

Up, Up and Now Which Way?

– Michael Mack, Portfolio Manager

After two years of steady returns since the last correction, investors were wondering if the market would ever see one again. With every small dip, people braced themselves and thought this is it. Then in February 2018 the market experienced its first correction of 10% or greater in more than two years and investors almost forgot that it is a natural part of the market cycle.

In reality, corrections are part of a healthy market. They serve as a check and balance to ensure that stocks do not become overvalued. Since 1990, there have been 29 corrections. On average, the market has rallied 14.47% a year after the low point of the correction.

Average Correction Return -14.99%

Average Return 1 year after low 14.47%

Average Return 2 years after low 27.20%

S&P 500® Market Corrections (1990 – 2018)

Dates	Correction Return	1 year later	2 years later
1/2/90 - 1/30/90	-10.04%	9.37%	36.25%
7/16/90 - 8/23/90	-16.43%	32.82%	44.09%
10/7/97 - 10/27/97	-10.75%	23.35%	52.11%
7/17/98 - 8/31/98	-19.19%	39.82%	61.02%
3/24/00 - 4/14/00	-11.14%	-11.73%	-16.00%
9/1/00 - 10/12/00	-12.46%	-16.86%	-35.40%
11/6/00 - 12/20/00	-11.54%	-8.68%	-27.07%
1/30/01 - 3/22/01	-18.48%	4.19%	-17.31%
5/21/01 - 9/21/01	-26.11%	-11.14%	10.91%
3/19/02 - 5/7/02	-10.20%	-9.80%	9.96%
5/17/02 - 7/23/02	-27.73%	26.19%	42.41%
8/22/02 - 10/9/02	-19.11%	36.14%	49.62%
1/14/03 - 3/11/03	-13.78%	42.82%	56.39%
10/9/07 - 11/26/07	-9.87%	-37.62%	-17.12%
12/10/07 - 1/22/08	-13.39%	-34.31%	-10.63%
5/19/08 - 7/15/08	-14.56%	-21.13%	-5.40%
8/11/08 - 9/17/08	-11.19%	-5.35%	2.02%
9/19/08 - 9/29/08	-11.82%	-1.55%	8.43%
9/30/08 - 10/10/08	-22.83%	22.34%	35.73%
10/20/08 - 10/27/08	-13.83%	28.60%	45.91%
11/4/08 - 11/12/08	-15.10%	30.86%	47.25%
11/13/08 - 11/20/08	-17.38%	48.78%	66.85%
1/6/09 - 1/20/09	-13.78%	44.73%	66.11%
2/9/09 - 3/9/09	-21.96%	72.26%	103.40%
5/12/10 - 6/7/10	-10.20%	24.76%	30.54%
7/7/11 - 8/8/11	-17.18%	27.96%	57.93%
5/21/15 - 8/25/15	-11.89%	19.08%	36.28%
11/3/15 - 2/11/16	-12.71%	29.34%	–
1/26/18 - 2/8/18	-10.10%	–	–

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

You cannot invest directly in an index.
Source: Bloomberg, Pacer Advisors

Only 36% of these corrections continued into a bear market. The other times, the correction rallied and the market continued to go up. It is natural to have a little bit of panic and concern when the market starts to take a dip, but historically the market has continued in a positive direction.

What happens to a market correction?

	% of time	Average Return 1 year later
Non-Bear Market	64.29%	31.30%
Bear Market	35.71%	-15.82%

In recent months, there have been other periods of uncertainty that dissolved into continued upward momentum. Investors who withdrew their money from the market missed out on the gains during these times. The Pacer Trendpilot® ETFs stayed true to their rules that use the 200 day simple moving average (200 Day SMA) and a 5 day confirmation.

The Pacer Trendpilot® US Large Cap ETF (PTLC) tracks the S&P 500® in positive market trends and continued to participate in the market even during market fluctuation. Through the turmoil of the election and the VIX¹ scare recently, the index remained above its 200 Day SMA so the ETF stayed in equities. If the Pacer Trendpilot® strategy had relied on the 50 Day SMA, it would likely have exited to 50/50 or 3-Month US Treasury Bills prematurely.

S&P 500® Index (10/3/16 – 2/28/18)



Source: Bloomberg

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. YOU CANNOT INVEST IN AN INDEX.

Recently, the Pacer Trendpilot® European Index ETF (PTEU) switched to 50/50 mode and eventually 100% 3-Month US T-bills as dictated by its rules. Pacer Trendpilot® US Large Cap ETF (PTLC), Pacer Trendpilot® US Mid Cap ETF (PTMC) and Pacer Trendpilot® 100 ETF (PTNQ) remained fully invested. It's uncertain what will happen with the market, but the Pacer Trendpilot® strategy ensures that no matter where it goes, investor emotions won't lead the way.

Pacer Trendpilot® Exposure

Trendpilot® ETF	Exposure as of 2/28/18
PTLC	100% Equities (S&P 500® Index)
PTMC	100% Equities (S&P MidCap 400® Index)
PTNQ	100% Equities (NASDAQ-100® Index)
PTEU	50% Equities / 50% 3-Month US T-Bills

⁽¹⁾An index that measures the stock market's expectation of volatility implied by S&P 500® index options.

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.

