

SEVENS REPORT *alpha*

**Alpha Webinar #32 with Ben Phillips, CFA
CIO of EventShares, PM – U.S. Policy Alpha ETF (PLCY)
Tuesday November 13th, 2018
Presenter: Tom Essaye**

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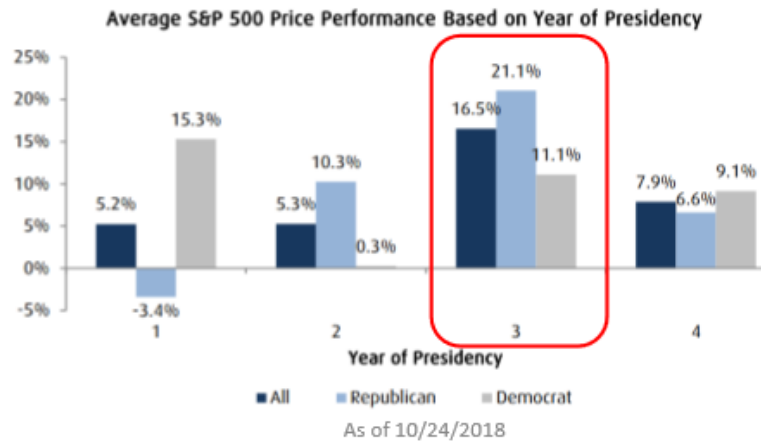
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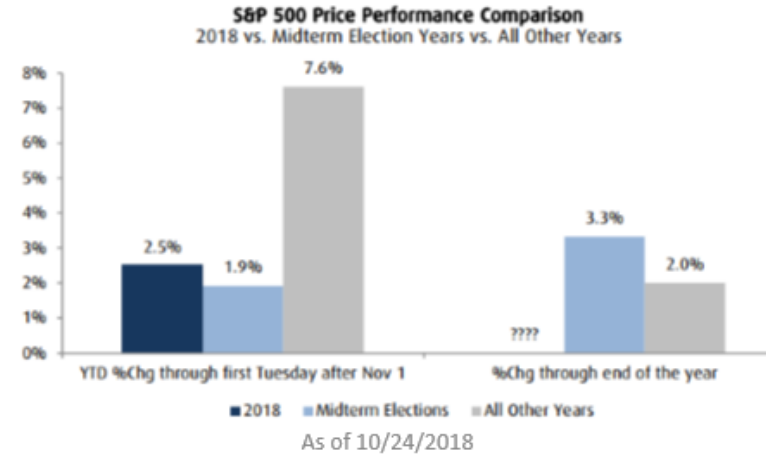
Markets Post-Midterm Elections: Returns

- **Strong stock market has been typical** post-midterms
- A president's **3rd year has been best** for market performance

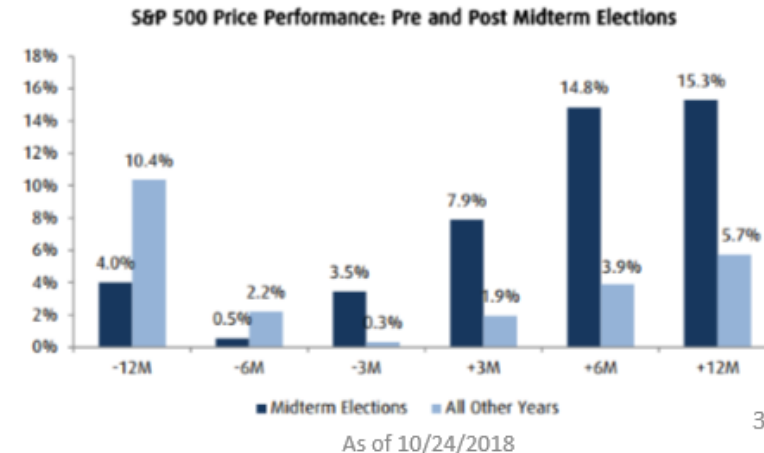


Past performance does not guarantee future performance returns. Indexes are unmanaged and do not reflect fees and expenses. Source: BMO Investment Strategy Group, FactSet, Bloomberg. For Financial Professional use only. Do not distribute to the public.

