ISSUER SPOTLIGHT
Q&A

LEARN MORE ABOUT THE **WIZ ETF**

Merlyn.AI Bull-Rider Bear-Fighter

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Q. How is WIZ different from other ETFs?

A. WIZ is a paradigm shift in ETF design. While most ETFs focus on a specific slice of the market, such as a particular sector, factor, theme, or asset class, WIZ is a self-contained, tactical portfolio management system in an ETF wrapper. Each month it evaluates over 500 US ETFs across broad and divergent markets and selects a portfolio that seeks to provide the five things 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;
- Automated execution so they can focus on other more important matters.

Q. How is the ETF constructed?

A. WIZ tracks the MAI Bull-Rider Bear-Fighter Index, which holds a portfolio of 8 diverse ETFs selected monthly by momentum strategies. During Bull Markets, WIZ targets a growth portfolio's allocation of 80% equities and 20% bonds. During Bear Markets, WIZ automatically moves to defensive positions and holds up to 100% in treasuries, bonds, gold, and the like.

Q. Is there anything special about WIZ's momentum strategies?

A. Yes. WIZ employs proprietary signal processing methods that reduce market noise and seek to better identify momentum leaders. WIZ additionally employs this 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 as it learns market behavior.

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

Q. Can you put Temporal Portfolio Theory into perspective?

A. Temporal Portfolio Theory (TPT) is a significant extension to 68-year-old Modern Portfolio Theory (MPT). TPT employs temporal (time-based) market data in addition to diversification. WIZ uses 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 was 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 ground-breaking book, "Conquering the Seven Faces of Risk."

Q. How does WIZ manage risk?

A. Risk is managed in four ways:

- WIZ holds only ETFs for diversification, seeking to minimize single-stock risk
- WIZ buys momentum leaders seeking to avoid the risk of owning future laggards
- WIZ identifies bear markets early and quickly invests defensively seeking to avoid bear losses
- WIZ is a portfolio of 8 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 a more proficient risk reduction method. 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 does WIZ detect and avoid bear markets?

A. While no system can be expected to work perfectly, WIZ employs 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 employs a Bull Market portfolio of momentum leaders. Conversely, negative and declining metrics cause WIZ to employ a Bear Market portfolio of defensive leaders.

Q. Can WIZ's tax advantages 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 is designed to provide a path for ordinary taxable accounts to enjoy the benefit of tactical trading without abandoning tax-efficiency as with other ETFs. WIZ takes 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 as a self-contained automated tactical portfolio management system within a tax-efficient ETF wrapper seeks 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 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. Some say AI-driven ETFs have thus far failed to impress. Why will WIZ be any different?

A. WIZ seeks to differentiate in two fundamental ways. First, many other AI-driven ETFs choose to exclusively use deep learning neural networks, which are incredibly complex matrices of nodes sending messages between one another, making it difficult to ensure that "future information" does not leak into the past. When this occurs, it produces test results suggesting performance that can't be delivered. WIZ seeks to take a divide-and-conquer approach, 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 Merlyn.AI Corporation (MAI) is a Palo Alto-based ETF sponsor that was founded in January 2019 by David Epstein and Scott Juds. MAI is exclusively licensed to create and market ETFs based on the Merlyn.AI technology developed by Seattle-based SumGrowth Strategies, LLC. The Bull-Rider Bear-Fighter Index is the result of more than three decades of research and development by MAI Co-founder and Chief Science Officer Scott Juds, who launched SumGrowth Strategies, LLC in 2009 and its flagship subscription services SectorSurfer (for individuals) and AlphaDroid (for advisors) in 2010 and 2017 respectively. Dave Epstein, MAI CEO and Co-founder, says "the launch of WIZ is just the beginning of the paradigm shift." For more information, please visit the www.Merlyn.AI website.

FURTHER INFORMATION
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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 ETF is 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.

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