

TrimTabs Free Cash Flow Investment Research

Nasdaq 100: Today vs. The Dotcom Bubble

A Note From Our Research Desk | May 16th, 2019

Free Cash Flow Investing



TRIMTABS
Asset Management

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It's fair to ask if we are facing another tech bubble: Nasdaq 100 has risen an unprecedented 18 times in 19 weeks; noticeable IPOs such as Uber and Lyft have been brought by investment banks without a clear path for future profitability; market sell-off in late 2018 amid concern of economy slowdown and tension of US-China trade war, where all eyes are on the technology competitions between the two economies.

At TrimTabs, we focus on interpreting a company's Free Cash Flow condition to examine its fundamental strength. Based on our research, the Free Cash Flow condition for Nasdaq 100 companies are quite different this time, compared to the dot.com bubble. From an aggregate level, Free Cash Flow Margin for Nasdaq 100 companies reached 13% peak in late 1999 before the bust, while today's aggregate margin is 15.11% as of April 2019. We can even see a clearer picture on the trimmed average Free Cash Flow: from 1999-2001, the trimmed average Free Cash Flow margin ranged from -12% to -3%, meaning average companies in Nasdaq 100 were not profitable back then; while nowadays, the trimmed average Free Cash Flow margin is nearly 19% with an uptrend, displays a better picture of profitability. Moreover, over 90% of the Nasdaq 100 companies reported positive Free Cash Flow in the trailing-twelve-month period compared to about 65% during the dot.com bubble.



While the profitability judging from a Free Cash Flow perspective for Nasdaq 100 companies are much healthier, we can't ignore the similar challenge we are facing nowadays. Our research suggests, for investors who are concerned about the market environment but still want to get exposure to the Nasdaq 100 companies, an evaluation using Free Cash Flow may help differentiate outperformers. From 03/31/1999 to 04/30/2019, the average companies in Nasdaq 100 with positive Free Cash Flow generation, defined as the trailing-twelve-month Free Cash Flow reported, generate 13.17% annualized return compared to the 11% for the average Nasdaq 100 companies, and more importantly, outperformed companies with negative Free Cash Flow generation by 13.88% with an reduced volatility and drawdown. Using Free Cash Flow growth, calculated as the year-over-year growth of the trailing-twelve-month Free Cash Flow, produced 12.79% annualized return on average for companies with positive Free Cash Flow growth, outperformed companies without Free Cash Flow growth by 5.67%.

Our mission is to provide investors with Free Cash Flow-based investment products and services to contribute to their long-term investment success.