YTD Performance Now More in Line With Historical Midterm Election Years



Market Historically Has Produced Strong Gains in the Months Following Midterms



Markets Post-Midterm Elections: Gridlock = Good?

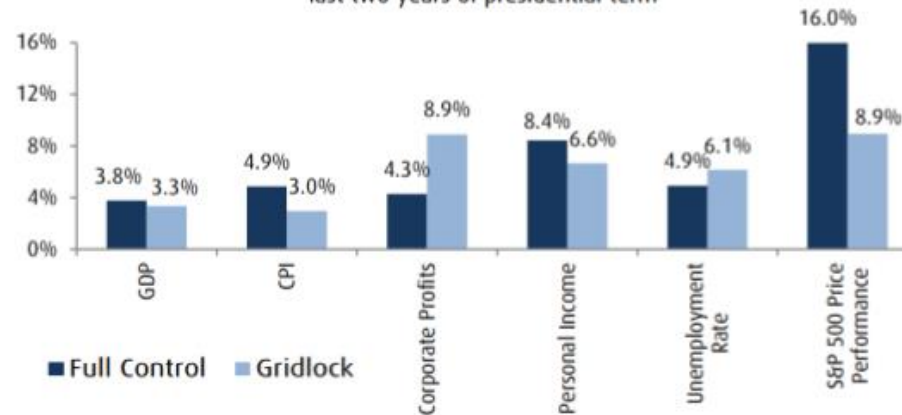
For Years 3 and 4 of Presidency since 1935

Composition of Government	# of Years	Average Annual S&P 500 Price Performance
Republican Control	2	17.7%
Democratic Control	6	17.2%
Gridlock	15	12.7%
Gridlock With Republican President	9	13.8%
Gridlock With Democrat President	6	11.2%
All Years 3 and 4 of Presidency	23	14.3%

As of 10/24/2018

- **Gridlock not always good for markets**
- **Particularly true during 2nd half of President's term**

Key Macroeconomic Indicators and S&P 500 Performance Comparison
last two years of presidential term

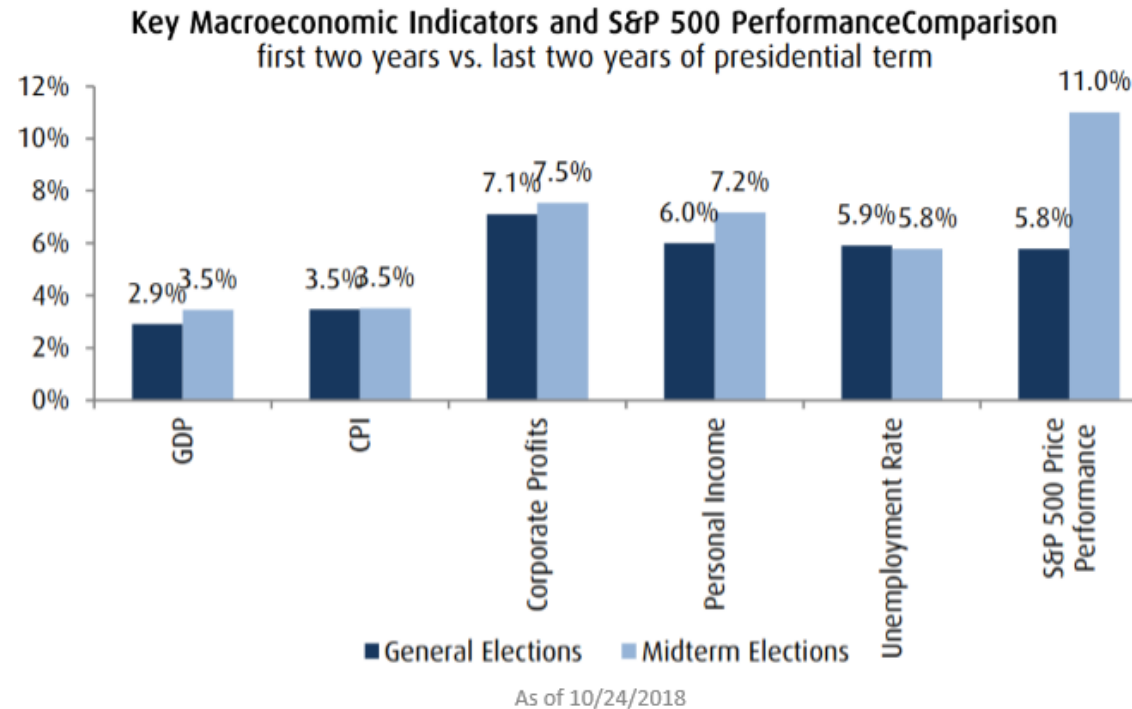


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Markets Post-Midterm Elections: Macro Matters

