Overcoming Home Country Bias and Seizing the International Opportunity.

– Michael Mack, Portfolio Manager

Based on our conversations with financial advisors, most admit they don't have enough international exposure. The majority believe there may be a significant opportunity in the international space going forward and investors should see if it is a good fit for their portfolio or not.

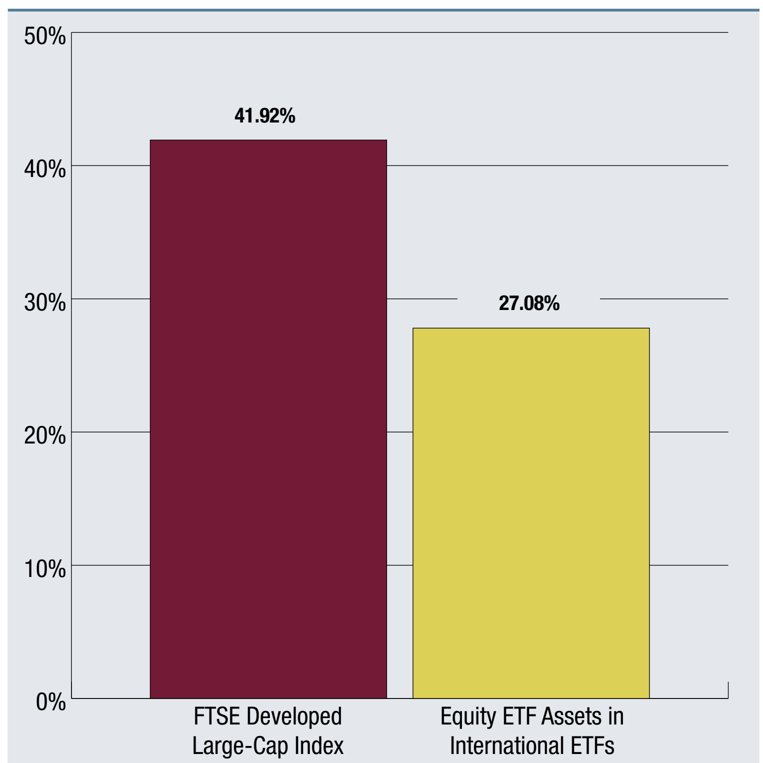
Currently, 27% of assets in the equity ETF universe are international ETFs. However, in the FTSE Developed Large-Cap Index, 42% of its stocks are international. So why aren't people investing more internationally? A common reason advisors and investors don't have more international equity exposure is because of home country bias. This term refers to the preference of investors to overweight their domestic exposure relative to the rest of the world. In other words, they want to own equities they are familiar with.

Investors are hesitant because of a few risks of international investing.

- They don't trust companies they are not familiar with.
- They think they can achieve everything they want through a portfolio of US stocks.
- They view international stocks as risky investments.
- They are concerned about currency exposure.
- It may be difficult to find the information on individual international equities needed to make an educated decision.

Lately, the "domestic only" mindset has worked out in favor of US investors. Since 11/30/2007, US equities have outperformed international equities by 6.64%[1] annually, and we are nearly 9 years into a cycle favoring domestics over international. Historically, the average life of these cycles is less than 5 years. Owning US equities was the right decision over the past decade, but looking forward the case may not be as strong.

