



# TrimTabs Donoghue Forlines Risk Managed Innovation ETF: DFNV

*Investing for the Next Decade*





# Why Invest in DFNV?

- Innovation as an investing factor **has become core** in equity portfolios
- DFNV is engineered to select companies **that provide long term alpha generation**
- Investors in Innovation **prefer Bear Market drawdown protection** and ***DFNV seeks to provide it***

# We Are in The Fourth Industrial Revolution

1700

1900

1960

2010

Innovation's Impact on Economic Activity  
Has Grown Over Time

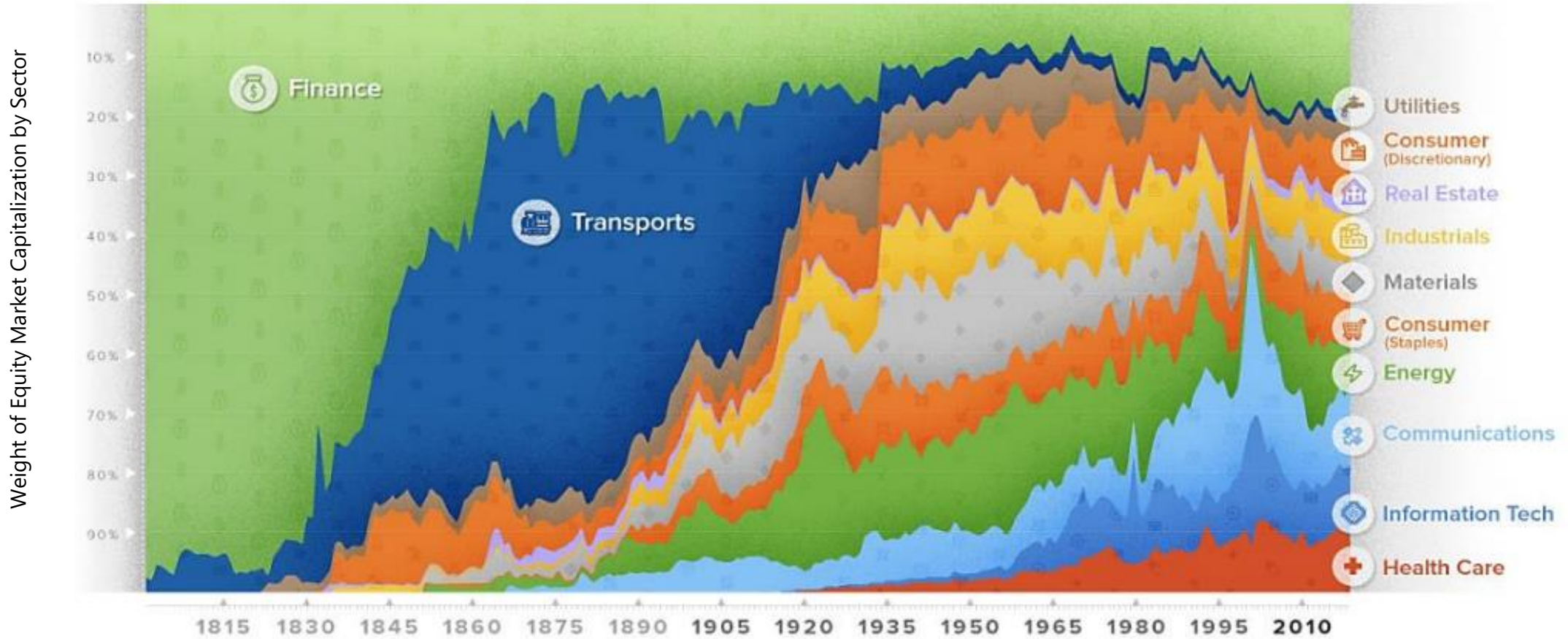
**Railways**  
**Steam Engine**

Electricity  
Automobile  
Telephone

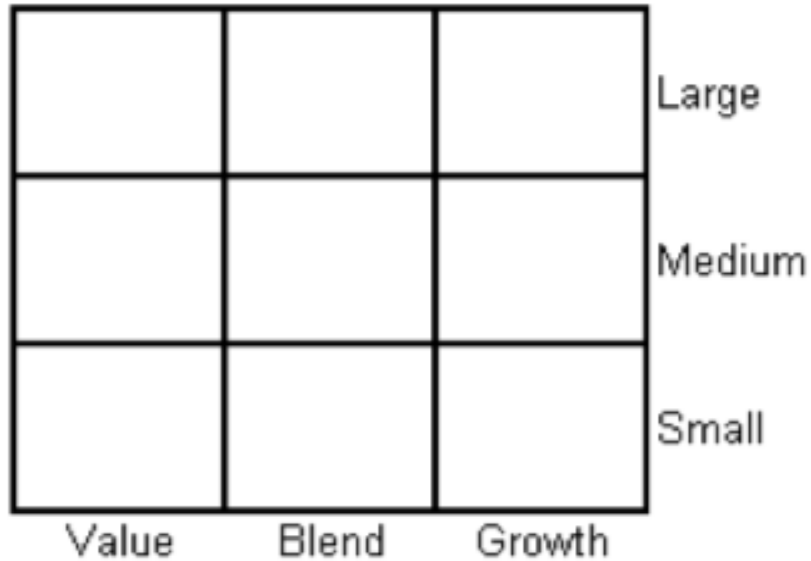
Internet  
Computers

Hyperconnectivity  
Genetics & Nanotechnology  
Robotics & Automation  
Artificial Intelligence