- **Macro economic factors drive markets**
- **On average, key factors have improved 12 months after midterms**



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Investment Strategy: Policy Catalysts



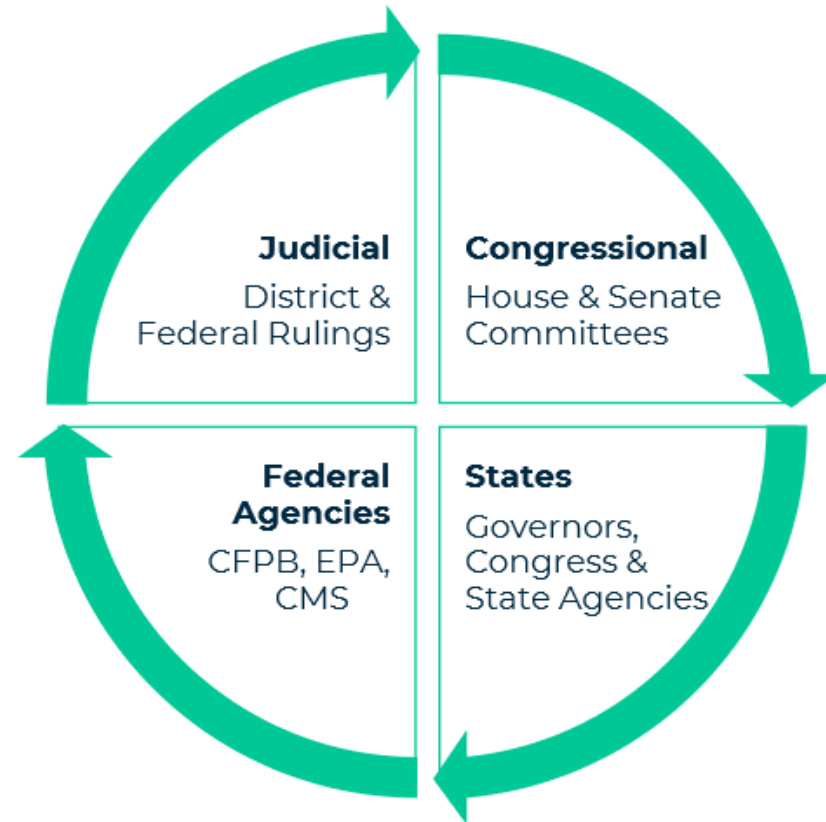
Invest in companies impacted by
government **Policy Catalysts**

Investment Philosophy

- Washington creates **alpha opportunities**
- **Policy** ≠ Politics
- Policy is a **leading indicator**
- Well-telegraphed, long-term, low correlation

