A CLOSER LOOK

The Premise Capital®
Diversified Tactical ETF
(Symbol: TCTL)

TCTL

Introduction

Investing in today's market environment is all about controlling risk, and the acceptable level of risk in your portfolio will vary with your individual investment goals. Although there are innumerable possible methods for putting a portfolio together, a traditional approach will typically result in a diversified basket of equity and fixed income tailored to your risk tolerance. For example, a more risk-tolerant investor might end up with a 70/30 equity-to-fixed income composition, while a more risk-averse investor's portfolio might be a 50/50 split between equity and fixed income.

Recent events, including the dotcom bubble and the 2008 financial crisis, have demonstrated the need to incorporate style into the portfolio construction "equation." Your risk tolerance today may result in a 70/30 equity/fixed income asset allocation in your portfolio, but a static asset mix might not remain ideal in more turbulent—or more buoyant—markets. Premise Capital Diversified Tactical™ asset allocation, an investment style that adjusts asset allocations to adapt to changing market conditions while remaining in a diversified portfolio, may be the answer.

That's where TCTL comes in. The Premise Capital Diversified Tactical ETF (TCTL) seeks to track the performance, before fees and expenses, of the Premise Capital Frontier Advantage Diversified Tactical Index (PCFADT). The index tracks a diversified portfolio that can be at various risk levels, depending on market conditions. It considers the current environment when looking at both the weights of the asset classes relative to each other and the total amount of risk taken. The index's process uses a number of factors to determine what asset classes are in upward or downward trends and adjusts allocations appropriately.

TCTL, via its index's methodology, covers 12 core asset classes:

- Short Term Fixed Income
- Intermediate Term Fixed Income
- Long Term Fixed Income
- High Yield Fixed Income
- Treasury Inflation Protection Securities
- Domestic Large Cap Equity
- Domestic Small Cap Equity
- Domestic Mid Cap Equity
- International Large Cap Equity
- International Small Cap Equity
- Emerging Markets
- Real Estate

WHY DIVERSIFICATION?

Diversification is a familiar concept to many investors. In its most basic form, diversification involves holding a wide variety of investments within a portfolio—in other words, not "putting all of your eggs in one basket." One of the most groundbreaking and influential theories that deals with investing stems from a paper published in 1952 by Harry Markowitz. Titled "Portfolio Selection," the paper laid the groundwork for what is today known as Modern Portfolio Theory (MPT).

The paper details how investing in less-correlated assets can help decrease the riskiness for a given level of expected returns. By investing in securities and asset classes with a broad range of risk-return profiles, investors may be able to "diversify away" what is known as unsystematic risk—the risk specific to individual stocks.

A portfolio's holdings can be diversified from an individual stock perspective, with multiple securities providing diversified access to a single asset class (for example, domestic large cap equities). This type of diversification can be achieved using an Exchange Traded Fund (ETF).

A portfolio's holdings can also be diversified from an asset class perspective. This type of diversification can be achieved by adding multiple asset classes to a portfolio's holdings (for example high yield fixed income, international small cap equity, real estate, and more). PCFADT (TCTL's index) seeks to achieve both types of diversification by choosing multiple ETFs of different asset classes.

Once the desired asset classes are chosen, the process of creating the set of optimal portfolios results in a line known as the "Efficient Frontier." The question then becomes: how should an investor decide on the appropriate level of risk and return? This depends in large part on one's desired return on investment and risk tolerance. The greater one's expected return, the greater the risk of its corresponding optimal portfolio.

When selecting a portfolio, most investors will choose a point along the Efficient Frontier that matches their risk tolerance. While this is an excellent way of identifying a maximum risk position, when adverse market conditions emerge, it may make more sense to move one's portfolio along the curve to a more conservative, less risky position. TCTL can be used to create a range of possibilities within this risk-focused environment. A maximum and

The Efficient Frontier

The above illustration is hypothetical. The dots depict how asset classes may be dispersed along the Efficient Frontier (see disclosure for definition). The illustration is not reflective of an actual investment.

minimum equity range in the portfolio can be identified that may be capable of better reacting to changing market environments.