# The New Wave of Innovation is Widely Dispersed...



# ...And Innovation is Now a Strategic Allocation

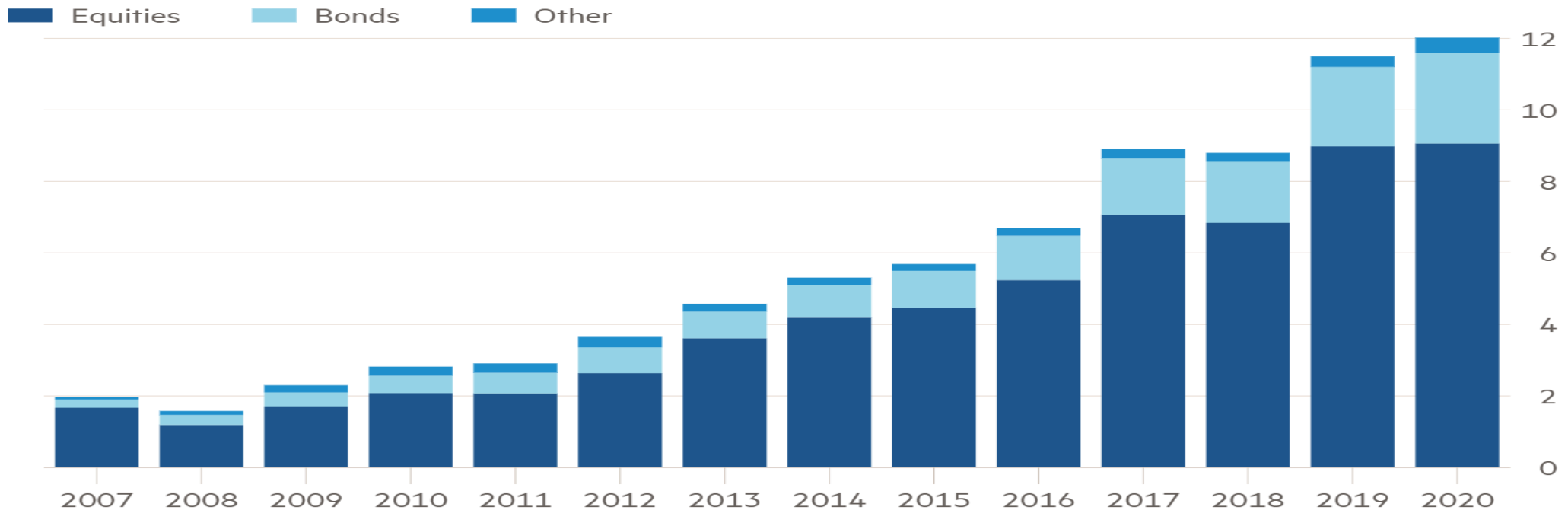


**Innovation**

# Right Place, Right Time

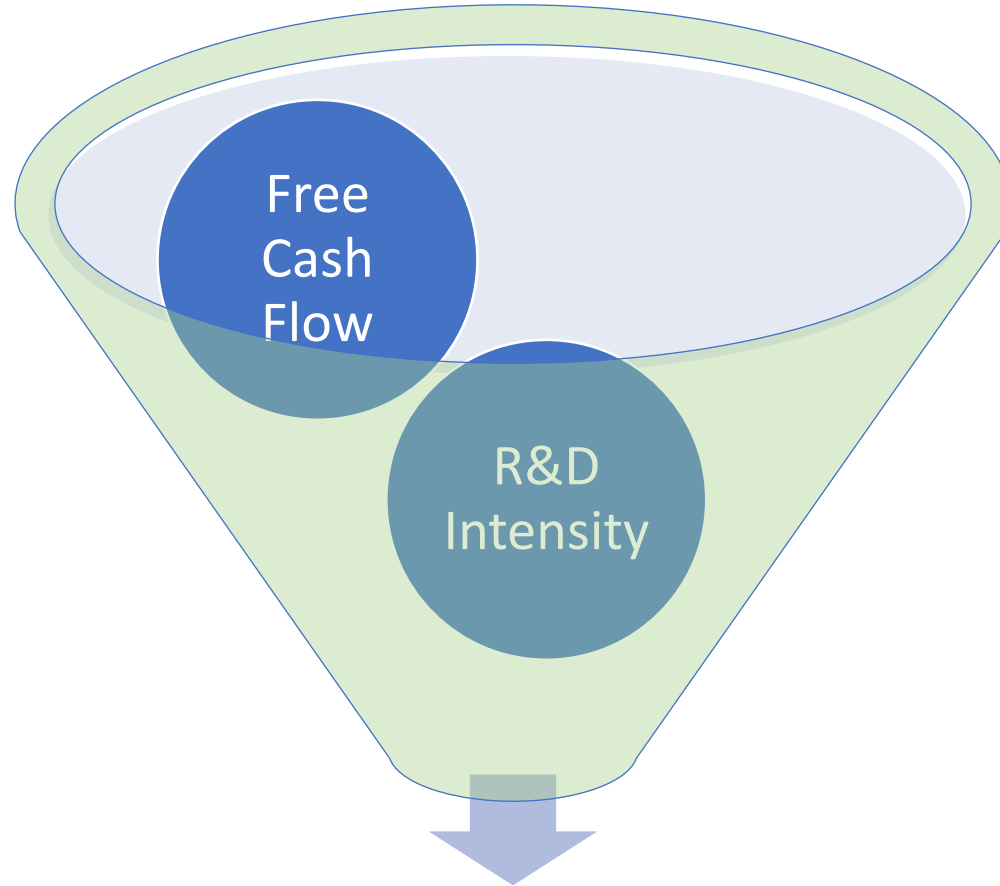
Index fund universe has vaulted past \$12tn mark

Total net assets, sorted by asset class (\$tn)



Source: Morningstar  
© FT

# We Feel R&D Intensity and Free Cash Flow are Crucial Success Factors in Innovation Investing



**Free Cash Flow  
Innovation Score**



# DFNV Constructed to Balance Growth and Volatility\* ...



## DFNV

**Drawdown**

Time Period: 4/1/1999 to 1/31/2021



Source: Morningstar; As of 01/31/2021; Past performance does not guarantee future results.

\*The Nasdaq 100 is a widely followed growth/innovation index that has experienced severe drawdowns, which DFNV seeks to avoid. Index performance is not illustrative of Fund performance. One cannot invest directly in an index. Fund performance may be obtained by calling 800-617-0004 or visiting <https://trimtabsfunds.com/dfnv/>.



# Where Does DFNV Fit in Your Portfolio?

- The TrimTabs Donoghue Forlines Risk Managed Innovation ETF is a **strategic allocation to investor portfolios** that fits outside of traditional “style box” portfolio construction. Because **technology is embedded in every sector of the new economy, innovation cannot be boxed into sectors or styles.**
- **This ETF can be a core position as part of an overall asset allocation to equities.**



DFNV

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# Disclosure



## DFNV

**Investing involves risk. Principal loss is possible.**

Holdings are subject to change and should not be considered a recommendation to buy or sell any security.

**Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the statutory and summary prospectuses, a copy of which may be obtained by visiting the Fund's website at [www.trimtabsfunds.com/ttac](http://www.trimtabsfunds.com/ttac), [www.trimtabsfunds.com/ttai](http://www.trimtabsfunds.com/ttai). Please read the prospectus carefully before you invest.**

Quasar Distributors, LLC

There is no guarantee that DFNV will achieve its investment objective. Investing involves risk, including the possible loss of principal. Because the Fund is an ETF (rather than a mutual fund), shares are bought and sold at market price (not NAV), may trade at a discount or premium to NAV, and are not individually redeemable. Owners of the shares may acquire those shares from the Fund and tender those shares for redemption to the Fund in Creation Unit aggregations only, consisting of 25,000 shares. Brokerage commissions will reduce returns. Investments in the Fund include risks associated with small- and mid-cap securities, which involve limited liquidity and greater volatility than large-cap securities. Because the Fund invests in ETFs, an investor will indirectly bear the principal risks of the underlying funds, including illiquidity, and an investment in the Fund will entail more costs and expenses than a direct investment in the Underlying ETFs. Passive funds that seek to track an index may hold the component securities of the underlying index regardless of the current or projected performance of a specific security or relevant market as a whole, which could cause the Fund returns to be lower than if the Fund employed an active strategy. The performance of the Fund may diverge from that of its Index. Downside Protection on Model Risk. Neither the Adviser nor the Sub Adviser can offer assurances that the downside protection model employed by the Underlying Index methodology will achieve its intended results, or that downside protection will be provided during periods of time when the Equity Portfolio is declining or during any period of time deemed to be a bear market. Investment in a fund that utilizes a downside protection model that seeks to minimize risk only during certain prolonged bear market environments may not be appropriate for every investor seeking a particular risk profile. The Fund's investments in derivatives may pose risks in addition to and greater than those associated with investing directly in the underlying assets, including counterparty, leverage and liquidity risks. The Fund may participate in futures markets, which are highly volatile. The Fund's investments in derivatives may pose risks in addition to and greater than those associated with investing directly in the underlying assets, including counterparty, leverage and liquidity risks. Active and frequent trading of portfolio securities may result in increased transaction costs to the Fund and may also result in higher taxes if Shares are held in a taxable account.

*The TrimTabs Donoghue Forlines Risk Managed Innovation ETF seeks to track investment results of TrimTabs Donoghue Forlines Risk Managed Free Cash Flow Innovation Index that provides risk-managed exposure to U.S. publicly traded companies with strong free cash flow and strong research and development ("R&D") investment. It is not possible to invest directly in an index*

The information in this communication is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This communication is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**Free cash flow** represents the cash a company has left over after investing in the growth of its business. Young, aggressive companies often have negative free cash flow, because they're investing heavily in their futures. As companies mature, though, they should start generating free cash flow.

The **S&P 1500**, or **S&P Composite 1500 Index**, is a stock market index of US stocks made by Standard & Poor's. It includes all stocks in the S&P 500, S&P 400, and S&P 600. This index covers approximately 90% of the market capitalization of U.S. stocks.

**Standard deviation** measures the dispersion around an average. For a mutual fund, it represents return variability. Investors can use standard deviation to predict a fund's volatility. A higher standard deviation implies a wider predicted performance range and greater volatility.

**Sharpe Ratio** is a way to measure a fund's risk-adjusted returns. It is calculated for the trailing three-year period by dividing a fund's annualized excess returns over the risk-free rate by its annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance has been.





# APPENDIX

TrimTabs Donoghue Forlines Risk  
Managed Innovation ETF: DFNV

*Investing for the Next Decade*





# Index Construction

- The starting universe is all US domiciled stocks (~4,000 in current database)
- Our initial screen selects stock that have both positive R&D expense and free cash flow (Trailing 12 Months). Then we exclude extreme outliers for R&D intensity (R&D expense/Sales), which would corrupt our model.
- Once the investment universe is complete, we run a dynamically weighted probabilistic stock selection model with 5 components to compute a “free cash flow innovation score”, which results in a uniform distribution from 0 to 1.
- After we compute the free cash flow innovation scores, we use a log transformation with the innovation score and market capitalization to determine target weights.
- This results in a portfolio between 80-120 stocks (depending on the number of stocks with high free cash flow innovation scores)
- This process is reconstituted and rebalanced quarterly. With 25% turnover constraints.

# "Bear Market" Risk Management...

- The index will utilize a multi-dated moving average series that comprises the Exponential Moving Average Crossover Signal which will be applied to the Total Return Index of the Equity Portfolio to determine whether to be in a **bullish or opportunistic status** or to be in a **defensive status**.
- When the medium-term exponential moving average is above the long-term exponential moving average, the **Index will be in a bullish position invested 100% in the equity portfolio**.
- When in bullish position, if the medium-term exponential moving average moves below the long-term exponential moving average, the **Index will be in a defensive position and eliminate 50% of the Equity portfolio position and invest in the U.S. Treasury portfolio**
- When in **defensive position**, if the shorter-term exponential moving average moves above the medium-term exponential moving average the **Index will be back into a bullish position and eliminate 50% of the U.S. Treasury position and invested 100% in the Equity portfolio**.

