

BTAL

An effective hedging tool for long-only equity holdings

Since the 2008 Global Financial Crisis (“GFC”), when the term “tail risk” entered the general lexicon, investors embraced ways to insulate their portfolios against losses and dampen volatility in advance of the next “black swan” event. Assets flooded into new, liquid alternative, long-short and short-only funds in the name of creating portfolios that attempt to be better insulated from significant drawdowns with lower exposure to overall market risk.

Following the GFC, with equity markets having reached all-time highs and with volatility at historical lows, investors had become accustomed to making gains without the pullbacks that are associated with a healthy functioning market. As a result, many of the tools embraced in the aftermath of the GFC had gone to the wayside. With the arrival of COVID-19, we witnessed one of the most rapid market sell-offs in history in the first quarter of 2020. The market sell-off and sharp spikes in volatility have reminded market participants about the importance of managing the downside.

The fact remains that timing the market and predicting downdrafts is extremely difficult to do.

What if there were a solution that protects against downturns in the market but also allows for potential participation when markets are trending upwards, allowing for a long-term strategic allocation?

Introducing AGFiQ U.S. Market Neutral Anti-Beta Fund (BTAL) ETF

The AGFiQ U.S. Market Neutral Anti-Beta Fund (“BTAL”) employs a long-short approach aiming to track the Dow Jones U.S. Thematic Market Neutral Low Beta Index (“BTAL Index”). BTAL rebalances quarterly in an attempt to consistently maintain the desired exposure in the current market environment.

BTAL holds long positions in low beta stocks and short positions in high beta stocks. Because the long and short positions are held in equal weights, the ETF’s performance is determined by the difference in the rates of return of the long and short positions, the “spread return”.

At any given time, BTAL has approximately 200 long and 200 short positions. The value of long and short positions within any sector are equal, leading to sector neutrality. Being sector neutral ensures that the ETF isn’t simply long in traditional low beta sectors and short sectors that traditionally have higher betas, rather BTAL has a diversified exposure across all sectors.

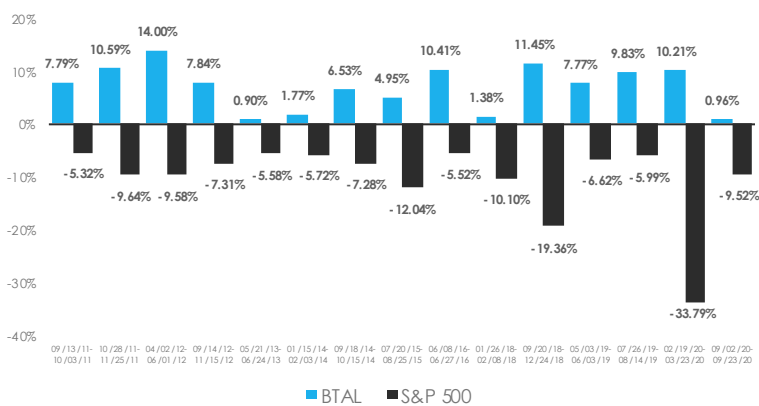
A potentially effective hedge against equity market losses

BTAL's long/short construction drives the return profile of BTAL, aided by market volatility but with a negative correlation to the broad equity market. Historically, when the market sells off and volatility increases, high-beta stocks tend to sell off more than low-beta stocks. When high beta stocks, the short positions, underperform low beta stocks, the long positions, the difference in returns has resulted in positive performance for investors.

This approach therefore may act as a successful hedge for long-only equity market positions.

Figure 1 illustrates BTAL's performance since the ETF's inception on September 13, 2011, during periods when the S&P 500 TR Index declined by 5.00% or worse.

Figure 1: BTAL during S&P 500 Index drawdown periods



Source: Bloomberg and AGF Investments LLC as at June 30, 2021.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. For the most recent month end performance, please call collect 617-292-9801. One cannot invest directly in an index.

