



Powering Portfolio Innovation

ActiveShares®

BY PRECIDIAN INVESTMENTS®

ActiveShares® is a ground-breaking ETF structure that combines the benefits of a traditional ETF with the flexibility and confidentiality of an actively managed mutual fund.

ActiveShares is a registered trademark of Precidian Investments.

INTRODUCING ACTIVESHARES



An Evolution in ETFs

Delivers active strategies in a new ETF solution, combining the cost-effective and tax-efficient structure with real-time pricing in a confidential format.



An Innovation for Active Management

Seizes the full potential of active investing in a powerful ETF structure while safeguarding the proprietary investment decisions of your active managers.



A Smart Solution for Investors

Unlocks the power of your portfolio with the advantages of ETFs, the clarity of real-time portfolio valuation, and the insights of active management.

The result...

Active management with the potential to keep more of what you earn.

Visit www.activeshares.com for more information.

WHAT IS ACTIVESHARES?

ActiveShares - combining the benefits of confidential active management with the advantages of an ETF.

| | Mutual Fund | Traditional ETF | ActiveShares ETF |
|--|-----------------------|-----------------|-----------------------|
| Lower Cost | | ✓ | ✓ |
| Tax Efficiency | | ✓ | ✓ |
| Intraday Trading | | ✓ | ✓ |
| Arbitrage Eligible | | ✓ | ✓ |
| Mitigates Front-running | ✓ | | ✓ |
| Mitigates Loss of Intellectual Property (IP) | ✓ | | ✓ |
| Discloses Portfolio Holdings | Monthly/ Quarterly | Daily | Monthly/ Quarterly |

ActiveShares may be the ETF structure for which many active managers and investors have been waiting.

ACTIVESHARES ADVANTAGES



Tax Efficiency

Because ActiveShares is an ETF structure, investors in ActiveShares ETFs will benefit from the same tax advantages of traditional ETFs, where direct fund transactions are typically done in-kind with Authorized Participants. These cashless transactions are not taxable events and therefore help mitigate the yearly capital gain distributions that impact many mutual funds. By leveraging the ActiveShares ETF structure, active managers will be able to bring their active solutions to the tax-efficient ETF vehicle.



Cost Effectiveness

ActiveShares ETFs will share the same cost efficiencies as other exchange-traded funds.

Operational costs are minimized when compared to mutual funds through the mitigation of certain account maintenance costs (i.e. transfer agent, 12b-1, and custody fees).

Also, like other ETFs, the buying and selling of ActiveShares ETFs will happen outside of the structure, thus lowering internal costs to manage the portfolio. This advantage is achieved through the ETF creation/redemption process, where transactions with the fund are typically done in-kind, limiting frictional costs of internal transactions.



Intraday Trading & Real-Time Pricing

ActiveShares ETFs will trade intraday like other ETFs in the marketplace with the additional clarity of real-time pricing. ActiveShares will be available on an exchange like other ETFs and individual stocks.

ACTIVESHARES ADVANTAGES



Protection from Front-Running & Free-Riding

Traditional active ETF structures mandate daily disclosure of fund holdings and may leave the ETF more susceptible to front-running and free-riding. Front-running occurs when, for financial gain, trades are intentionally placed ahead of those placed by the fund, thereby having a negative impact on trade execution and pricing of fund shares. ActiveShares ETFs will not be mandated to disclose holdings daily, therefore mitigating the potential for front-running and free-riding—similar to an actively managed mutual fund.



Confidentiality of Intellectual Property (IP)

Guarding the integrity of an active investment strategy is a key component to performance. Because ActiveShares limits the disclosure of portfolio holdings, it helps to safeguard the critical components of a fund's investment strategy against IP infringement.



Additional Benefits

Because ActiveShares is an ETF structure, ActiveShares ETFs will benefit from operational cost savings when compared to mutual funds - helping asset managers compete in a fee sensitive world.

Cost savings and improved fund efficiencies may be passed along to investors in the form of enhanced performance, a win for managers and investors alike.

HOW DO ACTIVESHARES WORK?

While there are some structural differences between ActiveShares and traditional ETFs, ActiveShares is an enhanced version of the traditional ETF structure.

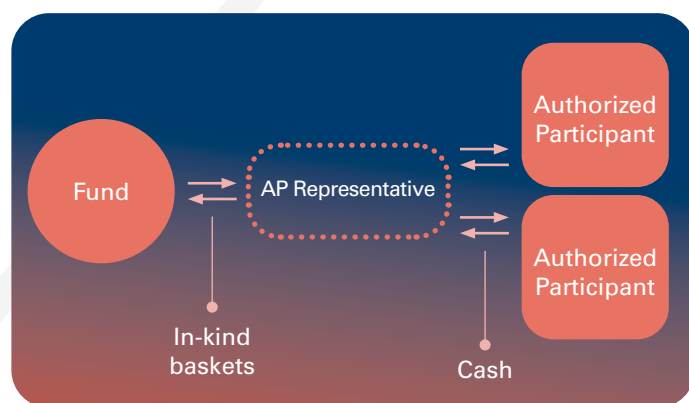
The Authorized Participant Representative (APR)

