, or instrument that is referenced by, the Index (a “**price disruption**”);
- any suspension of, or limitation imposed on, trading by any Exchange or otherwise, and whether by reason of price movements exceeding limits permitted by such Exchange or otherwise (a “**trading disruption**”);

- any event (other than an early closure, as defined below) during the one hour period that ends at the regularly scheduled close of trading for the securities comprising the Index that disrupts or impairs (as determined by the Index calculation agent and/or Index Sponsor) the ability of market participants to effect transactions in, or obtain market values for, any component of or instrument that is referenced by the Index (an “**exchange disruption**”); or
- on any Index business day and in respect of any instrument or component referenced by the Index, the closure of any Exchange prior to its scheduled closing time, unless such earlier closing is announced by such Exchange at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange on such Index business day, and (b) the submission deadline for orders to be entered into the Exchange’s dealing system for execution on such Index business day (an “**early closure**”).

Index Adjustment Events

The Index Methodology may be adjusted, amended, deleted or otherwise altered by the Index Sponsor at any time, acting in good faith and with the consent of the Index calculation agent, if the Index is no longer calculable in accordance with the Index Methodology (any event or condition giving rise to the right to so adjust, amend, delete or alter the Index, an “**Index adjustment event**”). Such adjustments may include, but are not limited to, adjustments required for clarification or for minor or technical reasons (including, without limitation, to correct any manifest or proven error or to cure, correct or supplement any ambiguity or defective provision contained in the Index Methodology).

Index Disruption Fallbacks

If (a) five consecutive Index business days are disrupted days, or (b) the Index Sponsor determines that (i) there is a discontinuation in the publication of prices for any component of or instrument referenced by the Index, (ii) the use of any component of or instrument referenced by the Index has become prohibited, (iii) the sponsor of any component of or instrument referenced by the Index has changed the specifications of such instrument or component, (iv) any component of or instrument referenced by the Index is modified or changed in any other way (except for a previously announced modification), or (v) any component of or instrument referenced by the Index has been or is likely to become terminated, then the Index Sponsor will, in consultation with the Index calculation agent, have the right to:

- accept the closing level of any component of or instrument referenced by the Index published on any alternative price source;
- if no alternative price source is available, select a substantially similar component for the Index or instrument to which the Index can be linked;
- if no alternative price source or similar instrument or component is available, adjust, amend or otherwise alter this description of the Index; and
- if none of the foregoing will achieve the objective of the Index as set forth above, permanently cease to calculate and/or disseminate levels for the Index.

Termination of the Index

The Index Sponsor may, at any time and without notice, terminate publication of the Index and proceed to ask the Index calculation agent to cease the calculation and dissemination of the Index.

Change in Index Methodology

No assurance can be given that fiscal, market, regulatory, juridical, financial or other circumstances (including, without limitation, any changes to, or any suspension or termination of any components for which values must be determined in relation to the Index) will not arise that would, in the determination of the Index Sponsor, necessitate or make desirable a modification of, or change to, the Index Methodology.

Any change to, or modification of, the Index Methodology may be outside the technology employed by the Index calculation agent, and thus the Index calculation agent may not be able to calculate the Index following such change or modification. In such event the Index Sponsor may, in its sole and absolute discretion, appoint a successor Index calculation agent.

Disclaimer

Although the Index Sponsor obtains price and return data from sources that it considers reliable, for example for the Benchmark Index, the Index Sponsor will not independently verify such data, and neither does it guarantee the accuracy and/or completeness of any data included in this description of the Index, nor the accuracy of any Index Levels.

The Index Sponsor is under no obligation to advise any person or entity of any error in the Index (but may do so in its sole and absolute discretion). References to the Benchmark Index is included only to describe the components upon which the Index is based. The Index is not in any way sponsored, endorsed or promoted by S&P or any Exchange.

IDG owns all intellectual property rights to the Index and this description of the Index. This description of the Index has been supplied by IDG. Any use of any intellectual property rights must be with the consent of IDG.

Background on the Index Components

Benchmark Index

We have derived all information contained in this index methodology regarding The Pacer US Small Cap Cash Cows Growth Leaders Index and the S&P 600 Index Total Return Index (the “**Benchmark Index**”), including, without limitation, their make-up, method of calculation and changes in their components, from publicly available information. Such information reflects the policies of, and is subject to change by, S&P.

The Benchmark Index is widely distributed under the ticker symbol **RIY**.

Corporate Actions and Events

Pacer will leverage the S&P Corporate Actions universe. Please refer to below guide.

If a constituent in the underlying index has a stock split, stock consolidation, capital repayment, rights issue, bonus issue, a change in the number of shares in issue or a change in free float, the constituent's weighting in the corresponding S&P Global Factor Index will remain unchanged pre and post such an event.

A Corporate ‘Action’ is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. The index will be adjusted in line with the ex-date. These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division) / Reverse splits (consolidation)
- Scrip issues (Capitalization or Bonus Issue)

A Corporate ‘Event’ is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required, S&P will provide notice advising of the timing of the change.

Suspension of Dealing

Suspension of Dealing rules can be found within the S&P Corporate Actions and Events Guide for Non-Market Cap Weighted Indexes.

Takeovers, Mergers and Demergers

The treatment of takeovers, mergers and demergers can be found within the S&P Corporate Actions and Events Guide for Non-Market Cap Weighted Indexes.

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