Asymmetry of returns

As previously stated, when the market sells off and volatility increases, high-beta stocks tend to sell off more than low-beta stocks. As the market recovers, however, volatility tends to decrease and high-beta names tend to outperform their low-beta counterparts. Generally, high-beta stocks do not outperform low-beta during a recovery by the same degree that they underperform during selloffs, which creates asymmetry of returns.

This is demonstrated by the asymmetric up and down capture ratios of the Dow Jones U.S. Thematic Market Neutral Low Beta Index:

	Down Capture Ratio	Up Capture Ratio
BTAL Index (%)	-86.16	-42.76

Source: Morningstar as at June 30, 2021.

Past performance does not guarantee future results. One cannot invest directly in an index.

Finally, what differentiates the Anti-Beta strategy from other hedging strategies employed by investors is that it also gives investors the potential opportunity for capital appreciation even if the market is trending upwards, as there are periods when low-beta equities may drive equity market returns higher:

	2015	2016	2017	2018	2019	2020	Since Incept.
BTAL Index (%)	7.22	-3.14	-2.23	15.16	1.14	-13.10	-2.24
S&P 500 TR Index (%)	1.38	11.96	21.83	-4.38	31.49	18.40	16.61

	3 Mth	YTD	1 YR	2 YR	3 YR	5 YR	Since Incept.
BTAL Index (%)	-1.34	-11.25	-29.55	-11.20	-4.96	-5.67	-2.24
S&P 500 TR Index (%)	8.55	15.25	40.79	23.03	18.67	17.65	16.61

Source: Morningstar from August 22, 2011 to June 30, 2021.

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Using BTAL in a portfolio – finding an optimal mix

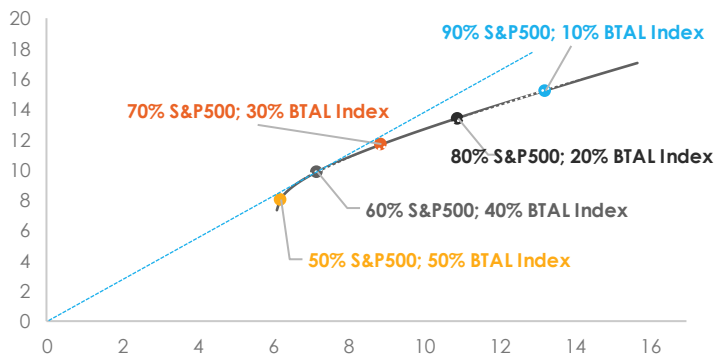
Timing market drawdowns has historically been difficult. BTAL has the potential to achieve a positive return even if markets are trending higher and it allows investors to maintain a strategic position as opposed to timing market events.

A strategic allocation to BTAL may limit investors' portfolio losses during periods of significant drawdowns. An optimal mix of the BTAL Index combined with long-only U.S. equity positions has been demonstrated to provide investors overall investment experience by limiting drawdowns and lowering risk.

In order to illustrate the advantages of using BTAL as a complement in a portfolio, an optimized portfolio scenario was conducted combining the S&P 500 TR Index and the BTAL Index using a mean-variance approach. The scenario is based on historical return data from the BTAL Index's inception date, August 22, 2011.

The optimal mix determined from the analysis was 60% S&P 500 TR Index / 40% BTAL Index, providing the highest arithmetic mean return at a given level of volatility (Figure 2).

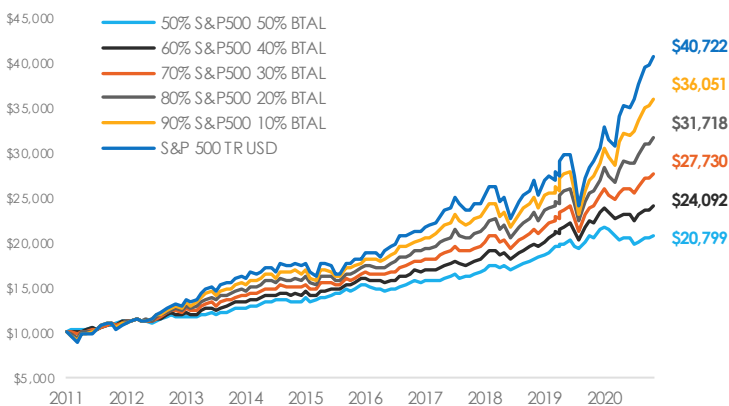
Figure 2. Efficient frontier: S&P & BTAL Index



Source: Morningstar from August 22, 2011 to June 30, 2021. Past performance does not guarantee future results. One cannot invest directly in an index.

