In Focus

Why Trend Following Strategies?

PACER ETFs

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Following the Trend

In today's uncertain and volatile economy, investors can be apprehensive about the market and how to navigate it. Most people are familiar with the technology bubble in the early 2000s and the recession from 2007-2009, but there have been 25 bear markets since the Great Depression of 1929. Following a trend allows investors to be more confident in their decision making.

What Is Trend Following?

Trends are found in all facets of life, from cars to music to clothes. In investing, a trend is an indication of what's happening in the market. Some trends last for a few months and others last for years, even decades. A trend following strategy allows investors to follow the price movement of an investment over time using an unbiased approach.

Why Trend Following?

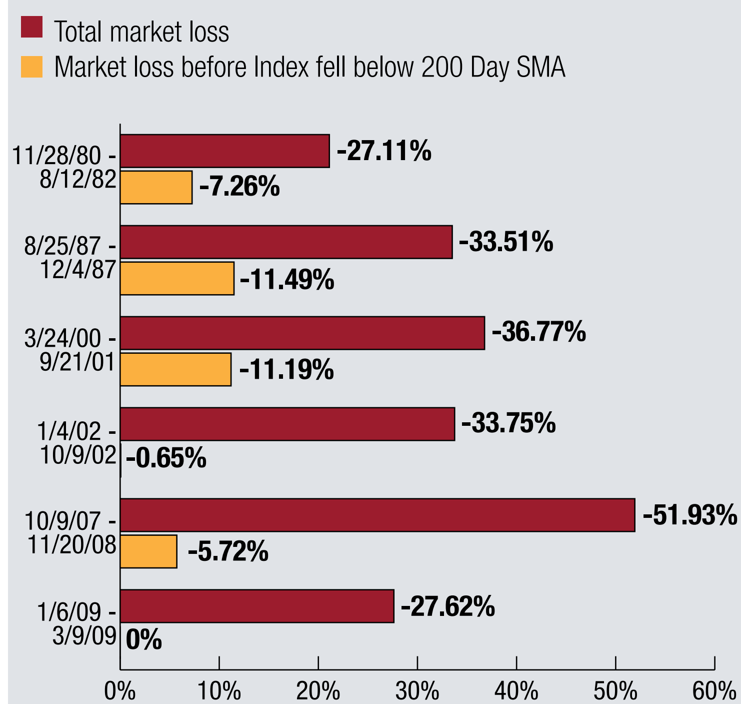
Many investors fall victim to emotional investing causing them to buy high and sell low. Trend following strategies remove emotions and speculation from the investment decision making process. The goal is to use an indicator to participate in positive trends and avoid negative trends. The indicator may not be right every time, but the goal is to be right enough times to prevent devastating losses.

Identifying a Trend

A common way for investors to follow a trend is to use a moving average. A moving average can be defined as the average of closing values over a designated time period. The 200 day simple moving average (200 Day SMA) is used by market analysts as a key indicator for determining overall long-term trends.

Last 6 Bear Markets
1980-2016

The 200 day simple moving average has proven to be an early indicator of a bear market. Evaluating the last 6 bear markets with losses of 20% or more, the majority of market loss was after the Index fell below the 200 Day SMA.



1980 – 2016 S&P 500®.

