Hedgeye Quality Growth (HGRO)
Frequently Asked Questions

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Threshold Questions

- **What are the Fund's objectives?** The **Hedgeye Quality Growth Fund** (NYSE: **HGRO**) is an Exchange Traded Fund (ETF) whose primary objective is long term capital appreciation. Most holdings will be selected and invested in with a three-year holding period in mind, primarily consisting of large caps.

- **Is the Fund actively managed?** Yes: the Fund is actively managed by employees of Hedgeye Asset Management (henceforth "HAM" or "the Manager) working under the supervision of veteran investment professional Sam Rahman; Sam's capsule biography is provided in **Management** below.

- **What types of securities may the Fund hold?** The Fund may hold all or sell short all types of securities including derivatives. Its vast selection universe notwithstanding, **HGRO's** holdings typically comprise large cap equity securities.

- **What benchmark is used in assessing the Fund's performance?** The S&P 500 is **HGRO's** selected benchmark. The S&P 500 is diversified across eight sectors and allows us to "go anywhere" to find growth and rate-of-change improvements in companies or sectors.

- **To what extent does the Manager rely on research from Hedgeye Risk Management?** Through a Shared Service Agreement (SSA), Hedgeye Risk Management (HRM) and HAM exchange a variety of macroeconomic and market data and analyses on an ongoing basis.

Investment Process

- **What is the Fund's investment philosophy?** In its pursuit of generating long term capital appreciation, **HGRO's** investment philosophy is based on three core tenets:
    - Bottom-up fundamental stock research
    - Macro/Thematic investment research
    - Portfolio construction

  At its foundation is bottom-up stock research, the goal of which is identifying companies that are best positioned with underappreciated growth potential and competitive advantages. The understanding of the macro environment and secular investment themes enhances our stock selection and refines our research focus. When constructing the portfolio there is critical focus on maximizing risk-adjusted returns in an efficient manner. Value is added consistently in each of these three disciplines.

- **What is the bottom-up fundamental stock research process?** The approach to stock research is multi-layered. The study of a company starts with the industry – its history and structure – to identify key drivers of returns. In analyzing an individual company, it is important to understand its history, its position within its industry and its track record of success over time. Reviewing the track record and skills of the management team are vital to assessing the company's ability to succeed in the future. While companies may have inherent competitive strengths, these can be sustained by strategic thinking, innovation, and investments, which are in a management team's control. Identifying sustainable competitive advantages is important in assessing which companies can sustain investment returns in the future. In some ways, the process is a private equity research approach to public equity investing.

- **How are investment themes identified?** Important growth drivers, which are thematic in nature, are identified through deep industry and company research. As part of this deep research effort, extensive review of research publications as well as calls with industry experts assist in building knowledge and understanding of key trends. To qualify as an important investment theme for our consideration, a theme must be secular in nature and persistent over multiple years. A secular change in an industry or the economy is a novel or disruptive change, having the potential to alter the return profile of an industry or the broader economy. For example, the birth and adoption of the internet in the late 1990s disrupted many legacy industries. This disruption also created new industries and transformed the lives and operations of consumers and companies.

- **How does macro influence the investment approach?** Understanding the prevailing macro environment is an important consideration in the investment approach. Global markets are more interconnected, thus an appreciation and awareness of how bonds, foreign exchange rates and commodities impact equities is crucial. Volatility and price dislocations can create tactical opportunities, particularly when prices overcorrect. Early indications of how equity prices may respond to broader economic cycle changes can be discerned from changes in key macro variables. Hedgeye's macro research provides a key resource with a long track record of identifying these changes, proving to be a useful guide in signaling when markets go through regime changes.

- **How are potential investment opportunities identified?** The framework for thinking about new investment ideas and how the portfolio is constructed centers on three categories:
    - Deep moat compounders
    - Investing in S curves, innovation and disruption
    - Idiosyncratic ideas or business model transformations

  Deep moat compounders are companies having structural competitive advantages that are highly defensible for long periods. Research on company prospects help confirm that these advantages can be sustained. An identified "moat" has allowed and will continue to allow a company to generate above market returns. These returns can translate into meaningful free cash flow growth, which can be invested back into the business or returned to shareholders.

  Investing in S curves, innovation and disruption focuses our research on areas of accelerating growth, which in some cases can be found in completely new businesses or products/services. While these companies are likely to be early-stage growth companies, having a limited financial history and in some instances negative cash flow, innovation and disruption can also be driven by established companies with a history of being at the leading edge of change. The most compelling areas of accelerating growth are identified through the research process, enabling a focus on companies best positioned to these growth trends.