From Figure 3 below, it can be seen that as the percentage of the BTAL Index increases relative to the S&P 500 TR Index, the overall growth is reduced but the equity volatility improves and drawdown decreases. The spikes in volatility identified in S&P 500 TR Index's growth line are flattened out as the allocation to BTAL Index increases. The 60% S&P 500 TR Index 40% BTAL mix provides investors with a more consistent and stable growth experience relative to the other allocations.

Figure 3. S&P & TR Index and BTAL Index effect on growth of \$10,000 (August 2011 - June 2021)

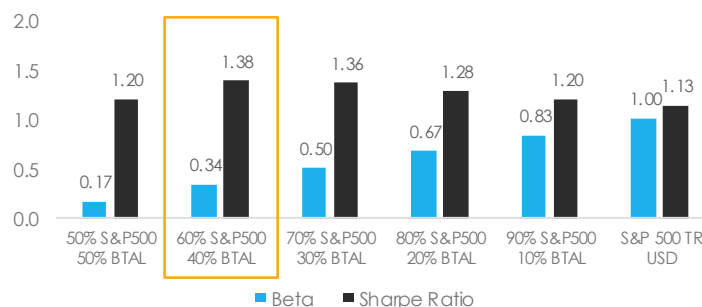


Source: Morningstar as at June 30, 2021. Past performance does not guarantee future results. One cannot invest directly in an index.

BTAL: Potentially reduces drawdown and improves a portfolio's Sharpe ratio

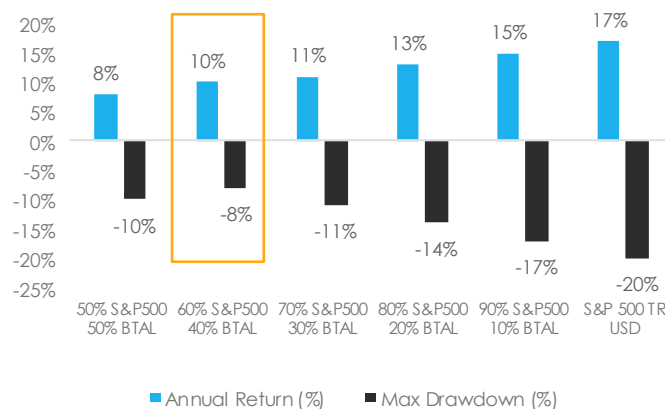
There are two significant potential benefits to the portfolio as an increased allocation to BTAL occurs: 1) improves the portfolio's Sharpe ratio (Figure 4) and 2) reduces the drawdown (Figure 5). Sharpe ratio is a risk-adjusted measure of performance used to evaluate the performance of a portfolio. A 100% allocation to S&P 500 TR Index results in a Sharpe ratio of 1.13 from August 22, 2011 to June 30, 2021. As an allocation to the BTAL Index is increased, the Sharpe ratio improves. The maximum Sharpe ratio of 1.38 occurs at the optimal mix of 60% S&P 500 TR Index and 40% BTAL Index. The beta at the optimal mix is reported at 0.34. At the optimal mix the portfolio has shown to provide strong downside protection.

Figure 4. S&P 500 TR Index and BTAL Index effect on portfolio beta & Sharpe ratio (August 2011 - June 2021)



Source: Morningstar from August 22, 2011 to June 30, 2021. Past performance does not guarantee future results. One cannot invest directly in an index.

