The Validea Market Legends ETF (VALX) is an actively managed ETF that selects the highest scoring stocks using a series of systematic, fundamentally-oriented investing models based on the strategies of Wall Street legends. The portfolio will consist of ten "guru"-inspired models (out of a total of 22 in total run by the firm), each selecting ten stocks, resulting in a portfolio consisting of approximately 100 stocks that will be actively managed. Changes to the underlying holdings are a function of a disciplined buy/sell methodology that will look to sell stocks that have fallen in score and replace those names with higher-scoring securities based on the manager's models. The strategy's goal is long term-growth and seeks outperformance over the S&P 500 index, driven by superior stock selection and high active share. Below is a detailed overview of the strategy used in the construction of the fund as well as the portfolio management and rebalancing rules.

Validea Market Legends ETF (VALX) Investment Strategy

1. **Acquire High-Quality Fundamental Data**
   - Validea Capital licenses a high-quality fundamental data feed.
   - We have worked with the fundamental data set extensively. Each day, multiple data integrity and quality checks are run to ensure financials and fundamentals are accurate and complete.

2. **Enforce Liquidity & Profitability Requirements**
   - The initial universe for the Validea Market Legends ETF is the approximately 2,500 US-traded stocks that meet our liquidity requirements.

3. **Select Stocks Using the Strategies of Wall Street Legends**
   - All of Validea Capital's models were selected based on their track record of long-term market outperformance. The "guru" models are all fundamental-based strategies that utilize financial, valuation, and price-based criteria to analyze stocks. The models will select small-, mid- and large-cap stocks and their styles, while primarily value-based, also incorporate aspects of growth, momentum and income stock-selection approaches. The models below, which are based on the stock picking approaches outlined by or about famous investors such as Warren Buffett, Ben Graham, Martin Zweig, John Neff and many others, sit at the foundation of the firm's investing system.
   - Stocks in the investable universe are filtered through each guru model and obtain a final score (on a scale of 0% to 100%) based on how closely they match each model's strict selection criteria and factor scoring. To break ties, Validea Capital uses a proprietary consensus score that rewards the stocks with high scores across multiple models simultaneously.

**Models Based on the Strategies of Legendary Investors**

1. A deep value model with 7 factors
2. An earnings growth model with 13 factors
3. A large-cap value/quality model with 7 core factors
4. A value/quality model with a 2-factor ranking system
5. A GARP model with 7 factors (PE-to-Growth ratio a key factor)
6. A small-cap growth model with 17 factors
7. A deep value model focused on liquidation value using a 2-factor ranking system
8. A mid-/large-cap value model with 7 factors (Price/Sales ratio a key factor)
9. A momentum/earnings growth model with 14 factors
10. A large-cap value/dividend model with 5 factors
11. A mid-/large-cap deep value + improving financials model with 13 factors
12. A small-cap growth/momentum model with 5 factors
13. A total yield model with a 3-factor ranking system
14. A mid-/large-cap value + dividend emphasis model with 7 factors
15. A value + improving financials model with 10 factors
16. A small-cap emerging growth/momentum model with 8 factors
17. A growth model focused on profitability and consistency with 8 factors
4. Combine the 10 Best-Performing “Guru” Models Together to Reduce Strategy-Specific Risk
   - The 10 strategies selected for the Validea Market Legends ETF (out of 22 models in total) were selected based on their long-term performance and their correlation to each other.
   - The combination of a diverse set of investing models that utilize both value- and growth-based investing styles that seek to reduce variability of returns. This contributes to the potential in maximizing long term investor returns and preserve assets by enabling investors to maintain discipline in various market environments, while at the same time giving the portfolio potential to produce long-term outperformance over the market.

5. Enforce Risk Controls in an Attempt to Reduce Risk
   - No individual position may exceed 10% of the portfolio and no one sector shall account for more than 40% of the portfolio.
   - The portfolio incorporates a dynamic real-time stop-loss technique that aims to hedge against major company-specific catastrophic events. The stop-loss factor is dynamic and is based on the loss of any individual position relative to the market over our holding period. This technique allows the system to remove stocks that are suffering losses out of line with the market, but enables the portfolio to continue to maintain its best ideas during major market downturns (i.e. the system is not stopping out of all of its top ideas).

