

Institutional Presentation

# PACER BENCHMARK REAL ESTATE SECTOR STRATEGIES

Thematic Growth

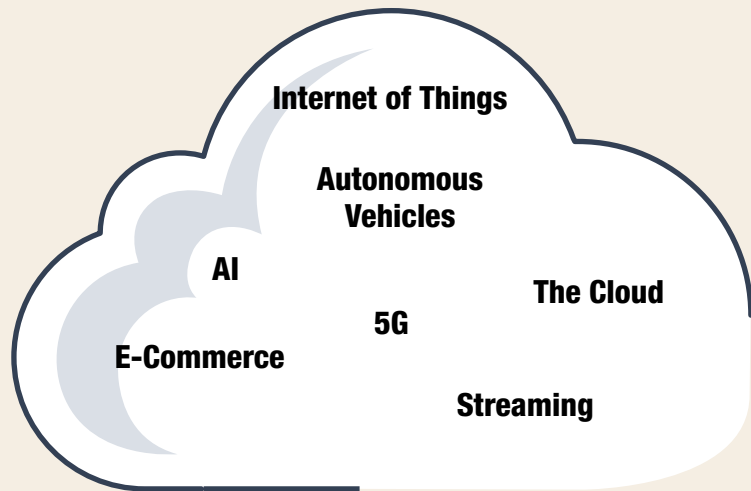


**PACER** ETFs

877-337-0500 ▪ [www.paceretfs.com](http://www.paceretfs.com)

## THE NEW TECHNOLOGY REVOLUTION

Buzz words like 5G, the Internet of Things, and the Cloud have been discussed for years. It is not until recently that this technology has started to take shape.



- **Internet of Things** – the interconnection between everyday objects and your computing devices. Your doorbell ringing can now be announced through your Amazon Alexa or through an app on your phone.
- **Autonomous Vehicles** – a self-driving car that may not even need a human inside to operate
- **Artificial Intelligence** – robots, computer systems, or other inanimate objects soon will have the ability to perform human tasks.
- **The Cloud** – a place where data is stored and accessed by internet users.
- **E-Commerce** – the online presence of buying, delivering and selling goods.
- **5G** – fifth generation wireless will allow for larger amounts of data to be transported in shorter amounts of time.
- **Streaming** – the act of downloading or receiving data, specifically audio and video material, over an internet network continuously while the video plays.

## THE INTERNET IN 2020

- **2,300,000,000,000,000,000**  
Bytes of global internet traffic per year, nearly doubled from 1.2 zettabytes in 2016
- **5 million years**  
How long it would take to watch all the video crossing the internet in a single month
- **3:1**  
Ratio of internet-connected devices to global population
- **4.6X**  
Increase in peak-hour traffic from 2015 to 2020, compared with 2X for overall traffic—which should require greater bandwidth and server capacity
- **82%**  
Total amount of consumer internet traffic viewing video content
- **61X**  
Increase in virtual reality traffic from 2015 to 2020



## TO SUPPORT THIS INTERNET DEMAND:

- **\$20 Billion**  
Invested in U.S. data center construction per company
- **300 Million**  
Watts of electricity scheduled to be built next year through data centers
- **\$325 Billion**  
Increase in infrastructure spending for 5G by 2025
- **20,000+**  
Cell towers forecasted to be constructed next year



<sup>(1)</sup>JLL Research: <http://www.us.jll.com/united-states/en-us/news/4871/industrial-real-estate-trends-2018>

<sup>(2)</sup>Nareit: [https://www.reit.com/sites/default/files/pdf/CS\\_EcommerceEcosystem.pdf](https://www.reit.com/sites/default/files/pdf/CS_EcommerceEcosystem.pdf)

# DATA AND INFRASTRUCTURE REAL ESTATE: THE BACKBONE OF TECH

In order for this new wave of technology to come to fruition, the digital and physical infrastructure must be built out.

## THE SPENDERS

A “spender” is the network operator and cloud computing provider that incur expense to provide:

- 5G communication
- Cloud services
- Data services

A data center is the physical location of the cloud. As the demand for faster service escalates, network operators and cloud computing providers have been tasked with this build out. The growth in data center spending by leading cloud providers has driven higher revenue growth for Data Center REITs.

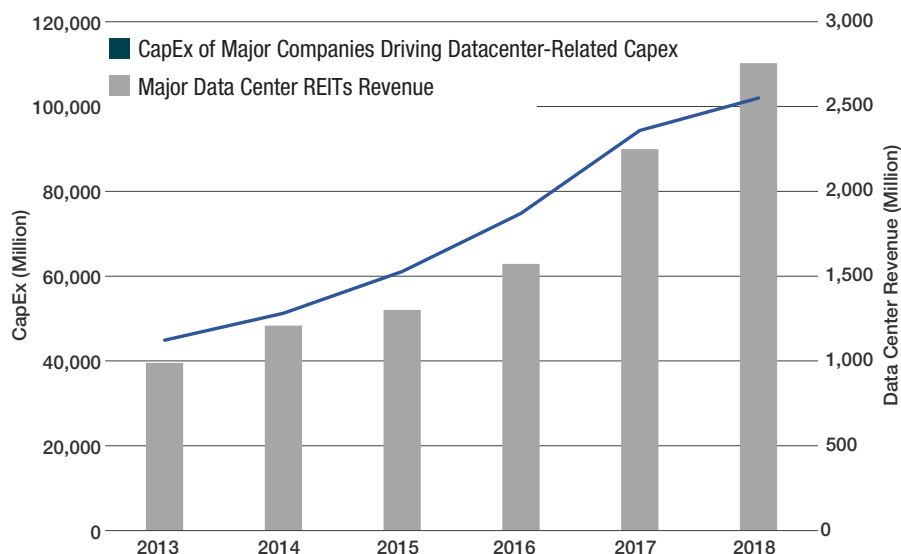
## THE RECEIVERS

A “receiver” is the owner of the tech infrastructure, such as:

