

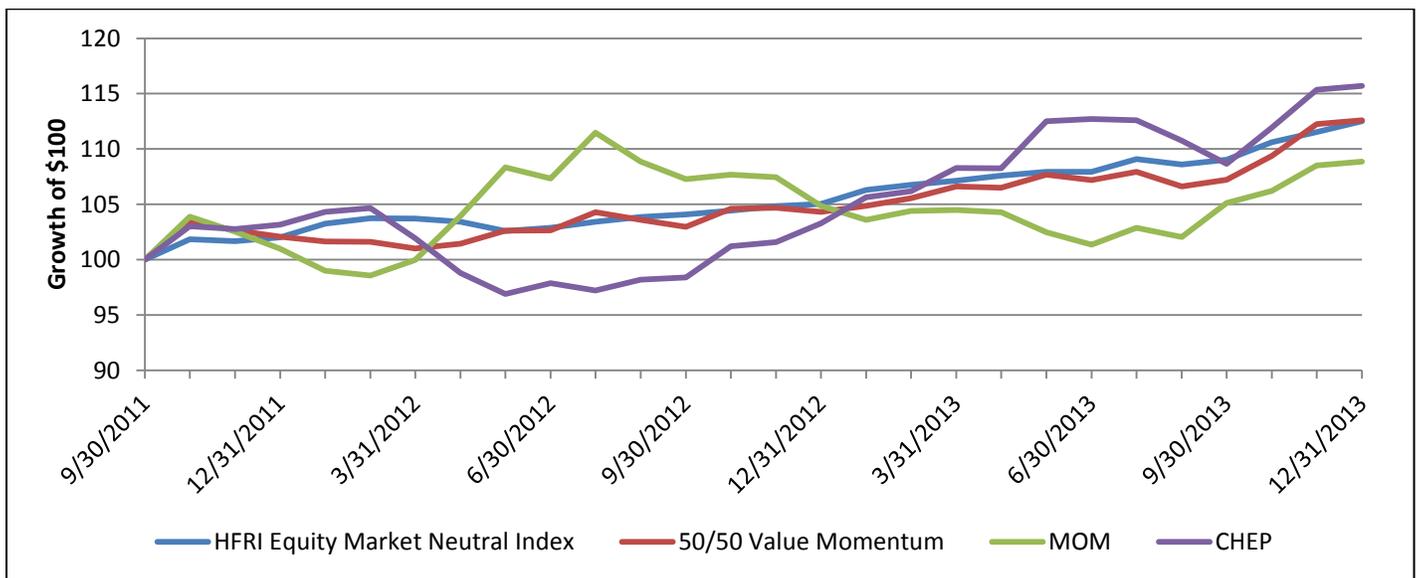


## Momentum the Yin to Values Yang

Over time, value stocks have historically earned excess returns over growth stocks as shown by academics such as Fama and French.<sup>1</sup> But there are times when this “value premium” does not play out and the stocks that are deemed cheap become value traps and continue to decline in price versus growth stocks. During these times, value managers tend to underperform, whether it be absolute or relative to a benchmark. So where can they turn when value lags? We believe it is Momentum.

Momentum strategies buy stocks that have had the best returns over a past set period of time and short stocks that have had the worst returns over the same period. This type of investing often leads to buying stocks with above average valuations, since the stocks have recently gone up in price, and shorting stocks with below average valuations, since the stocks have gone down in price. Because momentum strategies buy more expensive stocks and short less expensive stocks, the yin, the returns generated by the strategy tend to be negatively correlated to value strategies that invest in the opposite way, the yang.

QuantShares has created both Momentum and Value ETFs for investors who seek to manage risk and increase returns in their portfolios. A combination of Value and Momentum together seeks to provide a low volatility hedge fund like return stream for investors. For their first full 27 months of returns ending 12/31/13, the QuantShares Momentum ETF (MOM) has a -0.34% correlation with the QuantShares Value ETF (CHEP). MOM had a return of 3.84% and CHEP had a return of 6.69% over the same period. An equally weighted combination of the two over the same time had a return of 5.41% and follows a very similar return path as the un-investable HFRI Market Neutral Index whose return was 5.15%. The chart below shows the NAV hypothetical returns of a \$100 investment of MOM, CHEP, the combination strategy (MOM/CHEP) and the HFRI Market Neutral index for the period 09/30/11 to 12/31/13.