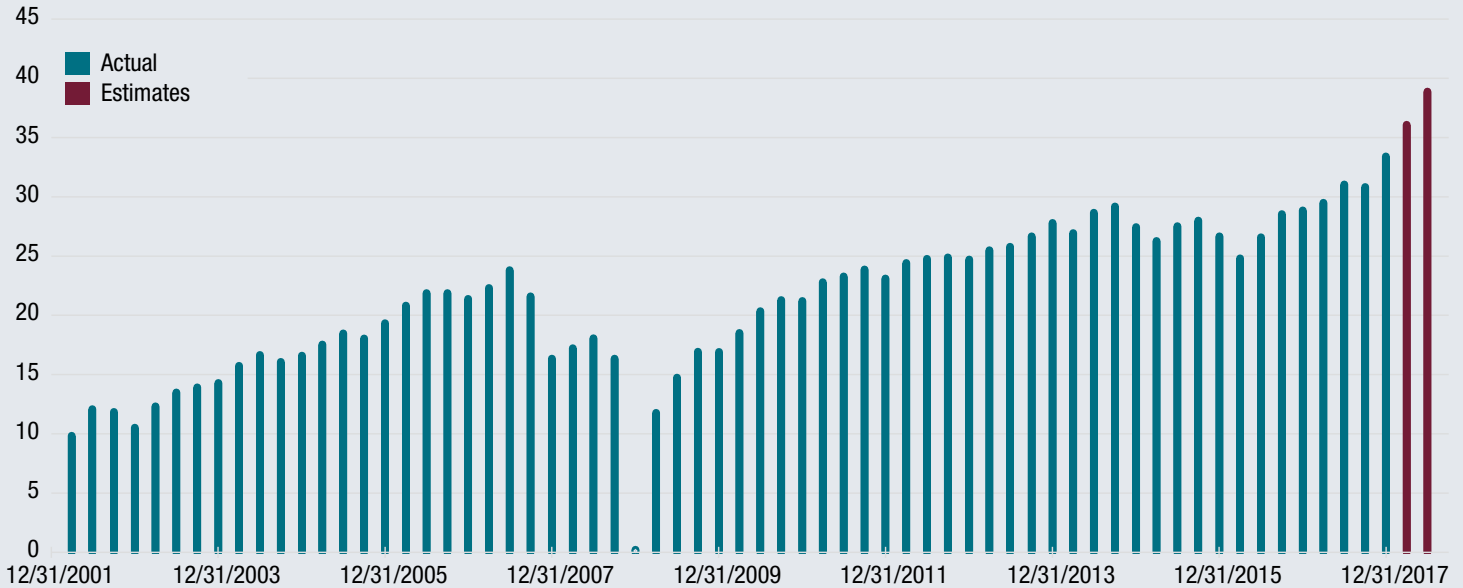
The S&P MidCap 400® Index is a benchmark for mid-sized companies, measuring the performance of mid-sized companies and reflecting the risk and return characteristics of this market segment.

The NASDAQ-100® Index includes approximately 100 of the largest non-financial securities listed on The NASDAQ® Stock Market based on market capitalization. The NASDAQ-100® Index comprises securities of companies across major industry groups, including computer, biotechnology, healthcare, telecommunications, and transportation. However, it does not contain securities of financial companies, including investment companies. The NASDAQ-100® Index was developed by NASDAQ OMX®.

The FTSE Eurozone Index is part of a range of indexes designed to help European investors benchmark their international investments. The index comprises large and mid cap stocks providing coverage of the Developed markets in the Euro zone. The Index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization.

Although the future is uncertain, economic signs suggest that a bear market is unlikely anytime soon. Economic growth is strong and accelerating. Earnings are growing and the benefits of an expansionary tax policy are beginning to kick in.

S&P 500® Earnings Per Share (Quarterly)



Source: Bloomberg

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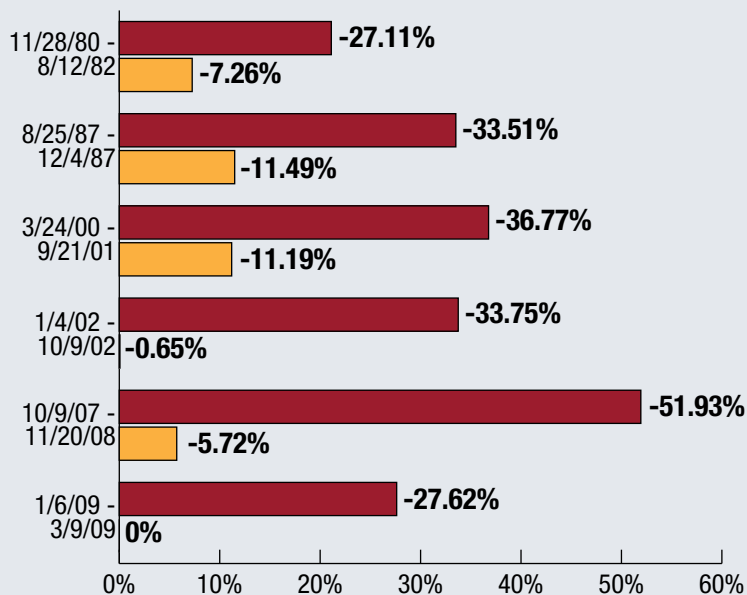
In the past, using the 200 day SMA has given investors enough time to react to the market and avoid most of the decline.

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.

■ Total market loss
 ■ Market loss before Index fell below 200 Day SMA

What if a Bear Market is on the way?

Last 6 Bear Markets (1980 – 2017)



Source: Bloomberg. 1980 – 2017 S&P 500®.

Regardless of your belief about what the market will do next, adding the Pacer Trendpilot® ETF suite to your portfolio may be a wise choice. It will allow investors to participate in market uptrends and get out of the way of market downtrends.

Pacer Trendpilot® ETFs:

A family of strategy driven ETFs that aims to participate in the market when it is trending up, maintain some exposure during short-term market declines and move to 3-month US T-Bills when it is trending down.



To learn more, visit www.paceretfs.com or call 877-337-0500.

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