Via its index, TCTL follows a proprietary process which starts with the same mathematics used to create traditional diversified portfolios to create a long-term strategic frontier comprised of its 12 core asset classes. The process then identifies current trends and adjusts inputs to create a new efficient frontier. Using the same information, a portfolio is chosen along this new efficient frontier.

In this way, the tactical movement remains relative to the positioning of the classes from the traditional diversified portfolio, and thereby retains the potential benefits of diversification.

WHY TACTICAL?

There is another kind of risk which cannot be diversified away. This is known as systematic risk, or market risk. Investors experience market risk most memorably and forcefully during market drawdowns such as the 2001 dot-com bubble burst or the great recession of 2008-2009. During such events, many different asset classes can trend downward together, and ordinary diversification benefits can be somewhat diluted.

Tactical asset allocation can be well-suited to respond to such dramatic market swings and price dislocations, but there are many different approaches. Some money managers may see tactical asset allocation strategies as implicit permission to make risky bets, utilize leveraged or short strategies, or over-concentrate in a small number of stocks or asset classes. While it's possible for such strategies to pay off when they make a good allocation decision, they can drastically understate the risk taken, and distort the risk-return profile of an investor's overall portfolio.

Premise Capital Diversified Tactical™ seeks to take a more responsible, balanced approach to tactical investing. Via its index, TCTL attempts to mitigate market losses by shifting assets away from underperforming or "down-trending" asset classes using a diversified framework which is designed to diminish overconcentration risks. ***In this way, TCTL aims to harness tactical asset allocation so that its risk profile moves in response to changing market conditions.***

S&P 500: Drawdown And Duration Data

Bear Market	Decline	New Market High	Duration (Months)
Oct. 1902 - Oct. 1903	-29.3%	Mar. 1905	31
Oct. 1906 - Nov. 1907	-37.7%	Aug. 1909	36
Jan. 1910 - Jun. 1921	-38.0%	Dec. 1924	181
Sep. 1929 - Jun. 1932	-86.2%	Sep. 1954	301
Mar. 1937 - Apr. 1942	-60.0%	Apr. 1946	109
May. 1946 - Feb. 1948	-28.1%	Sep. 1950	52
Aug. 1956 - Dec. 1957	-21.0%	Sep. 1958	26
Dec. 1961 - Jun. 1962	-28.0%	Sep. 1963	21
Dec. 1968 - May. 1970	-36.1%	Mar. 1972	39
Jan. 1973 - Oct. 1974	-48.2%	Jul. 1980	90
Nov. 1980 - Jul. 1982	-23.7%	Nov. 1982	23
Oct. 1987 - Nov. 1987	-30.0%	Jul. 1989	22
Jul. 1998 - Oct. 1998	-19.2%	Nov. 1998	4
Sep. 2000 - Oct. 2002	-47.4%	May. 2007	82
Oct. 2007 - Mar. 2009	-56.3%	Mar. 2013	65

Source: Morningstar

DIVERSIFIED TACTICAL: Cohesive And Dynamic

As the previous pages have illustrated, there are potential benefits to both diversification and tactical asset allocation. Until recently, it has been difficult for some investors to find a vehicle that attempts to strike the right balance between the two.

Premise Capital traces its roots to a customer-focused investment advisory and asset management firm established over 70 years ago. In the 1970s, the firm was an early adopter of Modern Portfolio Theory and its method of asset allocation, which have since become prevalent in today's investment world. While we were attracted to the nimble approach to investing that tactical asset management enabled, we found the ways in which it was being offered in the marketplace to be severely lacking.

Within a diversified, risk-focused framework, we believe tactical asset allocation can be a very effective tool for investors, but without the right controls, it can lead to high turnover, risk concentration, and a reliance on a small number of bets. This can often lead to money managers acting without regard for the portfolio as a whole.

At Premise Capital, we concluded that the best way we could offer tactical asset allocation was within a risk-focused, diversified framework. TCTL could then serve as a tactical complement to a core equity/fixed income portfolio, and could adjust to changing market conditions, drawdowns, and opportunities as they presented themselves.

DIVERSIFIED TACTICAL: Overview

Premise Capital Diversified Tactical Index

We set about designing a cohesive system that allocates among core asset classes while giving advisors and their clients control over the level of risk. By fine-tuning the amount of an investor's exposure to the index, advisors can customize the tactical "tilt" of an investor's portfolio in line with the individual's risk tolerance and the amount of exposure desired.

