TTAI | TrimTabs All Cap International Free-Cash-Flow ETF (TTAI)

# Manager Review

TRIMTABS Asset Management

## Manager Review

**As of 12/31/2018**

### Fund Information

| | |
|---|---|
| Inception Date | June 27, 2017 |
| Ticker | TTAI |
| CUSIP | 89628W401 |
| Exchange | Cboe BZX Exchange, Inc. |
| IOPV Svmbol | TTAI.IV |
| NAV Symbol | TTAI.NV |
| AUM | 10,001,306 |
| Expense Ratio | 0.59% |

*IOPV, or Indicative Optimized Portfolio Value, is a calculation disseminated by the stock exchange that approximates the Fund's NAV every fifteen seconds throughout the trading day.*

### Quarter End Performance (%) as of 12/31/18

| | Quarter | 1 Year | Annualized Since Inception 6/27/17 |
|---|---|---|---|
| TTAI NAV | -15.61 | -16.77 | -6.82 |
| TTAI Market Price | -16.79 | -17.74 | -6.75 |
| S&P Developed EX US BMI | -13.28 | -14.83 | -3.97 |

***The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Performance current to the most recent month-end can be obtained by calling (toll free 800-617-0004).***

Source: Morningstar Direct

***A monthly commentary to familiarize you with our approach to investing.***

Janet Flanders Johnston, CFA
Portfolio Manager
TrimTabs Asset Management

For investors, the Grinch had the upper hand in December, delivering a "hard candy Christmas" with no "Santa Claus," or end of the year stock market rally. Developed markets outside of the US peaked late January and became bear markets (down 20%) by the end of December.

The TrimTabs All Cap International Free-Cash-Flow ETF was down 4.65% (NAV) for the month of December, and -16.77% for the year. For comparison, our benchmark the S&P Developed ex-U.S. BMI Index declined 5.25% for the month, and -14.83% for the year.

Going into 2018, many global economic indicators were suggesting synchronized global growth, which under normal circumstances, would provide a positive environment for stocks. However, by mid-year, many global economic indicators had peaked.

The Chinese economy started showing significant signs of slowing, which impacted their other, non-US, trading partners, such as Japan. As the perfect storm brewed, crude oil declined 40%, which reduced earnings estimates for all energy companies. Additionally, the broad protests in France over taxes continue, and the never-ending Brexit saga continues to be a drag on the UK economy.

Developed markets and their companies were directly influenced from President Trump's trade policies before they impacted US companies. All developed countries outside of the US have a higher percentage of GDP linked to global trade. When the protectionist rhetoric started early in the year, these markets began to discount the impact of potential US trade policies.

Markets abhor uncertainty, which can hinder a company's ability to plan, manage costs, and handle supply chain issues. Most importantly, protectionist policies can destroy competitiveness, and turn profitable companies into unprofitable ones, or at least marginally profitable enterprises.

To date, there has been much talk without a resolution. What's the end game? Are we in a "trade war" or a "cold war" with China? It was reported in the Financial Times that Wilbur Ross, the US Commerce Secretary, said that "auto and auto-parts tariffs are NOT off the table." It appears that some industry sectors which seemed off the table are back in play, in terms of trade negotiations. We believe any move in this direction would be negative for markets. On the other hand, any resolution to trade issues would be a big positive for both developed and US stock markets.

For many years, developed markets have underperformed the US stock market. This year the underperformance spread widened between the developed and US stock markets. On a positive note, TTAI and our benchmark strongly outperformed the US stock market in December, narrowing the spread. The S&P 500 was down 9.18%, posting its worst December since 1931.

Stocks appear cheaper now. Our sentiment data indicates that investors are bearish, with cash on the sidelines that could ignite a rally. There are many potentially positive catalysts for this market, including:

- Resolution of trade issues with China, the European Union, and other countries in the Pacific.
- UK resolving BREXIT issues.
- France reducing taxes.
- Reopening of the US government, along with policy stabilization.

## Top Holdings

| | Portfolio Weighting % |
|---|---|
| iShares MSCI South Korea Capped ETF | 3.15 |
| Wolters Kluwer NV | 1.57 |
| CGI Group Inc A | 1.53 |
| Tokio Marine Holdings Inc | 1.51 |
| Toho Gas Co Ltd | 1.46 |
| Diageo PLC | 1.43 |
| Tryg A/S | 1.42 |
| Strauss Group Ltd | 1.36 |
| Sika AG Registered Shares | 1.36 |
| CAE Inc | 1.35 |

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

***For further information please contact Alan Rubenfeld, Director of Sales at TrimTabs Asset Management at 212-217-2514 or via email at alan.rubenfeld@trimtabsfunds.com. www.trimtabsfunds.com***

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

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

The S&P Developed Ex U.S. BMI is a market capitalization weighted index that defines and measures the investable universe of publicly traded companies domiciled in developed countries outside the U.S. The Developed Index is float adjusted, meaning that only those shares publicly available to investors are included in the Developed Index calculation. It is not possible to invest directly in an index.

The S&P 500 is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

Japan had a slow 3rd quarter due to natural disasters. We continue to believe that there is good value in Japan, and that the Japanese economy is recovering. Oriental Land (4661 JP) operates the Disney property along with owning the concessions, restaurants, and hotels on-site. It is popular in Japan to eat Kentucky Fried Chicken on Christmas Day, and to visit Tokyo Disneyland over the holidays. We hope many Japanese families had a happy holiday at Tokyo Disneyland as it has been one of our favorite stocks in this fund. As active managers and within our models, we look for companies with global franchises that have a competitive edge or technological edge.

Like the US market, international developed markets pivoted to a narrow group of large capitalization growth and defensive names. Utilities, healthcare, and real estate have been the best sectors, while the financial and energy sectors have been the biggest laggards. Orexo AB (ORX SS) and CSL Ltd (CSL AU) have been two of our best performing healthcare names, while Indivior (INDV LN) has been our worst stock for the year. While the sector has been strong, INDV LN has had a slow product launch of Sublocade, which we believe will be a key product in combating the opioid epidemic. However, INDV LN rebounded in December and was our top performing stock.

In this environment, we will continue to buy “quality” companies with strong free cash flow and balance sheets. Free cash flow is fact, while earnings is opinion. Free cash flow enables companies the ability to adapt, or mitigate, any issues that may arise in this environment. Our companies tend to have some financial cushions. Our goal is to buy “all weather” companies that can be owned over a longer time frame, capable of adapting to market gyrations.

**We thank our shareholders for the opportunity to serve them. We wish all of you a happy, healthy, and prosperous 2019.**

Opinions expressed are subject to change any time, are not guaranteed and should not be considered investment advice.

*The fund’s investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary 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.*

**There is no guarantee that TTAI 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 largecap securities. Returns on investments in foreign securities could be more volatile than investments in domestic securities.**

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Source: Morningstar Direct