## DFNV

### TrimTabs Free Cash Flow Investment Research

#### Free Cash Flow Investing with Innovators

Companies invested in R&D outperformed, though better return from high RDI came with higher volatilities; Free Cash Flow evaluation may help improve both return and risk profiles over the long term.

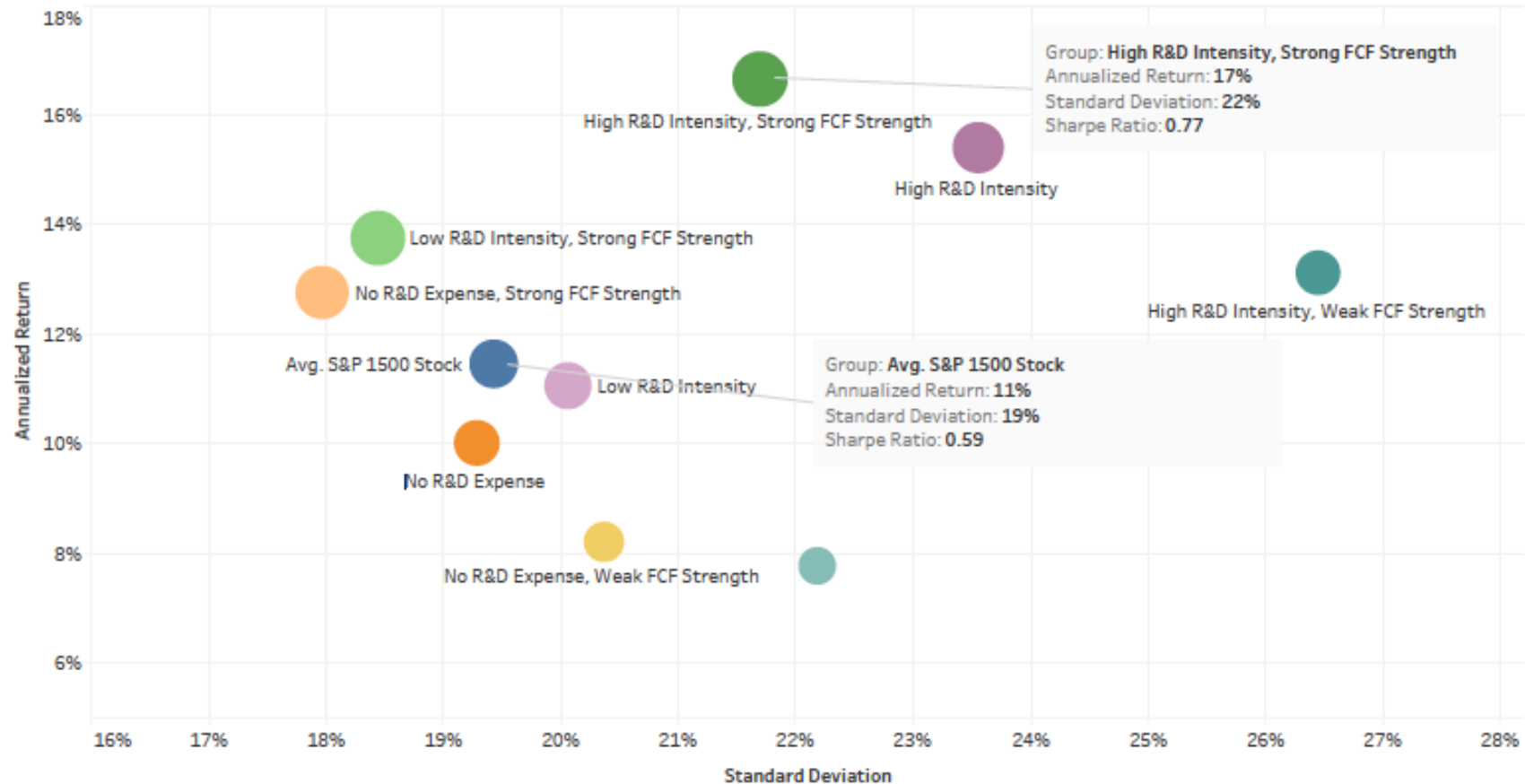
Source: TrimTabs Asset Management, FactSet.

