

# FAQ

## Pacer Metaurus Dividend Multiplier Strategy

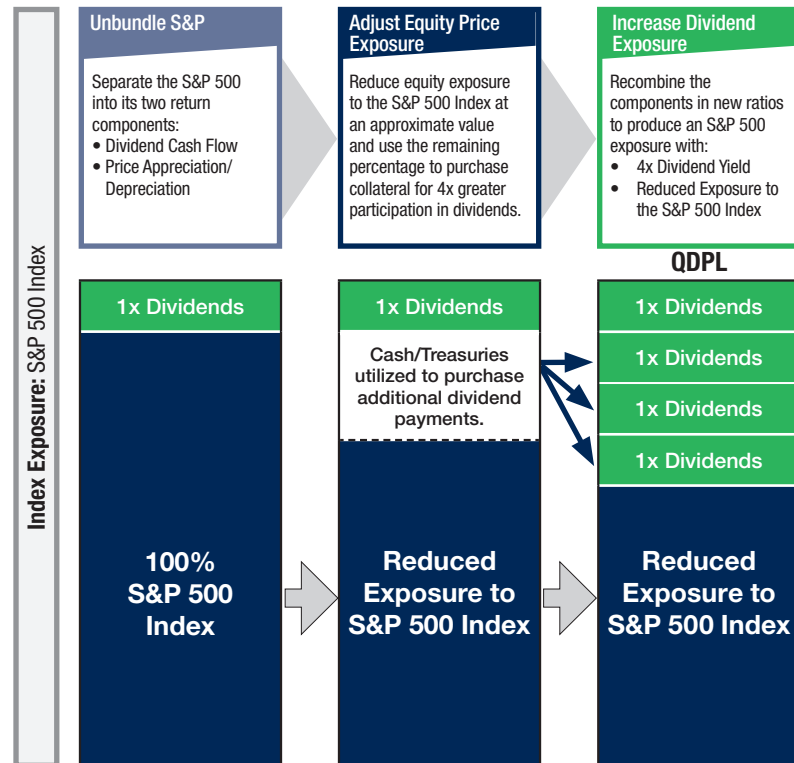
### What is the Pacer Metaurus US Large Cap Dividend Multiplier 400 ETF (Ticker: QDPL)?

QDPL is a passive ETF that seeks Growth & Income by providing exposure to approximately “quadruple” (~400%) the ordinary dividend yield of the S&P 500 Index in exchange for reduced, but uncapped, exposure to the price appreciation/depreciation of the S&P 500 Index. Dividend distributions are paid quarterly. The ETF is driven by the Dividend Multiplier Strategy.

### How does the Dividend Multiplier Strategy work?

The Dividend Multiplier Strategy first separates the S&P 500 into two components: (1) a Dividend Component comprised of the next three years of expected ordinary dividends, and (2) a Price Component representing exposure to the SPX Index (S&P 500 Price Return Index).

The strategy then determines the relative weightings of the two components, the Dividend Component and the Price Component, aiming to deliver a multiple (quadruple) of the S&P 500 ordinary dividend yield in exchange for reduced exposure to the price return of the S&P 500 Index.



### What's the investment case for QDPL?

The strategy seeks to provide:

- 1 High Cash Flow:** It seeks to offer investors a high level of distributable cash flow (targeting 4x the S&P 500 ordinary dividend yield), while still preserving the potential for long term capital growth.
- 2 Uncapped Long-Term Growth in a Passive Index:** By investing incremental dollars directly in the Dividend Component of the aggregate index, the strategy seeks to provide diversified equity exposure with higher distributable cash flow, lower market sensitivity, lower expected volatility, and a higher expected Sharpe Ratio (risk-adjusted return) than the S&P 500.
- 3 Dividends as an Asset Class:** Academic research<sup>1</sup> from Wharton has shown that adding dividend exposure to diversified equity and fixed income portfolios can improve the risk profile and enhance overall return potential. The Dividend Multiplier Strategy provides a straightforward way to incorporate the benefits of dividends into a portfolio.
- 4 Hedge Against Inflation:** Dividend growth and inflation are highly correlated, and historically, dividend growth has been strongest during periods of high inflation. Since 1970, dividend growth has averaged 6.05% per annum versus 4.0% per annum for inflation.<sup>2</sup>
- 5 Potential Tax Advantage** QDPL's distributions are expected predominately to be treated as a tax-free return-of-basis, with the balance expected to be a combination of Qualified Dividends and possibly a small component of capital gain/loss.

<sup>(1)</sup>The term structure of returns: "Facts and theory," Van Binsbergen and Kojien, Journal of Financial Economics, 2017.

<sup>(2)</sup>Bloomberg



## How does the Dividend Multiplier Strategy differ from other income strategies?

**1. No Active Stock/Sector Selection:** Traditionally, investors have relied upon picking stocks to actively identify individual stocks that pay high or stable dividends or chase yield by overweighting certain sectors. The Dividend Multiplier Strategy is a passive, index-based strategy so it does not pick stocks or have sector concentrations. It also seeks to mitigate the risk of missing new/less-seasoned dividend paying stocks or missing large cap growth stocks that may not pay a dividend at all.

**2. Uncapped Growth:** Covered call strategies generate income through selling options but cap a fund's upside potential. The Dividend Multiplier Strategy does not use options in any form and can provide unlimited upside potential at a reduced participation rate to the price return of the S&P 500 Index.

**3. No Interest Rate or Bond-Related Risk:** Fixed income funds can provide cash flow but are subject to interest rate- and inflation-risk and could be subject to credit and liquidity risk in some cases. Historically, dividends tend to rise with higher interest rates. The strategy's underlying securities are all exchange traded and liquid.

**4. No stock picking, overweighting sectors or leverage:** The strategy seeks to provide diversified, S&P 500 Index exposure – it does not pick stocks or overweight sectors, nor does it use options or leverage. The strategy utilizes only exchange-traded instruments.

### Why does the Dividend Multiplier Strategy target the first three years of dividends?

Research indicates that, historically, investing in the first three years of expected dividends has offered the best value, liquidity and scalability.

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The Metaurus US Large Cap Dividend Multiplier Index – Series 400 (the "Index") are the property of Metaurus Advisors LLC which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) to calculate and maintain the Index. The Index is not sponsored by S&P Dow Jones Indices or its affiliates or its third party licensors (collectively, "S&P Dow Jones Indices"). S&P Dow Jones Indices will not be liable for any errors or omissions in calculating the Indices. "Calculated by S&P Dow Jones Indices" and the related stylized mark(s) are service marks of S&P Dow Jones Indices and have been licensed for use by Metaurus Advisors. S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS"), and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones").

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**Dividends Risk:** There can be no assurance that a dividend-paying company will continue to make regular dividend payments. The ability for a company to pay dividends is dependent on the economic climate and the companies' current earnings and capital resources. Changes in economic conditions or a company's earnings or financial resources could cause a company to reduce its dividend payments or suspend the payment of dividends altogether. The possibility that such companies could reduce or eliminate the payment of dividends in the future, especially if the companies are facing an economic downturn, could negatively affect the Fund's performance.

The **S&P 500® Index** is a popular gauge of large-cap U.S. equities and includes 500 leading companies, capturing approximately 80% coverage of available market capitalization.

Metaurus Advisors LLC serves as investment sub-advisor to the Fund.

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