

THE INDEX

The Pacer US Cash Cows Growth Index (USD) (the “**Index**”) was created by Index Design Group (the “**Index Sponsor**” or “IDG”).

The Index

The Index seeks to leverage 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 S&P 900 Pure Growth Index. All Financials 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 yield (trailing twelve month (TTM) Free Cash Flow / Enterprise Value). The 50 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.
 - Enterprise value is defined as market capitalization, plus total debt outstanding, plus preferred stock, less cash & cash equivalents (i.e. short term investments and marketable securities); where market capitalization is taken by multiplying the most recent price by the most recent shares outstanding². Price is updated as of the most recent date, while total debt outstanding, preferred stock, and cash & cash equivalents are as of the most recent quarter. If data for the most recent quarter is not available, then the most recent semi-annual data is used. If semi-annual data is not available, then the most recent fiscal year data is 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 yield. The top 50 ranked securities constitute the fund for the quarter. These 50 securities are then weighted by their current Market Cap (where market capitalization is taken by multiplying the most recent price by the most recent shares outstanding). Index weightings are capped at 5% during each rebalance. Index holdings may exceed 5% between quarterly rebalances.

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

² In companies with multiple share classes, the market capitalization will be the sum of the market cap of each share class.

From time to time, the Index may include more or less than 50 companies as a result of events such as acquisitions, spinoffs and other corporate actions.

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 Cash Cows Growth pro forma reference date:** All data points, including any fundamental data downloads, will be captured Close of the 2nd Friday of each Rebalance Month (March, June, September, and December). Prices will be used as of this date to weight the index and calculate index shares.
- **Indicative Review Files** to be provided from the close on the following Wednesday through the following Friday of the pro forma reference date.
- **Pacer US Cash Cows Growth rebalance date:** The index will rebalance at the close of the 3rd Friday of each rebalance month (March, June, September, and December) effective for the open on the following Monday.

Index Availability

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

Currency versions, calculation frequency, desired ticker, name and description.

- Price Return
 - Index Name = Pacer US Cash Cows Growth Index
 - EOD or Real-time? Real-time
 - If real-time trading hours = 9:30am EST to 4:00pm EST
 - Desired Ticker (8 character max) = **BULL**
 - Index Description (for BBG it can only be 300 characters including spaces) = The Pacer US Cash Cows Growth Index utilizes 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 S&P 900 Pure Growth Index. All Financials are excluded. For companies with multiple share classes, only the primary equity is to be included.
 - Currency = USD
 - Hedged PR, if so hedged from what current into what currency (please note for hedged indices we need to know points i-iv specific for the hedged level too)? Not Hedged
- Total Return
 - Index Name = Pacer US Cash Cows Growth Total Return Index
 - EOD or Real-time? Real-time
 - If real-time trading hours = 9:30am EST to 4:00pm EST
 - Desired Ticker (8 character max) = **BULLTR**
 - Index Description (for BBG it can only be 300 characters including spaces) = The Pacer US Cash Cows Growth Total Return Index utilizes 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 S&P 900 Pure Growth Index. All Financials are excluded. For companies with multiple share classes, only the primary equity is to be included.

- Currency = USD
 - Hedged TR, if so hedged from what current into what currency (please note for hedged indices we need to know points i-iv specific for the hedged level too)? Not Hedged
- Net Total Return
 - Index Name = Pacer US Cash Cows Growth Net Tax Index
 - EOD or Real-time? EOD
 - Desired Ticker (8 character max) = **BULLNT**
 - Index Description (for BBG it can only be 300 characters including spaces) = The Pacer US Cash Cows Growth Net Tax Index utilizes 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 S&P 900 Pure Growth Index. All Financials are excluded. For companies with multiple share classes, only the primary equity is to be included.
 - Currency = USD
 - Hedged NTR, if so hedged from what current into what currency (please note for hedged indices we need to know points i-iv specific for the hedged level too)? Not Hedged
 - Withholding Tax (WHT)
 - **Option 1:** Follow S&P DJI’s Standard WHT rates. In S&P Dow Jones Indices’ context, this refers to the tax that non-residents are subject to, when the country in which the company paying the dividends is incorporated is not where the shareholder resides. In most countries, domestic shareholders are not required to pay this tax. Tax treaties between countries may reduce the amount of withholding tax required.

