SmartBe Global Value Momentum Trend Index ETF

The SmartBe Global Value Momentum Trend Index ETF (SBEA) offers investors a globally diversified opportunity for growth of wealth with the potential for higher risk adjusted returns and the potential to protect their wealth in a severe market decline over an extended time period.

SmartBe Wealth manages SBEA for investors seeking permanent exposure to a long-term capital growth strategy. This ETF is a global fund designed to preserve and grow your wealth over the long term. The investment process is underpinned by empirical research of historical market data and implemented using rules-based algorithms commonly known as quantitative investing. This approach can help to reduce negative biases by making investment decisions systematic.

Academic research into Behaviroual Finance has shown that investors suffer from a number of biases that often detract from investment returns:

Hindsight bias: The belief that a past event was more predictable before it occurred than when it actually happened.

Self-attribution bias: Attributing one's good outcomes to skill and poor outcomes to luck or circumstances.

Anchoring bias: The tendency to subconsciously rely too heavily on prior information that may be irrelevant or inaccurate when making investment decisions.

Availability bias: Our minds over estimate the importance of recent or easily recalled information. We often perceive easily recalled outcomes to be more likely to repeat than those that are harder to recall or understand.

These are few of the many biases that have been shown to adversely impact investment outcomes. They are impartial to investors and professional money managers.

SBEA's Three Factors

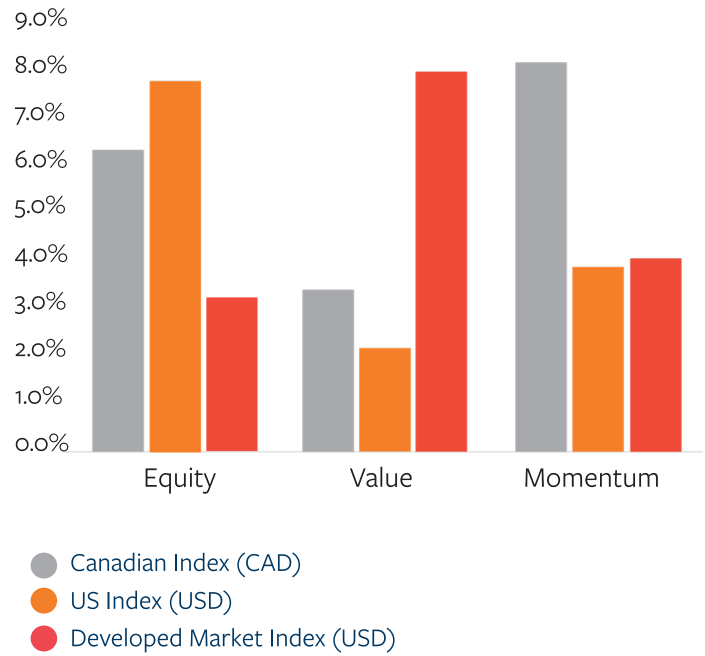
The building blocks of SBEA consist of three key areas also known as factors that have historically been associated with higher expected returns: *Equity, Value and Momentum.*

Equity: A stock's expected return over a risk-free asset, such as a 90-day Treasury bill. Investing in a company's equity has a higher risk than its bonds and an equity investor is compensated for this risk via higher returns than a bond investor.

Value: A company is considered to be a value (cheap) stock when its price is lower than other comparable stocks. Value stocks have historically delivered higher returns as their prices tend to revert back to their normal levels.

Momentum: Momentum investing includes stocks that have done well in recent months. Research confirms that these stocks tend to continue to outperform over subsequent periods. A momentum strategy buys stocks that have outperformed their peer group and sells them when they no longer outperform their peers to twelve months. A momentum strategy involves buying shares that have outperformed their peer group and selling them when they are no longer outperforming their peers.

Chart 1: Illustrative Index Returns



Annualized Performance data for period between January 1992 to December 2019. See appendix for index construction details. The returns do not take any fractional costs into account.

Risk Management

SBEA's two primary levers of risk management are diversification and trend following.

Global Diversification

The fund is globally diversified among 23 countries including Canada, U.S. and 21 developed countries. At any given time, performance among various countries can vary greatly. Trying to identify a reliable pattern to forecast which country will outperform or underperform in the future can be futile. The chart below ranks the past 25 years of annual returns from high to low for the U.S. markets, Canadian markets, Developed markets, Emerging markets, US Bonds and US T-bills. For example, in 2010, the Canadian market returned 24%, followed by 19% from Emerging countries. The globally diversified equity portfolio returned 16% higher than US and Developed markets.

