

## THE INDEX

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

### *The 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 Index applies a proprietary currency hedging strategy pursuant to which the Index will be short the euro and long the U.S. dollar during periods when the euro is trending weaker against the U.S. dollar.

### *Currency Hedge*

During each period when the EUR/USD 20-day moving average is lower than its 130-day moving average, the Index will, in addition to its equity exposure, track forward currency contracts to offset the Index’s exposure to the euro with exposure to U.S. dollars (i.e., short the euro and long the U.S. dollar), known as being “currency hedged”. During each period when the EUR/USD 20-day moving average is higher than its 130-day moving average, the Index will track only the equity exposure, known as being “currency unhedged”.

EUR/USD is the price of 1 Euro in US Dollars.

The Index may stay “currency unhedged” for short or extended periods of time.

### *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.

## Detailed Calculation of Index Level

$$I_t = I_{t-1} \times \left[ Z_{t-2} \times \left( \frac{FTSE\ EUROZONE\ Hedged\ to\ USD_t}{FTSE\ EUROZONE\ Hedged\ to\ USD_{t-1}} \right) + (1 - Z_{t-2}) \times \left( \frac{FTSE\ EUROZONE_{USD\ t}}{FTSE\ EUROZONE_{USD\ t-1}} \right) \right]$$

Where

$$\frac{FTSE\ EUROZONE\ Hedged\ to\ USD_t}{FTSE\ EUROZONE\ Hedged\ to\ USD_{t-1}} = \frac{FTSE_{EUR_t} \times EUR_{USD_t} + NUM \times NOM \times \left( \frac{FFRate_t}{FFRate_{t-1}} - 1 \right)}{FTSE_{EUR_{t-1}} \times EUR_{USD_{t-1}} + NUM \times NOM \times \left( \frac{FFRate_{t-1}}{FFRate_{t-2}} - 1 \right)}$$

$$\frac{FTSE\ EUROZONE_{USD\ t}}{FTSE\ EUROZONE_{USD\ t-1}} = \frac{FTSE_{EUR_t} \times EUR_{USD_t}}{FTSE_{EUR_{t-1}} \times EUR_{USD_{t-1}}}$$

$$Z_t \begin{cases} 1 & \text{if for all } B = 4,3,2,1,0, EUR_{USD20DMA_{t-B}} < EUR_{USD130DMA_{t-B}} \\ 0 & \text{if for all } B = 4,3,2,1,0, EUR_{USD20DMA_{t-B}} > EUR_{USD130DMA_{t-B}}, \\ Z_{t-1} & \text{Otherwise} \end{cases}$$

$$EUR_{USD20DMA_t} = \frac{1}{20} \times \sum_{t-19}^t EUR_{USD_t}$$

$$EUR_{USD130DMA_t} = \frac{1}{130} \times \sum_{t-129}^t EUR_{USD_t}$$

$I_t$  = 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 EURUSD Cross Rate trend is positive for such Index business day, a value of "0" indicating that the EURUSD Cross Rate is negative for such Index business day, and a value of " $Z_{t-1}$ " indicating that the EURUSD Cross Rate Trend is the same as the immediately preceding Index business day).

FTSEEUR= FTSE Eurozone Index

NUM= the number of EURUSD forward contract

NOM=the nominal price of EURUSD forward contract

FFRate=EURUSD Forward Rate

EURUSD= EURUSD Spot Exchange Rate - Price of 1 EUR in USD

EURUSD20DMA=EURUSD Cross rate 20 days moving average

EURUSD130DMA=EURUSD Cross rate 130 days moving average

Scenarios:

When the market goes up and EURUSD rate goes up, we are under hedged;

When the market goes up and EURUSD rate goes down, we are over hedged;

When the market goes down and EURUSD rate goes up, we are over hedged;

When the market goes down and EURUSD rate goes down, we are under hedged.

### **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 “PAEU” 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 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 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 Autopilot™ Hedged 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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