Figure 5. S&P 500-BTAL Index (August 22, 2011 - June 30, 2021)



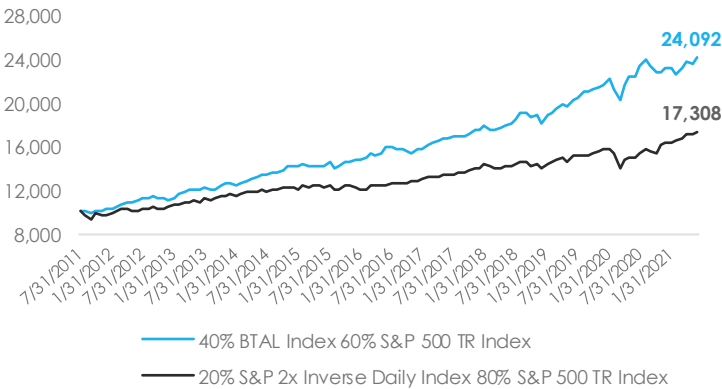
Source: Morningstar from August 22, 2011 to June 30, 2021. Past performance does not guarantee future results. One cannot invest directly in an index.

How BTAL compares to other hedging tools

There are numerous ways investors can hedge their portfolios using liquid alternative strategies, however BTAL's asymmetric return profile is unique relative to other approaches. Over time, BTAL has the potential to gain more when the market goes down than it will lose when the market goes up, the ETF may serve as a strong strategic hedging allocation.

Relative to short-only approaches, across all trailing periods from September 2011, the optimal mix of 60% S&P 500 TR Index/40% BTAL outperformed the optimal mix combination of S&P 500 TR Index and S&P 500 2x Inverse Daily TR Index (Figure 6).

Figure 6. Outperformance of 60% S&P 500 TR Index/40% BTAL Index vs. 20% S&P 500 2x Inverse Daily TR Index/80% S&P 500 TR Index



Source: Morningstar from August 22, 2011 to June 30, 2021. Past performance does not guarantee future results. One cannot invest directly in an index.

August 2011 – June 30, 2021	YTD	1 YR	3 YR	5 YR	Since Incept.	2020	2019	2018	2017	2016	2015
50% S&P 500 TR INDEX 50% BTAL Index	1.49%	1.06%	7.55%	6.29%	7.70%	3.67%	16.27%	5.54%	9.29%	4.99%	4.90%
60% S&P 500 TR INDEX 40% BTAL Index	4.16%	8.22%	9.90%	8.62%	9.61%	6.82%	19.32%	3.58%	11.72%	6.49%	4.28%
70% S&P 500 TR INDEX 30% BTAL Index	6.87%	15.76%	12.20%	10.92%	11.49%	9.88%	22.38%	1.60%	14.18%	7.94%	3.63%
80% S&P 500 TR INDEX 20% BTAL Index	9.62%	23.69%	14.43%	13.20%	13.34%	12.84%	25.42%	-0.39%	16.69%	9.33%	2.92%
90% S&P 500 TR INDEX 10% BTAL Index	12.42%	32.03%	16.59%	15.44%	15.15%	15.68%	28.46%	-2.38%	19.24%	10.68%	2.17%
S&P 500 TR USD	15.25%	40.79%	18.67%	17.65%	16.93%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%

Source: Morningstar as at June 30, 2021.

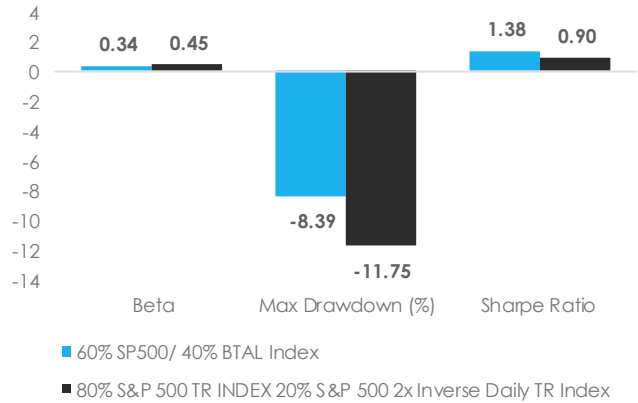
August 2011 – June 30, 2021	YTD	1 YR	3 YR	5 YR	Since Incept.	2020	2019	2018	2017	2016	2015
60% S&P 500 TR INDEX 40% BTAL Index	4.16%	8.22%	9.90%	8.62%	9.61%	6.82%	19.32%	3.58%	11.72%	6.49%	4.28%
80% S&P 500 TR INDEX 20% S&P 500 2x Inverse Daily TR Index	5.75%	15.41%	6.89%	6.78%	6.30%	3.68%	3.62%	-0.87%	8.94%	4.58%	0.32%

