

THE INDEX

The Pacer TrendpilotTM European Index (USD) (the “**Index**”) was created by Index Design Group (the “**Index Sponsor**”). The Index was established on December 9, 2015 with an Index closing level equal to 100.

The Index uses an objective, rules-based methodology to implement a systematic trend-following strategy that directs the Index’s exposure to either 100% FTSE Eurozone Index (the “FTSE Eurozone”), 50% FTSE Eurozone and 50% 3-Month US Treasury bills, or 100% 3-Month US Treasury bills as of the most recent weekly auction rate.

When the FTSE Eurozone Total Return Index is above its 200 business day simple moving average for five consecutive business days the Index will track 100% FTSE Eurozone . When the FTSE Eurozone Total Return Index falls below its 200 business day simple moving average for five consecutive business days the first signal occurs. This indicates a negative trend has been established and the Index will track 50% FTSE Eurozone and 50% 3-Month US Treasury bills. A second signal is established when the direction of the simple moving average changes from positive to negative. Confirmation of the second signal is determined when the most recent closing price of the FTSE Eurozone Total Return Index 200 business day simple moving average falls below its closing price from 5 days prior. When the second signal is confirmed the Index will track 100% 3-Month US Treasury bills. Once the Index is tracking 100% 3-Month US Treasury bills it will have no exposure to the FTSE Eurozone until the FTSE Eurozone Total Return Index is above its 200 business day simple moving average for 5 consecutive business days. When this positive trend is established the Index will track 100% FTSE Eurozone. When the Index changes exposure, the change will be effective on the second business day. The Index aims to mitigate, to some extent, the volatility of the FTSE Eurozone by tracking 3-Month US Treasury bills (instead of the FTSE Eurozone) when the FTSE Eurozone Total Return is in a negative trend.

It is possible for both negative trends to occur at the same time. When this happens the index will go from tracking 100% FTSE Eurozone to tracking 100% 3-month US Treasury Bills.

The Pacer Europe Trendpilot Index will use two versions of the FTSE Eurozone Index. To determine the signal the Index will use the Euro version of the FTSE Eurozone Total Return Index, while the return will be calculated based off the US Dollar version of the FTSE Eurozone Index.

Simple Moving Average

A simple, or arithmetic, moving average that is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods. Short-term averages respond quickly to changes in the price of the underlying, while long-term averages are slow to react.

The FTSE Eurozone Index

The FTSE Eurozone Index is a rules-based, float-adjusted, market capitalization-weighted index comprised of large- and mid-capitalization stocks providing coverage of the developed markets in Europe. The FTSE Eurozone Index is derived from the FTSE Global Equity Index Series, which covers 98% of the world’s investable market capitalization, the index provides coverage of the 11 developed markets in the Eurozone. The FTSE Eurozone TR is a total return version of the FTSE Eurozone Index and reflects the reinvestment of dividends paid by the securities in the FTSE Eurozone Index.

The Index, and consequently the Fund, may stay in any of its three possible positions for an extended period of time. As described below, the Index will change its position based on the following indicators, and each change will become effective on the second business day after the indicator for the change is triggered.

The 3-month US T-Bill Index

On July 13, 2015 the Index Committee adopted a more formal approach to be utilized in The Pacer Trendpilot™ European Index. In doing so, it created a separate index that will replace the original rules. Below is a description of the new formal index rules.

The 3-month US T-Bill Index is designed to act as a US dollar-denominated cash position through the use of nine 3-month US Treasury-Bills (T-Bills) ranging from 30-91 days in duration.

The 3-month US T-Bill Index is an equal weighted index. The value of the Index equals the aggregate value of the Index share weights, also known as the Index Shares, of each of the Index Securities multiplied by each security's Last Sale Price, and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate value to a lower order of magnitude, which is more desirable for Index reporting purposes. The Index began on July 13, 2015 at a base value of 100.00.

The Index are calculated and disseminated once per day in USD. The closing value of the Index may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

Eligibility Criteria

Index eligibility is limited to active 3-month United States Treasury Bills with duration greater than 30 days and less than 91 days.

Index Evaluation

The Index Securities are evaluated on a weekly basis, except as outlined below under the Holiday Exceptions section.

- 1) Up to nine 3-month US T-Bills with maturities between 30 and 91 days remaining will be selected for Index inclusion at the launch.
- 2) Each Thursday, at the open of trading, the Index will be reviewed to determine the Index Security with the last amount of maturity remaining. This Index Security will be removed from the Index and will be replaced with a new Index Security that has up to 90 days of maturity remaining. The new Index Security will be replaced at the same weight as the removed Index Security.
- 3) The Index change will become effective prior to market open on the following Monday.