Free Cash Flow (FCF) Strength is a proprietary indicator developed by TrimTabs Asset Management to measure a company's free cash flow conditions. Research and development intensity (RDI), is generally defined as expenditures by a firm on its research and development (R&D) divided by the firm's sales. No R&D Expense refers to a group of companies that don't report R&D Expense. High or Low R&D Intensity groups are defined as above or below the trimmed median of measures, which is the median of companies exclude No R&D Expense and Extreme R&D Intensity. The annualized return for each group is the monthly rebalance average return. The hypothetical example is for illustrative purposes only and does not represent the returns of any investments.

Past performance does not guarantee future returns.

#### Risk/Reward for Companies with Different Level of R&D Intensity and Free Cash Flow Strength

Russell 3000 Universe, 12/31/1998 to 01/31/2021





### TrimTabs Free Cash Flow Investment Research

Free Cash Flow Investing with Innovators

Using Free Cash Flow evaluation to further differentiate "good" vs "bad" innovators: Sector performance 1999 to present

#### Companies with High R&D Intensity and Strong Free Cash Flow, Performance by Sectors

S&P 1500 Universe, 12/31/1998 to 01/31/2021

Sector	Measures	Annualized Return	Standard Deviation	Sharpe Ratio	Avg # of Stocks	% of Total Avg # of Stocks
Business Services	Avg. S&P 1500 Stock	9.99%	19.36%	0.52	54.51	4.54%
	High R&D Intensity, Strong FCF Strength	20.43%	28.88%	0.71	3.03	1.79%
Consumer Cyclical	Avg. S&P 1500 Stock	11.42%	25.99%	0.44	138.86	11.57%
	High R&D Intensity, Strong FCF Strength	11.07%	32.74%	0.34	3.69	2.18%
Consumer Non-Cyclical	Avg. S&P 1500 Stock	11.09%	15.63%	0.71	117.59	9.80%
	High R&D Intensity, Strong FCF Strength	20.26%	31.90%	0.63	2.08	1.23%
Consumer Services	Avg. S&P 1500 Stock	11.56%	24.01%	0.48	66.19	5.52%
	High R&D Intensity, Strong FCF Strength	13.67%	32.94%	0.41	3.09	1.83%
Energy	Avg. S&P 1500 Stock	4.18%	36.35%	0.12	84.96	7.08%
	High R&D Intensity, Strong FCF Strength	-10.53%	45.68%	-0.23	1.40	0.83%
Healthcare	Avg. S&P 1500 Stock	16.07%	16.63%	0.97	154.63	12.89%
	High R&D Intensity, Strong FCF Strength	16.60%	15.73%	1.06	47.54	28.09%
Industrials	Avg. S&P 1500 Stock	12.36%	21.25%	0.58	177.23	14.77%
	High R&D Intensity, Strong FCF Strength	15.35%	22.65%	0.68	11.49	6.79%
Non-Energy Materials	Avg. S&P 1500 Stock	10.31%	22.69%	0.45	117.30	9.78%
	High R&D Intensity, Strong FCF Strength	11.53%	21.52%	0.54	5.17	3.05%
Technology	Avg. S&P 1500 Stock	12.59%	27.32%	0.46	205.90	17.16%
	High R&D Intensity, Strong FCF Strength	15.92%	27.57%	0.58	88.34	52.20%
Telecommunications	Avg. S&P 1500 Stock	5.50%	22.13%	0.25	21.26	1.77%
	High R&D Intensity, Strong FCF Strength	2.33%	39.12%	0.06	2.39	1.42%

Source: TrimTabs Asset Management, FactSet.

Free Cash Flow (FCF) Strength is a proprietary indicator developed by TrimTabs Asset Management to measure a company's free cash flow conditions. Research and development intensity (RDI), is generally defined as expenditures by a firm on its research and development (R&D) divided by the firm's sales. No R&D Expense refers to a group of companies that don't report R&D Expense. High or Low R&D Intensity groups are defined as above or below the trimmed median of measures, which is the median of companies exclude No R&D Expense and Extreme R&D Intensity. The annualized return for each group is the monthly rebalance average return.