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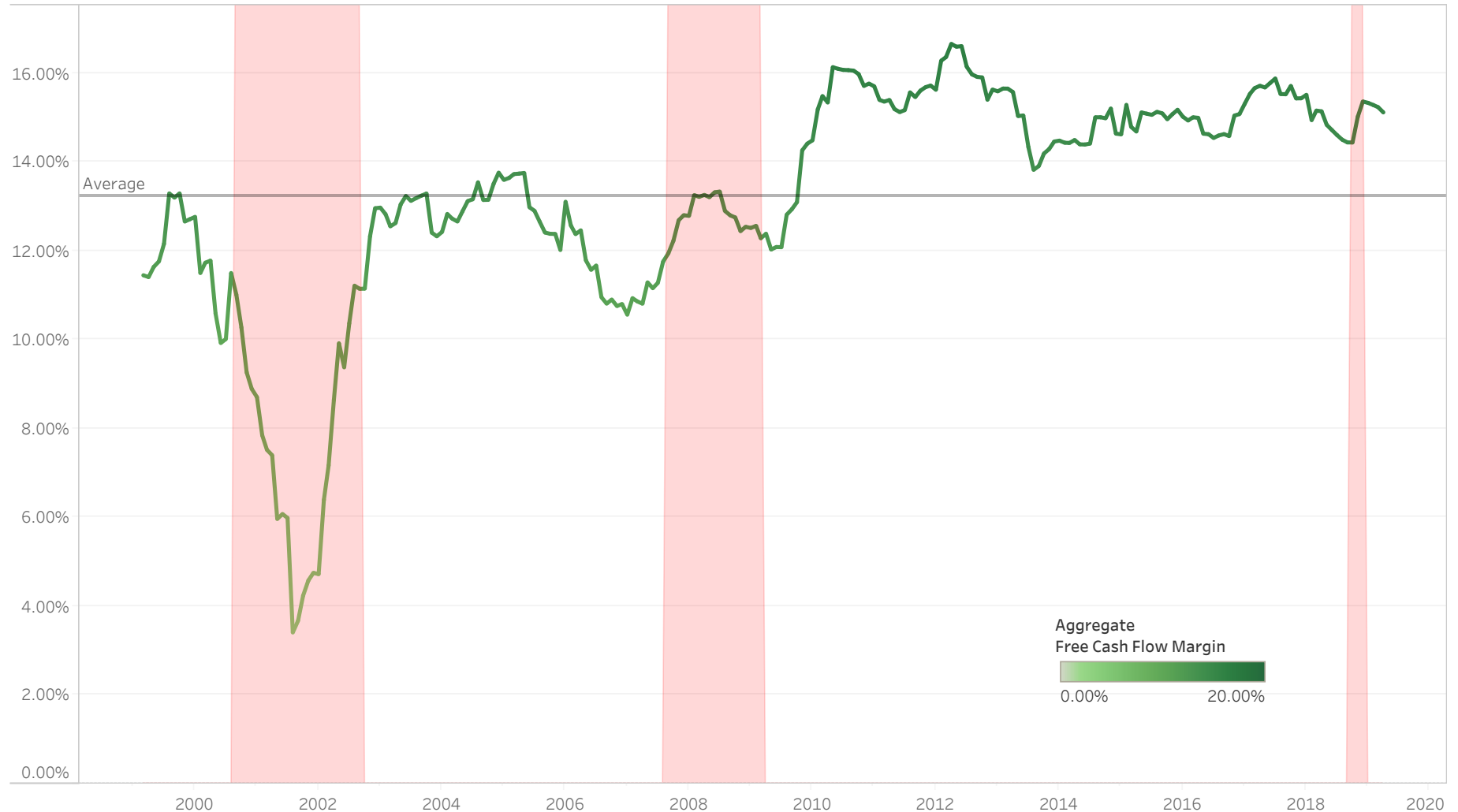
Free Cash Flow conditions and their applications for Nasdaq 100 Companies



Nasdaq 100 Companies Profitability from a Free Cash Flow Perspective

Aggregate Level Free Cash Flow Margin TTM

03/31/1999 to 04/30/2019



Source: TrimTabs Asset Management, FactSet

Aggregate Free Cash Flow Margin TTM is measured by trailing-twelve-month total Free Cash Flow divided by trailing-twelve-month total revenue for Nasdaq 100 companies. The shaded areas represent market drawdown periods which are larger than 10%.