As such, the Premise Capital Diversified Tactical™ Index seeks to abide by the following tenets:

1. ***Diversification is important.*** The inclusion of multiple low/non-correlated asset classes can provide better risk-adjusted returns. Concentration is a problem—there is risk in any bet and any asset class.
2. ***It's necessary to adjust to changing market conditions.*** As commonly understood, tactical asset allocation may have some negative connotations with investors as a risky, "do anything" approach. Premise Capital has built the Premise Capital Diversified Tactical™ Index using the same framework commonly employed to create traditional diversified portfolios, allowing the two pieces to work together.

As a result, the index's portfolio may be positioned anywhere along the efficient frontier, depending on market conditions. The equity/fixed income split may range from 90/10 to 10/90, and in rare cases can drift higher than 90/10, or as low as 0/100.

DIVERSIFIED TACTICAL: Process

Step 1: Designed for Tactical Asset Allocation

A diversified portfolio is created using a traditional approach that serves as a baseline for allocation decisions. These portfolios consist of a diversified basket of core asset classes, accessed through low-cost ETFs.

Step 2: Designed for Forward-Looking Investors

Then, the baseline portfolio from Step 1 is adjusted as needed for changing market conditions. A new efficient frontier, reflecting the current investment environment, is created to seek an optimal balance of risk and return.

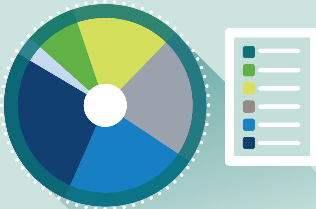
Step 3: Designed for Maximum Flexibility

Finally, adjustments are made along the frontier with the goal of controlling overall risk. The mix of asset classes is then selected based on the combination of equity and fixed income classes that exhibit a downward trend.

Summary

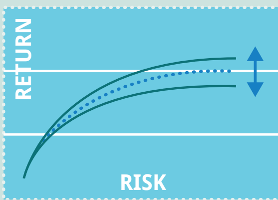
The 3 steps detailed above result in a diversified portfolio of ETFs that represent the 12 asset classes in the PCFADT Index. The ETFs may be adjusted relative to one another and adjusted with respect to total risk taken.

01 ***Diversified Portfolio***



First, the Premise Capital Frontier Advantage Diversified Tactical Index creates a Diversified Portfolio.

02 ***Create New Frontier***



Then, a new efficient frontier that reflects the current investment environment, is created to seek an optimal balance of risk and return.

03 ***Select Portfolio Weights***

Finally, adjustments are made along that frontier with the goal of controlling overall risk.

