

All disclosures in this term sheet regarding The Pacer WealthShield 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 changes by IDG. Additional information on the index is available at [www.indexdesigngroup.com](http://www.indexdesigngroup.com)

## **Overview**

The Index utilizes a systematic risk management strategy that directs the Index’s exposure to either 100% equities, or a blend of equity and 3 month US treasury bills, or 100% 20 year treasury bonds, or 100% 3 month US treasury bills (3 month US T-bills). Equity exposures are selected from 10 S&P Sector Indices, the S&P Biotech Select Industry Index, and the Dow Jones Internet Composite Index.

## **Indicators and Screens**

### **Frequency**

The PWSPR Index rebalances quarterly and monthly. Every month the index will run the Risk Indicator calculations to determine whether the index constituents will be RISK ON or RISK OFF.

While in RISK ON, the index will rebalance its Equity Indices List quarterly and rebalance its 3 month US T-bill exposure every month.

While in RISK OFF, the RISK OFF Exposure Screen will determine whether PWSPR’s exposure will be the 20 Year US Treasury Bond Total Return Index or 3 month US T-bills every month.

### **Risk Indicator (RISK ON/OFF)**

On the third to last business day of the month, the index will observe the ratio between the S&P 500 High Yield Corporate Bond Total Return Index (SP5HYBIT Index) and the S&P U.S. Treasury Bond 7-10 Year Total Return Index (SPBDU10T Index).

If that ratio is above its 5 month exponential moving average (RISK ON), the index exposure will be 100% equities or a blend of equity and 3 month US treasury bills.

If that ratio is below its 5 month exponential moving average (RISK OFF), the index exposure will be 100% 20 year US Treasury bonds (SPBDUSLT Index) or 100% 3 month US T-bills (SPBDU3T Index).

### **RISK ON Screens**

#### **Relative Strength Screen**

If the ratio of the S&P U.S. High Yield Corporate Bond Index and the S&P U.S. Treasury Bond 7-10 Year Index is above its 5 month exponential moving average on the third to last business day of the month, the index will shift exposure to a selected list of equity indices (**Equity Indices List**) that are determined at the end of each calendar quarter. The five equity indices are selected from the **Potential Equity Indices List**.

The Relative Strength Screen determines the 5 indices in the **Potential Equity Indices List** with the highest relative strength based on their 6 month price returns. The 5 selected indices chosen at the end

of the calendar quarter are then equally-weighted (or allocated 20% of the index's weight) in the PWSPR Index.

#### Trend Screen

The Trend Screen determines if any of the 5 quarterly selected equity price return indices are below their respective 7 month exponential moving average. The selected equity price return indices that are below will have their current weight in the PWSPR index substituted with 3 month US T-bills (SPBDU3T Index).

#### **RISK OFF Screens**

##### RISK OFF Exposure Screen

If the 20 Year US Treasury bond Total Return Index (SPBDUSLT Index) is above its 7 month exponential moving average on the third to last business day of the month, the index's holdings will be composed of the 20 Year US Treasury Bond Total Return Index. If the 20 Year US Treasury bond Total Return Index (SPBDUSLT) is below its 7 month exponential moving average on the third to last business day of the month, the index's holdings will be composed of the 3 month T-bill index (SPBDU3T Index).

### ***Index Weight***

#### **RISK ON**

If a RISK ON scenario is determined, the index's weight is either equally weighted among the five **selected equity indices** (20% weight each) or a blend of **selected equity indices** remaining after the **Trend Screen** (still 20% weight each) and **3 month US treasury bills**. The weight of the 3 month US Treasury bills is determined by how many of the five selected equity indices were substituted in the **Trend Screen**.

Ex., if 2 equity indices were below their respective 7 month exponential moving average, the 3M T-bill weight is 40%

All selected equity indices' weights are rebalanced to 20% both quarterly and when the **Risk Indicator** shifts **RISK ON** intra-quarter. The only difference when **RISK ON** is triggered intra-quarter, is the equity indices are already pre-selected as of the last calendar quarter end.

When the index remains **RISK ON** intra-quarter, only the **Trend Screen** is performed as of the end of the month. The **Trend Screen** determines whether cash or equity will be allocated to the current weight. That weight is set to float unless the calendar quarter ends.

#### **RISK OFF**

If a RISK OFF scenario is determined, the index's composition will be either 100% 20 Year US Treasury Bond Total Return Index (SPBDUSLT Index) or 100% 3 month US T-bill Index (SPBDU3T Index).

### ***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.