Enables Portfolio Confidentiality

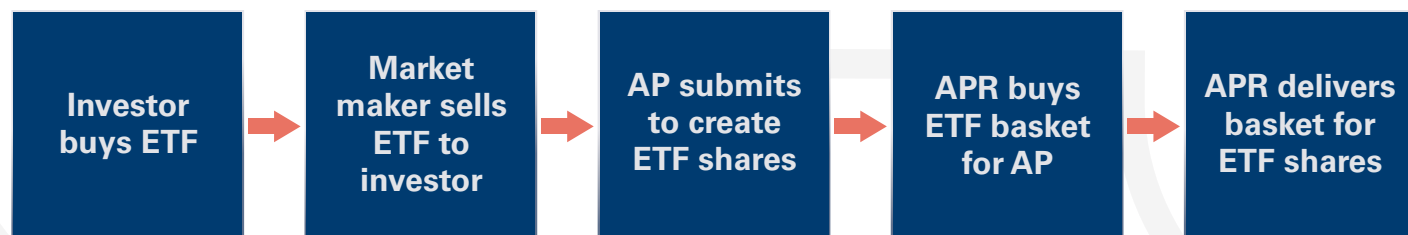
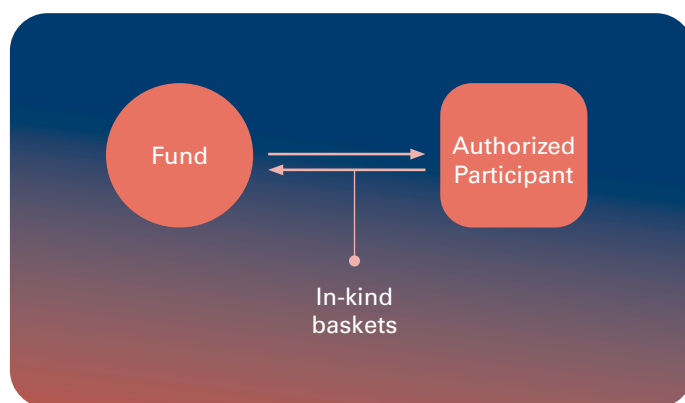
To keep portfolio holdings confidential on a daily basis and to mitigate front-running and free-riding risk, ActiveShares will use AP Representatives (APRs). Through a confidential account, owned by the Authorized Participant (AP), APRs will have restricted access to portfolio holdings and will buy and sell securities on behalf of APs for the purposes of creations and redemptions.

Creations and redemptions are done on a pro-rata basis in-kind through the AP's Confidential Account, ensuring that the identity of portfolio securities is protected, and the asset manager's proprietary investment strategies remain confidential.

ActiveShares ETF



Traditional ETF



ROLES AND RESPONSIBILITIES



Authorized Participant (AP)

- Sets bid/ask prices for the ETF based on available inputs and assumes the risk of making markets
- Trades directly with end investors of the fund
- Maintains a trading account with the AP Representative (APR) to facilitate creations/redemptions in an ActiveShares ETF
- Responsible for all the costs associated with trading the in-kind basket of securities



AP Representative (APR)

- Receives daily information from the fund to facilitate creations/redemptions
- Works as an agent of the AP to execute trades of the ETF basket in return for cash from the AP
- Maintains a relationship with each AP and provides delayed trade reporting to the AP

HOW DO ACTIVESHARES WORK?

The Verified Intraday Indicative Value (VIIV) Provides Pricing in Real-Time

To ensure market makers can efficiently make markets and price intraday, ActiveShares ETFs will provide a portfolio value called a Verified Intraday Indicative Value (VIIV). Unlike other ETFs – which price their trading basket every 15 seconds through an intraday indicative value (IIV)—ActiveShares ETFs will provide a per second VIIV to the market. ActiveShares is the only structure where the indicative value is validated intraday for accuracy.

ActiveShares ETF

Verified Intraday Indicative Value (VIIV)

Published
every
1
Second

Traditional ETF

Intraday Indicative Value (IIV)

Published
every
15
Seconds

DIFFERENCES BETWEEN VIIV AND IIV

| | VIIV | IIV | Benefit of VIIV |
|----------------------------|---------------------|---------------------|---|
| Pricing Calculation | Bid/Ask Midpoint | Last Price | Continuity with published prices Avoids stale pricing that can be associated with using last price |
| Calculation Timing | Every 1 second | Every 15 seconds | Provides ETF value in real-time May be particularly effective in volatile markets |
| Exchange Publishing | Broad Dissemination | Broad Dissemination | Similar to IIV |
| Availability | All | All | Investors - provides a real time portfolio value and increases reliability in measuring execution costs Market Makers – enhances ability to price efficiently and helps circumvent the need for "fair valuation" pricing adjustments |

To further ensure pricing accuracy and to safeguard against pricing discrepancies, ActiveShares ETFs will initiate trade halts in the event that certain conditions are met. These conditions include a 10% limit on underlying securities that halt trading or when the difference between the two VIIV calculations is greater than 25bps in a 60 second time interval. A halt on trading may also be initiated by the fund manager in instances where they encounter a potential issue with the VIIV calculation.

