

Introducing AAM Transformers ETF



TRFM

Fund Inception: 7/11/2022
Underlying Index: Pence Transformers Index
Expense Ratio: 0.49%
CUSIP: 26922B683
Exchange: NYSE Arca

TRFM TARGETS COMPANIES THAT ARE:

-  **Disruptive** Disruptive companies are companies that have the proven ability to develop transformative technologies.
-  **Evolving** Companies included in the portfolio are specifically screened for spending towards research & development (R&D), a vital factor for a company striving to adapt and innovate for the future.
-  **Growing** TRFM screens for companies that are expected to sustain stronger sales and capex growth relative to their respective industries.

THE POWER OF TRANSFORMATION

Some of tomorrow's biggest transformations are likely to result from technologies that today may seem unthinkable. For this reason, identifying companies making unprecedented advances is a challenge, and can be costly to overlook when it comes to investing early and capturing the growth premium. With innovative companies entering the market at an ever-increasing pace, how do investors uncover the next ones to revolutionize an industry or transform aspects of our society?

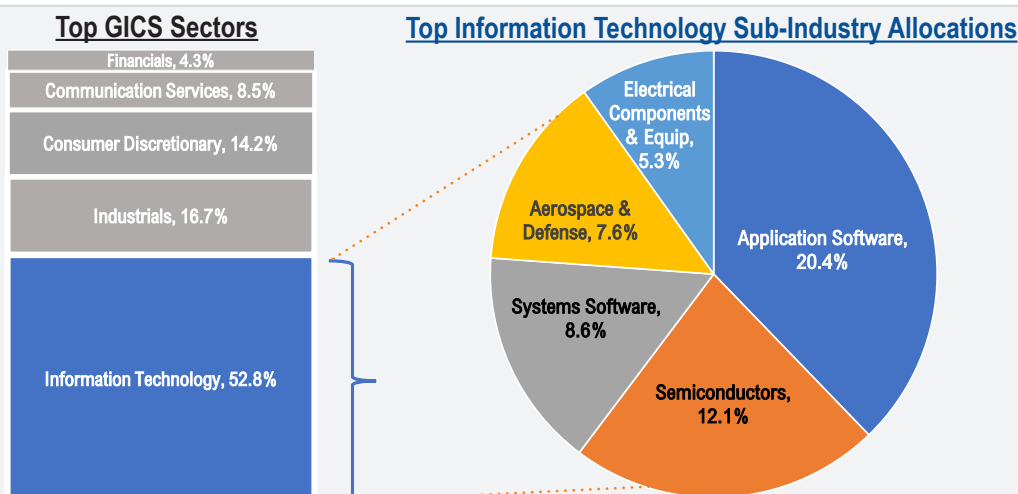
THE TRFM ADVANTAGE

AAM Transformers ETF seeks to identify transformative companies by tracking the investment results of the Pence Transformers Index ('Index'). The Index follows a rules-based methodology that seeks to identify companies poised to benefit from a significant disruption and/or transformation of consumer behavior or technological innovation. The Index analyzes factors such as company size, research & development (R&D) spending as a percentage of sales, and projected sales growth to target companies expected to have market dominance.

GICS SUB-INDUSTRY CLASSIFICATION

The first step in screening for companies to include in the portfolio involves taking a granular approach to traditional sector exposures. The strategy refines conventional Global Industry Standard Classification Standards (GICS) sectors by drilling down to a select list of sub-industry classifications to identify companies that challenge traditional business models, revolutionize industries, and have potential for substantial growth (Illustration 1). In doing so, TRFM invests in promising companies leading the advancements in areas such as robotics, cloud computing, artificial intelligence, autonomous vehicles, and cyber security.