Source: Morningstar as at June 30, 2021. Past performance does not guarantee future results. One cannot invest directly in an index.

The combination of S&P 500 TR Index/BTAL also provided better overall risk-adjusted returns and comparable beta and protection in drawdown periods (Figure 7).

BTAL offers a long-short strategy that protects an investor from holding naked short positions which have unlimited loss potential.

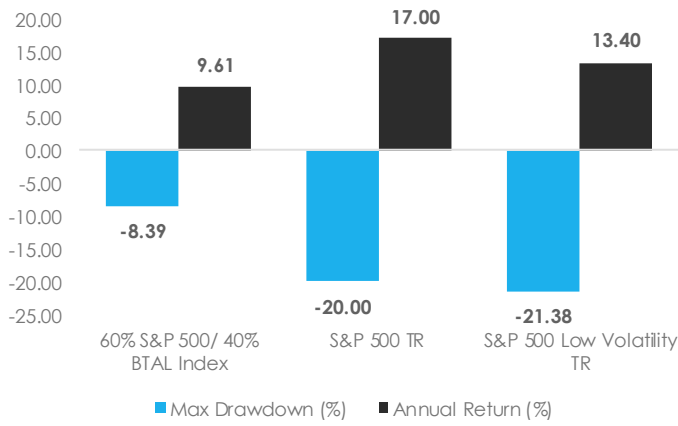
Figure 7. S&P 500 TR Index/BTAL risk-adjusted returns in drawdown periods



Source: Morningstar from August 22, 2011 to June 30, 2021. Past performance does not guarantee future results. One cannot invest directly in an index.

Investors have also embraced long-only low volatility products that aim to participate in the market while protecting against volatility and drawdowns by allocating to securities that have historically exhibited a low standard deviation relative to the broader market, “low-volatility”. BTAL may provide stronger downside protection during bear market periods in comparison to long-only low volatility strategies as demonstrated by the BTAL Index (Figure 8).

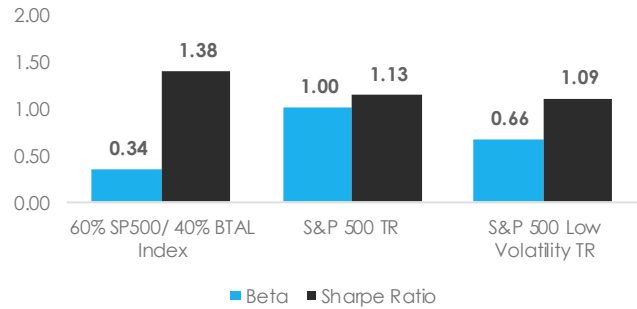
Figure 8. S&P 500 TR Index/BTAL returns in drawdown periods vs. S&P 500 Low Volatility TR Index



Source: Morningstar from August 22, 2011 to June 30, 2021.
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Further, BTAL may provide higher risk-adjusted returns and better downside protection versus the S&P 500 Low Volatility TR Index (Figure 9).

Figure 9. S&P 500 TR Index/BTAL Beta and Sharpe Ratio vs. S&P 500 Low Volatility TR Index



Source: Morningstar from August 22, 2011 to June 30, 2021.
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Who should consider an allocation to BTAL?