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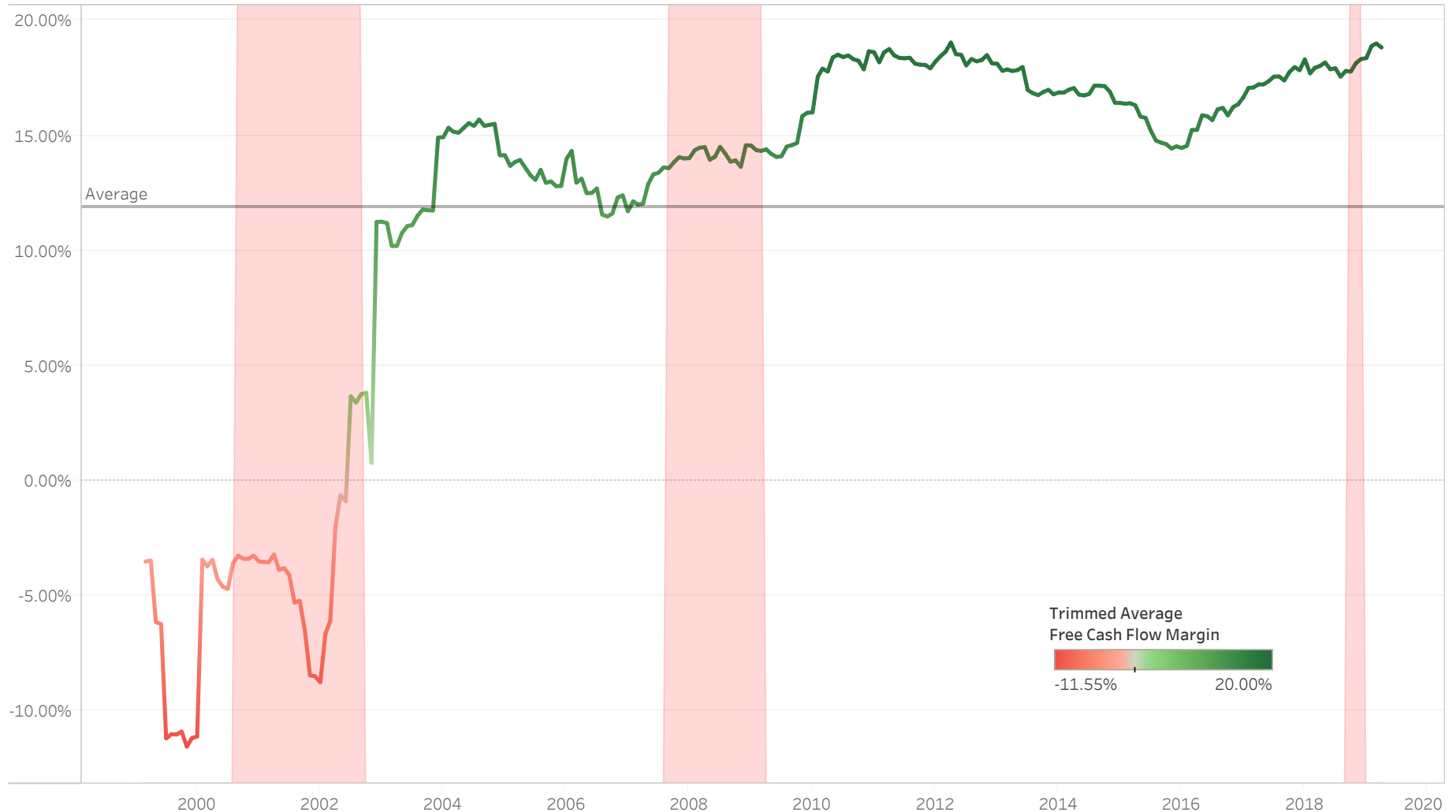
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Nasdaq 100 Companies Profitability from a Free Cash Flow Perspective

Trimmed Average Free Cash Flow Margin TTM

03/31/1999 to 04/30/2019



Source: TrimTabs Asset Management, FactSet

Trimmed Average Free Cash Flow Margin TTM is measured by the average trailing-twelve-month Free Cash Flow margin, calculated as Free Cash Flow divided by revenue, for Nasdaq 100 companies, trimming distribution from both tails with a 5% proportion to cut. The shaded areas represent market drawdown periods which are larger than 10%.