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# Investment Team

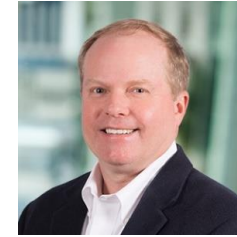
**John A. Forlines III**  
*Chief Investment Officer*  
*Portfolio Manager*

- Duke University, BA, JD (NY Bar)
  - Current Professor – Behavioral Finance
- 16 Years - JP Morgan - Managing Director
  - Structured Products, PE, Equity Markets
- 17 Years – CIO/Investment Manager
- Philanthropy/Service



**Jeff Thompson**  
*Chief Executive Officer*  
*Portfolio Manager*

- Member of Investment Committee
- Member of Donoghue Forlines since 1998
- Held positions at Lehman Brothers, Gruntal & Co., Cowen & Co., and BTS Asset Management



**Rick Molari**  
*Chief Operating Officer*  
*Portfolio Manager*

- 10 years at a multi-billion dollar global hedge fund
- Global Trading Specialist
- Technical Trend Analysis
- Model Portfolio Design and Construction
- Investment Committee Member
- Member of Boston Security Analysts Society, Boston Securities Traders Association, CFA Institute



**Nick Lobley**  
*Portfolio Manager*

- Oberlin College
- 3 Years – Donoghue Forlines
- Multi-Asset Macro Analysis
- Portfolio Construction
- ETF Diligence and Selection
- Risk Assessment and Attribution



# Top 10 Holdings ~ 22%

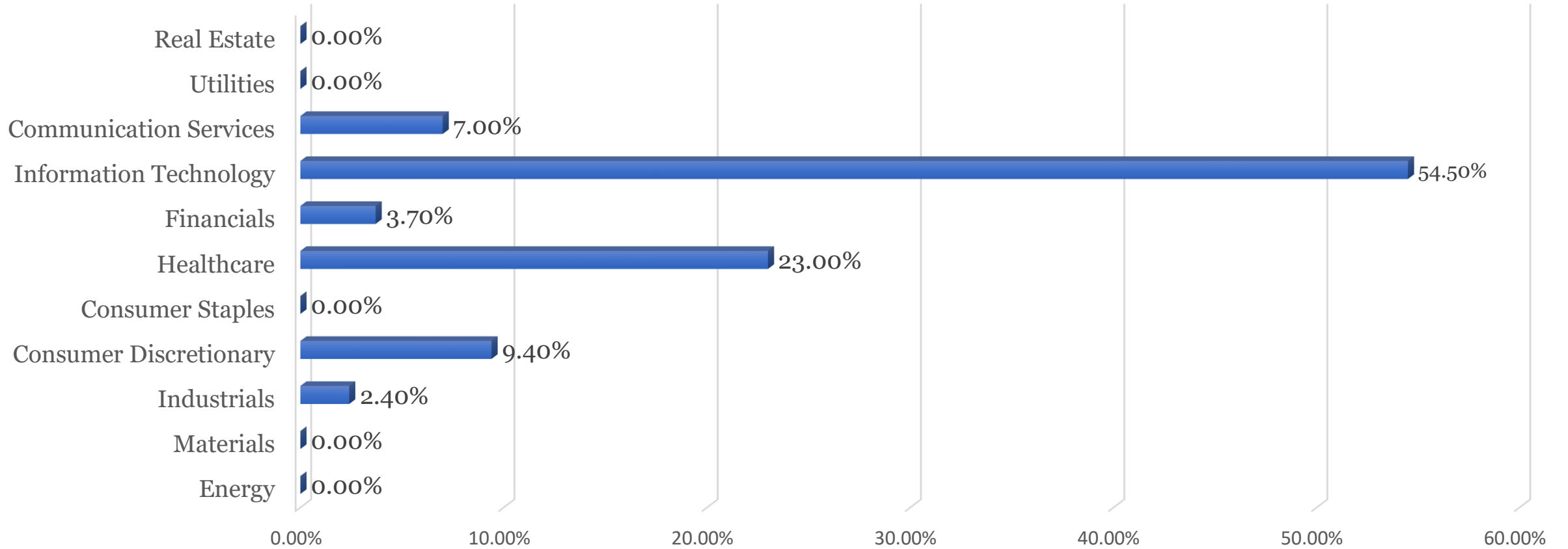
(as of 01/31/2021)

Ticker	Description	% Weight
AAPL	Apple Inc	4.03%
AMZN	Amazon.com, Inc.	3.24%
PYPL	PayPal Holdings Inc	2.10%
AVGO	Broadcom Inc	1.99%
CSCO	Cisco Systems, Inc.	1.83%
ADBE	Adobe Inc	1.81%
ABBV	AbbVie Inc	1.73%
AMGN	Amgen, Inc.	1.69%
BMJ	Bristol-Myers Squibb Co	1.61%
NOW	ServiceNow Inc	1.57%