Illustration 1:
 TRFM Top GICS Sectors and
 Sub-Industry Allocations
 (Source: FactSet As of 12/31/23)

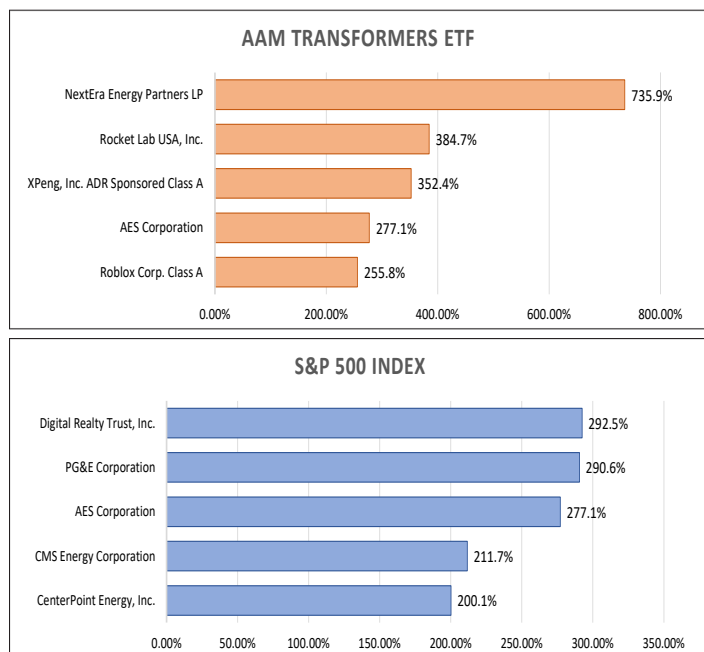


ROLE OF R&D SPENDING IN INNOVATION

Studies indicate that a company's innovative capacity has been largely driven by their investment in R&D expenditures. R&D spending, a key performance indicator, is critical for businesses looking to increase their ability to invent or deliver technological innovations, particularly in today's dynamically changing, competitive environment. In fact, global spending on the digital transformation (DX) of business practices, products, and organizations is expected to grow at a five-year compound annual growth rate (CAGR) of 16.6% over the five-year period ending through 2025[^]. By analyzing various factors such as growth of R&D spending as a percentage of sales, TRFM targets a portfolio of companies that are increasingly investing to be the leaders of the future development of transformative technologies (Table 1).

While such levels of commitment to R&D is fundamental to our approach, it is nonetheless just a starting point.

Table 1: TRFM v. S&P 500 Index: Top 5 Companies by R&D Spending as a Percentage of Net Sales
(Source: FactSet, As of 12/31/23)



PROJECTED SALES GROWTH

Not all R&D spending is equal. Spending that has the ability to translate to sales is of primary importance. Many companies may be spending towards these initiatives but may not have developed the superior product or become an industry leader. Table 2 shows examples of the sales growth of previous

transformative companies in the years following the release of their products. The variability of subsequent years' sales growth suggest that not every company can be evaluated equally when it comes to predicting their transformative potential.

Table 2: Subsequent Years Sales Growth After Initial Product Launch (Source: EDGAR, Form 10-K; 2023)

Company	Product	% of Fund (As of 12/31/23)	Release Year	Sales Growth		
				Next 1 Yr	Next 3 Yrs	Next 6 Yrs
Tesla Inc	Tesla Model S	1.03	2012	7%	949%	2949%
Microsoft Corp	Microsoft Office	1.00	1990	134%	218%	294%
Intuit Inc.	Intuit QuickBooks	1.08	1992	36%	329%	513%
Amazon.com Inc	Amazon Kindle	1.03	2007	29%	131%	312%
Apple Inc	App Store	1.00	2008	32%	233%	426%

Since it is difficult to predict which companies possess transformative power, TRFM uses an additional screen filter for projected sales growth for more clarity in identifying companies entering into the monetization phase of their innovations. Similar to TRFM's approach of refining sectors down to their sub-industry classifications, the strategy tailors its sales growth criteria for each company according to its industry classifications (Table 3). This approach allows TRFM to identify growth companies specific to its industry and market caps, as opposed to utilizing broad, across-the-board growth requirements. The end result is the potential to gain exposure to companies prior to or during their strongest periods of growth.

