ETF EDUCATION

The Basics of Exchange Traded Funds

THE ETF INDUSTRY:

The American Stock Exchange (AMEX) launched the first exchange traded fund (ETF) in 1992, breaking new ground with a product that could trade a basket of securities like a single stock. Today, ETFs trade on major stock exchanges – domestic and global. The U.S. ETF market represents approximately $3.39 trillion in assets with 2,120 ETFs as of December 31, 2017[1].

ETFs DEFINED:

ETFs are a collection of securities traded like individual stocks on major exchanges and are bought and sold throughout the day.

POTENTIAL ETF BENEFITS:

Transparency

- Unlike mutual funds, ETFs disclose and publish their full portfolio holdings and changes on a daily basis. This information is easily accessible so investors can know what they own at all times.

Liquidity

- The liquidity of an ETF is a reflection of the liquidity of the underlying securities in the constituent index.
- ETFs are priced every 15 seconds throughout the day to keep the price close to the NAV (net asset value – A real-time estimate of the ETF's fair value, based on the underlying holdings that make up an Index) of its underlying holdings.

Tax Efficiency

FORM 1040

- ETFs operate through a creation/redemption process which shields the fund from the tax consequences of inflows and outflows of shares, like in mutual funds.
- In-kind transfer of securities – When an Authorized Participant (AP)[3] creates or redeems shares with the ETF sponsor they trade the ETF shares for the underlying securities or vice versa. Essentially, this is a trade of equivalent items and is not a taxable event for the fund or the ETF shareholder.

Low Cost[2]

- ETFs generally have a lower cost than other investments due to their passive management structure.
- They commonly have lower internal trading costs due to their low portfolio turnover.

Diversification

- ETFs offer diversified exposure across a broad range of markets and asset classes.
- They track indexes which can hold hundreds or thousands of stocks.
- Owning an ETF offers more diversification because it is a basket of securities and has potentially lower risk than individual securities.

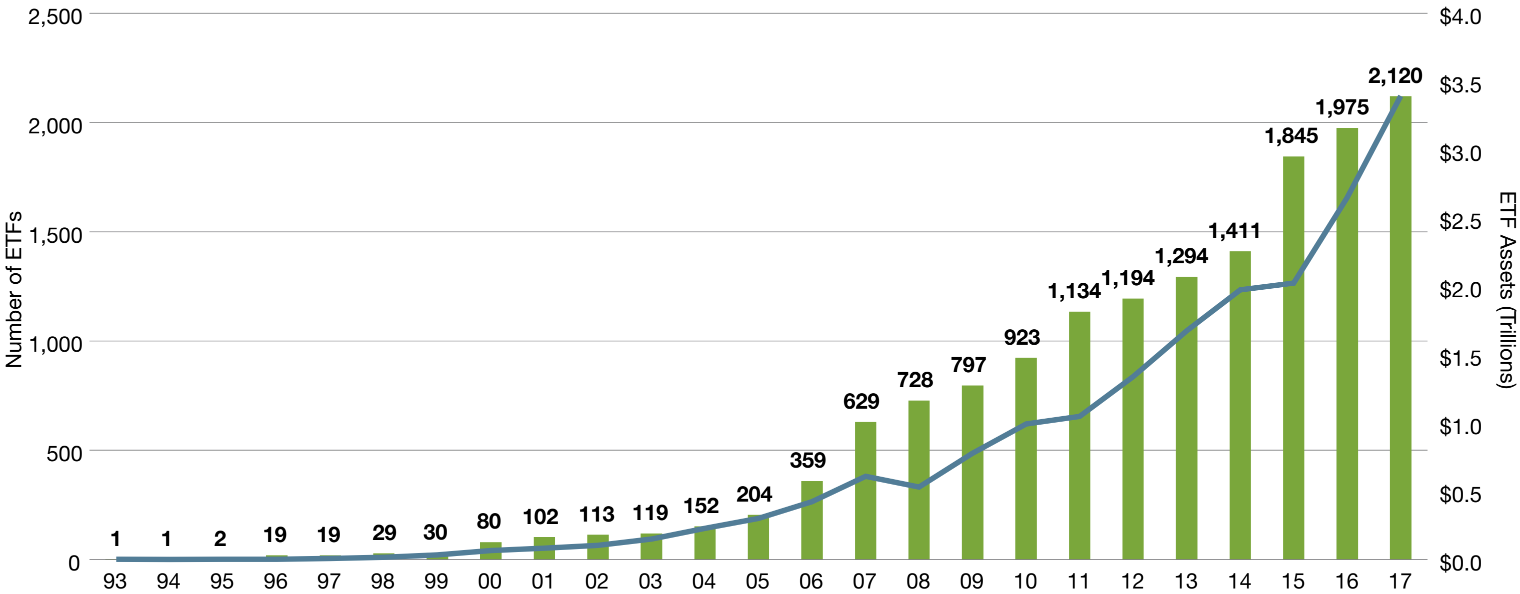
Trading Flexibility

- Unlike mutual funds, ETFs can be bought and sold throughout the day at intraday prices.
- Limit orders can be used to ensure accurate pricing, which reduces the chance of poorly executed trades.

---

(1)http://www.xtf.com, 2/16/18
(2)ETFs are subject to commission costs each time a buy or sell is executed. Depending on the amount of trading activity, the low costs of ETFs may be outweighed by commissions and related trading costs compared to mutual funds.
(3)A market maker, or someone with buying power

THE RISE OF ETFs IN THE MARKET



Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
ETF Assets	464	424	1,052	2,411	6,707	15,568	33,873	65,585	82,993	102,143	150,983	227,540	300,820
# of ETFs	1	1	2	19	19	29	30	80	102	113	119	152	204

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ETF Assets	422,550	608,422	531,288	777,128	991,989	1,048,134	1,337,112	1,674,616	1,974,377	2,023,670	2,648,250	3,394,290
# of ETFs	359	629	728	797	923	1,134	1,194	1,294	1,411	1,845	1,975	2,120

Source: www.xtf.com 12/31/17

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 these funds are detailed in the prospectus and could include factors such as concentration risk, equity market risk, fixed income risk, government obligations risk, high portfolio turnover risk, large and mid-capitalization investing risk, new fund risk, other investment companies risk, passive investment risk, tracking risk, trend lag risk, currency exchange rate risk, European investments risk, foreign securities risk, geographic concentration risk, non-diversification risk, sector risk, smaller companies risk, monthly exposure risk, style 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. This is neither a solicitation, nor an offer to buy any interest in any of our offerings.

Distributor: Pacer Financial, Inc., member FINRA, SIPC, an affiliate of Pacer Advisors, Inc.

NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED

PACER ETFs

877-337-0500 ▪ www.paceretfs.com