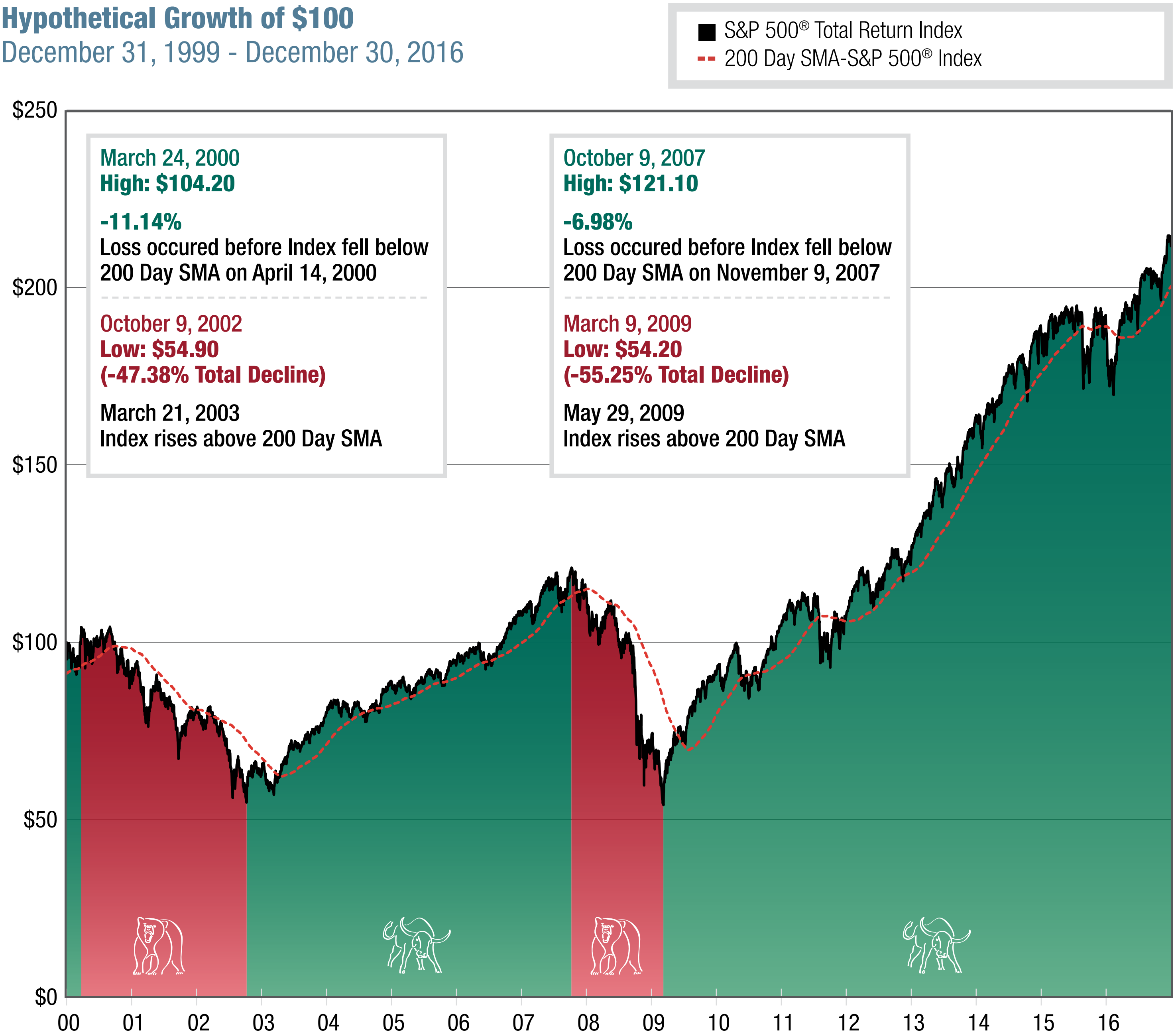
Source: Bloomberg

Let's look at how a 200 Day SMA works in investment decision making.

The 200 day simple moving average is a good indicator of long-term trends. The illustration below shows the history of the S&P 500® Total Return Index and its 200 day simple moving average. When the Index falls below its 200 Day SMA, it is a warning sign that a long-term negative trend could develop. Conversely, when the Index rises above the 200 Day SMA, it is an indication that a long-term positive trend could develop.

Hypothetical Growth of $100

December 31, 1999 - December 30, 2016



PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. You cannot invest directly in an index.
There is no guarantee that this investment strategy will succeed, the strategy is not an indicator of future performance and investment results may vary. The investment strategy presented is not appropriate for every investor and individual clients should review with their financial advisors the terms and conditions and risk involved with specific products or services.

By relying on a trend following strategy to determine when to participate in and exit the market, investors may be able to participate in positive market trends and minimize losses in negative market trends.

Speak with your financial advisor today to learn more about trend following and how to best incorporate Pacer Trendpilot® ETFs into your portfolio.

For more information, visit www.paceretfs.com.

Bull Market: A financial market of a group of securities in which prices are rising or are expected to rise.

Bear Market: A market condition in which the prices of securities are falling. Although figures can vary, for many, a downturn of 20% or more in multiple broad market indexes over at least a two-month period is considered an entry into a bear market.

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.

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