Holiday Exception

- 1) In the event Thursday is a US trading holiday, the review will be conducted on the next US trading day. In the event Monday is a US trading holiday, the Index changes will become effective on the next US trading day.

Index Rebalance

The Index employs an equal-weighted methodology and will be set to equal weighted at the Index launch. At each weekly Evaluation, the removed Index Security will be replaced at the same weight as the new Index Security.

If the weight of any individual security deviates by more than 20% from a target equal weight percentage, the Index will undergo a rebalance back to equal weight at the next Weekly Evaluation.

Detailed Calculation of Index Level

$$I_t = I_{t-1} \times [Z_{t-2} \times PTER_t + (1 - Z_{t-2}) \times (1 + CR_t)^d]$$

Where
$$PTER_t = \frac{PTE_t}{PTE_{t-1}}$$

$$CR_t = \left[\frac{1}{1 - \frac{91}{360} \times Bill_{t-1}} \right]^{1/91} - 1$$

$$Z_t = \begin{cases} 1 & \text{if, for all } B = 4,3,2,1,0, PTE_{t-B} > PTEMA_{t-B} \\ 0.5 & \text{if, for all } B = 4,3,2,1,0, PTE_{t-B} < PTEMA_{t-B}, \text{ and } PTEMA_t > PTEMA_{t-5}, \text{ and } Z_{t-1} \neq 0 \\ 0 & \text{if, for all } B = 4,3,2,1,0, PTE_{t-B} < PTEMA_{t-B}, \text{ and } PTEMA_t < PTEMA_{t-5} \\ Z_{t-1} & \text{Otherwise} \end{cases}$$

$$PTEMA_t = \frac{1}{200} \times \sum_{t-199}^t PTE_t$$

And:

I_t = the Index Level on Index business day t, where on the Index Base Date, the Index Base Value is 100.

Z_t = the value of the trend indicator for Index business day t (with a value of “1” indicating that the Reference Index Trend is positive for such Index business day, a value of “0.5” indicating that the Reference Index Trend is negative for such Index business day, a value of “0” indicating that the Reference Index Trend is negative for such Index business day, and a value of “ Z_{t-1} ” indicating that the Reference Index Trend is the same as the immediately preceding Index business day).

$PTER_t$ = the return on the Index Pricing Index for Index business day t.

CR_t = the Cash Rate for Index business day t.

d = the number of calendar days that have elapsed between Index business day t-1 and Index business day t.

PTE_t = the Reference Index Closing Level on Index business day t.

$Bill_t =$

DATE	CUSIP	SHARES
11/3/2015	912796GR4	1111.19
11/3/2015	912796FN4	1111.23
11/3/2015	912796GT0	1111.21
11/3/2015	912796GU7	1111.26
11/3/2015	912796GV5	1111.25
11/3/2015	912796FP9	1111.23
11/3/2015	912796GX1	1111.39
11/3/2015	912796GY9	1111.18
11/3/2015	912796GZ6	1111.48

$PTEMA_t$ = the Reference Index Simple Moving Average for Index business day t.

Reference Index: The FTSE Eurozone TR (Euro)

Tracking Index: Pacer Trendpilot European Index which allocates between *The FTSE Eurozone Index* and the *The 3-Month US T-bill Index*

Index Pricing Index: Pacer Trendpilot European Total Return Index which allocates between *The FTSE Eurozone TR (USD)* and *The 3-Month US T-bill Index*

Index Calculation Agent

FTSE Russell 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 BATS Exchange under ticker symbol “PTEU” 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.

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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 and 3-month US Treasury bills are included only to describe the components upon which the Index is based. The Index is not in any way sponsored, endorsed or promoted by FTSE Russell or any Exchange.

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Background on the Index Components

Benchmark Index

We have derived all information contained in this index methodology regarding The Pacer TrendpilotTM European Index and the FTSE Eurozone Price 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, FTSE Russell.

The Benchmark Index is widely distributed under the ticker symbol AWEBLOCS.

Corporate Actions and Events

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 FTSE Global Factor Index will remain unchanged pre and post such an event.

Full details of changes to constituent companies due to corporate actions and events can be accessed in the FTSE Corporate Actions and Events Guide for Non Market Cap Weighted Indexes using the following link: [FTSE Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

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 FTSE will provide notice advising of the timing of the change.

Suspension of Dealing

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

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