The **PACER PERSPECTIVE**
April 2016

Global Opportunity for Dividends

– Michael Mack, Portfolio Manager

PACER ETFs
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In the current low interest rate environment, bonds and other fixed income products are not providing the same level of income they once did. As a result, investors are turning towards other opportunities like dividend stocks for income.

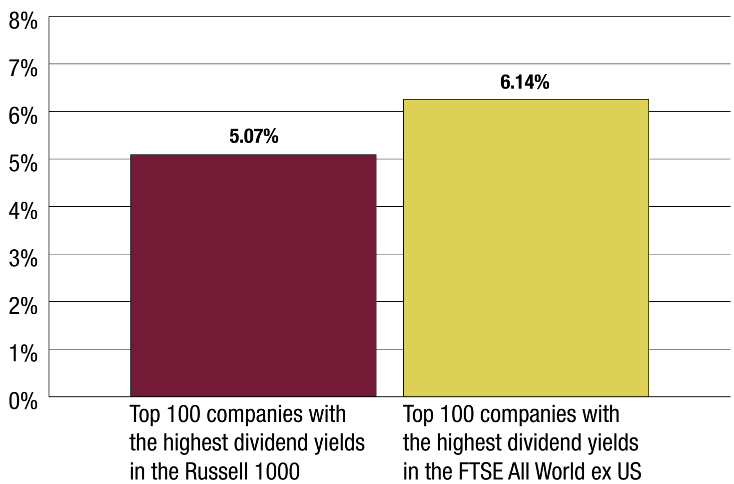
Look Abroad for Yield

While most US investors are focused on domestic companies for yield, we believe attractive opportunities can also be found overseas. Adding international stocks with high dividend yields may complement US portfolios. Recently, some advantages of high yielding international stocks include:

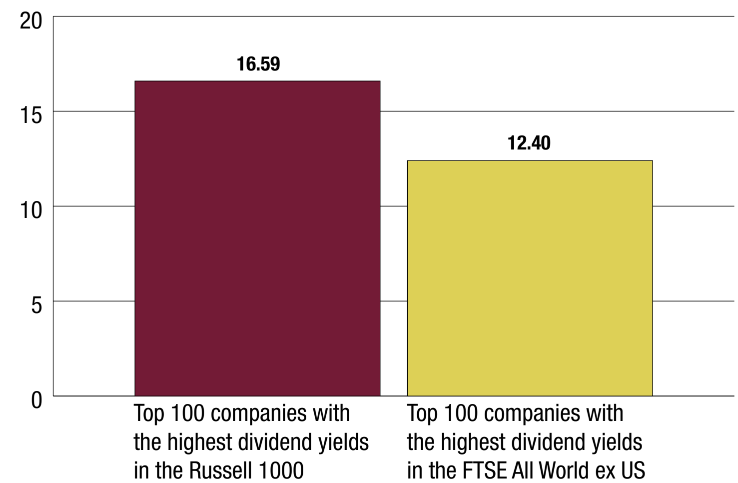
- Higher yields than in the US
- Better valuations than their US counterparts
- Sector, country, and currency diversification

Below is a comparison of dividend yields and price-to-earnings ratios of the top 100 highest dividend yielding companies in a US index and international index. In this example, international companies pay higher dividend yields and have lower price-to-earnings ratios, meaning the company may be undervalued relative to earnings making it a more attractive investment.

Higher Dividend Yields[1]



Lower P/Es[2]



In order to provide a more focused analysis, the top 100 companies in each index were chosen.
Source: FactSet. You cannot invest directly in an index. (1)Trailing 12 month dividend yield as of 3/31/16. (2)Trailing 12 month price-to-earnings ratio as of 3/31/16.
The Russell 1000 is an index of approximately 1,000 of the largest companies in the U.S. equity markets. The Russell 1000 comprises over 90% of the total market capitalization of all listed U.S. stocks.
FTSE All World 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.
Price-to-earnings ratios (P/E ratios) is a fundamental measure commonly used to determine if an investment is valued appropriately. Each holding's P/E is the latest closing price divided by the latest fiscal year's earnings per share. Negative P/E ratios are excluded from this calculation.