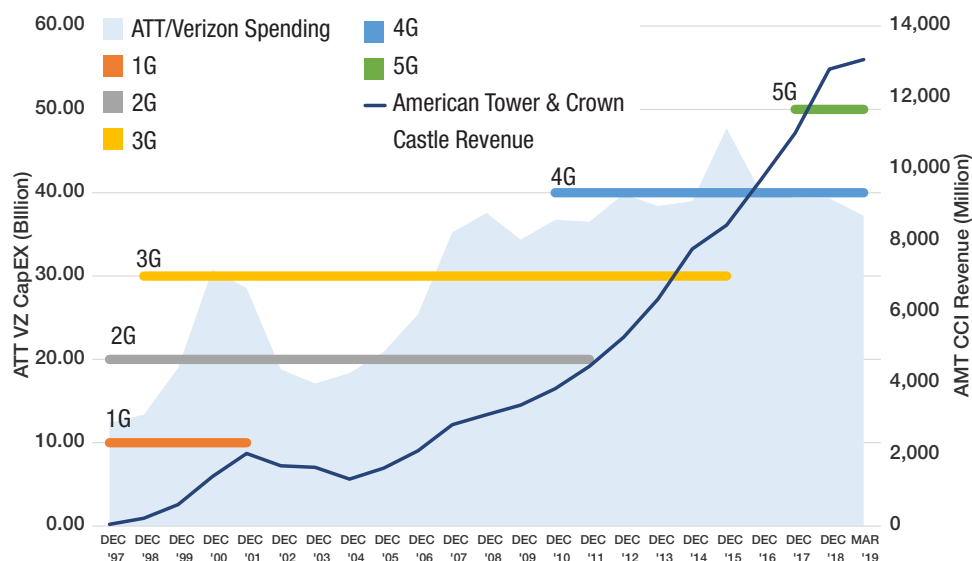
- Data centers
- Cell tower companies

These companies earn lease revenue from the spenders. Each mobile network has driven a higher level of spending. The 5G build out will require an increase in spending for Network Carriers which may directly benefit the Cell Tower REITs.

## DATA CENTER REVENUE AND CLOUD SPENDING



## 5G CELL TOWER REVENUE VS TELECOM SPENDING



Source: FactSet, RBC

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# INDUSTRIAL REAL ESTATE: RAPID GROWTH AND EXPANSION

Over the past decade, there has been a significant incremental demand for space.

## E-COMMERCE

### GROWTH

347 million square feet through 2021 is needed to keep up with expected growth in e-commerce sales<sup>1</sup> and related supply chain reconfiguration.

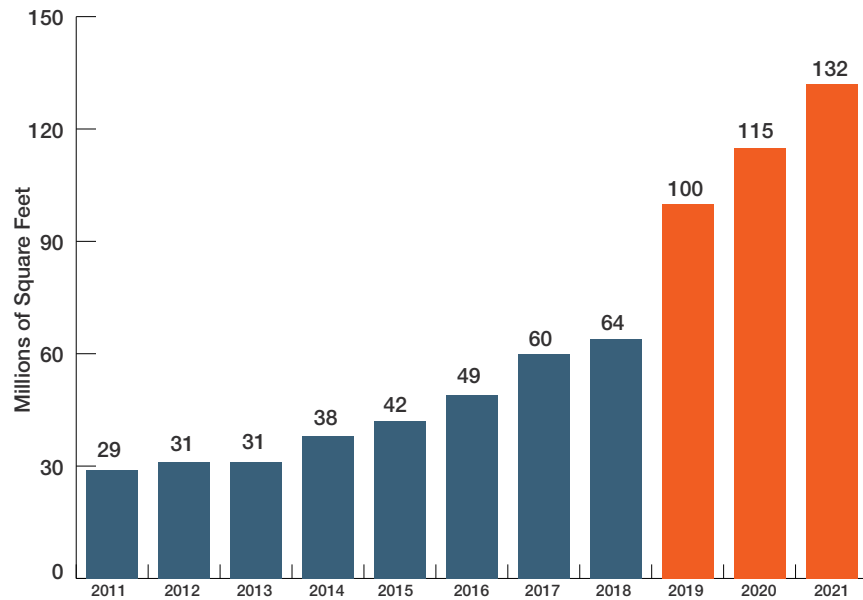
### SQUARE FOOTAGE

For every \$1B of e-commerce sales, approximately 1.3M square feet of fulfillment space is required.<sup>2</sup>

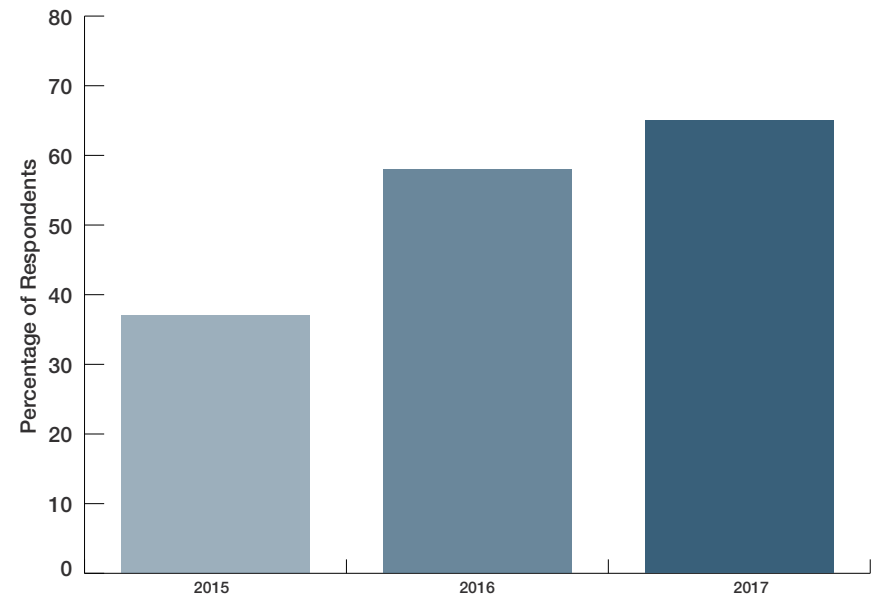
### SPEED

The demand for fast shipping has gone up significantly as well. The number of respondents polled who view less than one day shipping as “too slow” has risen each year.

## INCREMENTAL DEMAND FOR SPACE



## RESPONDENTS WHO VIEW 3-4 DAY SHIPPING AS TOO SLOW



<sup>(1)</sup>Assumes E-comm sales growth of 15%, which is consistent with the actual 2015-2018 quarterly growth rate range of 15-17%

<sup>(2)</sup>Metric per CBRE, Cushman & Wakefield, NAIOP.