BTAL is suitable for investors who are looking for a strategic or tactical hedge for equity portfolios. An optimal allocation to BTAL, when combined with broad equity exposure, has shown to provide investors with improved risk-adjusted returns, lower volatility and reduced drawdowns. BTAL may provide a superior outcome to other traditional hedging approach such as short-only and low volatility funds.

BTAL ETF Performance (%)

Inception Date 09/13/2011	Month-end as of 06/30/2021						Quarter-end as of 06/30/2021			
	1 Mth	3 Mth	1 Yr	3 Yr	5 Yr	Since Inception	1 Yr	3 Yr	5 Yr	Since Inception
Fund NAV	1.65%	-1.53%	-30.33%	-5.14%	-5.99%	-3.62%	-33.03%	-3.39%	-4.72%	-3.55%
Fund Market Price	1.68%	-1.35%	-30.45%	-5.11%	-5.98%	-3.61%	-33.27%	-3.44%	-4.73%	-3.57%
U.S. Market Neutral Low Beta Index	1.74%	-1.34%	-29.55%	-4.96%	-5.67%	-2.24%	-32.35%	-3.27%	-4.33%	-2.16%
S&P 500 Index	2.33%	8.55%	40.79%	18.66%	17.64%	16.61%	56.35%	16.77%	16.29%	16.08%
3 Month Treasury Bill	0.00%	0.00%	0.07%	1.27%	1.11%	0.59%	0.09%	1.42%	1.12%	0.61%

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Expense Ratios

Gross Expense Ratio	Net Expense Ratio*
2.57%	2.19%

* The Fund's investment adviser, AGF Investments LLC (formerly FFCM LLC) ("Adviser"), has contractually agreed to waive the fees and reimburse expenses of the Fund until at least November 1, 2023, so that the total annual operating expenses (excluding interest, taxes, brokerage commissions and other expenses that are capitalized in accordance with generally accepted accounting principles, dividend, interest and brokerage expenses for short positions, acquired fund fees and expenses, and extraordinary expenses) ("Operating Expenses") of the Fund are limited to 0.45% of average net assets ("Expense Cap"). This undertaking can only be changed with the approval of the Board. The Fund has agreed that it will repay the Adviser for fees and expenses forgone or reimbursed during the last 36 months, provided that repayment does not cause the Operating Expenses to exceed the lower of 0.45% of the Fund's average net assets and the expense cap in place at the time of the Adviser's waiver or reimbursement.

For more information on BTAL and the full lineup of AGFiQ ETFs, visit AGF.com.

Before investing you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the prospectus, a copy of which can be obtained by visiting the Fund's website at AGF.com. Please read the prospectus carefully before you invest.

There is no guarantee that the funds will reach their objective. An investment in the Funds is subject to risk including the possible loss of principal amount invested. The risks associated with each Fund are detailed in the prospectus and include tracking error risk, mid-cap risk, industry concentration risk, market neutral style risk, value factor risk, beta factor risk, shortsale risk and specific risks related to exchange traded funds. See prospectus for specific risks regarding each sector. The Funds are new and there can be no assurance that active trading markets for the Shares will develop or be maintained.

There is a risk that the Target Index will not construct a portfolio that limits the Fund's exposure to general market movements, in which case the Fund's performance may reflect general market movements. Further, if the portfolio is constructed to limit the Fund's exposure to general market movements, during a "bull" market, when most equity securities and long-only equity ETFs are increasing in value, the Fund's short positions will likely cause the Fund to underperform the overall U.S. equity market and such ETFs.

Shares are not individually redeemable and can be redeemed only in Creation Units. The market price of shares can be at, below or above the NAV. Market Price returns are based upon the midpoint of the bid/ask spread at approximately 4:00 PM Eastern time (when NAV is normally determined), and do not represent the returns you would receive if you traded shares at other times. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at NAV. Some performance results reflect expense subsidies and waivers in effect during certain periods. Absent these waivers, results would have been less favorable.

The owners of Shares may purchase or redeem Shares from the Fund in Creation Units only, and the purchase and sale price of individual Shares trading on an Exchange may be below, at or above the most recently calculated NAV for such shares.

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