



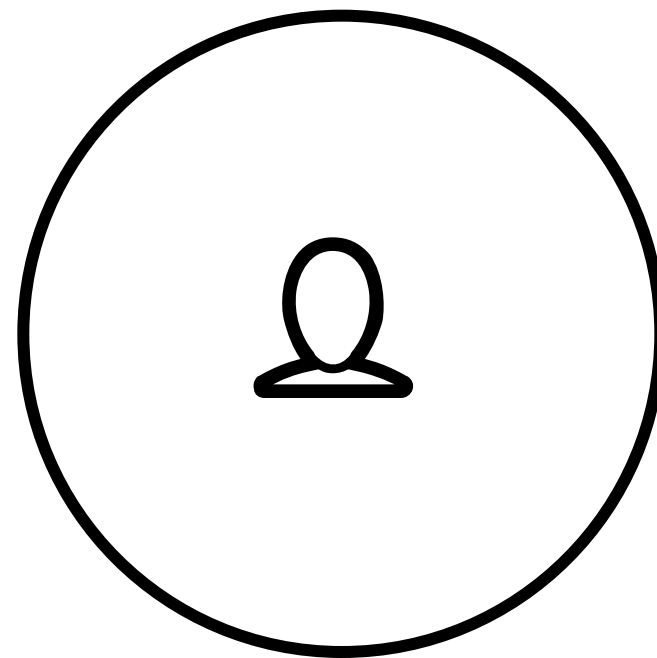
ACSI FUNDS

FEBRUARY 2017

AGENDA



**SATISFACTION
AS A FACTOR**



ACSI LEADERSHIP



ACSI ETF

ACADEMIC THESIS



Customer Satisfaction is a leading financial indicator



Systematic Informational Advantage is required to consistently generate alpha



Earnings surprises are where traditional financial metrics “catch up” to leading indicators