Right chart source: Deloitte, Prologis Research

## Pacer Benchmark Real Estate Sector ETFs

ETF Name	ETF Ticker	ETF Inception Date	Benchmark Index	Total Expenses	Intraday Indicative Value Ticker	CUSIP	Strategy	Rebalanced & Reconstituted
<b>Pacer Benchmark Data &amp; Infrastructure Real Estate SCTR<sup>SM</sup> ETF</b>	<b>SRVR</b>	5/15/2018	FTSE Nareit All Equity REITs Index	0.60%	SRVR.IV	69374H741	Top US companies that generate the majority of their profits from real estate operations in the data and infrastructure sector.	Quarterly
<b>Pacer Benchmark Industrial Real Estate SCTR<sup>SM</sup> ETF</b>	<b>INDS</b>	5/14/2018	FTSE Nareit All Equity REITs Index	0.60%	INDS.IV	69374H766	Top US companies that generate the majority of their profits from real estate operations in the industrial sector.	Quarterly
<b>Pacer Benchmark Retail Real Estate SCTR<sup>SM</sup> ETF</b>	<b>RTL</b>	5/15/2018	FTSE Nareit All Equity REITs Index	0.60%	RTL.IV	69374H782	Top US companies that generate the majority of their profits from real estate operations in the retail sector.	Quarterly

The Pacer Benchmark Real Estate SCTR<sup>SM</sup> ETFs aim to hold US companies that generate the majority of their profits from real estate operations in specific sectors.

1

## Benchmark Composite Real Estate SCTR<sup>SM</sup> Index

The U.S. equity market is screened for companies generating at least 85% of revenues from real estate operations to develop the index universe.

2

## Sector Screen

Qualified companies are screened by:

- Property type
- Tenant type
- Revenue type

To assign companies to their proper sector

3

## The Index

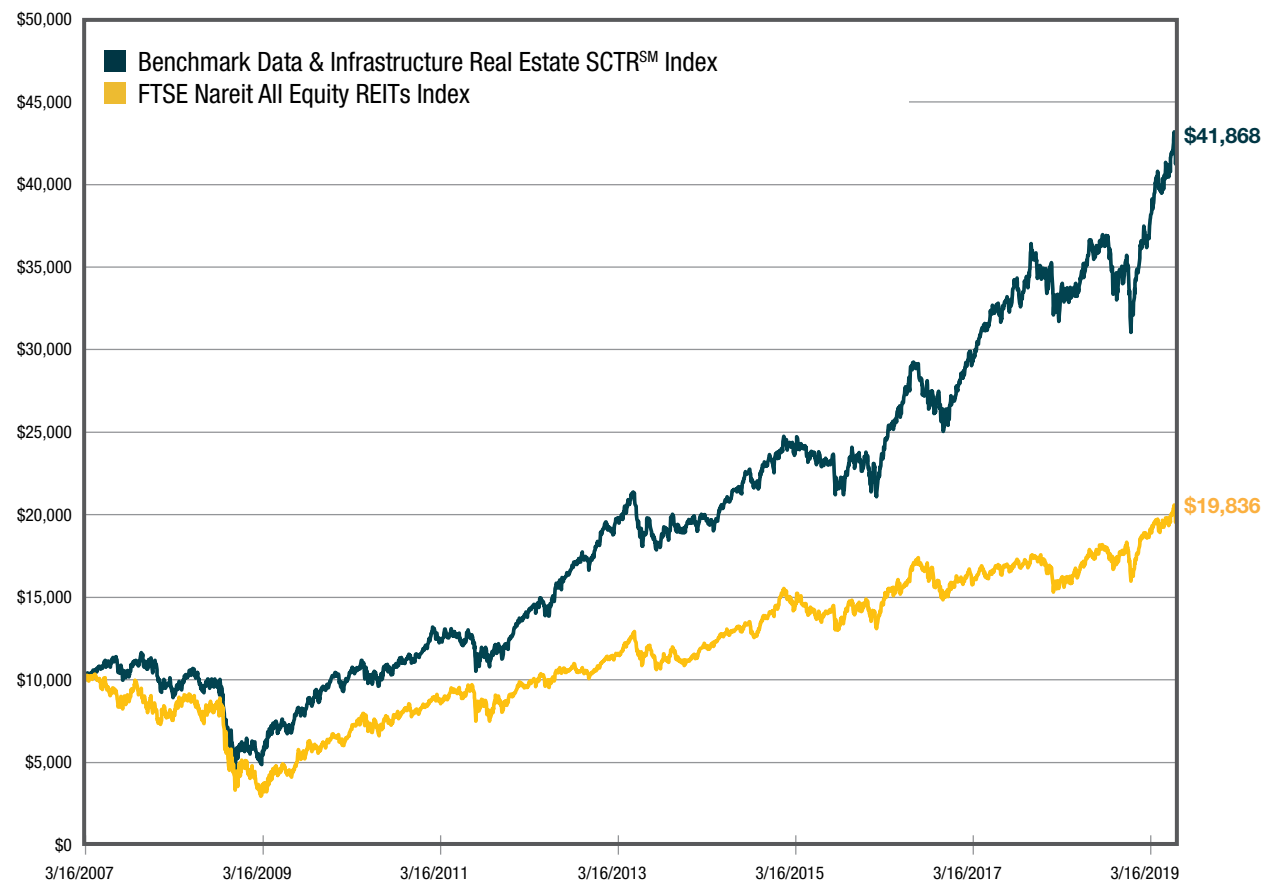
- Companies must meet a market cap and liquidity threshold
- Weighted by modified market cap
- Rebalanced quarterly
- Reconstituted annually

## BENCHMARK DATA & INFRASTRUCTURE REAL ESTATE SCTR<sup>SM</sup> INDEX

Retrospectively calculated Benchmark Data & Infrastructure Real Estate SCTR<sup>SM</sup> Index performance is shown net of fees.

### HYPOTHETICAL GROWTH OF \$10,000<sup>1</sup>

3/16/2007 – 6/30/2019



### HISTORICAL PERFORMANCE, VOLATILITY COMPARISON AND UPSIDE/DOWNSIDE CAPTURE (%)<sup>1</sup>

3/16/2007 – 6/30/2019

	Benchmark Data & Infrastructure Real Estate SCTR <sup>SM</sup> Index	FTSE Nareit All Equity REITs Index
<b>Annualized Average Return</b>	12.35	5.73
<b>Annualized Volatility</b>	23.72	33.76
<b>Upside Capture</b>	86.85	100.00
<b>Downside Capture</b>	61.05	100.00

<sup>(1)</sup>All Indexes shown are Total Return Indexes.

