Tweedy, Browne
ETFs

Q&A

WITH TWEEDY, BROWNE ON THE LAUNCH OF THE NEW INSIDER + VALUE ETF (TICKER: COPY)

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Q: Why did Tweedy, Browne decide to enter the ETF space?

TB: Entering the ETF space is a natural extension of our business and affords taxpaying investors access to our actively managed strategies within a tax-efficient ETF structure. We are attempting to address the growing demand for value-oriented investment options in these innovative investment vehicles.

Q: What makes this ETF offering different?

TB: It is a factor-driven investment approach combining insider purchase data and value-oriented metrics across multiple geographies and market capitalizations. Empirically, academic and professional studies, including our own proprietary study, have identified a return advantage associated with these factors/characteristics.

Q: How will this new ETF be invested?

TB: The investment process utilized by our management team in this ETF is primarily quantitative with a light qualitative touch and applies decision rules, largely focused on insider buying, corporate buybacks, and proprietary value scores. We invest in over 20 developed and emerging markets across a broad cross-section of small, medium, and larger capitalization companies. Qualifying candidates for investment include companies in which insiders, i.e., corporate executives, directors, the company itself, and or controlling shareholders, have recently made a material purchase of their own companies' shares, and those shares appear to be undervalued based on Tweedy, Browne's multi-factor proprietary value model.

Q: Why is the buying activity of corporate insiders so important?

TB: Corporate insiders often have what we call the "insider's edge," i.e., the unique insight that high-ranking corporate executives and informed directors can have regarding the prospect of improving their company's condition and, ultimately, its share price. C-suite executives often have insights concerning new marketing programs, improving industry conditions, undervalued assets held by the company, and the value of the company's shares if it were to be acquired by a competitor or private equity firm. C-Suite executives have access to investment bankers who may be very familiar with acquisition valuations and standards in their company's industry. Most importantly, C-Suite executives can ACT: they can initiate corporate actions that may lead to an increase in their company's stock price – such as initiating dividend increases, buybacks of their company's shares at depressed prices, debt paydowns, spinoffs and sales of assets whose value is not reflected in the company stock price, cost-cutting programs, business expansion programs, and even the sale of their company to a competitor or a private equity firm. The C-suite insiders can create news! They are the source of the information that Wall Street investment analysts, institutional investors, hedge funds, individual investors, and corporate and private equity acquirers rely upon in making investment decisions.

Q: Why do you feel confident that this approach will deliver value to its shareholders?

TB: Empirical studies, including ours, have identified a return advantage associated with following the purchase behavior of corporate insiders, especially when their company shares appear to be undervalued. In addition to our way of thinking, copying the behavior of knowledgeable corporate insiders, i.e., those in the know when it comes to their company's prospects, seems quite sensible and logical. Ultimately, there is only one logical reason for corporate insiders to reach into their wallets and make free-will, open-market purchases of their companies' shares — they believe the stock price will increase. They do not buy their stock with the intention of losing money! However, many insider purchases have resulted in future losses, not gains. There is no "sure thing" in investing.

Q: The ETF invests globally. What is the advantage?

TB: We have learned over time that a value-based investment strategy has empirically worked just as well outside the US as inside the US — we like to cast a wide net. Also, a larger opportunity set gives us a better chance of uncovering undervalued securities that fit our rigorous valuation criteria. Furthermore, we believe some of the best companies in the world reside in markets other than ours. Why close ourselves off from taking advantage of these potential opportunities?

Q: Tweedy has a long history of managing several other global and international mutual fund offerings. Are there more ETF offerings in the works at Tweedy?

TB: When it comes to a level of interest in these innovative offerings, the investing public has indeed spoken. Lately, flows into these tax-efficient vehicles have eclipsed those into traditional mutual funds. While there is a place for both traditional funds and ETFs in investor portfolios, we will continue to look for ways to enhance the tax efficiency of our investment strategies.

Q: What key considerations should investors consider when investing with the Insider + Value ETF?

TB: As with all value-oriented investment strategies, commitment and patience are necessary for investor success. Insiders do not always get it right. That said, empirical studies have shown that diversified cohorts of securities where insiders have been actively buying shares, especially when those shares appear to be undervalued, have produced group results that are quite attractive.

Q: Will there be a significant stock overlap in this ETF with Tweedy, Browne mutual funds?

TB: No. While there will be some overlap, this ETF portfolio will materially differ from all other Tweedy, Browne portfolios.

Q: What type of investor should consider this ETF?

TB: The Insider + Value ETF is suitable for any investor with a long-term view, at least for a portion of the investor's capital. We believe this to be true for all Tweedy, Browne investments. Value investing requires "staying on the bus!"

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An investor should consider the investment objectives, risks, and charges and expenses of the fund carefully before investing. A prospectus, which contains this and other information about the fund may be obtained by calling 1-800-617-0004/visiting www.tweedyetfs.com. The prospectus should be read carefully before investing.

All investing involves the risk of loss, including the loss of principal.

Portfolio holdings are subject to risk.

The Fund's buyback strategy is based, in part, on the premise that stocks of companies that engage in share buyback purchases are often anticipated to perform well because they typically are a signal that a company's management believes its shares are undervalued. This positive signal from management may cause the value of such shares to rise. There is no certainty that management of a company undertook a buyback strategy because it believes its stock is undervalued; a company could be using buybacks to increase their price to earnings or other ratios, to alleviate excessive dilution, as a defensive measure, or to cut their own capital expenditures, thereby potentially limiting future growth.

To implement its investment strategy, the Adviser may require access to large amounts of financial dpata and other data supplied by various data providers. The inability to access large amounts of financial and other data from data providers could adversely affect the Adviser's ability to use quantitative methods to select investments.

International investing may be subject to special risks, including, but not limited to, currency exchange rate volatility, political, social or economic instability, less publicly available information, less stringent investor protections, and differences in taxation, auditing and other financial practices. Investment in emerging market securities involves greater risk than that associated with investment in securities of issuers in developed foreign countries. These risks include volatile currency exchange rates, periods of high inflation, increased risk of default, greater social, economic and political uncertainty and instability, less governmental supervision and regulation of securities markets, weaker auditing and financial reporting standards, lack of liquidity in the markets, and the significantly smaller market capitalizations of emerging market issuers.

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 Fund may invest in derivative instruments, including forward currency exchange contracts, which may be leveraged and may result in losses. Investments in derivative instruments may result in losses exceeding the amounts invested. The Fund's practice of hedging exposure to foreign currencies where practicable, tends to make the Fund underperform a similar unhedged portfolio when the dollar is losing value against the local currencies in which the Fund's investments are denominated.

Value investing involves buying stocks that are out of favor and/or viewed as undervalued by the Adviser in comparison to their peers or their prospects for growth. Securities of companies with micro-, small- and mid-size capitalizations tend to be riskier than securities of companies with large capitalizations. This is because micro-, small- and mid-cap companies typically have smaller product lines and less access to liquidity than large cap companies, and are therefore more sensitive to economic downturns.

The Tweedy, Browne Insider + Value ETF is distributed by Quasar Distributors, LLC.