HOW TO USE TCTL

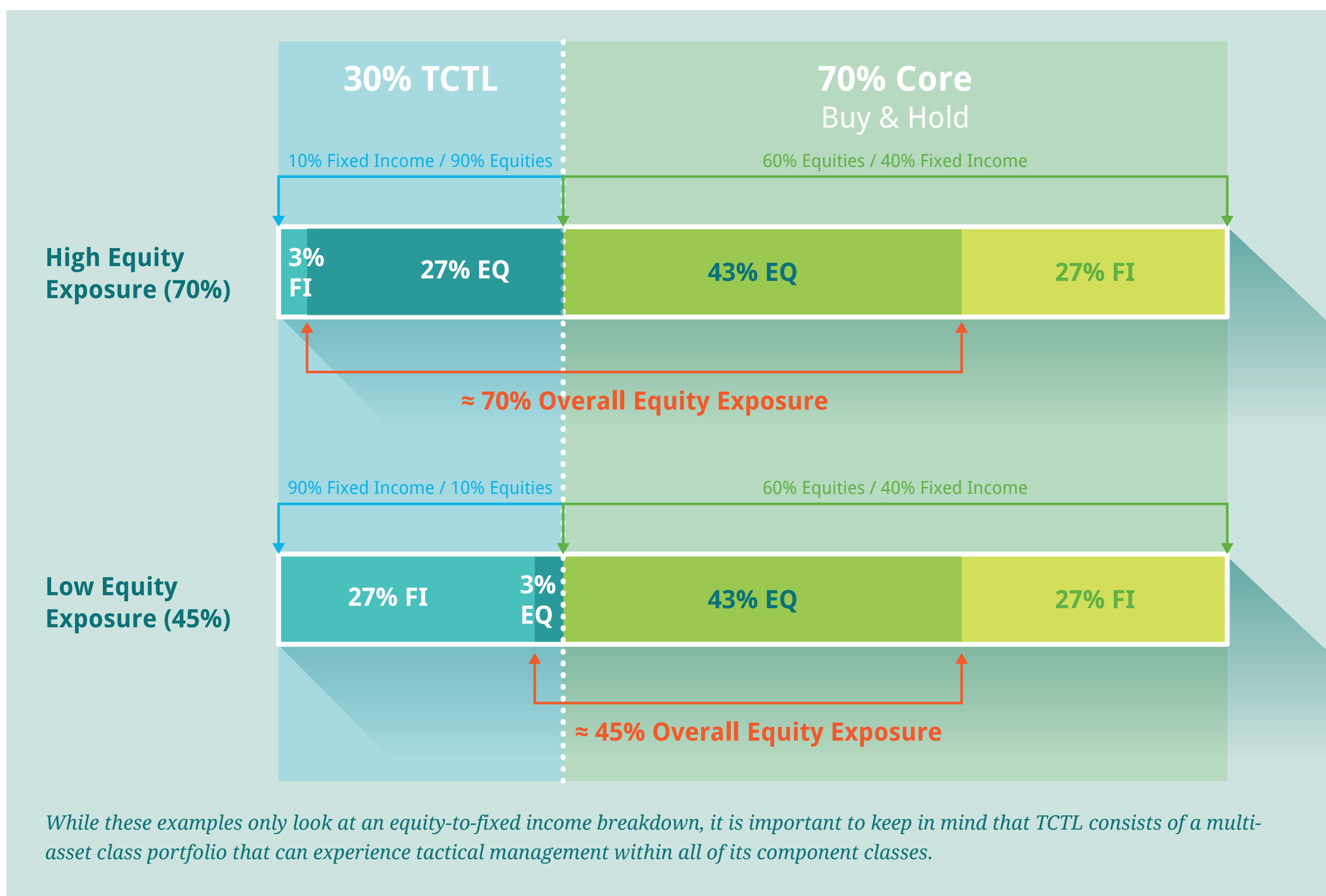
When first constructing your portfolio, it's likely that you have identified your investment goals and risk tolerance. Your investment goals and risk tolerance play a large role in how your portfolio is currently constructed. For example, you may have a portfolio composed of 50% equities and 50% fixed income (50/50), or you may have a 70/30 split instead - a wide variety of combinations are possible depending on your individual circumstances, but in each of the previous examples, the result is often a static basket that may not adjust well to changing market conditions.

Ideally, the allocation reflects your risk tolerance level, and should be your starting point when considering incorporating TCTL into your portfolio. Once you've determined what your portfolio's "risk mix" consists of, the next decision should be what portion of your portfolio you would like to possess a tactical dimension that can respond to changing market conditions.

1. ***Diversified Core + Diversified Tactical™ = Diversified*** When using TCTL in conjunction with a core diversified portfolio, you can control the overall high and low equity exposure by adjusting the allocation to TCTL, all the while remaining in a diversified basket.
2. ***The amount of TCTL within your portfolio sets the range of possible allocations that the account could see, all under your control.***

Overall Risk Range

For Illustrative Purposes Only



While these examples only look at an equity-to-fixed income breakdown, it is important to keep in mind that TCTL consists of a multi-asset class portfolio that can experience tactical management within all of its component classes.