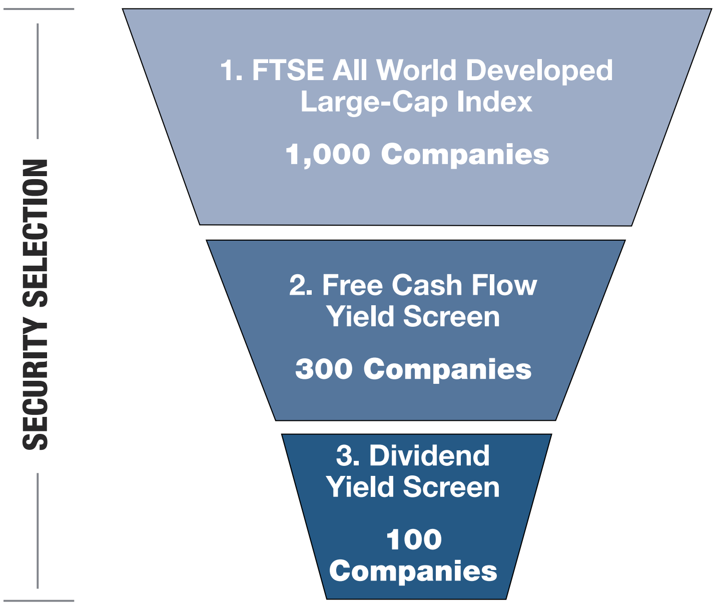
Beware of Cash Flow Shortfalls

In addition to diversifying with international stocks, investors should consider the sustainability of dividend yields. We believe the best measure of sustainability is free cash flow because it is the source from which dividends are paid. Free cash flow yield measures the company's free cash flow (the cash remaining after a company has paid all expenses, interest, taxes and long-term investments) relative to its enterprise value (market cap + debt – cash). A stock with a dividend yield higher than its free cash flow yield may suffer a cash shortfall. In order to sustain the current dividend yield, the company must find an alternative to fund dividend payments.

The Importance of Higher Free Cash Flow Yield than Dividend Yield

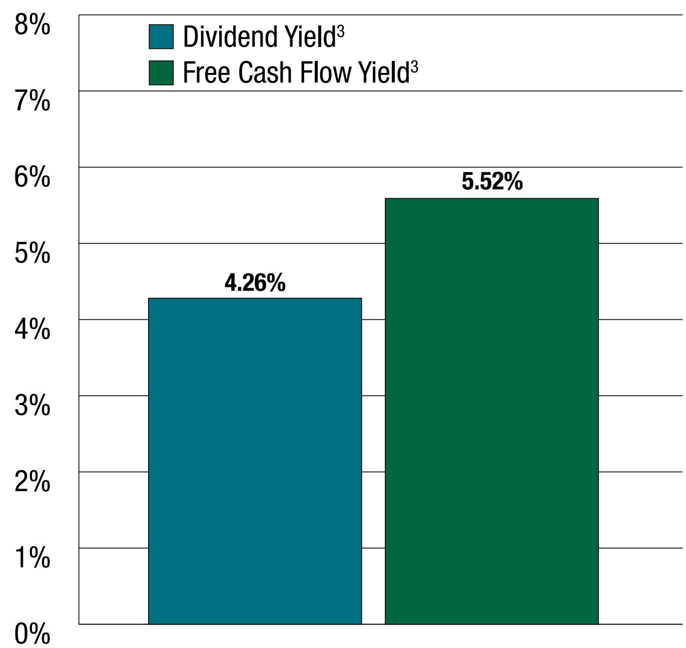
The Pacer Global Cash Cows Dividend Index created in February 2016 and its corresponding exchange traded fund, the Pacer Global Cash Cows Dividend ETF (GCOW), use an objective rules-based strategy to attempt to provide a continuous stream of income and capital appreciation over time by screening for companies with a high free cash flow yield and a high dividend yield.

Pacer Global Cash Cows Dividend Index



- Top 100 companies with the highest free cash flow yield and dividend yield.
- Weighted by the highest trailing twelve month dividends. Weightings are capped at 2% for any individual company.
- The Index is reconstituted and rebalanced semi-annually in June and December.

Using a two-part screen, the Index aims to provide more sustainable yield than a dividend screen alone. As you can see in the chart below, the free cash flow yield of the Pacer Index is greater than the dividend yield. This suggests that the dividend is supported by the free cash flow.



Source: FactSet. You cannot invest directly in an index. (3)Trailing 12 month dividend yield and free cash flow yield as of 3/31/16.

Learn more about how **GCOW** can help diversify your portfolio.

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.

There is no guarantee dividends will be paid. A company's ability to pay dividends may stop or be limited in the future.
The information presented here is not intended to forecast events or guarantee results. The strategies discussed are for educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategy will be effective.

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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