6. Follow a Disciplined Rebalancing Approach
   - Approximately 1/10th of the portfolio (or 10 out of 100 holdings) is rebalanced once every 28 days. During each rebalancing, stocks that have fallen in score are replaced with higher-scoring securities.
   - This staggered rebalancing throughout the year allows the strategy to take advantage of values across various market environments and also helps to avoid rebalancing the entire portfolio during a period where there could be an exogenous event temporarily impacting areas of the market.

7. Final Portfolio Make-Up
   - The portfolio holds approximately the 100 stocks that pass one or more of the top-performing “guru” models.
   - Portfolio typically will exhibit small-to-mid-cap value tilt, but the guru models are free to roam to find the best ideas in the market on the set rebalancing dates.

8. Tax Conscious ETF Structure
   - ETFs have the ability to minimize taxes due to their unique creation/redemption process. Long-term after-tax returns can be optimized in the ETF structure while still allowing for true active management within the portfolio.

About the Portfolio Manager

For more than 14 years, John Reese has been conducting extensive research into quantitative investment strategies. He is co-founder of Validea Capital Management, founder of Validea.com, the author of *The Guru Investor: How to Beat the Market Using History’s Best Investment Strategies*, and a regular columnist for Forbes.com and *The Globe & Mail*. John is also the sub-advisor to the National Bank Consensus American and Consensus International equity funds offered in the Canadian market.

He holds a master’s in business administration degree from Harvard Business School and a computer science degree from the Massachusetts Institute of Technology. He is also the owner of two patents in the area of automated stock analysis.
Disclaimer

Must be preceded or accompanied by a current prospectus.

Investing involves risk. Principal loss is possible. The Validea Market Legends ETF has the same risks as the underlying securities traded on the exchange throughout the day. Redemptions are limited and often commissions are charged on each trade, and ETFs may trade at a premium or discount to their net asset value. Shares are not individually redeemable from the fund and may be acquired or tendered in large creation units only. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Fund invests in foreign and emerging markets securities which involve political, economic and currency risks, greater volatility and differences in accounting methods. The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Adviser relies heavily on proprietary quantitative models as well as information and data supplied by third parties. When Models and Data prove to be incorrect or incomplete, any decisions made in reliance thereon expose the Fund to potential risks.

Active share can be defined as the measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index. The measure offers an intuitive way to answer the question: “How active is your portfolio manager?” Active share is measured on a scale from 0% to 100%. Index funds have less than 20% active share as they closely mirror their benchmarks with no appreciable difference in holdings. A fund with an active share above 80% is considered to be highly actively managed. The S&P 500 Index is a broad-based index of 500 stocks, which is widely recognized as representative of the equity market in general. It is not possible to invest directly in an index.

Any tax or legal information provided herein is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Fund nor any of its representatives may give legal or tax advice.

Investment Strategy Definitions

- “Earnings growth” is the annualized rate of net-income-per-share growth over the trailing one-year period (or 3 or 5 year periods) for a particular security. Earnings Growth is not a measure of a Fund’s future performance.
- Growth at a Reasonable Price (“GARP”) is an approach to investing that searches for stocks using a combination of the strategies used by value investors and by growth investors.
- The price-to-earnings ratio, or “P/E” ratio, is an equity valuation multiple. It is defined as market price per share divided by annual earnings per share.
- The Price/Earnings To Growth – “PEG” Ratio is a stock’s price-to-earnings ratio divided by the growth rate of its earnings for a specified time period.
- “Momentum/Earnings Growth” is a combination of increase, or accelerating earnings growth for a company, combined with strong price performance of the underlying company's stock price.

Validea Capital Management is the Advisor to the Validea Capital Market Legends ETF which is distributed by Quasar Distributors, LLC.