Source: Benchmark and Bloomberg. Nasdaq is the independent index calculation agent. The hypothetical backtested index performance of the Benchmark Data & Infrastructure Real Estate SCTR Index is shown net of fees and reflects the reinvestment of dividends. The annual total expense is 0.60%. The Index was released on 12/28/2017. Any data shown prior to this date is hypothetical, retrospectively calculated, and is based on rules-based criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance, and cannot account for all financial risk or market and economic factors that may affect the actual performance. The actual performance of the Index may vary significantly from the backtested index data. The results shown are hypothetical and do not reflect actual returns.

**PAST PERFORMANCE (WHETHER RETROSPECTIVELY CALCULATED OR ACTUAL HISTORICAL) IS NOT INDICATIVE OF FUTURE RESULTS. YOU CANNOT INVEST DIRECTLY IN AN INDEX. FOR INVESTMENT PROFESSIONAL USE ONLY. NOT FOR USE WITH THE INVESTING PUBLIC.**

## TOP 10 HOLDINGS

as of 6/30/2019

Company	Sub-Sector	Weight (%)	Area it Effects
Equinix, Inc.	Data Infrastructure	15.30	AI, Big Data, IoT
Crown Castle International Corp	Tech Infrastructure: Telecommunications	14.78	5G, IoT, Mobile Data
American Tower Corporation	Tech Infrastructure: Telecommunications	14.43	5G, IoT, Mobile Data
GDS Holdings Ltd. Sponsored ADR Class A	Data Infrastructure	5.06	AI, Big Data, IoT
OUTFRONT Media Inc.	Tech Infrastructure: General	4.63	Media, Mobile Data
SBA Communications Corp. Class A	Tech Infrastructure: Telecommunications	4.59	5G, IoT, Mobile Data
Interxion Holding N.V.	Data Infrastructure	4.56	AI, Big Data, IoT
Lamar Advertising Company Class A	Tech Infrastructure: General	4.56	Media, Mobile Data
Iron Mountain, Inc.	Data Infrastructure	4.52	AI, Big Data, IoT
Zayo Group Holdings, Inc.	Tech Infrastructure: Telecommunications	4.45	5G, Cable, Data Transition
<b>Total</b>		<b>76.88</b>	

## INDEX CHARACTERISTICS

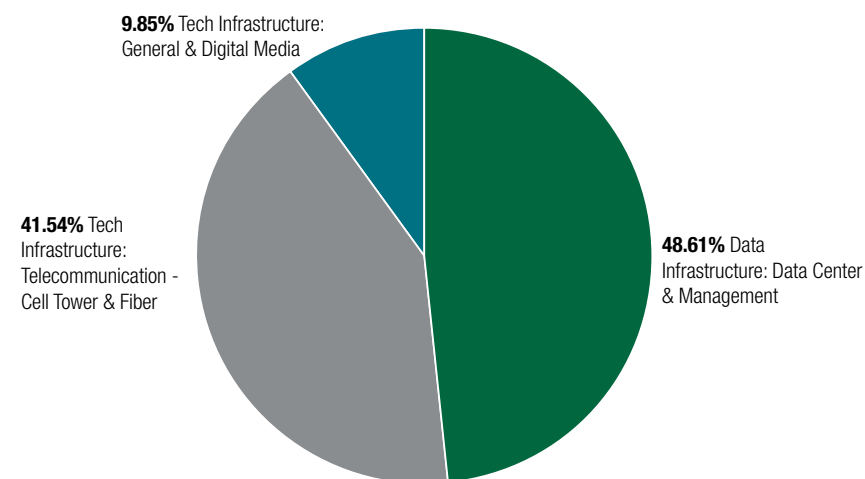
as of 6/30/2019

<b>Weighted Average Market Cap (\$mil)</b>	<b>32,226.36</b>
<b>Dividend Yield (%)</b>	<b>3.00</b>
<b>Price to Funds From Operations (FFO)</b>	<b>18.83</b>