3. *Thanks to the diversified nature of TCTL's holdings, the individual or component class movement is relative to its position in a diversified portfolio.*

Let's take a look at the following 2 examples:

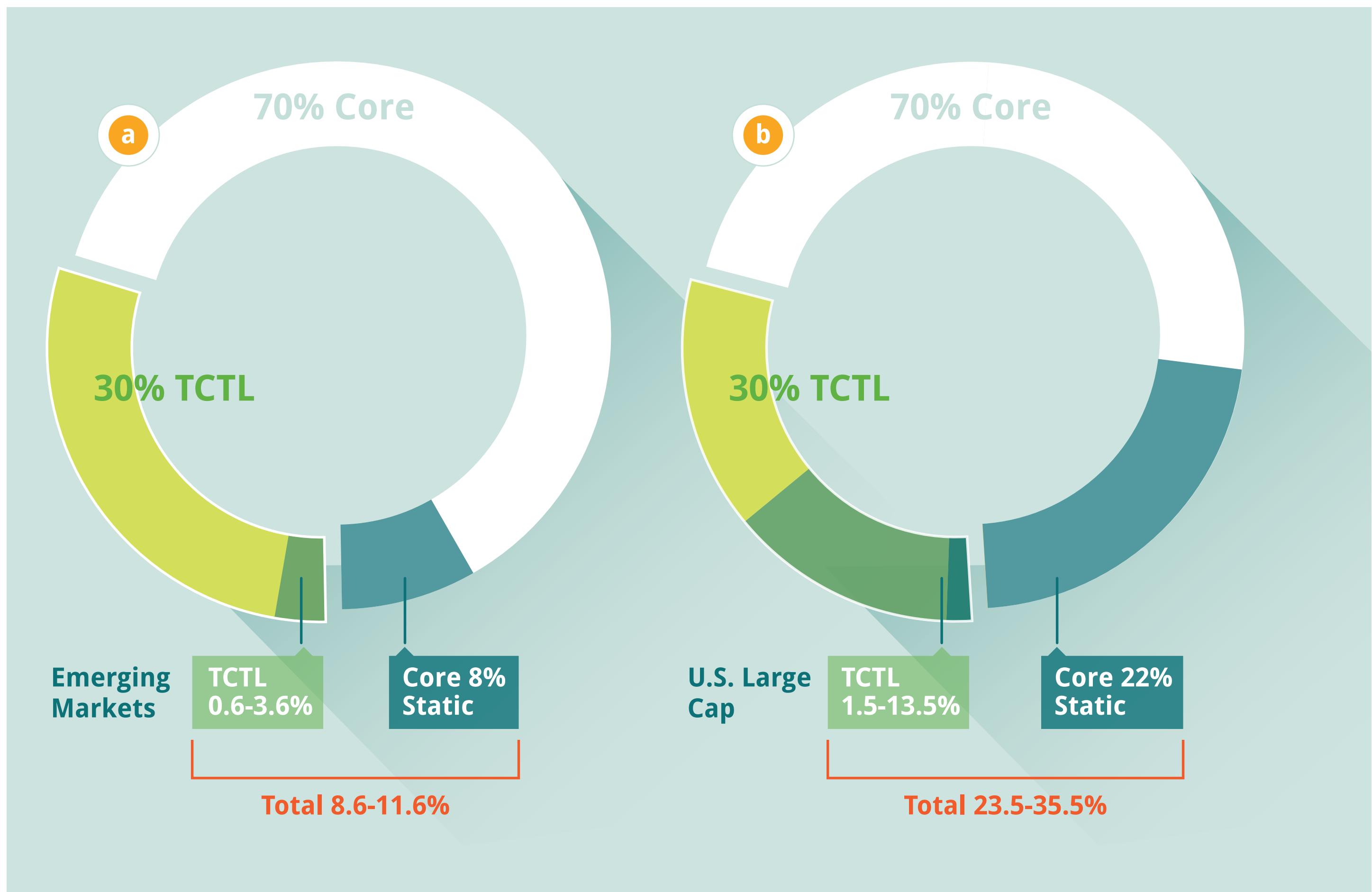
a. Suppose TCTL's allocation to emerging markets (EM) may range from 2 to 12%. If your portfolio consists of a 30% weighting to TCTL, then your EM exposure range is controlled from 0.6% to 3.6% in the tactical portion of your portfolio. If you have an existing 8% in EM from the core portfolio (outside of TCTL), then your total possible range of EM exposure including TCTL is 8.6% to 11.6%.

b. Now let's look at a class that usually makes up a larger portion of a portfolio — US large cap. Using the same analysis:

Suppose TCTL's allocation to US Large Cap can range from 5% to 45%, and your portfolio consists of the same 30% weighting to TCTL, then your US Large cap range inside of TCTL is between 1.5% and 13.5%. If you have 22% in US large Cap in the core portion (outside of TCTL), then your possible range of US Large Cap exposure is 23.5% to 35.5%.