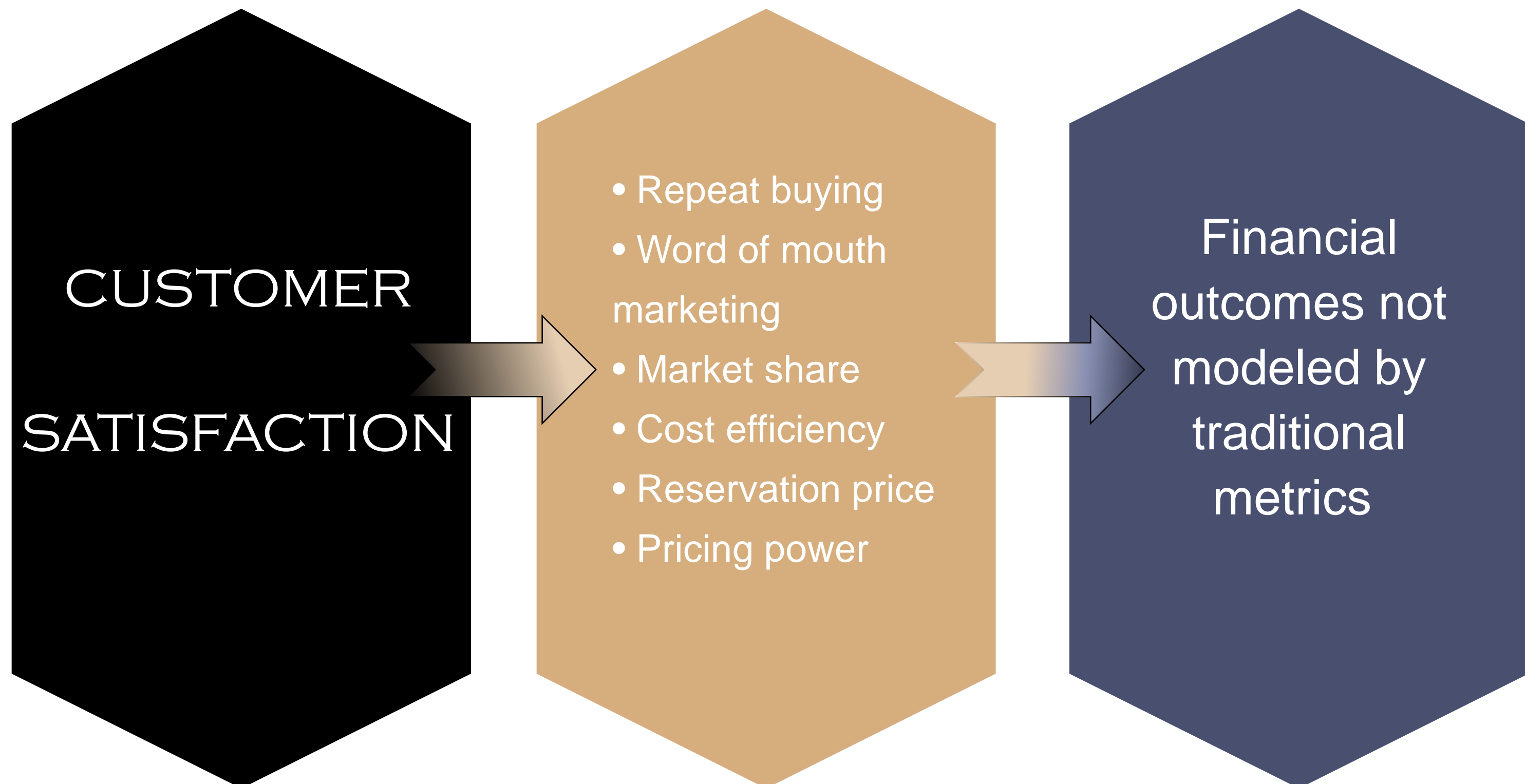


SATISFACTION
AS A FACTOR

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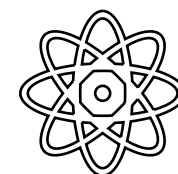
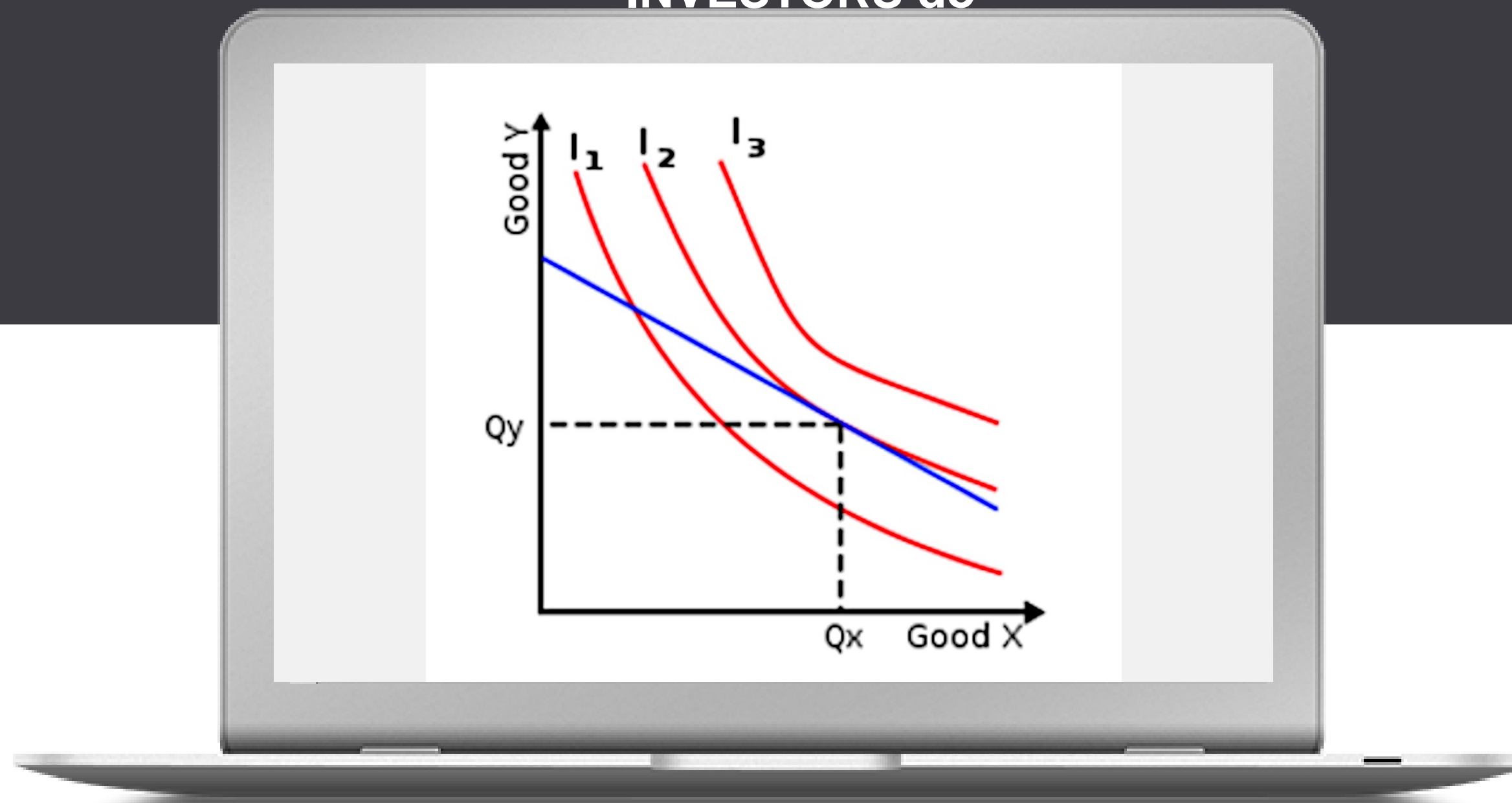


