



# The U.S. Diversified Real Estate ETF | PPTY

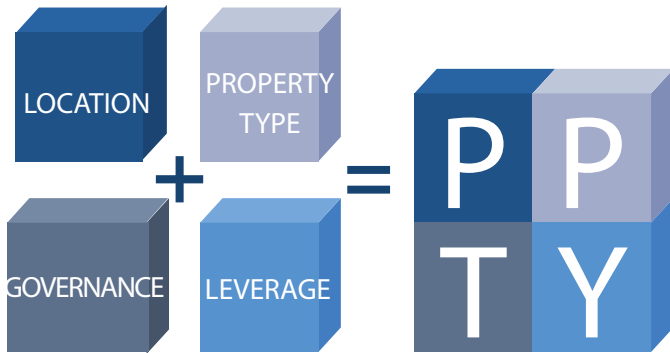
Fund Story | 1.31.2020

## Would You Ever Buy Real Estate Without Considering the Location?

PPTY is a real estate ETF tracking the USREX - U.S. Diversified Real Estate Index™ which considers these important real estate fundamentals: **location, property type, leverage levels and governance.**

### BUILDING AN INDEX BASED ON ACTUAL PROPERTIES

The index seeks to improve risk adjusted returns by addressing what we believe are the inherent weaknesses in a market cap weighting<sup>1</sup> Real Estate strategy: Overexposure to rising markets as they become expensive, random property type allocations, and over levered<sup>2</sup> REITs<sup>3</sup>.



#### Index Construction

Strategically seeks to diversify risk through a real estate driven weighting process that potentially results in lower exposure to historically over bought locations and sectors

#### Security Selection

Using stable property type and geographic allocations, stocks are selected based on the actual properties held by each company in our investment universe

### INVESTMENT PROCESS



<sup>1</sup> Market cap weighted refers to a type of market index with individual components, or securities, weighted according to their total market capitalization. Market capitalization uses the total market value of a firm's outstanding shares. The calculation multiplies outstanding shares by the current price of a single share.

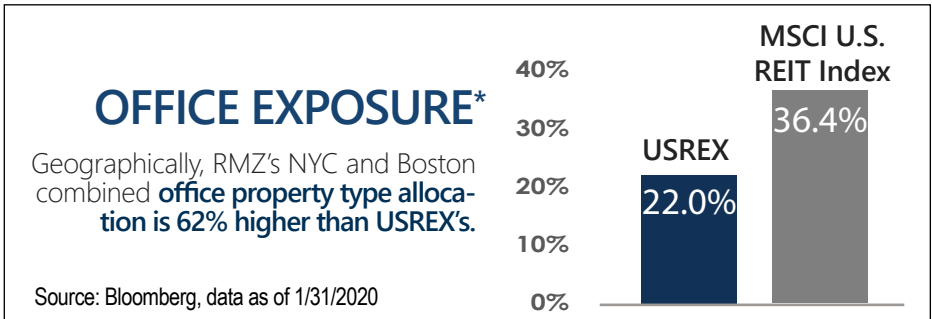
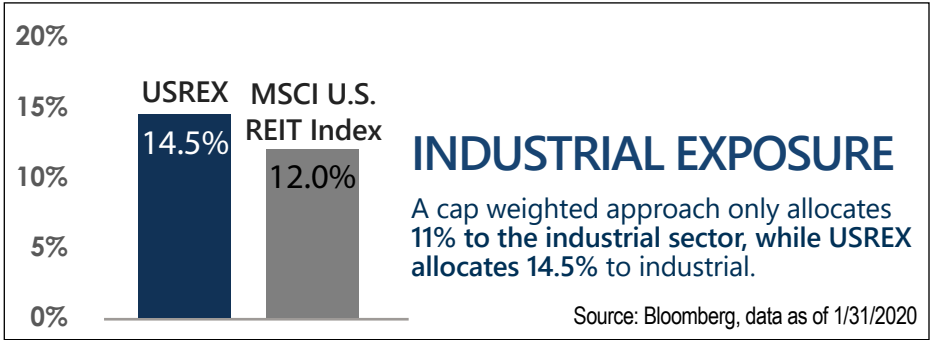
<sup>2</sup> Over leveraged is a balance sheet condition where the entity is incapable of servicing its debt load (interest payments) with available capital sources.