Table 3: Top 5 GICS Sub-Industries Projected Sales Requirements

GICS Sub-Industry Classification	Next 2 Fiscal Years Projected Sales Growth Minimum
Automobiles	> 20%
IT Services	> 15%
Internet & Direct Marketing	> 10%
Technology Hardware	> 5% for market cap > \$100 bil > 15% for market cap < \$100 bil
Semiconductors	> 10%

Transform Your Portfolio with TRFM

As innovation can come from select aspects of our economy, investors require more precise tools to unlock future growth opportunities. TRFM offers a focused and specific approach in its selection process in seeking to uncover the most promising, transformative companies.



To learn more about AAM's ETFs, contact your AAM Representative or visit www.aamlive.com/ETF. You can also call us at 1.866.606.7220.

^ International Data Corporation (IDC). <https://www.idc.com/getdoc.jsp?containerId=prUS49114722>

The investment objectives, risks, charges and expenses must be considered carefully before investing. Each fund's statutory and summary prospectuses contains this and other important information about the investment company, and may be obtained by calling 800.617.0004 or visiting www.aamlive.com. Read it carefully before investing.

Risks: Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV) and may trade at a discount or premium to NAV. Shares are not individually redeemable from the Fund and may be only acquired or redeemed from the fund in creation units. Brokerage commissions will reduce returns. Information Technology Sector Risk: Market or economic factors impacting information technology companies and companies that rely heavily on technological advances could have a significant effect on the value of the Fund's investments. The value of stocks of information technology companies and companies that rely heavily on technology is particularly vulnerable to rapid changes in technology product cycles, rapid product obsolescence, government regulation and competition, both domestically and internationally, including competition from foreign competitors with lower production costs. Stocks of information technology companies and companies that rely heavily on technology, especially those of smaller, less-seasoned companies, tend to be more volatile than the overall market. Information technology companies are heavily dependent on patent and intellectual property rights, the loss or impairment of which may adversely affect profitability. Market Capitalization Risk: The fund invests in large- and mid-capitalization companies. The securities of mid-capitalization companies may be more vulnerable to adverse issuer, market, political, or economic developments than securities of large-capitalization companies. ADR Risk: ADRs involve risks similar to those associated with investments in foreign securities, such as changes in political or economic conditions of other countries and changes in the exchange rates of foreign currencies. Models and Data Risk: The composition of the Index is heavily dependent on proprietary quantitative models as well as information and data supplied by third parties ("Models and Data"). Portfolio Turnover Risk: The Fund may trade all or a significant portion of the securities in its portfolio in connection with each quarterly rebalance and reconstitution of its Index.

Definitions: Pence Transformers Index is a rules-based index that measures the performance of U.S.-listed common equity securities, including American Depositary Receipts ("ADRs") for foreign securities, of companies poised to benefit from a significant disruption and/or transformation of consumer behavior and technological innovation. Examples of significant disruptions and/or transformation of consumer behavior and technological innovation include, but are not limited to, (i) advancements in autonomous driving capabilities and electric vehicle technology disrupting the automobile manufacturers and trucking sub-industries; (ii) changes in consumer behavior shifting retail sales from brick and mortar businesses to digital channels transforming the internet and digital marketing retail sub-industry; (iii) recent developments in cellular data speeds and improvements in mobile technologies disrupting the interactive media and services sub-industry; and (iv) new technologies that provide carbon offsets for existing business models or the development of greener alternatives to existing energy production transforming the renewable electricity producers sub-industry. The Index is reconstituted quarterly. CAPEX: Capital expenditures (capex) are the investments that companies make to upgrade, grow or maintain their business operations.

Not FDIC Insured • No Bank Guarantee • May Lose Value



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