Source: FactSet, Benchmark

## SUB-SECTOR BREAKDOWN

as of 6/30/2019



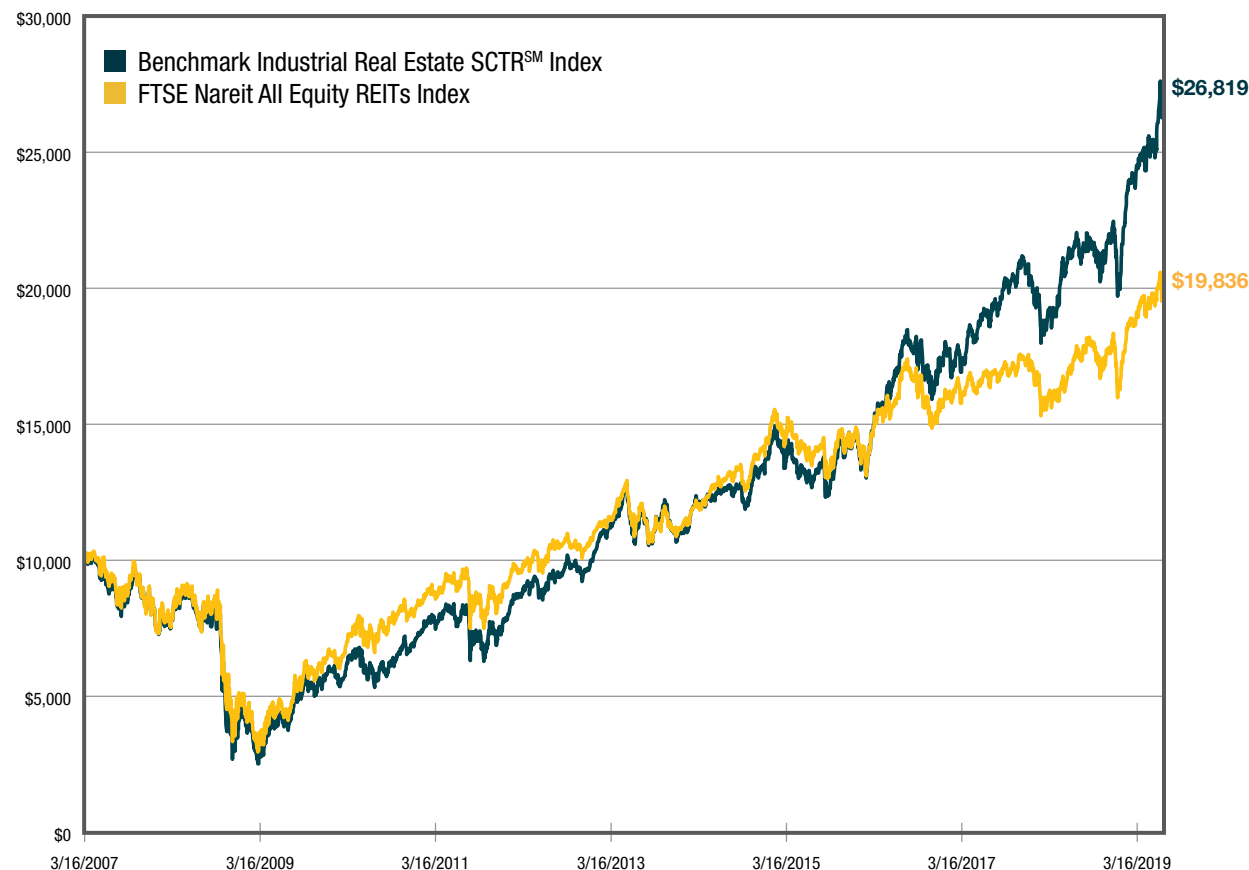


# BENCHMARK INDUSTRIAL REAL ESTATE SCTR<sup>SM</sup> INDEX

Retrospectively calculated Benchmark Industrial Real Estate SCTR<sup>SM</sup> Index performance is shown net of fees.

## HYPOTHETICAL GROWTH OF \$10,000<sup>1</sup>

3/16/2007 – 6/30/2019



## HISTORICAL PERFORMANCE, VOLATILITY COMPARISON AND UPSIDE/DOWNSIDE CAPTURE (%)<sup>1</sup>

3/16/2007 – 6/30/2019

	Benchmark Industrial Real Estate SCTR <sup>SM</sup> Index	FTSE Nareit All Equity REITs Index
<b>Annualized Average Return</b>	8.36	5.73
<b>Annualized Volatility</b>	34.82	33.76
<b>Upside Capture</b>	108.51	100.00
<b>Downside Capture</b>	99.90	100.00

<sup>(1)</sup>All Indexes shown are Total Return Indexes.

Source: Benchmark and Bloomberg. Nasdaq is the independent index calculation agent. The hypothetical backtested index performance of the Benchmark Industrial Real Estate SCTR Index is shown net of fees and reflects the reinvestment of dividends. The annual total expense is 0.60%. The Index was released on 12/28/2017. Any data shown prior to this date is hypothetical, retrospectively calculated, and is based on rules-based criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance, and cannot account for all financial risk or market and economic factors that may affect the actual performance. The actual performance of the Index may vary significantly from the backtested index data. The results shown are hypothetical and do not reflect actual returns.

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## BENCHMARK INDUSTRIAL REAL ESTATE SCTR<sup>SM</sup> INDEX

### TOP 10 HOLDINGS

as of 6/30/2019

Company	Sub Sector	Weight (%)
<b>Prologis, Inc.</b>	<b>Industrial</b>	<b>15.26</b>
<b>Duke Realty Corporation</b>	<b>Industrial</b>	<b>14.74</b>
<b>Liberty Property Trust</b>	<b>Industrial</b>	<b>11.33</b>
<b>Innovative Industrial Properties Inc</b>	<b>Warehouse</b>	<b>6.19</b>
<b>Industrial Logistics Properties Trust</b>	<b>Industrial</b>	<b>4.65</b>
<b>Terreno Realty Corporation</b>	<b>Industrial</b>	<b>4.52</b>
<b>Rexford Industrial Realty, Inc.</b>	<b>Industrial</b>	<b>4.50</b>
<b>First Industrial Realty Trust, Inc.</b>	<b>Industrial</b>	<b>4.46</b>
<b>PS Business Parks, Inc.</b>	<b>Industrial</b>	<b>4.41</b>
<b>EastGroup Properties, Inc.</b>	<b>Industrial</b>	<b>4.40</b>
<b>Total</b>		<b>74.46</b>

### INDEX CHARACTERISTICS

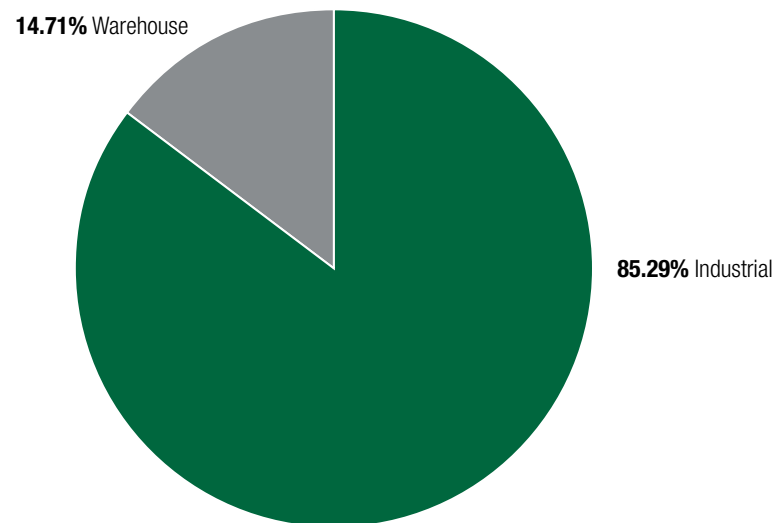
as of 6/30/2019

<b>Weighted Average Market Cap (\$mil)</b>	<b>12,003.12</b>
<b>Dividend Yield (%)</b>	<b>3.23</b>
<b>Price to Funds From Operations (FFO)</b>	<b>22.48</b>

Source: FactSet, Benchmark

### SUB-SECTOR BREAKDOWN

as of 6/30/2019



### Retail has struggled and the industry's future may appear to be bleak, however quality operators and builders still exist.