WHY SATISFACTION MATTERS



Collective Informational Advantage

CUSTOMERS (in the aggregate)
have certain value-relevant information before
INVESTORS do



Classical Economic Theory

Consumers allocate resources to maximize utility. Satisfaction is a proxy for utility.



VETTED THROUGH TIME

Customer satisfaction is a leading indicator of equity performance

- ◆ “One point in customer satisfaction (measured by ACSI) was associated with a 7% increase in cash flow...also find that the risk associated with future cash flows is reduced.” ¹
- ◆ “ A 1% change in ACSI is associated with a 4.6% change in market value.” ²
- ◆ “Citigroup analyst Jason Bazinet estimated that a 10-point improvement in the ACSI would translate to an increase of 500,000 basic video subscribers for Comcast.” ³

1. Gruca, Thomas and Lopo Rego (July-2005), “Customer Satisfaction, Cash Flow, and Shareholder Value”, *Journal of Marketing*

2. Fornell, Mithas, Morgeson, Krishman (Jan-2006), “Customer Satisfaction and Stock Prices: High Returns, Low Risk”, *Journal of Marketing*

3. Reuters, Feb-9-2010, “Comcast seeks reputation change with Xfinity brand”



SUSTAINABLE ALPHA

Customer satisfaction as a strategic factor increases with:

- 1** Global competition by providing more consumer choice
- 2** Advances in information technology by giving consumers access to information about sellers and their products and/or services
- 3** Lower consumer switching costs – companies with weak customer satisfaction are punished by customer defections
- 4** Self-optimization