Please note: S&P DJI utilized data points captured on the last trading day of the quarterly rebalance month to compute the backtest.

Formulas

Free Cash Flow / Enterprise Value

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

Where

$$\text{Enterprise Value} = \text{Market Capitalization} + \text{Preferred Stock} + \text{Minority Interest} + \text{Total Debt Outstanding} - \text{Cash \& Cash Equivalents}$$

Index Calculation Agent

S&P Dow Jones Indices 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) as soon as possible after market close (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 “BULL” 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 Dow Jones Indices 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 Pacer US Cash Cows Growth Index and the S&P 900 Pure Growth 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 Dow Jones Indices.

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

Corporate Actions and Events

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.

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.

For corporate actions, S&P rulings will be the default option. Pacer will also have the option to change these corporate action rules by notifying S&P 2 days in advance of the event on actions to take.

STOCK EVENT TYPE	Standard SPDJI Treatment	Divisor Change	Note	Note	Note
Stock Forward/Reverse Split	Market cap neutral event. Shares change offset by price adjustment in the morning.	No			
IWF Change	IWF increase/decrease has no impact on index shares as the AWF will adjust to offset the IWF change.	No			
Share Issuance	Shares outstanding increase/decrease has no impact on index shares as the AWF will adjust to offset the shares outstanding change.	No			
Standard rights treatment (mcap neutral) - default	If the rights are in the money, the spot price of the underlying security will be adjusted after market close of the day prior to the exDate and the index shares of the underlying security will adjust to offset the price adjustment thus making the event a market cap neutral event.	No	*Select approach (Click on cell A5 to see options)		
Special cash dividend (standard treatment)	The spot price of the underlying security will be adjusted after market close of the day prior to the exDate.	Yes			
Delisting (due to bankruptcy or cancellation of listing)	The delisted security will be deleted from the company (at either the last traded price of a zero price).	Yes		**	
Spin-off (do not add spun-off, divisor adjustment)	Our standard practice is that we follow a zero spin off treatment effective Oct 1 2015. No Price adjustment applied to the parent and instead the spunoff company is added to the index at price of zero and at the terms of the spinoff so it is marketcap neutral on the Ex-date (no divisor change). If the index does not add spun-offs companies, the spun-off company is dropped at the close of business on the ex-date (or after the first date the stock trades regular way) which will trigger a divisor change due to the deletion. In the event that SPDJI applies the event as a non-ZPSO event, the spot price of the underlying security is adjusted on exDate-1 by the closing spot price of the spunoff company multiply by the spinoff ratio. The spun-off company is not added to the index. The weight of the spun-off company and reinvestment across the whole index. The divisor will be adjusted.	No	*Select approach (Click on cell A8 to see options)		***
Stock distribution of a different share class (stock dividend/spin-off)	A different share class of the same company is distributed to share holders. The new share class will remain in the index until the next regularly scheduled index review.	No			
M&A (Cash acquisition)	The acquired company is deleted from the index.	Yes		**	
M&A (Stock acquisition, cash and/or stock acquisition) with stock reinvestment	The acquired company is deleted from the index. The stock terms of the M&A will be reinvested back into the acquirer.	Yes (if not perfectly mcap neutral)	*Select approach (Click on cell A10 to see options)	**	

* Different treatment options available

** In all instances, the deletion of an index constituent does not warrant a stock replacement unless if specified in the index methodology. If a stock replacement is warranted, the client must specify if the replacement will be provided by the client or selected by SPDJI with accordance with the index methodology.

*** Please specify if the index will always add or will never add spun-off companies.

License Agreement

S&P Dow Jones Indices has entered into a non-transferable, non-exclusive license agreement granting IDG and certain of its affiliated or subsidiary companies, in exchange for a fee, the right to use the S&P Small Cap 600, which is owned and published by S&P Dow Jones Indices, in connection with certain securities, including the ETFs.

The license agreement between S&P Dow Jones Indices and IDG provides that the following language must be set forth in all written materials including but not limited to; marketing material, prospectus, website, etc.

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