Big box stores may continue to struggle and their employment dropped by 3% in the past year. This is due in part to changing tastes by shoppers, but quality retail builders have adapted with consumer focused retail environments and desirable locations. Non-traditional markets such as Atlanta and Nashville are forecast to grow rent at least **2.5% annually** over the next 5 years.<sup>1</sup>

“The bar is getting higher on what qualifies as quality in the retail space. If you look back five years ago, the portfolios today are much higher quality and better-positioned.”  
– DJ Busch, Managing Director at Green Street Advisors



#### BAD RETAIL

- Poor locations
- Poor tenants
- Failure to adapt to changing retail environment
- Not focused on consumer experience



#### QUALITY RETAIL

- Quality locations
- High quality tenants
- Have adapted to the drastically different retail landscape
- Recognized that consumers are looking for lifestyle experiences along with shopping
- Online retailers are moving into quality brick and mortar stores

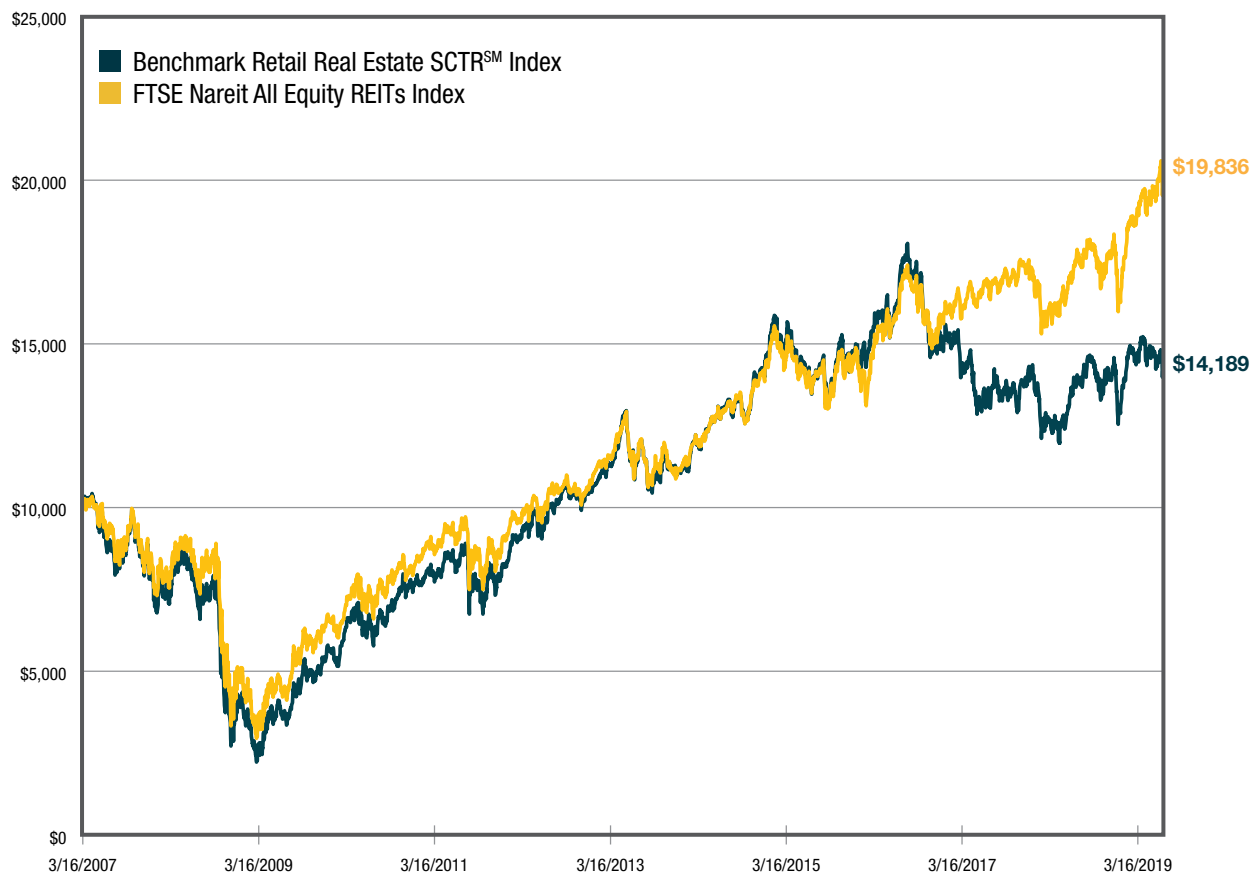
<sup>(1)</sup>Source: CBRE

## BENCHMARK RETAIL REAL ESTATE SCTR<sup>SM</sup> INDEX

Retrospectively calculated Benchmark Retail Real Estate SCTR<sup>SM</sup> Index performance is shown net of fees.

### HYPOTHETICAL GROWTH OF \$10,000<sup>1</sup>

3/16/2007 – 6/30/2019



### HISTORICAL PERFORMANCE, VOLATILITY COMPARISON AND UPSIDE/DOWNSIDE CAPTURE (%)<sup>1</sup>

3/16/2007 – 6/30/2019

	Benchmark Retail Real Estate SCTR <sup>SM</sup> Index	FTSE Nareit All Equity REITs Index
<b>Annualized Average Return</b>	2.89	5.73
<b>Annualized Volatility</b>	34.46	33.76
<b>Upside Capture</b>	101.56	100.00
<b>Downside Capture</b>	112.60	100.00

<sup>(1)</sup>All Indexes shown are Total Return Indexes.

Source: Benchmark and Bloomberg. Nasdaq is the independent index calculation agent. The hypothetical backtested index performance of the Benchmark Retail Real Estate SCTR Index is shown net of fees and reflects the reinvestment of dividends. The annual total expense is 0.60%. The Index was released on 12/28/2017. Any data shown prior to this date is hypothetical, retrospectively calculated, and is based on rules-based criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance, and cannot account for all financial risk or market and economic factors that may affect the actual performance. The actual performance of the Index may vary significantly from the backtested index data. The results shown are hypothetical and do not reflect actual returns.