Exhibit 1 – Global Returns 1995 to 2019

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
38	28	33	29	67	15	8	10	56	26	34	32	39	5	79	24	8	18	32	14	1	25	37	2	31
18	23	10	20	38	12	4	2	55	23	27	26	30	2	59	19	2	17	23	6	1	12	25	0	29
18	16	10	9	38	6	-3	-6	45	20	20	23	21	-37	49	16	0	16	15	2	0	12	25	-4	25
15	6	8	5	27	-9	-12	-12	39	20	14	18	11	-43	32	15	-10	15	6	1	-1	11	22	-12	22
11	6	5	4	21	-10	-12	-14	29	11	5	16	7	-45	26	8	-11	10	0	0	-10	3	17	-14	18
6	5	2	-8	5	-14	-14	-16	4	4	3	5	5	-46	6	7	-12	04	-2	-2	-15	1	4	-15	9
-5	4	-12	-25	-1	-31	-21	-22	1	1	2	4	5	-53	0	0	-18	0	-3	-5	-24	0	1	-16	2

Global Equity Portfolio is split equally between Canada, US, Developed markets and Emerging markets. Numbers are in percentages. Returns are reported in USD and each asset class is represented by an underlying index. Performance does not take any costs associated with investing in the underlying indices. See appendix for details.

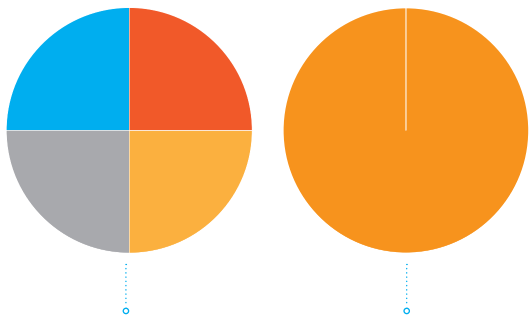
Exhibit 1 Index

- US
- US Bonds
- Canada
- Global Equity Portfolio
- Developing Countries
- Risk Free
- Emerging Countries

An investment strategy that is diversified among a number of securities and countries as a whole when combined is greater than the sum of its parts. Combining assets of different countries has the benefit of potentially increasing returns and decreasing the overall risk of the strategy. Because global stock markets are not perfectly correlated with each other, adding different country exposures can enhance expected risk-adjusted returns. Although SBEA does not invest in Emerging countries or U.S. Bonds we believe, there are benefits from including them in a globally diversified investment strategy. Please consult your financial advisor for more information.

Exhibit 2 – Trade-off between risk and returns.

Looking at the past 25 years*, a globally diversified equity portfolio experienced a higher compounded rate of return and lower standard deviation than a portfolio that was 100% Canadian equity.



	Global Equity Portfolio	Canadian Equity
Compound annual growth rate	9.01%	8.63%
Standard deviation	15.80%	18.07%
Hypothetical growth of $10,000	$122,183	$110,266

**Returns are in US dollars from Jan 1991 to Dec 2019. Global Equity Portfolio is split equally between Canada, US, Developed markets and Emerging markets. Returns do not account for any costs associated with investing. See appendix for details.*

Annual Equity Target Allocations for SmartBe Global Momentum Trend Index ETF are listed below.

Table 1: Annual Equity Target Allocations

Equity Regional Weights	Global Value Momentum Trend Index ETF
Canada Equity	36.46%
US Equity	26.79%
Developed Markets	36.75%

As of February 3, 2020 the regional allocations are calculated at the beginning of February.

Trend Following

To further minimize risk and protect your money, the ETF includes a trend following overlay and built-in rebalancing feature. Trend following is a risk-management technique that calls for investing in equity markets when they are trending positive and shifting to high-quality, short term Canadian bonds when the trend turns negative. The trend overlay can help to preserve wealth during long negative markets. (*See Trend Following Rules in Appendix for details.*)

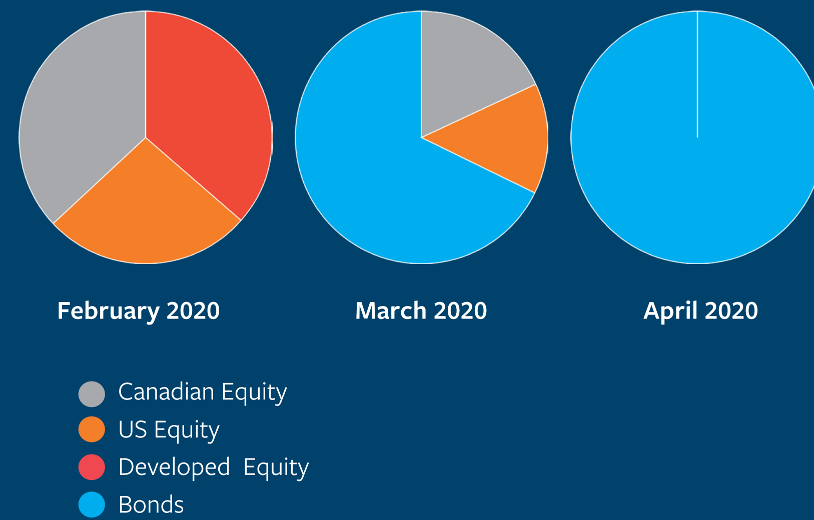
Table 2: SBEA Asset Allocation Snapshot

As of December 31, 2019 SBEA was invested 100% in equities because Canadian, US and Developed markets were trending positive.

