



Pacer U.S. Large Cap Cash Cows Growth Leaders Index Rebalance

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Quarterly Rebalance Overview

The Pacer U.S. Cash Cows Growth Leaders Index (COWG Index) completed its quarterly reconstitution, effective after the market close on 12/19/2025. The Index continues to apply its free cash flow (FCF) margin-based screening process, selecting large-cap companies with the highest FCF-to-sales ratios and weighting constituents by six-month price momentum, subject to a 5% cap per security.

The reconstitution resulted in 12 additions and deletions, with 33.8% portfolio turnover. The minimum FCF margin cut-off was 23.38% (Zoetis), while the median FCF margin across the Index stood at 30.8%—well above the 11.13% median level for the S&P 500 Index.

After the rebalance, only two Magnificent Seven companies, NVIDIA and Microsoft, remain in the holdings, together accounting for less than 2.3% of total index weight. In contrast, the Magnificent Seven continues to represent more than 50% of the total weight in the Russell 1000 Growth Index.

Turnover Driven by Momentum Shifts

Although the rebalance involved only 12 additions and deletions, the Index experienced a relatively high turnover (33.81%), driven primarily by changes in six-month price momentum rather than wholesale changes in constituents.

Under the Index methodology, stocks exhibiting strong recent momentum received higher portfolio weights, for example, Incyte (INCY), Jazz Pharmaceuticals (JAZZ), and Reddit (RDDT). Conversely, holdings with fading momentum saw their weights reduced, including Palantir (PLTR), Zscaler (ZS), and several software-oriented technology names.

Sector Allocation After the Rebalance

Following the December rebalance, Information Technology and Health Care continue to dominate the COWG Index, together accounting for more than 70% of total portfolio weight. However, the Index experienced a clear reallocation toward Health Care, reflecting a combination of strong FCF margins and improving recent momentum. Meanwhile, despite remaining the largest sector, Information Technology exposure was reduced by approximately 8%, likely driven by weaker six-month price momentum.

Sector Weights (%)

12/19/25	Before	After	Russell 1000 Growth
Information Technology	57.71	49.47	51.65
Health Care	15.15	23.75	7.80
Communication Services	5.80	5.99	11.79
Materials	7.67	5.40	0.30
Energy	3.41	4.48	0.28
Consumer Staples	2.38	3.96	2.32
Consumer Discretionary	4.10	2.99	13.36
Industrials	2.87	2.86	5.68
Utilities	0.91	1.10	0.27
Real Estate	--	--	0.40
Financials	--	--	6.15

Source: Pacer Advisors, FactSet

Information Technology

Information Technology remains a core allocation within the COWG Index.

Software exposure was meaningfully reduced from 30% to 23%, reflecting a reduction in concentration following a strong, momentum-driven rally, particularly among AI-adjacent software names that have experienced significant multiple expansion. The rebalance reduced exposure to crowded, narrative-driven software positions as momentum faded following the November technology sell-off. Notable reductions included Palantir (4.24% →

1.46%), Zscaler (1.64% → 0.59%), and AppLovin (3.13% → 2.08%).

Despite the reduction, Software remains the single largest industry exposure in the COWG Index. The allocation continues to emphasize businesses positioned for long-term structural growth across enterprise infrastructure, cybersecurity, and data analytics, offering a combination of recurring revenue, strong profitability, and scalable growth.

In addition, exposure to semiconductors and the semiconductor equipment industry increased modestly. We see an increased emphasis on semiconductor equipment segment, shifting exposure toward chip manufacturing tools and infrastructure. The crowded artificial intelligence (AI) beneficiaries were trimmed as part of profit-taking. For example, NVIDIA's weight was reduced from 2.04% to 1.44%.

Despite these adjustments, the whole semiconductor industry remains a core growth driver within the COWG Index. Semiconductor and equipment companies continue to benefit from AI adoption, cloud computing expansion, and next-generation computing infrastructure, supporting both near-term earnings growth and long-term secular demand.

Health Care

Health Care now represents more than 23% of the portfolio. Biotechnology exposure increased significantly from 5.5% to 13.7%, while pharmaceuticals remained above 4.5%. The COWG Health Care allocation reflects high conviction in biopharma, emphasizing companies with strong cash flow, differentiated pipelines, and meaningful catalyst potential, including clinical progress and mergers and acquisitions activity. The combination of transformative innovation and durable cash generation positions biotechnology and pharmaceuticals as key growth engines within the Health Care allocation, while helping manage downside risk across market cycles.

Conclusion

Overall, the December reconstitution sharpened the COWG Index's positioning by reducing concentration risk in momentum-driven technology and rotating toward high FCF Health Care innovators. The Index remains differentiated from traditional growth benchmarks, offering a growth-oriented portfolio with lower concentration risk (particularly toward the Magnificent Seven), and stronger cash flow quality heading into 2026.

To learn more about how to incorporate COWG into your portfolio, contact 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.

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Russell 1000 Growth Index is a market-capitalization weighted index representing approximately 1000 large- and mid cap growth stocks in the Russell 3000 Index.

Free Cash Flow Margin: A profitability metric that measures the proportion of a company's revenue that is converted into free cash flow

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