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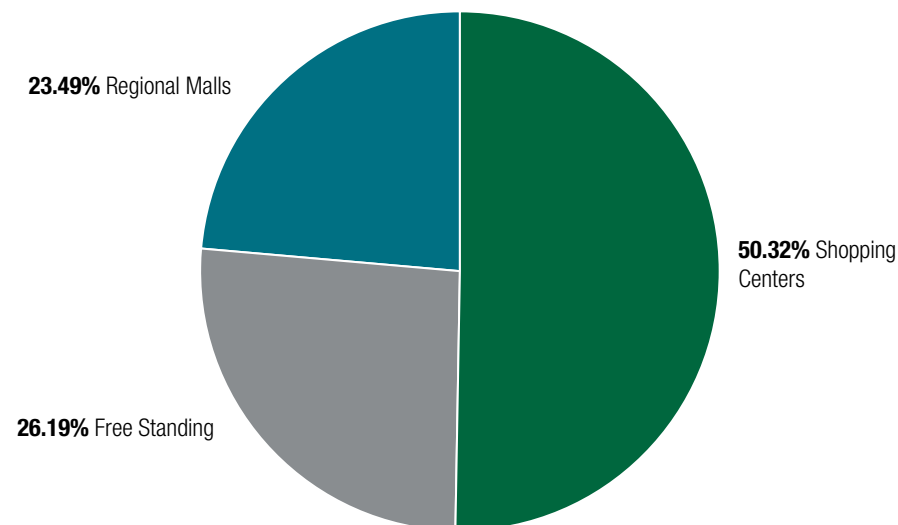
## TOP 10 HOLDINGS

as of 6/30/2019

Company	Sub Sector	Weight (%)
Simon Property Group, Inc.	Regional Malls	14.93
Realty Income Corporation	Free Standing	14.91
Regency Centers Corporation	Shopping Centers	8.76
Kimco Realty Corporation	Shopping Centers	4.83
National Retail Properties, Inc.	Free Standing	4.50
Federal Realty Investment Trust	Shopping Centers	4.48
STORE Capital Corporation	Shopping Centers	4.41
Brixmor Property Group, Inc.	Shopping Centers	4.34
EPR Properties	Shopping Centers	4.34
Spirit Realty Capital, Inc.	Free Standing	3.73
<b>Total</b>		<b>69.23</b>

## SUB-SECTOR BREAKDOWN

as of 6/30/2019



## INDEX CHARACTERISTICS

as of 6/30/2019

Weighted Average Market Cap (\$mil)	14,336.86
Dividend Yield (%)	5.22
Price to Funds From Operations (FFO)	13.40

Source: FactSet, Benchmark

## WHAT IS A PUBLICLY TRADED REIT?

A Real Estate Investment Trust, better known as a REIT, is a company that owns, operates or finances income-producing real estate.

## WHY INVEST IN A PUBLICLY TRADED REIT?

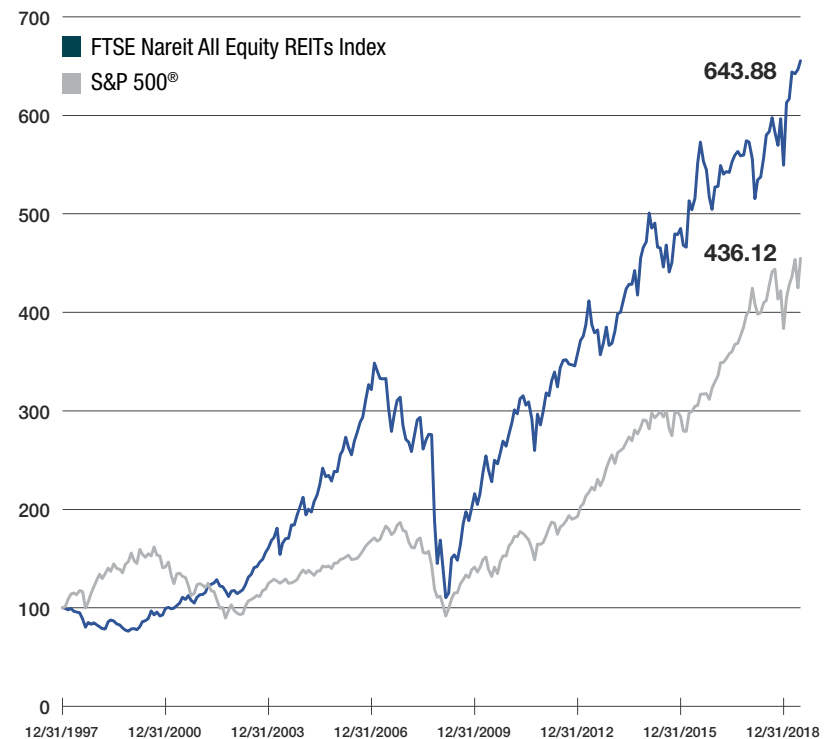
- Publicly traded REITs are liquid assets that can be traded like stocks.
- REITs traditionally pay higher dividends and may be a good income strategy for a portfolio.
- REITs are not directly correlated with traditional equity assets, therefore, they may reduce volatility and act as an alternative strategy in a portfolio.
- REITs have outperformed the S&P 500® over the last 20 years, making REITs a vehicle for capital appreciation as well as income.

## TAX REFORM AND REITS

- REITs are mandated to distribute 90% of their income.
- The Tax Cut and Jobs Act added a new 20% deduction for pass-through income. REITs are considered pass-through entities that are not subject to income tax. This means the majority of a REIT's income is distributed as dividends under the new 20% pass-through deduction. *Please consult a tax expert for more information.*