Policy Investing: Uncorrelated Alpha Sources

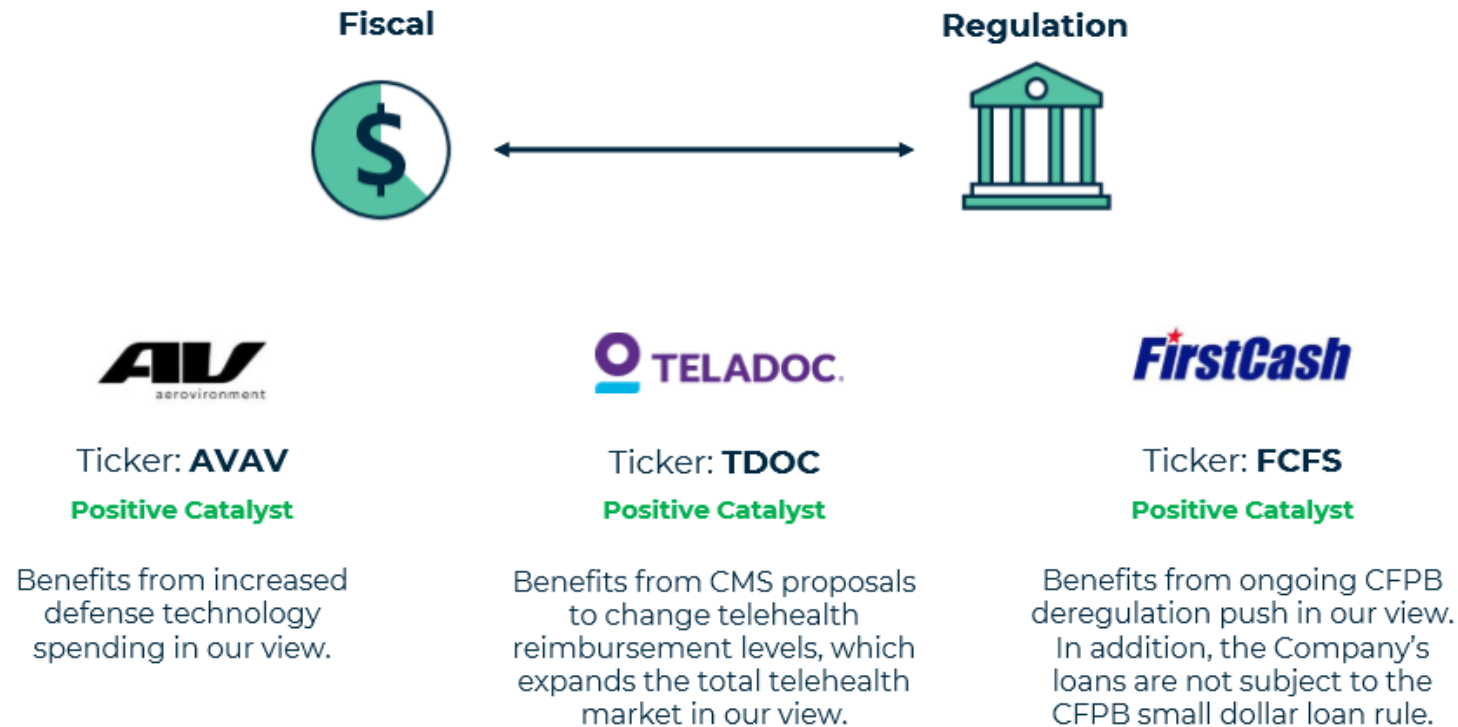
Policy Disruption: When a business model changes due to government action. Four sources of policy disruption:



Investment Case: Policy Catalysts

Policy making tends to occur **independent** of economic cycles.

Policy catalysts are an **underappreciated leading indicator** in our view.



Investment Case: Policy Catalysts

Government policy can also have **negative implications**.

Legislation



Trade



SUNPOWER

Ticker: **SPWR**

Negative Catalyst

In Feb. 2018, Section 201 solar panel tariffs cut off key supply source from China and increased solar panel prices, which may lead to decrease sales.

HANNON ARMSTRONG
FINANCING THE FUTURE OF ENERGY™

Ticker: **HASI**

Negative Catalyst

U.S. Tax Reform passage in Dec. 2017 changed how tax credits offset income, which reduced the value of renewable energy tax credits sold by the company.

CardinalHealth™

Ticker: **CAH**

Negative Catalyst

The potential for opioid crisis lawsuits and liability has weighed on the stock in our view.

2019 Policy Investing Outlook: Big Picture Policies

Big Tech Regulation

- ▶ Congress may be focused on **Big Tech** (AMZN, GOOGL, FB, TWTR) and **Data** (AXCM, CLGX)
- ▶ Republicans accuse them of censorship, while Democrats are concerned about user privacy
- ▶ Regardless of midterm outcomes, big tech will continue to be a policy target in our view

ACA Insurer Profitability

- ▶ Insurance companies finally have enough data to price policies correctly in our view
- ▶ Political likelihood of repealing the ACA is low, with Medicaid expansion being the next growth opportunity in our view
 - **Insurers** (MOH, WCG, HUM, CNC) & **Health Tech** (TDOC, EVH, MDRX, OMCL, VCRA)