# Sector Allocations

(as of 01/31/2021)

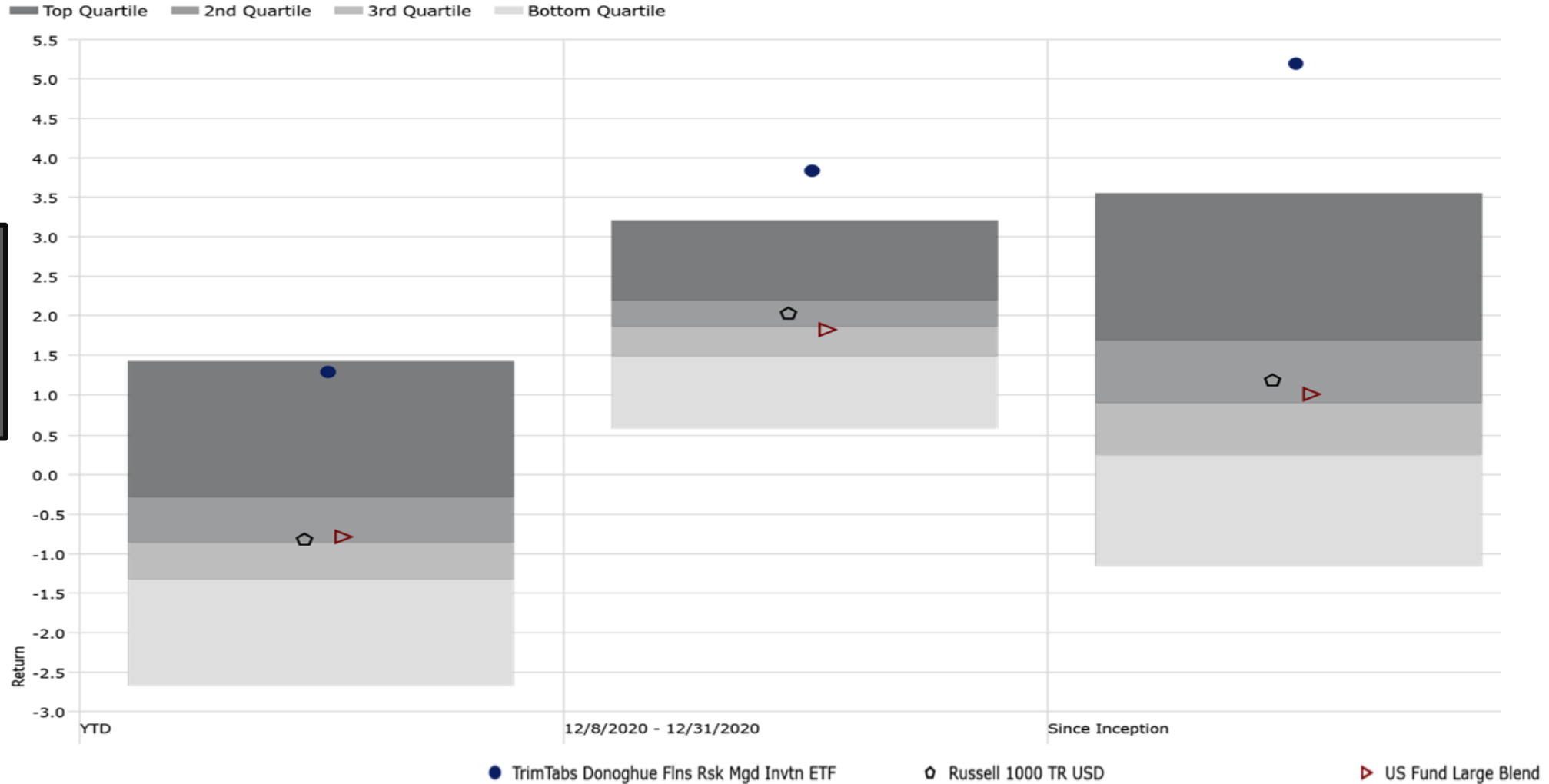
## % Weight





# Strong Performance Relative to Category & Benchmark

Performance since inception (12/8/20-12/31/20) is 3.84% at NAV and 3.95% at Market Price for DFNV.



Source: Morningstar Direct; as of 1/31/20; Total, Daily Return; Inception = 12/8/20

Expense Ratio: 0.69%. The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Performance current to the most recent month-end can be obtained by calling (toll free 800-617-0004). Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns.