Merlyn.AI
Unleash the Wizard

ETF SPOTLIGHT – Q&A

WIZ ETF
Merlyn.AI Bull-Rider Bear-Fighter

SNUG ETF
Merlyn.AI Tactical Growth & Income

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Q. How are WIZ and SNUG different from other ETFs?

A. WIZ and SNUG represent a paradigm shift in ETF design. While other ETFs focus on a specific slice of the market, such as a sector, factor, theme, or asset class, WIZ and SNUG are self-contained, tactical portfolio management systems within ETF wrappers. Every month they each evaluate more than 400 US ETFs across broad and divergent markets and select portfolios that seek to provide the five things institutional investors want most.

Q. What are those five things?

A. Investors want:

- A portfolio of momentum leaders in Bull Markets;
- A portfolio of defensive leaders in Bear Markets;
- An expert automatic method for switching between Bull and Bear portfolios;
- The benefits of tactical trading without abandoning tax-efficiency; and
- Automated execution so they can focus on other important business matters.

Q. How are these ETFs constructed?

A. WIZ tracks the MAI Bull-Rider Bear-Fighter Index, while SNUG tracks the MAI Tactical Growth & Income Index. Both hold a portfolio of 8 diverse ETFs selected monthly by their corresponding momentum strategies. WIZ targets a growth portfolio's allocation of 80% equities and 20% bonds during bull markets and during bear markets automatically moves to a defensive position with up to 100% in treasuries, bonds, gold, and similar ETFs. SNUG targets a conservative portfolio's allocation of 30% equities and 70% bonds during bull markets and also automatically shifts to defensive positions during bear markets. Together, SNUG and WIZ provide the means to target an allocation blend at any point between them to better serve each investor's specific needs. For example:

	(Conservative)		(Moderate)			(Growth)
Target Allocation	**30/70**	**40/60**	**50/50**	**60/40**	**70/30**	**80/20**
SNUG Allocation	100%	80%	60%	40%	20%	0%
WIZ Allocation	0%	20%	40%	60%	80%	100%

Note: Target allocations may not be suitable for all investors

Q. Is there anything special about the momentum strategies of WIZ and SNUG?

A. Yes. WIZ and SNUG employ proprietary signal processing methods that seek to reduce market noise and seek to better identify momentum leaders. Both additionally employ a trifecta of Artificial Intelligence:

- Adaptive Tuning that seeks to eliminate hindsight bias in the momentum algorithm;
- Fuzzy Logic that seeks to better assess the market's Bull vs. Bear status; and
- Genetic Algorithms that evolve its strategies and seek to eliminate hindsight selection bias.

Together, we refer to these methods and technologies as Temporal Portfolio Theory.

Q. Can you put Temporal Portfolio Theory into better perspective?

A. Temporal Portfolio Theory (TPT) is a significant extension to 68-year-old Modern Portfolio Theory (MPT), which was developed by Nobel Laureate Harry Markowitz. Temporal Portfolio Theory employs temporal (time-based) market data and the cross-disciplinary sciences of Matched Filter Theory and Differential Signal Processing. These are the same technologies that have enabled WiFi, USB, iPhones, digital TV, and remotely controlled rovers on Mars.. None of these were possible 68 years ago when MPT was created. Signal-to-noise ratio directly controls the probability of making a good decision. Temporal Portfolio Theory and its associated technologies were developed over a 30-year period by Scott Juds, Co-founder and Chief Science Officer of Merlyn.AI Corporation. Temporal Portfolio Theory is further detailed in his book, "Conquering the Seven Faces of Risk."

Q. How do WIZ and SNUG manage risk?

A. WIZ and SNUG manage risk in four ways:

- They hold only ETFs for diversification, in order to minimize single-stock risk;
- They buy momentum leaders that seek to avoid the risk of owning future laggards;
- They identify bear markets early and quickly invest defensively in an effort to avoid losses;
- They each contain a portfolio of eight divergent strategies, seeking to dilute single-strategy risk.

Risk is not a one-dimensional problem cured by a single dose of diversification. Risk is a multidimensional problem, and diversification's passive risk reduction is only just a start. Our research shows that avoiding laggards and bear markets is one of the most proficient risk reduction methods. Both require reliable measures of momentum. We believe that's Merlyn.AI's strong suit. It's all about advanced signal processing to clarify the momentum signal.

Q. How do WIZ and SNUG detect and avoid bear markets?

A. While no system can be expected to work perfectly, WIZ and SNUG employ the StormGuard Armor indicator developed by SumGrowth Strategies that seeks to assess US equity markets primarily across three key metrics: price-trend, market momentum, and value sentiment. Price-trend indicates the degree to which US market securities prices are trending higher or lower. Market momentum is a volume-adjusted, price-trend of US equity market securities and assesses investor conviction. Value sentiment analyzes the recent US equity market securities making 52-week highs against those making 52-week lows. When the metrics are positive or rising, WIZ and SNUG employ their bull market portfolios of momentum leaders. Conversely, negative and declining metrics cause WIZ and SNUG to employ a bear market portfolio of defensive leaders.

Q. Can the tax efficiency of WIZ and SNUG help institutional investors?

A. Absolutely. Many institutional accounts are taxable. Their fund managers must decide between the benefits of tax efficiency versus tactical trading. WIZ and SNUG are designed to provide a path for ordinary taxable accounts to enjoy the benefit of tactical trading without abandoning tax-efficiency as with other ETFs. Both WIZ and SNUG take advantage of the IRS “in-kind exchange” rule (Section 852(b)(6) of the tax code) to make most trading within its ETF wrapper a non-taxable event. The structure of WIZ and SNUG, which are self-contained, automated, tactical portfolio management systems in a tax-efficient ETF, seek to make the best of both worlds possible.

Q. Hindsight bias often disappoints. How have you dealt with it?

A. Hindsight bias problems primarily affect two areas of investment model design. They are momentum filter tuning and investment candidate selection. Merlyn.AI deals with momentum filter tuning by using what some consider to be the industry gold standard, a method called “walk-forward testing”, in which algorithms are adaptively tuned across time using only data available prior to the evaluation period. Merlyn.AI deals with investment candidate selection bias by using a genetic algorithm that evolves sets of candidates on a monthly basis using only fund information available prior to the period of evaluation.

Q. AI-driven ETFs have thus far failed to impress. Why will WIZ and SNUG be any different?

A. WIZ and SNUG seek to differentiate in two fundamental ways. First, most other AI-driven ETFs choose to exclusively use deep-learning neural networks, which are incredibly complex matrices of connected nodes sending messages between one another in a manner intended to model the human brain. Each node receives inputs from its neighbors and combines the inputs in different ways to send back out to its neighbors. Overall performance measures filter back to allow the nodes to evolve and improve how they convert their input signals to output signals. The curse of this architecture is its complexity, making it almost impossible to ensure that “future information” does not leak into the past. When this occurs, test results can suggest performance that can’t be delivered in the real world. WIZ and SNUG seek to take a divide-and-conquer approach by identifying each problem and applying the right tool for each job.

Q. Can you tell us more about Merlyn.AI Corporation's business?

A. Merlyn.AI Corporation (MAI) is a Palo Alto-based ETF sponsor that was co-founded in January 2019 by two long-time friends, Dave Epstein, who was named CEO, and Scott Juds, who became the Chief Science Officer. The Bull-Rider Bear-Fighter and Tactical Growth & Income Indexes are the results of more than three decades of research and development by Juds, who created SumGrowth Strategies, LLC, in 2009, eventually launching two flagship subscription services – AlphaDroid (for advisors) and SectorSurfer (for individuals). MAI is exclusively licensed to create and market ETFs based on Merlyn.AI technology. According to the MAI CEO and Co-founder, "The launch of WIZ and SNUG is just the beginning of a paradigm shift in ETF design." For more information, please visit the www.Merlyn.AI website.

FURTHER INFORMATION

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DISCLAIMERS

Our research shows that <u>avoiding laggards and bear markets</u> is the most proficient risk reduction methods.
Before investing one should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information can be found in the fund's summary or full prospectus, which may be obtained by visiting www.MerlynETFs.com. Please read the prospectus carefully before investing.

Investments are subject to risk, including the possible loss of principal. WIZ and SNUG ETF shares may be bought and sold 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. There is no guarantee the WIZ and SNUG ETF strategies will be successful. Because they invest primarily in other ETFs, WIZ and SNUG ETF's investment performance largely depends on the investment performance of those underlying ETFs. An investor will indirectly bear the principal risks and its share of the fees and expenses of the underlying ETFs. The risks associated with these ETFs are detailed in the prospectus and could include factors such as concentration risk, foreign and emerging markets risk, equity market risk, momentum investing risk, value investing risk, fixed income risk, gold risk, high portfolio turnover risk, and bull index bond risks. Maintaining investments regardless of market conditions or the performance of an individual investment could cause the ETF's returns to be lower than if the ETF employed an active strategy. The performance of the ETF and its Index may differ due to tracking error. The Index uses a form of (AI) artificial intelligence. Investments utilizing quantitative methods may perform differently than the market as a whole. Momentum investing can turn quickly and cause significant variation from other types of investments. There may be periods when the momentum style is out of favor, and during which the investment performance of an ETF using a momentum strategy may suffer. WIZ and SNUG ETFs are non-diversified and may be more sensitive to economic, business, political or other changes affecting individual issuers or investments than a diversified fund, which may result in greater fluctuation in the value of the ETF's Shares and greater risk of loss.

The Indexes are based on a proprietary methodology developed by SumGrowth Strategies, LLC, licensed to Merlyn.AI Corporation, the Fund's sponsor, and sublicensed to Empowered Funds, LLC, the Fund's investment advisor. The WIZ and SNUG ETFs are distributed by Quasar Distributors LLC.
Diversification does not assure a profit nor protect against loss in a declining market.

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