Trucking & Logistics Tightness

- ▶ Hours of service rules + tight labor market = decreased trucking capacity leading to higher freight rates in our view
 - **Intermodal** (NSC, JBHT) & **3rd party logistics** (LSTR, HUBG, XPO, SAIA)

2019 Policy Investing Outlook: Gov't Agency Catalysts

- ▶ Congress has had mixed success in passing legislation since the 2016 election, while the Trump administration has expanded presidential and government agency power.
- ▶ **In our view, the White House and government agencies will continue to play a significant role in driving policy – regardless of the midterm outcome.**
- ▶ Non-congressional policies we are monitoring:
 - Deregulation of banks via Fed & OCC
 - FDA drug compounding guidelines
 - Dept. of Ed. gainful employment rule
 - CMS telehealth reimbursement rates
 - SEC oversight of stock exchange data feeds



How will the 116th Congress interact with the White House and government agencies?

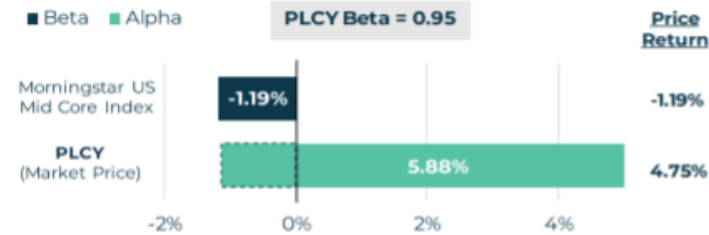
PLCY Overview: A Year of Alpha

Performance

PLCY has **outperformed** its benchmark since inception with **lower volatility** (beta = 0.95)

ALPHA & BETA

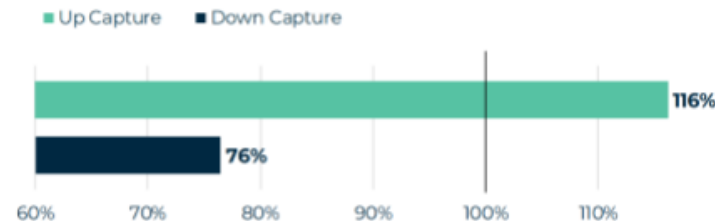
Source: FactSet (10/17/17 to 10/31/18)



PLCY's **up capture** was **116%** while its **down capture** was **76%**

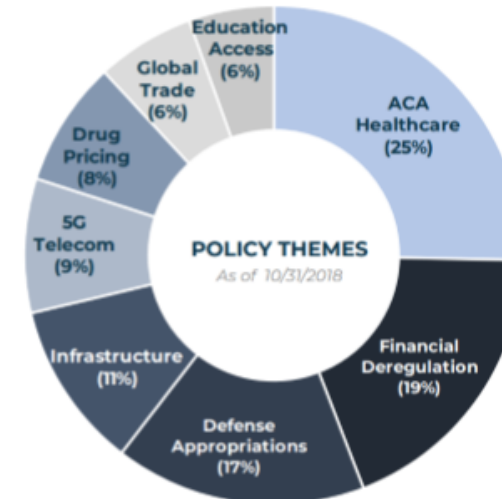
UP / DOWN CAPTURE RATIO

Source: FactSet (10/17/17 to 10/31/18)



Fund Highlights

Objective	Invest in legislative & regulatory catalysts
Type	Active U.S. Equity
Fee	0.85% net / 0.88% gross
AUM	\$17,800,000
Holdings	104 companies (policy theme % below)
Inception	10/17/2017



Disclosures: Inception Date Oct 17, 2017; PLCY Gross Expenses 0.88%; Net Expenses* 0.85% | The performance data quoted represents past performance and does not guarantee future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 Eastern Time and do not represent the returns you would receive if you traded shares at other times. For performance data current to the most recent month end, please call 1-877-539-1510, or visit www.EventSharesFunds.com. *Contractual fee waiver and expense reimbursement through at least 10/31/2019.