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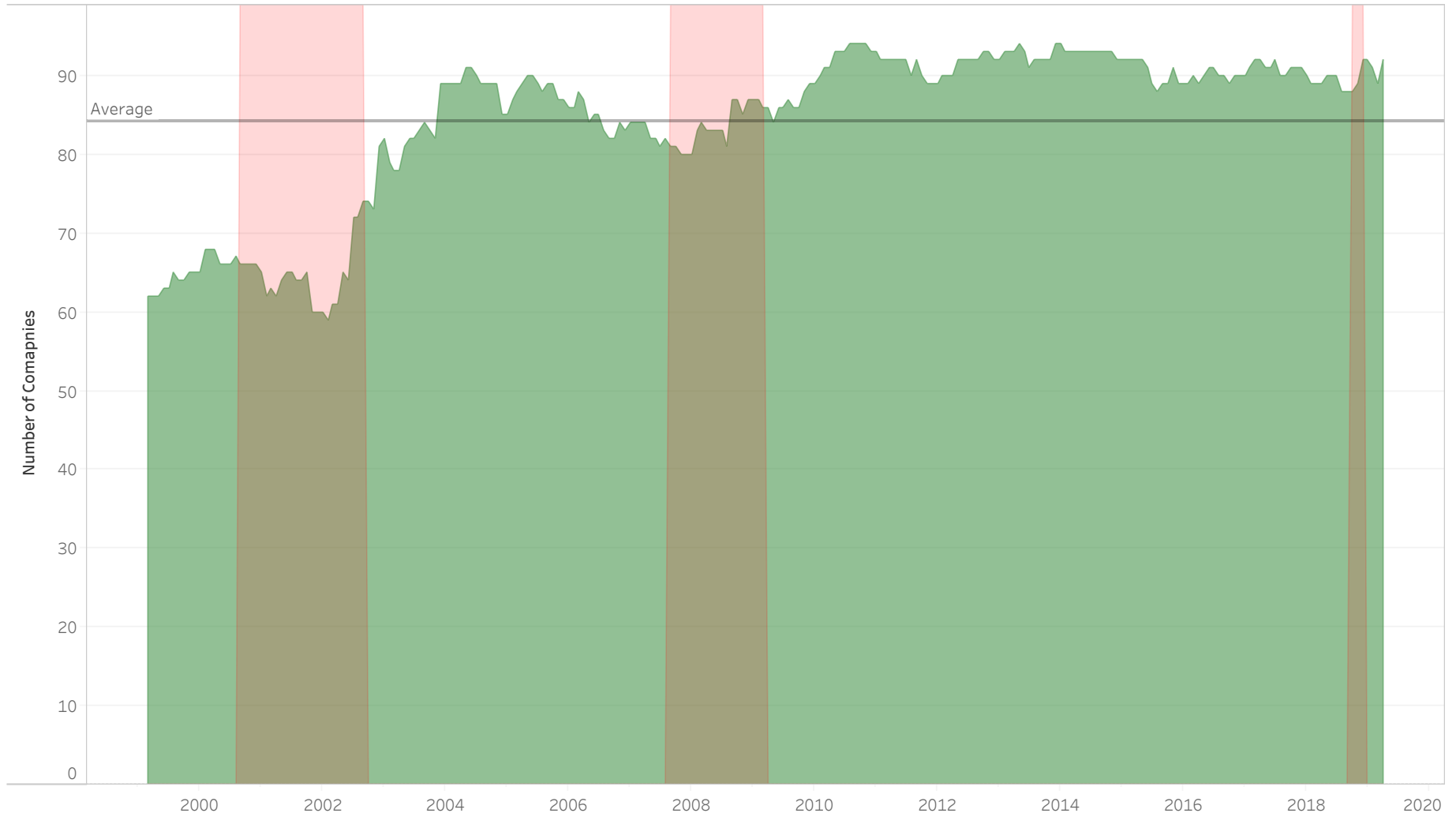
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Nasdaq 100 Companies Profitability from a Free Cash Flow Perspective

Number of Companies with Positive Free Cash Flow Generation

03/31/1999 to 04/30/2019



Source: TrimTabs Asset Management, FactSet