Past performance is not indicative of future results. One cannot invest in an index.

9/30/2011-12/31/2012

**Performance data quoted represent 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 fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For the most recent month end performance, please visit our website at [www.quant-shares.com](http://www.quant-shares.com) FFCM has contractually agreed to waive its management fees and reimburse expenses until October 31, 2014 to the extent necessary to prevent the Fund's net operating expenses from exceeding 1.49%. Standardized returns on next page.

<sup>1</sup> Ken French Data Library, [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html)



## QUANTSHARES

	HFRI MN Index	50/50*	MOM	CHEP
Average Annualized Return	5.15%	5.41%	3.84%	6.69%
Standard Deviation	1.99%	3.78%	6.98%	6.16%
Sharpe Ratio	2.59	1.43	0.55	1.09
Correlation to S&P 500	0.86	0.08	-0.26	0.37

09/30/2012-12/31/2013

Both historical academic and recent live returns have shown that momentum can help investor's returns when value strategies tend to be out of favor in the market. Also, by combining the QuantShares Momentum ETF (MOM) and the QuantShares Value ETF (CHEP), an investor can create a return stream very similar to the un-investable HFRI Market Neutral Index.

For more information on momentum or value investing or another questions about QuantShares ETFs, please call Kevin Collins at 617-292-9801 or visit [www.quant-shares.com](http://www.quant-shares.com)

### QuantShares ETF Performance

	Month End 12/31/2013			
	MOM	MOM	CHEP	CHEP
	NAV	MP	NAV	MP
1 Year	3.79%	4.75%	12.02%	12.06%
Since Inception <sup>1</sup>	2.34%	2.14%	6.74%	6.76%

	Quarter End 12/31/2013			
	MOM	MOM	CHEP	CHEP
	NAV	MP	NAV	MP
1 Year	3.79%	4.75%	12.02%	12.06%
Since Inception <sup>1</sup>	2.34%	2.14%	6.74%	6.76%

<sup>1</sup>=Inception MOM: 09/07/2011 CHEP: 09/13/2011

**Before investing you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the Fund's prospectus which can be obtained at [www.quant-shares.com](http://www.quant-shares.com). Please read the prospectus carefully before you invest. Foreside Fund Services, LLC, Distributor**

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 4:00PM 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.

**Risks:** There is no guarantee that the funds will reach their objective. Investing involves risk, including possible loss of principal. There is a risk that during a "bull" market, when most equity securities and long only ETFs are increasing in value, the Funds' short positions will likely cause the Fund to underperform the overall U.S. equity market and such ETFs. There may be periods when the value style is out of favor, and during which the investment performance of a fund using a value strategy may suffer. These securities may be more volatile than a broad cross-section of securities, and momentum may be an indicator that a security's price is peaking. The Funds may not be suitable for all investors. Short selling could cause unlimited losses, derivatives could result in losses beyond the amount invested, and the value of an investment in the Fund may fall sharply.

**HFRI Equity Market Neutral Index:** Incorporates equity market neutral strategies including both Factor-based and Statistical Arbitrage/Trading Strategies. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short. **S&P 500** is an index of 500 large cap common stocks actively traded on the NYSE and NASDAQ. One cannot invest directly in an index. **Sharpe Ratio:** The measure of the risk-adjusted return of an investment. **Standard Deviation:** indicates the volatility of a fund's total return. In general, the higher the standard deviation, the greater the volatility of return. **Correlation:** A statistical measure of how two securities move in relation to each other. Ranges between -1 and +1, positive correlation implies that as one security moves, either up or down, the other security will move in the same direction. Negative correlation implies that if one security moves in either direction, up or down, the other security will move in the opposite direction.

\*50/50 is a representative portfolio combining an equal percentage of 50% QuantShares MOM Fund and 50% of QuantShares CHEP Fund. The hypothetical Value/Momentum model is for informational purposes only. This model may not be suitable allocations for all investors. Your own investment experience will differ including the possibility of losing money. The hypothetical model is not intended to represent any specific type of investment.