PLCY Portfolio: Current Allocation

ACA Healthcare – Health Tech, ACA Insurers, Outpatient

- Risk of ACA repeal low; Insurers now have enough data to price policies accurately in our view

Financial Deregulation – Lenders, Regional Banks

- Federal Reserve & OCC proposed tailoring capital ratio rules; Multi year CFPB-led deregulation

Defense Appropriations – Primes & Suppliers, Aircraft Parts

- Increased defense budget boosts revenue for the defense sector in our view

Infrastructure – Engineering & Materials

- Rising government spending increases the probability of a bipartisan infrastructure deal in our view

Drug Pricing – Drug Manufacturers

- Significant power & funding allows pharma lobby to combat drug pricing reforms in our view

5G Telecom – Network Providers, Hardware, Cell Towers

- FCC pushes telecom infrastructure reforms as China and the US race to build 5G networks

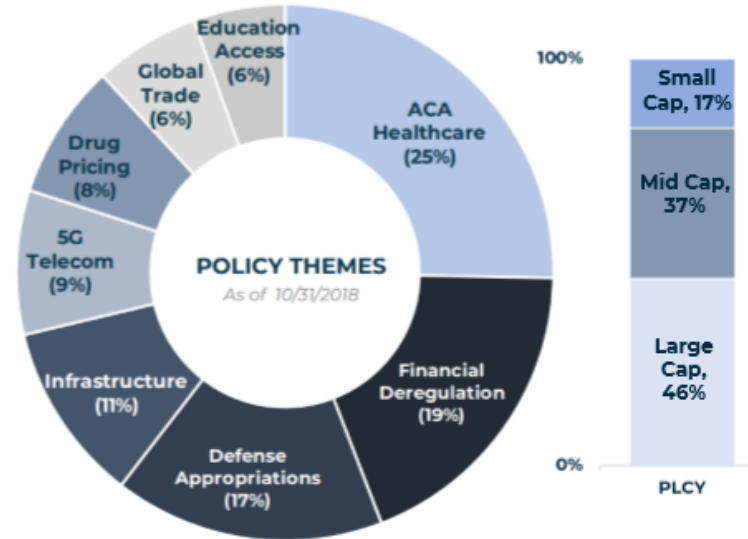
Global Trade – Trucking, Logistics & Supply Chain Mgmt.

- Trucking hours-of-service regulation effectively removes capacity from the trucking industry in our view

Education Access – Education Finance, For-Profit Schools

- Deregulatory push by Dept. of Ed. decreases risk overhang in our view

Portfolio Allocation



Index Overlap



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Index Overlap Source: ETF Think Tank. As of 10/31/2018. Allocations subject to change.

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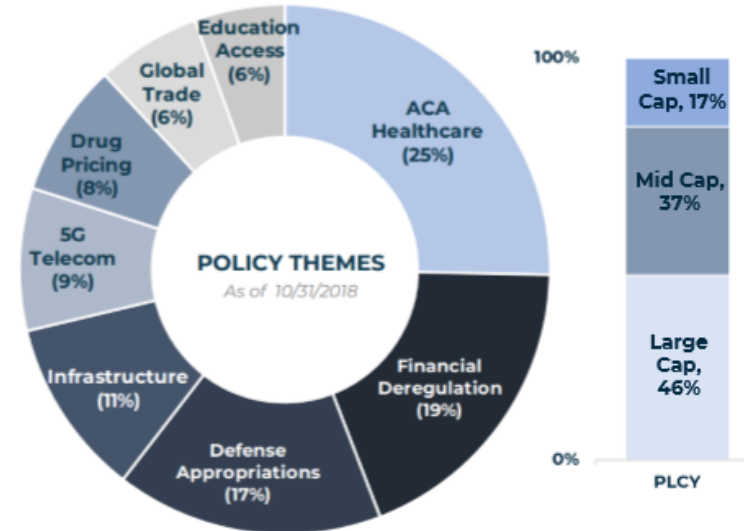
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Portfolio Allocation



Index Overlap



Definitions

Beta

Measures the volatility of the Fund price relative to the volatility in the market index. Defined as the percent change in the price of the Fund given a 1% change in the market index. A beta below one suggests that the fund was less volatile than the market benchmark. Beta is calculated using FactSet's Portfolio Analytics Tool.