  Idiosyncratic ideas and business model transformations are potential investments where a catalyst for change in a company can be identified or where a business is mispriced relative to its industry. A change in a company can come in many forms: M&A, a break-up, a divestment, new management, policy/regulatory changes. Each opportunity is unique, with price moves potentially occurring independent of broader markets. If identified and researched correctly, these investment ideas can generate substantial returns over a shorter period.

- **What is the portfolio construction process?** The approach employed, as the portfolio is constructed, seeks to be a key differentiator. The belief that effective portfolio construction can help improve stock selection and diversify risk is core. Best ideas are sized according to conviction, with thoughtful diversification of risk characteristics. Attractive investments can be found across all sectors, regardless of the market or economic cycle, providing effective stock and sector level diversification. Even with a concentrated portfolio with 40-50 holdings, appropriate levels of diversification can be achieved, with the goal of better risk-adjusted returns.

- **How is thesis drift avoided?** For each portfolio holding, there is a distinct thesis as to why the initial investment was made. This thesis identifies the key drivers behind the idea and our differentiated view of the company's prospects. If the thesis changes negatively, the investment is reviewed and ultimately reduced or exited. Beyond monitoring the underlying fundamentals of the company, tracking the relative strength of the stock can be a helpful tool in providing an early warning of any potential deterioration in a company's fundamentals.

- **How much portfolio turnover can be expected?** Portfolio turnover is likely to range from approximately 25% to 75%, depending on market conditions, with the average expected to be at the lower end of this range. Market corrections have historically provided opportunities for prudent portfolio adjustments, with the goal being to be better positioned when the market recovers. Prior down-market episodes have been utilized in this manner. The avoidance of drawdowns is a focus, with the potential for more active portfolio adjustments to be made in anticipation of a market correction, so as to minimize the downside risk to client capital.

Management

- **What is the Portfolio Manager's educational background and professional experience?** Sam Rahman has over 30 years of experience in the investment industry, and over 25 years of experience in managing investment portfolios for both institutional and retail clients. He received a Bachelor of Engineering in Chemical Engineering from the University College London in 1991. He also received a Master of Business Administration from Imperial College London in 1993. In 1997, he obtained his CFA designation. For the first 15 years of his career he worked for Baring Asset Management, a global asset management firm, starting out as a research analyst for the global asset allocation team, based in London. He moved to Boston in 1997 to join the US equity team and was eventually promoted to head the team and was the senior portfolio manager in 2004, reporting directly to the CIO. In 2008, he was hired by Crosby Advisors, the Fidelity family office, to be the senior portfolio manager for the family's public equity investments. He worked directly for Ned Johnson, the Founder and Chairman of Fidelity Investments, during a 15-year tenure. He managed a multi-billion-dollar strategy that focused on long term capital appreciation, was concentrated in the number of holdings, and had a "go anywhere" mandate. Sam has lived and worked in multiple cities – from London, Abu Dhabi, Hong Kong, Singapore, to Boston. These global experiences have shaped him as a person and have educated him as an investor.

End

Index definitions

S&P 500 Index (Ticker: SPX Index): The S&P 500 is a stock market index that tracks the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

Definitions

S Curves: S Curves illustrate the non-linear progression of growth, where the trajectory of change or adoption follows a characteristic S-shaped pattern. This concept is used to convey how a particular sector, innovation, or investment theme may experience gradual early adoption, rapid acceleration, and ultimately maturity or saturation.

Important Information

Before investing in the fund, the investment objective, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contain this and other important information about the fund. Copies of the fund's prospectus may be obtained by visiting www.hedgeyeam.com/HGRO or calling +1 (888) 711-8292. Read it carefully before investing.

Investing involves risks including the risk of principal loss. The Adviser is newly formed and has not previously managed an ETF. Accordingly, investors in the Fund bear the risk that the Adviser's inexperience may limit its effectiveness.

Diversification neither ensures a profit nor guarantees against loss in a declining market.

The Fund is a recently organized management investment company with no operating history. As a result, prospective investors do not have a track record or history on which to base their investment decisions.

As an actively managed investment portfolio, the Fund is subject to the Adviser's investment decisions about individual securities impact on the Fund's ability to achieve its investment objective. there is no guarantee that the Adviser's investment strategy will meet it's investment objective or produce the desired results. Large cap companies may be less able than mid and small capitalization companies to adapt to changing market conditions. Investments in stocks of mid-capitalization companies may be subject to more abrupt or erratic market movements

The Fund's investment strategies may employ quantitative algorithms and models that rely heavily on the use of proprietary and non-proprietary data, Models may also have hidden biases or exposure to broad structural or sentiment shifts. There can be no assurance that use of a quantitative model will enable the Fund to achieve positive returns or outperform the market.

When the Fund uses derivatives, there may be imperfect correlation between the value of the underlying instrument and the derivative, which may prevent the Fund from achieving its investment objective.

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

The Distributor is Foreside Fund Services, LLC.