<sup>3</sup> A real estate investment trust ("REIT") is a company that owns, operates or finances income-producing real estate.

## DIVERSIFYING RISK

USREX goes beyond static, market-cap weighted index strategies and selects assets, in part, based upon the type and geographical location of the real estate. We believe this focus on the actual properties owned by each REIT helps distribute risk more evenly and avoid overconcentration in property types and geographic markets.

The MSCI U.S. REIT Index (RMZ) is a free float-adjusted market capitalization weighted index that is comprised of Real Estate Investment Trusts (REITs). It represents about 99% of the U.S. REIT universe. RMZ's securities are industry classified as Equity REITs and sector classified as Real Estate, have core real estate exposure and carry REIT tax status



## CASE STUDY: BLACKSTONE ACQUISITION

- In October of 2018, Blackstone closed on the \$7.6bn acquisition of Gramercy Property Trust.
- Gramercy was the fourth largest industrial REIT by market cap, so Blackstone's acquisition of Gramercy automatically **reduces most cap weighted funds' distribution and industrial exposure.**
- By taking Gramercy private (and thus removing this asset from the index's portfolio), RMZ has further reduced its cap weighted exposure to distribution and industrial property types.
- The index that PPTY tracks (USREX) **maintains fixed property type weightings.** As a result, transactions of this nature **will not reduce our exposure to industrial properties,** exemplifying the potential benefit of tracking an index that **focuses on Real Estate Fundamentals.**

	COMPANY	TICKER	MSCI U.S. REIT Index (\$ invested)	%
1	Prologis Inc	PLD US Equity	34,405,824,900	48.2%
2	Duke Realty Corp	DRE US Equity	10,318,171,046	14.2%
3	DCT Industrial Trust Inc	DCT US Equity	6,177,231,306	8.7%
4	Gramercy Property Trust	GPT US Equity	4,391,251,914	6.1%
5	First Industrial Reality TR	FR US Equity	4,154,433,018	5.8%

As of 1.31.2020 PPTY held Prologis, Inc. 4.69%, Duke Realty Corp, 1.19%, DCT Industrial Trust Inc. 0.00%, Gramercy Property Trust, 0.00%, First Industrial Reality TR 0.70%

### Fred Stoops



Head of Real Estate Investments

- Over 10 years of experience in real estate investments with Goldman Sachs and Chatham Financial
- Fred played a key role in the conception and design of PPTY.

### Denise M. Krisko, CFA



President and Co-Founder of VIA (Sub-adviser)

- Over 20 years of trading and portfolio management experience
- Primary responsibility for the day-to-day management of the Fund since March 2018.

**Carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. A prospectus can be obtained by visiting [www.videntfunds.com/funds/ppty](http://www.videntfunds.com/funds/ppty) or by calling 800-617-0004. Please read it carefully before investing.**

Investments involve risk. Principal loss is possible. The Fund has the same risks as the underlying securities traded on the exchange throughout the day at market price. The Fund's investments will be concentrated in an industry or group of industries to the extent the Index is so concentrated, and the Index is expected to be concentrated in real estate-related industries. The Fund is expected to invest substantially all of its assets in real estate-related companies. Investments in real estate companies involve unique risks. Real estate companies, including REITs, may have limited financial resources, may trade less frequently and in limited volume, and may be more volatile than other securities. The risks of investing in real estate companies include certain risks associated with the direct ownership of real estate and the real estate industry in general. The equity securities of smaller companies have historically been subject to greater investment risk than securities of larger companies. Investor shares are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Ordinary brokerage commissions may apply.

Fund holdings and allocations are subject to change and should not be considered a recommendation to buy or sell any security. For current holdings please visit [www.videntfunds.com/funds/ppty](http://www.videntfunds.com/funds/ppty) or call 800.617.0004.

Diversification does not ensure a profit or protect against a loss.

The fund's investment advisor is Vident Advisory, LLC. PPTY's sub-adviser is Vident Investment Advisory (VIA). Vident Financial owns the index that underlies the fund. The U.S. Diversified Real Estate ETF is distributed by ALPS Distributors, Inc. ALPS is not affiliated with Vident Financial, Vident Advisory or VIA.