Alpha

Alpha is a measure of the excess (active) return of an investment relative to the return of a benchmark index. An alpha of 1% means the fund's return was 1% better than the market.

**Morningstar US
Mid Core Index
(Benchmark)**

The Morningstar Mid Core Index measures the performance of mid-cap stocks where neither growth nor value characteristics predominate. Based on 10 years of data (as of 10/24/2018), Morningstar found the following correlations to similar mid cap indices: S&P 400 Index (98%), MSCI US Mid Cap 450 (99%) and the Russell Mid Cap (99%). Correlation is a statistic explaining how related two indices are.

S&P 400 Index

The S&P MidCap 400 Index, more commonly known as the S&P 400, is a stock market index from S&P Dow Jones Indices. The index serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence.

**MSCI US Mid
Cap 450**

The MSCI US Mid Cap 450 Index is comprised of the next largest 450 companies in terms of market capitalization of the US equity market.

Russell Mid Cap

The Russell Midcap Index is a market capitalization weighted index comprised of 800 publicly traded U.S. companies with market caps of between \$2 and \$10 billion.

S&P 500 Index

An American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

**Russell 2000
Index**

The Russell 2000 index is an index measuring the performance of approximately 2,000 small-cap companies.

Risks and Disclosures

SEC Standardized Data

Quarter End (As of 9/30/2018)	1 Month	3 Month	YTD	Since Inception
PLCY at Market Price	-0.73	8.06	7.81	15.25
PLCY at NAV	-0.95	7.47	7.83	15.10
Morningstar US Mid Core Index	-1.28	3.24	2.10	7.00

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Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. For a prospectus with this and other information about the Fund, please call (877) 539-1510 or visit our website at www.EventSharesFunds.com. Read the prospectus carefully before investing.

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There is no guarantee that the Fund will achieve its investment objective. An investment in the Fund is subject to risk, including the possible loss of principal amount invested. The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual issuers, industries or the stock market as a whole. Shares of the Fund may trade above or below their net asset value ("NAV"). The trading price of the Fund's shares may deviate significantly from their NAV during periods of market volatility. There can be no assurance that an active trading market for the Fund's shares will develop or be maintained. In addition, equity markets tend to move in cycles which may cause stock prices to fall over short or extended periods of time.

Investors in the Fund should be willing to accept a high degree of volatility in the price of the Fund's shares and the possibility of significant losses. Losing all or a portion of your investment is a risk of investing in the fund. Failure of the government to take positive action on policy and regulation themes, as well as other factors besides government action, may result in losses. Unanticipated political or social developments may result in sudden and significant investment losses. Political and social developments that are anticipated but at odds with a Fund's theme may result in sudden and significant investment losses. Investing in securities of small and medium capitalization companies may involve greater volatility than investing in larger and more established companies because small and medium capitalization companies can be subject to more abrupt or erratic share price changes than larger, more established companies. The use of hedging and derivatives could produce disproportionate gains or losses and may increase costs. Short positions entered into by the Fund may involve higher risks and costs, and potential losses relating to such investments are not typically limited.

Shares are bought and sold at market price (closing price) not net asset value (NAV) and are not individually redeemed from the Fund and owners of shares may acquire or redeem shares in Creation Units only. Market price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined) and do not represent the return you would receive if you traded at other times.

Shares of the ETFs may be bought and sold throughout the day on the exchange through any brokerage account. Buying and selling shares of ETFs will result in brokerage commissions. Diversification does not guarantee a profit or protect against loss in market declines. The information herein was obtained from various sources, which we believe to be reliable, but we do not guarantee its accuracy or completeness.

Contact Us

200 Vesey Street, 24th Floor
New York, NY 10281
+1 646 787 0394
info@EventShares.com
EventShares.com
EventSharesFunds.com

About EventShares

EventShares is a family of thematic, active ETFs managed by Active Weighting Advisors LLC, an independent asset manager headquartered in New York City. The company's goal is to make investing more approachable and accessible for all investors. The firm seeks to build a disruptive family of actively managed funds offering exposure to geopolitical and policy-driven events, and is the first of its kind. Additional information about EventShares can be found at www.EventShares.com and the firm's Twitter feed can be followed [@Event_Shares](https://twitter.com/Event_Shares).