Free Cash Flow Generation is the trailing-twelve-month Free Cash Flow reported by the companies.

The shaded areas represent market drawdown periods which are larger than 10%.

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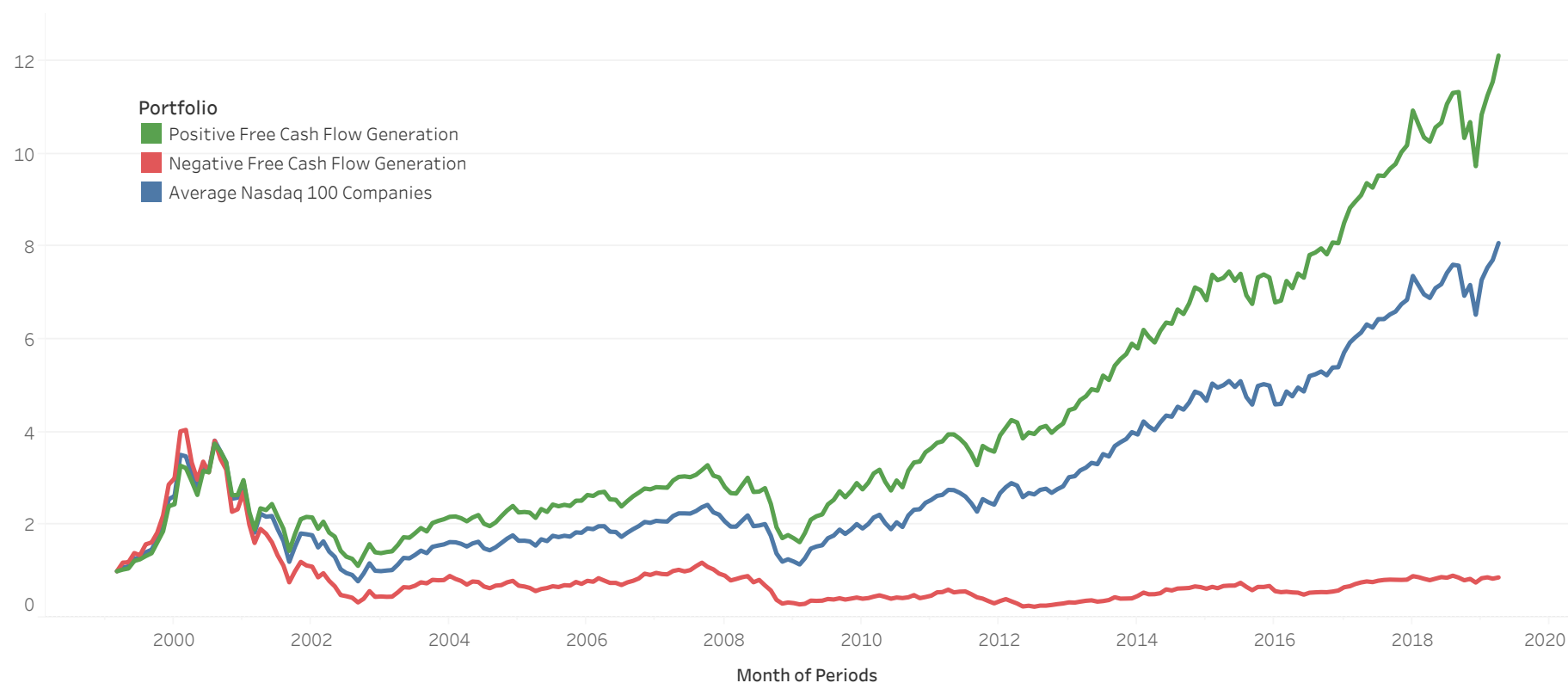
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Free Cash Flow conditions and their applications for Nasdaq 100 Companies