FREQUENTLY ASKED QUESTIONS (FAQ)

How is the AP Representative's (APRs) role determined for the fund?

The list of eligible designated APRs is determined by the fund manager. When an Authorized Participant needs to create/redeem ETF shares, they are only able to select from the fund's eligible list.

Is the tax treatment the same for ActiveShares ETFs with the introduction of the APR role?

Yes. The APR simply acts as an agent on behalf of the AP to buy and sell the creation basket. The beneficiary of the transaction is the AP and because the transactions occur in-kind, ActiveShares receive the same tax treatment as traditional ETFs.

How does the APR get paid in the create/redeem transaction?

The APR works as an agent on behalf of the AP in the create/redeem transaction and is only paid a commission by the AP. Because the APR is acting in an agency capacity, they will pass along the costs associated with buying or selling the securities and any fees the fund may charge back to the AP.

Are there new requirements for issuers to launch ActiveShares ETFs?

Yes. In addition to filing for ActiveShares ETF exemptive relief, issuers will be required to include new disclosures and website information, as well as, a few new board oversight requirements. Precidian Investments is dedicated to helping guide licensees through this process.

How do you ensure the VIIV is correct?

There are two established safeguards to identify issues with the accuracy of the VIIV price. First, the VIIV is calculated twice. This process mitigates the potential for stale calculations and monitors for deviations greater than 25 bps over 60 seconds. Second is a 10% threshold on underlying securities in the basket that halts trading. If either of these occur, the exchange would be notified to halt trading in the ETF. In addition to those safeguards, each issuer can determine other ways to provide additional oversight to the VIIV price being disseminated.

What types of securities may an ActiveShares fund hold?

Currently, ActiveShares funds may hold US-listed securities. These include US common equity, American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), US-listed futures, Real Estate Investment Trusts (REITs), US Treasuries, and other US ETFs. Over time, we hope to broaden the opportunity set.

How do you buy and sell ActiveShares?

ActiveShares ETFs are expected to be bought and sold like any other ETF. They may be traded throughout the day during open market hours and like a stock, may be shorted, bought on margin, and may be placed as a limit, stop-loss or any order type that may be applied to a stock. Further, investors may benefit from the real-time pricing of ActiveShares when making investing decisions. Like any ETF, commissions and spread costs may apply.

As an investor in an ActiveShares ETF, what are the benefits?

Investors in ETFs that utilize the ActiveShares structure may expect many of the benefits of a traditional ETF — enhanced tax efficiency, lower cost, and intraday trading ability. The difference of ActiveShares is the semi-transparent feature, providing a more efficient ETF vehicle with a confidential format normally associated with actively managed mutual funds.

As an investment manager of an ActiveShares ETF, what are the benefits?

Investment managers that utilize the ActiveShares ETF structure now have the ability to deliver their strategies through a more efficient vehicle while protecting the intellectual property of the fund. The semi-transparent feature of ActiveShares allows active managers the flexibility they need to effectively manage their strategies, similar to an actively managed mutual fund. ActiveShares combines this feature with the cost and tax advantages of an ETF which may result in a better investor experience.

Who is Precidian Investments?

Precidian Investments is an industry leader in the creation of innovative financial products, specializing in exchange-traded fund (ETF) and mutual fund development, and associated trading and pricing technologies.

Precidian designs and develops next-generation tools for the mutual fund industry, ETF providers, and leading financial services institutions to meet the needs of today's more sophisticated investors.

Principals of Precidian Investments have developed and launched some of the most ground-breaking ETFs in the U.S., including:

SPDR Gold Shares

CurrencyShares® Family ETFs

How can I license ActiveShares?

By partnering with Precidian Investments, you will be working alongside a leader in innovative ETF and financial product development. For an ongoing fee, Precidian Investments will license their patent pending processes and technologies or, if you wish, act as sponsor for the products and handle all regulatory filings and oversight.

For more information on licensing ActiveShares, please visit ActiveShares.com or call 908-781-0560.

PRECIDIAN INVESTMENTS

Precidian Investments designs and develops next-generation tools for the mutual fund industry, ETF providers, and leading financial services institutions to meet the needs of today's more sophisticated investors.

Precidian Investments' expertise in product development, trading, clearance, sales, technology, and securities law enables us to more efficiently design and build cutting edge financial instruments.

We pride ourselves on our ability to create novel, state-of-the-art financial products that address specific investor needs and differentiate us from the competition.





Powering Portfolio Innovation

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