A C S I F U N D S

HISTORY

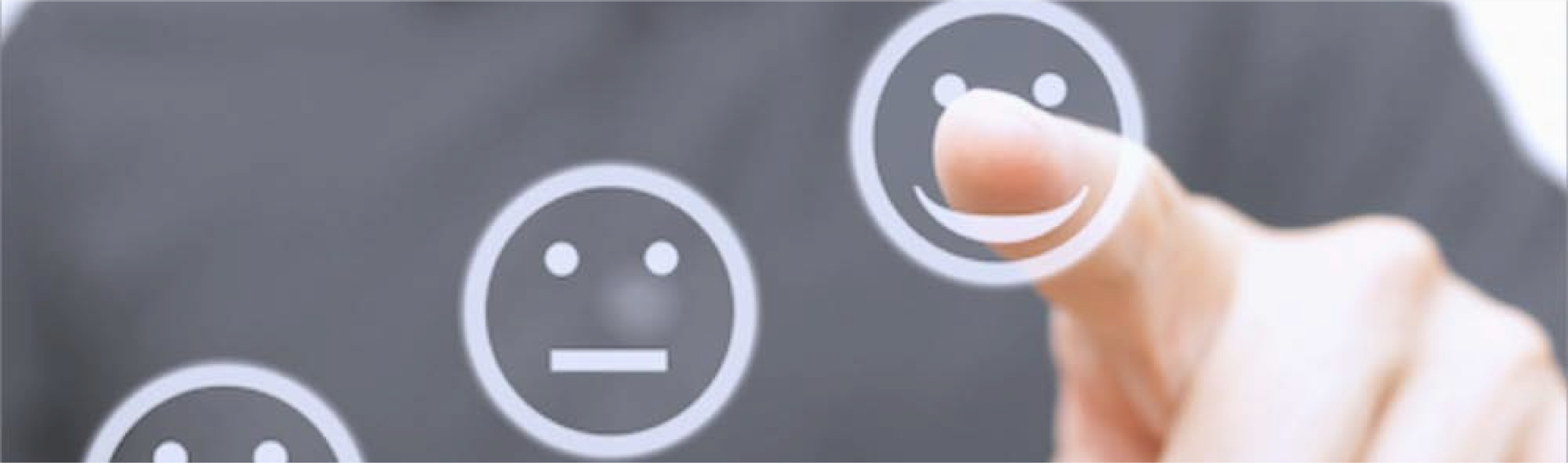


CLAES FORNELL

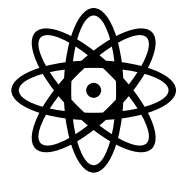
CHAIRMAN AND CO-FOUNDER

Dr. Fornell is The Donald C. Cook Distinguished Professor Emeritus at the Stephen M. Ross School of Business, University of Michigan. Dr. Fornell founded the American Customer Satisfaction Index (ACSI)—a monthly economic indicator of the quality of economic output. Dr. Fornell is the author of several books and hundreds of articles examining customer satisfaction and consumer behavior. According to the *International Journal of Research in Marketing*, Dr. Fornell is the author of 3 of the 20 most influential papers in marketing science published in leading academic marketing journals (and 5 of the top 50) over a 20-year period. Dr. Fornell's seminal book, *The Satisfied Customer*, is a must-read blueprint for understanding the value of customer satisfaction in modern business practice. In addition to ACSI and ACSI Funds, Dr. Fornell has founded several companies, including CFI Group and ForeSee Results. He is the world's leading authority on customer satisfaction, its measurement and analysis, and regularly appears in broadcast and print media.



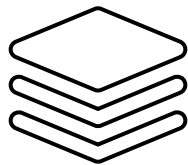


OVERVIEW



ORIGINS

Based in academia



PROCESS

Proprietary data +
Patented econometric
modeling = Unique insight



CREDIBILITY

ACSI is utilized by researchers,
governments, and companies as an
effective measure of customer
satisfaction globally

ACSI FUNDS AT A GLANCE

Portfolio
Construction

DATA COLLECTION



American Customer Satisfaction Index (ACSI) conduct 100,000+ interviews
- Get data from people who ACTUALLY used the good or service. Customers not just consumers.