Allocation to International Equities – as of 9/30/16



Source: FactSet and ETF.com

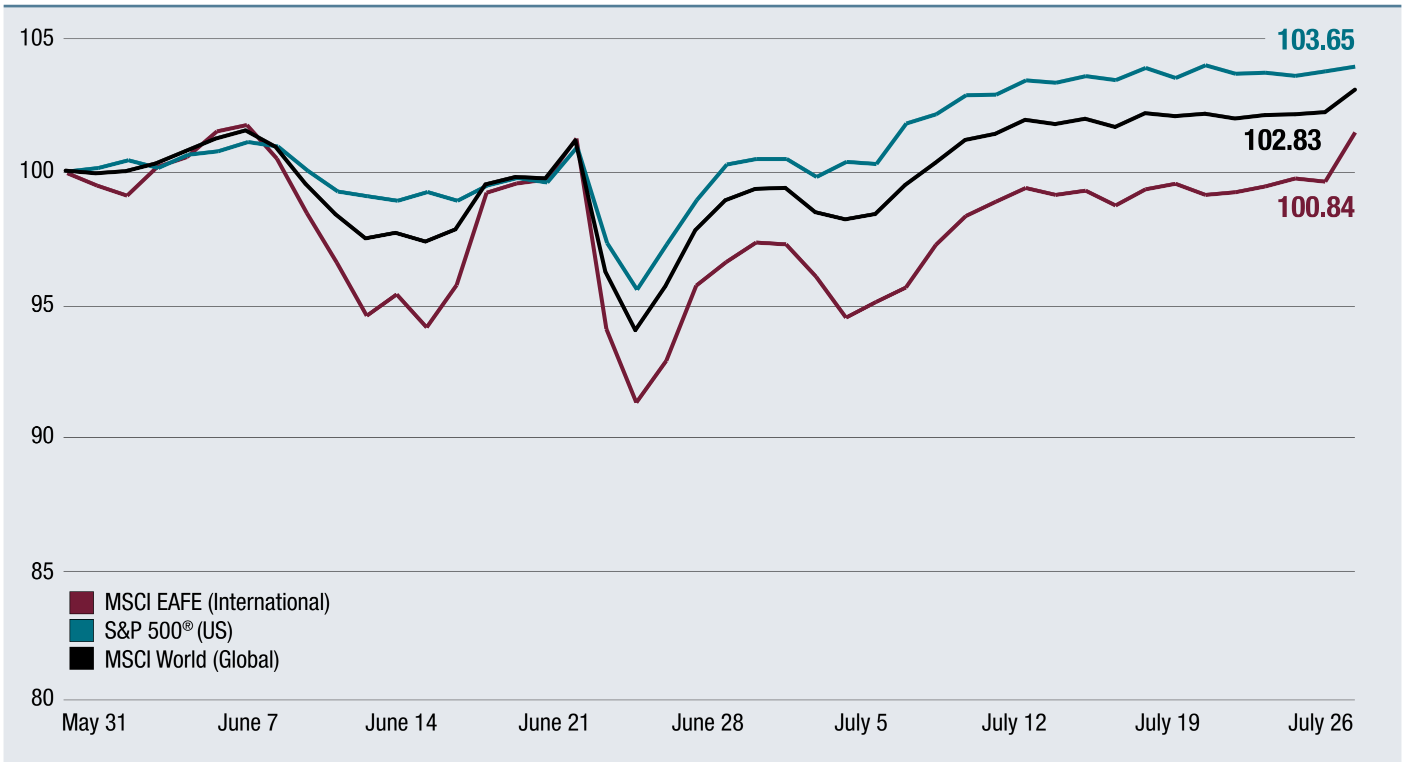
[1] US equities, as represented by the S&P 500®, have outperformed international equities as represented by MSCI EAFE from 11/30/2007 to 9/30/2016.

How can an investor best prepare for this cycle and the one after?

Investing in a global fund allows investors the opportunity to gain international exposure while maintaining a position domestically, unlike international funds which include strictly foreign stocks. As mentioned, the cycle between international and domestic equities changes every few years. Choosing a global fund instead of an international fund may prepare investors for either side of this cycle. It also offers a few other benefits:

1) **Takes advantage of the higher liquidity in US equities**
2) **Reduces foreign dividend taxes**
3) **Buffers the portfolio during domestic and international shocks like Brexit and the Greek debt crisis**

Performance Before and After Brexit
May 31, 2016 – July 29, 2016



Source: Bloomberg. **PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.** You cannot invest in an index.