## REITS VS EQUITIES

12/31/1997 – 6/30/2019

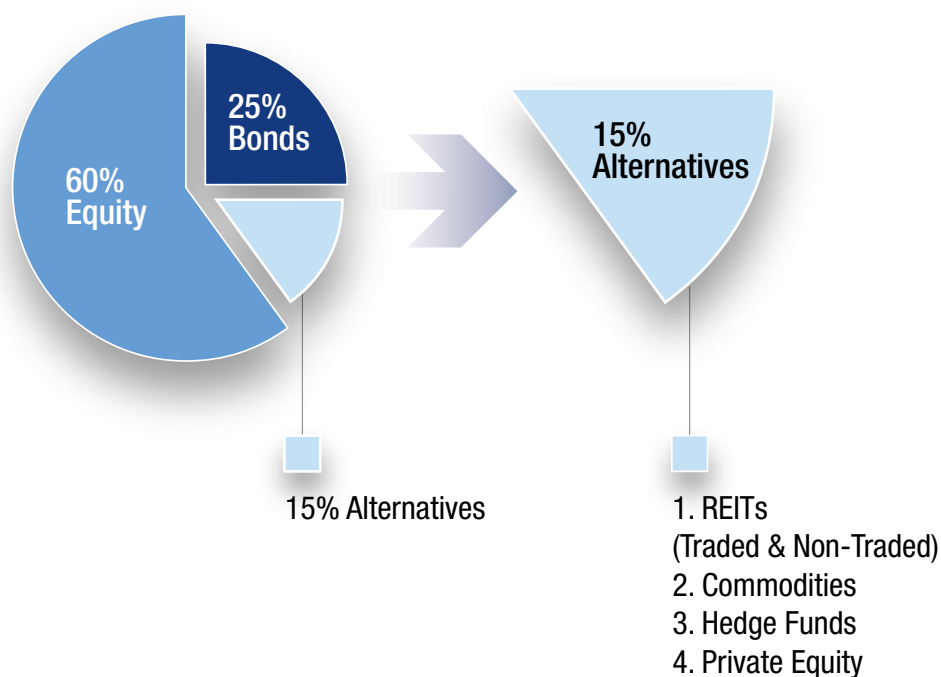


## COMPLEMENT AN EXISTING EQUITY POSITION

**The Pacer Benchmark Real Estate Sector ETFs are designed as an alternative strategy for an existing equity portfolio.**

As an alternative strategy alongside alpha and beta equities, investors may experience reduced volatility and downside risk.

### SAMPLE PORTFOLIO ALLOCATION



### EXPECTED MOVEMENT OF EQUITY PORTFOLIO COMPONENTS IN DIFFERENT MARKETS

	Beta	Alpha	Pacer Benchmark Real Estate	Total Portfolio Equity
<b>Rising Markets</b> ↑	Equal	Rise may be greater	Equal or rise may be less	Equal or rise may be greater
<b>Falling Markets</b> ↓	Equal	Fall may be greater	Fall may be less	Equal or fall may be less

#### Beta:

Part of a portfolio that is correlated directly to market returns, i.e. stocks, ETFs.

#### Alpha:

Active return component of the portfolio – creates excess returns relative to the return of the benchmark index, i.e. actively managed mutual funds.

#### Alternative Strategies:

Investments with a goal of diversifying your portfolio while reducing volatility and downside risk due to lower correlation to traditional equity markets

## LIVE PERFORMANCE

	Ticker	Total Expenses	Fund Inception		Total Returns (%) as of 6/30/19			Total Returns (%) as of 6/30/19		
					1 Month	3 Month	YTD	1 Year	3 Year	Since Fund Inception
Pacer Benchmark Retail Real Estate SCTR ETF	RTL	0.60%	5/15/18	NAV	-0.35	-5.84	9.03	3.25	N/A	13.15
				Market Price	-0.45	-5.90	9.16	2.99	N/A	13.02
Benchmark Retail Real Estate SCTR Index					-0.40	-5.97	9.14	3.33	N/A	13.33
Pacer Benchmark Industrial Real Estate SCTR ETF	INDS	0.60%	5/14/18	NAV	7.89	8.86	31.21	24.24	N/A	25.51
				Market Price	7.89	8.86	31.42	24.13	N/A	25.50
Benchmark Industrial Real Estate SCTR Index					7.48	8.52	30.99	24.19	N/A	25.71
Pacer Benchmark Data & Infrastructure Real Estate SCTR ETF	SRVR	0.60%	5/15/18	NAV	2.29	5.45	27.41	15.69	N/A	20.53
				Market Price	2.21	5.24	27.58	15.32	N/A	20.32
Benchmark Data & Infrastructure Real Estate SCTR Index					2.28	5.98	28.58	17.26	N/A	22.21

Returns less than 1 year are cumulative. Returns greater than 1 year are annualized.

Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate, so shares may be worth more or less when redeemed or sold. Current performance may be lower or higher than the performance quoted. Visit <http://www.paceretfs.com> for the most recent month-end performance. Index returns are for illustrative purposes only. Index performance does not reflect any management fees, transaction costs, or expenses. You cannot invest directly in an index.

**NAV** (net asset value) is the value of one share of the Fund calculated daily. The NAV return is based on the NAV of the Fund. It may not reflect the actual return for the investor.

**Market Price** is the price investors can buy and sell ETF shares for in the stock market and is used to calculate market return. It is based on the price at the NYSE listed exchange market close. This is when NAV is determined for most ETFs. If shares trade at another time, the return may differ. Market and NAV returns assume that dividends and capital gain distributions have been reinvested in the Fund at Market Price and NAV respectively.









**BEFORE INVESTING YOU SHOULD CAREFULLY CONSIDER THE FUNDS' INVESTMENT OBJECTIVES, RISKS, CHARGES, AND EXPENSES. THIS AND OTHER INFORMATION IS IN THE PROSPECTUS. A COPY MAY BE OBTAINED BY VISITING [WWW.PACERETF.COM](http://WWW.PACERETF.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, data and infrastructure real estate sector risk, equity market risk, high portfolio turnover risk, industrial real estate sector risk, international operations risk, large and mid-capitalization investing risk, new fund risk, non-diversification risk, passive investment risk, REIT investment risk, retail real estate sector risk, small-capitalization companies risk, tax risk and tracking risk.

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To learn more about the Index methodology, please visit [www.investbenchmark.com](http://www.investbenchmark.com) or call 877-337-0500.

**DEFINITIONS OF CERTAIN DEFINED TERMS USED HEREIN:**

**Annualized average return** represents the calculated hypothetical rate of return that, if cumulatively applied to each relevant annual period during the time period indicated, would result in the actual cumulative rate of return for the entire period.

**Upside/downside capture** ratio shows you whether a given fund has outperformed--gained more or lost less than--a broad market benchmark during periods of market strength and weakness.

**Annualized volatility** is based on monthly returns from the most recent date indicated on the page and expressed as a standard deviation percentage. Standard deviation is a measure of volatility and illustrates the extent of variation (whether higher or lower) that exists from the average given set of results. A low standard deviation indicates that the results tend to be very close to the average result (a low degree of volatility). In contrast, a high standard deviation indicates that the results are spread out over a large range of outcomes (a high degree of volatility). Because the standard deviation is based on historical data, it may not predict variability in annualized performance of the Pacer ETFs in the future.

**Price to funds from operations** is a measure of the cash generated by a REIT; real estate companies use FFO as an operating performance benchmark. FFO is calculated by adding depreciation and amortization to earnings and then subtracting any gains on sales.

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