DATA ANALYSIS



Calculate Customer Satisfaction using a proprietary econometric model. Output includes:

- ✓ Level
- ✓ Delta
- ✓ Industry relative
- ✓ Elasticity
- ✓ Expectation adjusted
- ✓ Market reflected
- ✓ Revenue adjusted





ACSI ETF

Ticker: ACSI

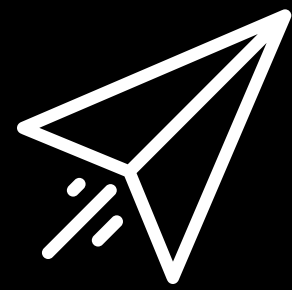
Inception: November 1, 2016

Investment Style: US Large Cap
Core

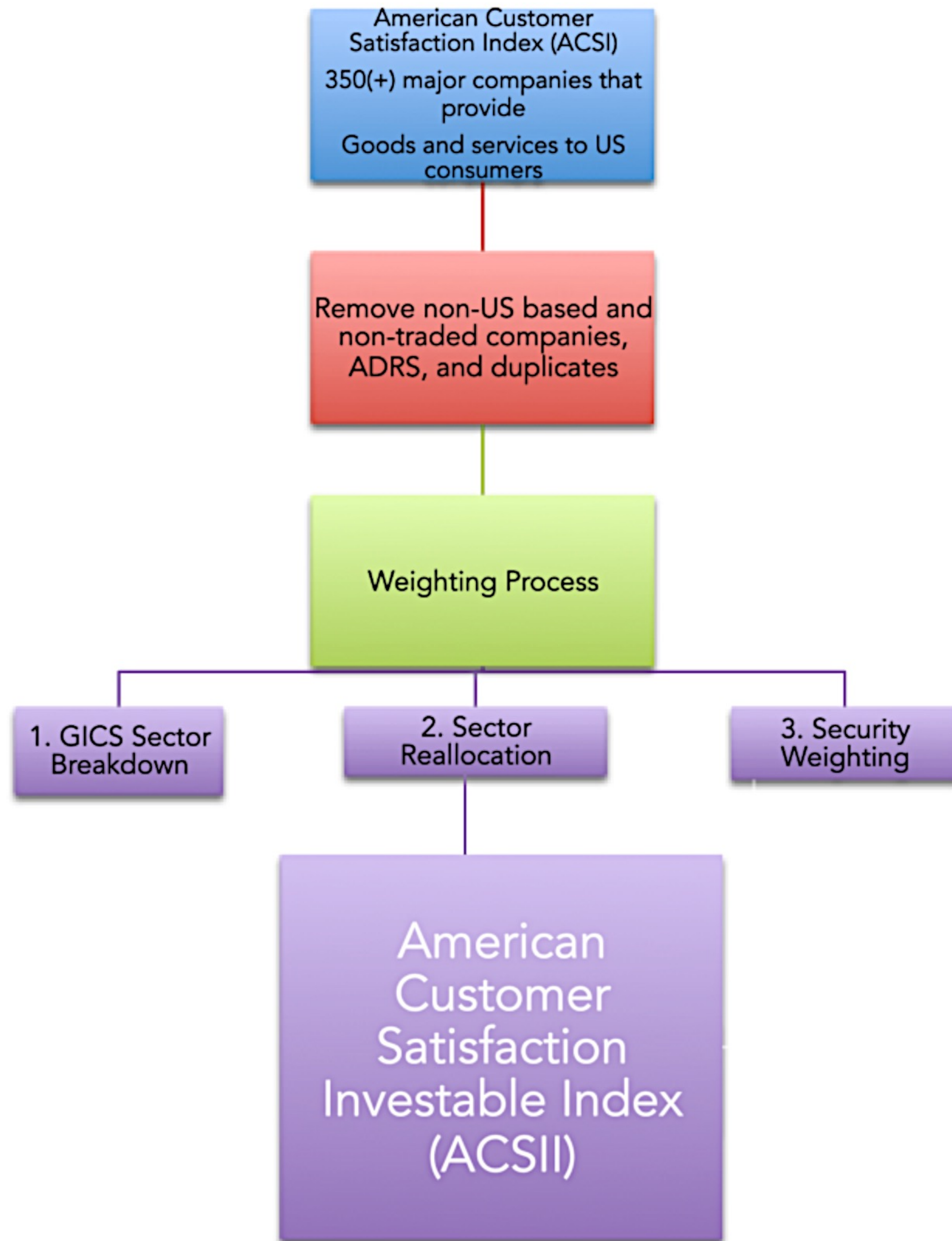
Expense Ratio: 0.65%

Number of Holdings: 167

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ACSIITR Investable Index



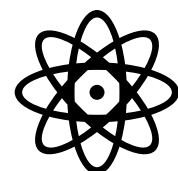
Position Weighting and Risk Management



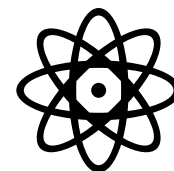
- Sectors are initially weighted according to their underlying security representation within the total ACSII Universe
- Sector constraints applied in the form of “tolerance bands” to ensure Index does not stray too far from benchmark
- Individual securities are weighted as a function of their customer satisfaction score relative to their industry (the higher the score, the higher the weight)
- Satisfaction leadership within an industry has immense value and gets additional weight
- No single security in the portfolio will exceed a 5% position size



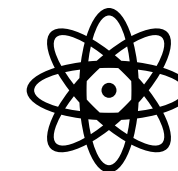
GOING FORWARD



Customer satisfaction will become a more significant driver of stock price as the world becomes more competitive and technologically advanced



ACSI Funds receives monthly company data to assure intra-period company movements are studied



As others incorporate customer satisfaction as a predictive investment factor ACSI Funds will benefit

ACSI FUNDS THOUGHT LEADERSHIP



ZACKS
Our Research. Your Success.

 **Is Customer Satisfaction the Hidden Key to Stock Outperformance?**
by **Eric Dutram** Published on January 24, 2017



Q & A

DISCLAIMER

This document has been prepared by ACSI Funds (the “Manager”) for information purposes only.

Backtested performance is NOT an indicator of future actual results. The results reflect performance of a strategy not [historically] offered to investors and do NOT represent returns that any investor actually attained. Backtested results are calculated by the retroactive application of a model constructed on the basis of historical data and based on assumptions integral to the model which may or may not be testable and are subject to losses.