As displayed in the above chart, leading up to and after the Brexit scare on June 23, 2016, the MSCI World Index (a global index) offered a less volatile ride than the international index (MSCI EAFE). Owning a global fund helps buffer headline risks and the associated shocks to international markets while providing the opportunity to take advantage of lower valuations abroad.

We've made a case for investing globally, but there are a lot of funds. How do you pick one?

The concerns about international investing mentioned earlier are legitimate and should be considered when selecting the appropriate fund. A traditional market cap weighted international index owns 500 or more stocks, but not all of those stocks are the quality names that investors prefer to own. At Pacer, we follow a few rules in order to offer quality investments:

1) **We use a rules-based discipline and own a fund rather than individual companies.**
2) **We use a global benchmark index rather than an international index.**
3) **We screen for stocks based on specific qualities in order to meet our objectives.**

Our Pacer Global Cash Cows Dividend ETF (GCOW) uses a rules-based methodology to select only the names that meet the criteria set out for identifying quality stocks. The quality screens we use for GCOW are free cash flow yield and dividend yield.

Free Cash Flow Yield & Dividend Yield

Free cash flow (FCF) yield – A high free cash flow yield signals a company's management is disciplined enough to save some, rather than spend all of the cash the business generates. In addition to being a positive signal of profitability and good management, free cash flow yield also provides a ballpark figure for what the payback period would be for investors to get their money back. The higher the free cash flow yield, the shorter the pay back period.

FCF yield	1%	2%	5%	10%
Years to pay back all debt and equity holders	100 years	50 years	20 years	10 years

Dividend yield – Paying a dividend signals a company's management is confident in the future and can return cash back to its shareholders. In addition, a high yielding stock tends to have less downside because the dividend can help balance the stock price.

Expanding a Portfolio

Expanding a portfolio to be global broadens opportunities for investors while still maintaining a domestic position. However, investors should not choose investments blindly to fill a gap in the international portion of their portfolio. Instead, select a global fund of quality equities, like GCOW, and be prepared for the next cycle change.

PACER GLOBAL CASH COWS DIVIDEND ETF
GCOW

Pacer Global Cash Cows Dividend ETF

Uses a free cash flow yield screen and a dividend yield screen to invest in 100 companies from the FTSE Developed Large-Cap Index. It aims to provide a continuous stream of income and capital appreciation over time by screening for companies with a high free cash flow yield and a high dividend yield.

To learn more, talk to your financial advisor or visit **www.paceretfs.com.**

Before investing you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the prospectus. A copy may be obtained by visiting www.paceretfs.com or calling 1-877-337-0500. Please read the prospectus carefully before investing

An investment in the Funds is subject to investment risk, including the possible loss of principal. Pacer ETF shares may be bought and sold on an exchange through a brokerage account. Brokerage commissions and ETF expenses will reduce investment returns. There can be no assurance that an active trading market for ETF shares will be developed or maintained. The risks associated with this fund are detailed in the prospectus and could include factors such as concentration risk, currency exchange rate risk, equity market risk, foreign securities risk, geographic concentration risk, high portfolio turnover risk, large-capitalization investing risk, new fund risk, non-diversification risk, other investment companies risk, passive investment risk, style risk, tracking risk, and/or special risks of exchange traded funds.

This document does not take into account any investor's particular investment objectives, strategies, tax status, or investment horizon. Please consult with your financial advisor and tax advisor before investing.

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FTSE Developed Large-Cap Index is a market-capitalization weighted index representing the performance of large-cap stocks in developed markets. Data calculated for the FTSE All World Developed Large-Cap Index screens out all US companies to represent a true international index.

MSCI World Index is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World benchmark does not offer exposure to emerging markets.

S&P 500® Index measures the performance of the large capitalization sector of the U.S. equity market and is considered one of the best representations of the domestic economy. Utilizing a market-cap weighting structure, this index invests in the 500 largest U.S. firms.

MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

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16 Industrial Boulevard ▪ Suite 201 ▪ Paoli, PA 19301 ▪ 877-337-0500 ▪ www.paceretfs.com

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