	Global Value Momentum Trend Index ETF
Canadian Equity	36.4%
Canadian Value	19.4%
Canadian Momentum	17.0%
US Equity	27.6%
US Value	12.8%
US Momentum	14.8%
Developed Equity	35.6%
Developed Value	16.5%
Developed Momentum	19.1%
Fixed Income	0.0%
Short Term Bonds	0.0%
Cash	0.3%

Numbers may not total 100% due to rounding. SmartBe Wealth has rated the fund's risk based on IFIC guidelines. The ratings do not indicate the potential for the Fund's future volatility. The rating may change over time. Funds with low risk ratings may still lose money.

Trend



SBEA is designed to capture three factors that have historically delivered higher returns: Equities, Value companies and stocks with high Momentum. Trend Following helps preserve and grow your wealth by reducing drawdowns that can occur in equity markets.

Other benefits include:

- A reliance on rules-based implementation, which eliminates poor decisions driven by human biases that reduce investment returns
- A sophisticated, globally-diversified active investment strategy in a single fund
- A multi-factor strategy that reduces the risk associated with single factor concentration

We encourage you to contact your financial advisor for more information about SBEA.

APPENDIX:

Index data provided and constructed by Alpha Architect

Chart 1

Canada Index (Candian Dollars)

Equity: Market-cap weight Canadian Universe (top 150 by market-cap) in excess of the risk-free rate.
Value: Long high EBIT/TEV and short low EBIT/TEV stocks. Equal-weight construction; terciles.
Momentum: Long winners (2-12 momentum) and short losers (2-12 momentum). Equal-weight construction; terciles.

US Index (US Dollars)

Equity: Market-cap weight U.S. Universe (top 1500 by market-cap) in excess of the risk-free rate.
Value: Long high EBIT/TEV and short low EBIT/TEV stocks.
Equal-weight construction; deciles.
Momentum: Long winners (2-12 momentum) and short losers (2-12 momentum). Equal-weight construction; deciles.

Developed markets Index (US Dollars)

(*includes the countries listed on MSCI EAFE Index*)
Equity: Market-cap weight Developed International Universe (top 1500 by market-cap) in excess of the risk-free rate.
Value: Long high EBIT/TEV and short low EBIT/TEV stocks. Equal-weight construction; deciles.
Momentum: Long winners (2-12 momentum) and short losers (2-12 momentum). Equal-weight construction; deciles.

Exhibit 1 and 2

Canada is represented by S&P/TSX index in US Dollars.

US is represented by S&P 500 Index in US Dollars.

Developed Countries is represented by MSCI EAFE Index in US Dollars.

Emerging Countries is represented by MSCI Emerging Markets Index in US Dollars.

Global Equity Portfolio is equally allocated to Canada, US, Developed Countries and Emerging Countries. (25% in each index)

US Bonds is represented by Bloomberg Barclays US Aggregate bond Index in US Dollars.

Risk Free returns is the represented by Bloomberg Barclays 1 to 3-month Treasury Bill Index; before 1/1/2006 Ibbotson Associates 1-month T-bills in US Dollars.

Trend Rules:

Rule 1: Compare the underlying equity market index's 12-month return versus the T-Bill return over the same period. If the index return exceeds that of T-Bills, then equity markets are trending up and the fund will be exposed to equity markets. (Ex: for US exposure, compare the S&P500 index to US T-bill return)

Rule 2: Compare the underlying index's 12 month moving average level to its current level. If the current level is higher than the 12-month moving average, the market is trending positive and the fund will be exposed to equity. (Ex: For Canadian equity, compare S&P/TSX current indext level to its 12-month moving average)

These rules are applied to the Canadian, U.S. and Developed Markets respectively each month.

When determining our course of action, three scenarios are considered for each region (U.S., Canada and Developed markets):

- If both rules indicate the market is positive, SBEA will be 100% invested in the market.
- If one rule shows positive trending markets and one rule shows negative trending markets, SBEA will invest 50% of its target allocation to the respective market and 50% in short term high quality Canadian bonds
- If both rules are trending negative, SBEA will exit equity markets and invest 100% in short term high quality Canadian bonds

For further information, please contact your advisor.

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Please consult a lawyer or tax professional regarding your specific legal or tax situation, respectively.