General assumptions include: ACSI Funds would have been able to purchase the securities recommended by the model and the markets were sufficiently liquid to permit all trading. Changes in these assumptions may have a material impact on the backtested returns presented. Certain assumptions have been made for modeling purposes and are unlikely to be realized. No representations and warranties are made as to the reasonableness of the assumptions. This information is provided for illustrative purposes only.

Backtested performance is developed with the benefit of hindsight and has inherent limitations. Specifically, backtested results do not reflect actual trading or the effect of material economic and market factors on the decision-making process. Since trades have not actually been executed, results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity, and may not reflect the impact that certain economic or market factors may have had on the decision-making process. Further, backtesting allows the security selection methodology to be adjusted until past returns are maximized. Actual performance may differ significantly from backtested performance.

Backtested results are adjusted to reflect the reinvestment of dividends and other income and, except where otherwise indicated, are presented gross-of fees and do not include the effect of backtested transaction costs, management fees, performance fees or expenses, if applicable.

It is not possible to invest directly in an index and an index does not incur the transaction costs that the investment strategy does. Please note that there may be material differences between the benchmark (index) and the investment strategies in terms of their composition, including, but not limited to level of diversification and exposure and amount of exposure to certain types of investments such as commodities or foreign equities; and their level of risk, as measured by volatility and/or other methods.

Past performance is not necessarily indicative of future results. All information provided herein is for informational purposes only and should not be deemed as a recommendation to buy or sell securities and should not be relied on in making any investment decision. All investments involve risk including the loss of principal. Potential investors must be eligible to invest in the Fund and satisfy the suitability requirements set forth in the Fund's offering documents.

This transmission is confidential and may not be redistributed without the express written consent of the Manager and does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product. Any such offer or solicitation may only be made by means of delivery of an approved confidential offering memorandum.



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