Asset Class Allocation Range

For Illustrative Purposes Only



The above examples are intended to illustrate that the amount of movement is relative to a given asset class's weighting in a portfolio. A heavier portfolio weight leads to greater movement, and vice versa.

WHY TCTL?

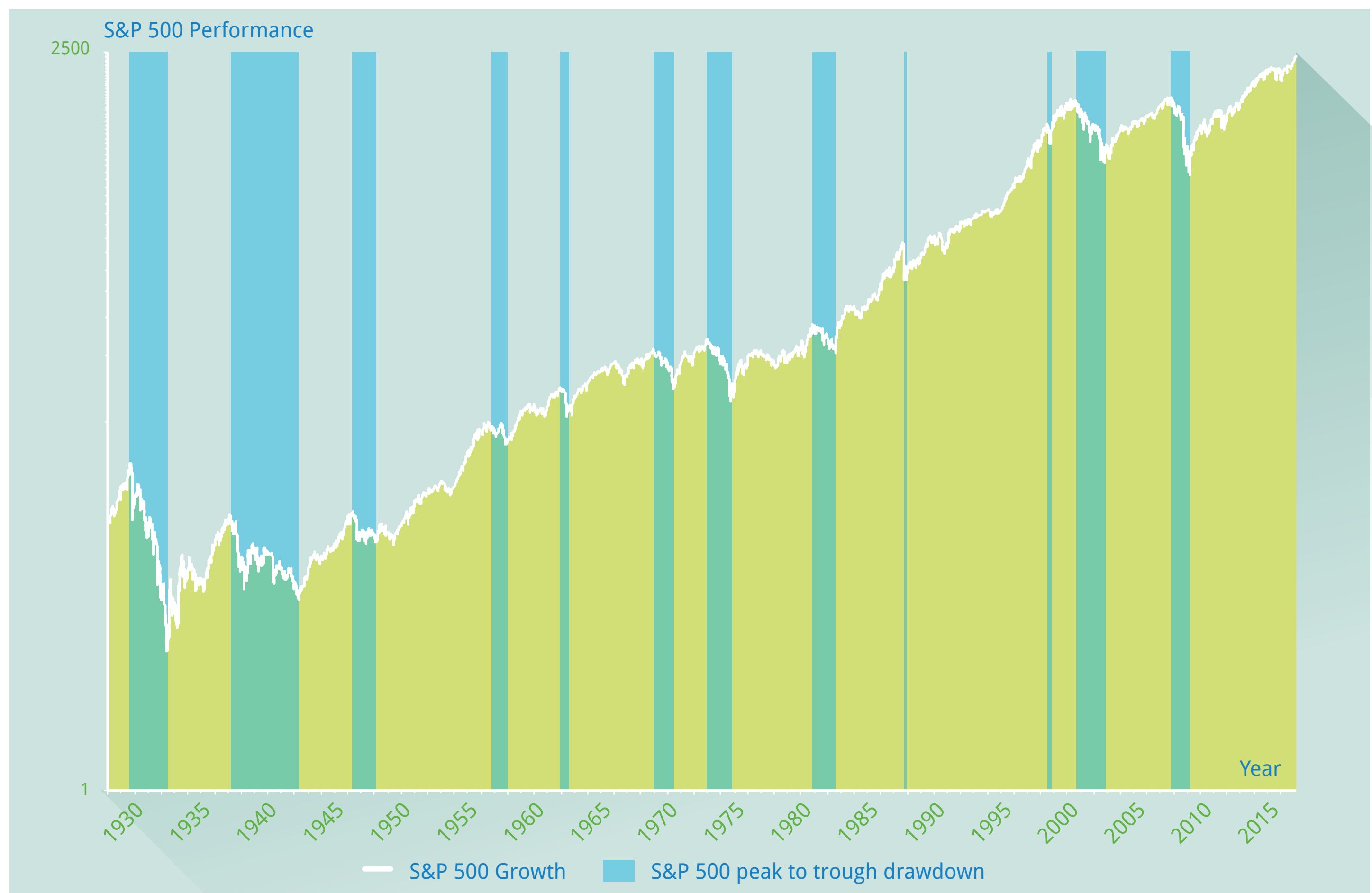
Some kinds of risks cannot be diversified away. These are known as systematic risks, or market risk. Investors experience market risk most memorably and forcefully during market drawdowns such as the 2001 dot-com bubble burst or the great recession of 2008-2009. During such events, many different asset classes can trend downward together, and ordinary diversification benefits can be somewhat diluted.