Free Cash Flow Generation Application for Nasdaq 100 Companies

Cumulative Growth of \$1 for Average Nasdaq 100 Stock Return with Positive/Negative Free Cash Flow Generation
03/31/1999 to 04/30/2019



Portfolio	Annualized Return	Annualized Volatility	Excess Return	Sharpe Ratio	Information Ratio	Maximum Drawdown
Positive Free Cash Flow Generation	13.17%	26.46%	2.25%	0.50	0.65	70.25%
Negative Free Cash Flow Generation	-0.71%	37.98%	-11.62%	-0.02	-0.65	94.18%
Average Nasdaq 100 Companies	11.00%	28.00%	0.00%	0.39	0.00	79.46%

Source: TrimTabs Asset Management, FactSet

Free Cash Flow Generation is the trailing-twelve-month Free Cash Flow. Free Cash Flow Growth is the year-over-year growth of the trailing-twelve-month Free Cash Flow. The hypothetical portfolios are constructed in an equally weighted, monthly rebalanced approach. They do not represent actual fund or portfolio performance.

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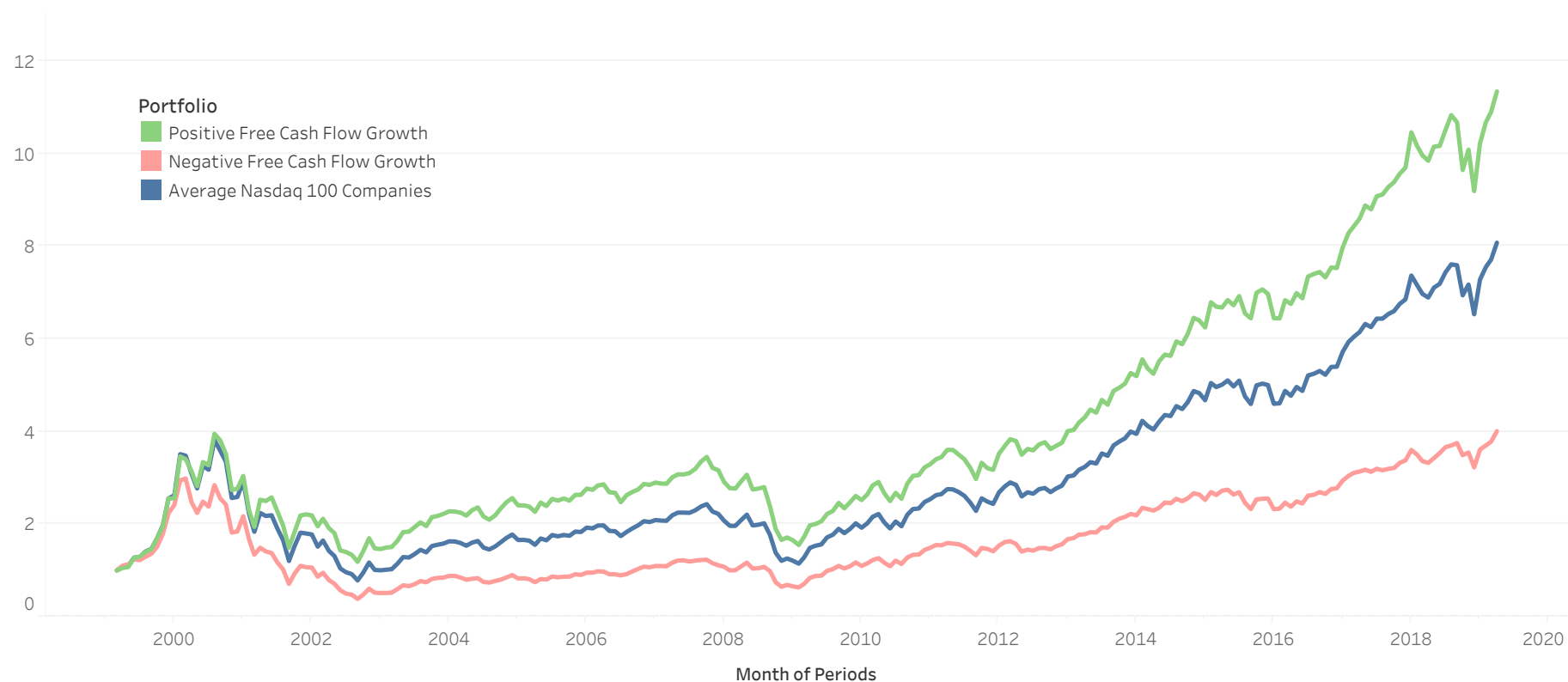
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Free Cash Flow conditions and their applications for Nasdaq 100 Companies



Free Cash Flow Application for Nasdaq 100 Companies

Cumulative Growth of \$1 for Average Nasdaq 100 Stock Return with Positive/Negative Free Cash Flow Growth
03/31/1999 to 04/30/2019



Portfolio	Annualized Return	Annualized Volatility	Excess Return	Sharpe Ratio	Information Ratio	Maximum Drawdown
Positive Free Cash Flow Growth	12.79%	27.23%	1.88%	0.47	0.44	69.99%
Negative Free Cash Flow Growth	7.12%	28.85%	-3.79%	0.25	-0.55	87.11%
Average Nasdaq 100 Companies	11.00%	28.00%	0.00%	0.39	0.00	79.46%

Source: TrimTabs Asset Management, FactSet

Free Cash Flow Generation is the trailing-twelve-month Free Cash Flow. Free Cash Flow Growth is the year-over-year growth of the trailing-twelve-month Free Cash Flow. The hypothetical portfolios are constructed in an equally weighted, monthly rebalanced approach. They do not represent actual fund or portfolio performance.

Definitions, Risks and Disclosures

Performance data quoted represents past performance; past performance does not guarantee future results. Index performance is not illustrative of fund performance. One cannot invest directly in an index. Please call 1-800-617-0004 for fund performance.

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1-800-617-0004. Read it carefully before investing.

Investing involves risk. Principal loss is possible. There is no guarantee that TTAC will achieve its investment objective. Investing involves risk, including the possible loss of principal. Because the Fund is an ETF (rather than a mutual fund), shares are bought and sold at market price (not NAV), may trade at a discount or premium to NAV, and are not individually redeemable. Owners of the shares may acquire those shares from the Fund and tender those shares for redemption to the Fund in Creation Unit aggregations only, consisting of 25,000 shares. Brokerage commissions will reduce returns. Investments in the Fund include risks associated with small and midcap securities, which involve limited liquidity and greater volatility than large-cap securities. Past performance does not guarantee future results. To obtain fund performance call 212-217-2514 or visit www.trimtabsfunds.com.

The TrimTabs All Cap US Free-Cash-Flow ETF is distributed by Quasar Distributors, LLC.

Free Cash Flow (FCF) represents the cash that a company is able to generate after accounting for capital expenditures.

The Nasdaq-100 Index includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization.

Fund holdings are subject to change at any time and should not be considered a recommendation to buy or sell any security. Click here for fund holdings.

Volatility is a statistical measure of the dispersion of returns for a given security or market index.

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