In tactical asset allocation, assets can be shifted away from underperforming investments, and we believe this can prove to be a very effective tool for investors within a diversified, risk-focused framework. Premise Capital Diversified Tactical™ seeks to take precisely this approach. Via its index, TCTL attempts to mitigate market losses by shifting assets away from underperforming or "down-trending" asset classes using a diversified framework which is designed with the goal of diminishing overconcentration risks. In this way, TCTL aims to harness tactical asset allocation so that its risk profile moves in response to changing market conditions.

TCTL has been thoughtfully constructed to offer investors the potential benefits of both diversification and tactical asset allocation. We believe the Diversified Tactical™ approach strikes the right balance between the two schools of thought. Although it is diversified, TCTL may move along the Efficient Frontier. Although it is tactical, allocation changes are relative to a diversified portfolio. In this way, investors can use TCTL alongside their existing portfolio to potentially "fine tune" their tactical mix, all within a diversified framework.

Historical Market Drawdowns and Recoveries

Source: Morningstar



TCTL, via it's index, attempts to participate in upward trends, while limiting exposure to declining markets.

Disclosure

Carefully consider the Funds' investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds' prospectuses, which may be obtained by calling 866-TCTL-ETF (866-828-5383). Read the prospectus carefully before investing.

Investing involves risk, including the possible loss of principal. The fund is new with limited operating history. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Investments in the fund include risks associated with small-and mid-cap securities, foreign and emerging market securities, fixed income and high yield securities, REIT securities, ETF investment risk, model risk and tracking error. Please refer to the prospectus for additional information about the risks of investing in the fund.

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Asset Allocation and diversification do not assure a profit or protect against loss in a declining financial market. Correlation refers to the degree to which two or more attributes or measurements on the same group of investments show a tendency to vary together.

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The S&P 500® Index is composed of five hundred (500) selected stocks, all of which are listed on national stock exchanges and spans over 25 separate industry groups. The index is based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

One cannot invest directly in an index.

The efficient frontier is the set of optimal portfolios that offers the highest expected return for a defined level of risk or the lowest risk for a given level of expected return. Portfolios that lie below the efficient frontier are sub-optimal, because they do not provide enough return for the level of risk. Portfolios that cluster to the right of the efficient frontier are also sub-optimal, because they have a higher level of risk for the defined rate of return. The optimal portfolio does not simply include securities with the highest potential returns or low-risk securities.

Premise Capital®, LLC is the adviser to the Premise Capital® Diversified Tactical ETF which is distributed by Quasar Distributors, LLC.

The Premise Capital® Frontier Advantage™ Diversified Tactical Index consists of an investible portfolio of ETFs ("Underlying ETFs") with exposure to major U.S. and non-U.S. asset classes. The weighting of each Underlying ETF is adjusted to (i) reduce exposure to individual asset classes determined to be in a downward trend (the "Trend Adjustment") and (ii) reduce overall exposure to equity asset classes from an aggressive posture of approximately 90% equities (10% fixed income and cash) toward a conservative posture of approximately 10% equities (90% fixed income and cash) as the aggregate size of equity asset classes determined to be in a downward trend grows (the "Risk Adjustment"). Diversification does not assure a profit or protect against a loss in a declining market. The efficient frontier is the set of optimal portfolios that offers the highest expected return for a defined level of risk or the lowest risk for a given level of expected return.

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If you would like to obtain a copy of our disclosure brochure that explains our services, fees and other important information please go to the SEC's website at www.adviserinfo.sec.gov