



BERNSTEIN

BERN INVESTMENT CASE

Bernstein U.S. Research Fund

Ticker: BERN

The Bernstein U.S. Research Fund (BERN) allows investors a convenient method of accessing the best research ideas of one of the world's leading investment research firms in a convenient and transparent ETF structure.

The Fund tracks the performance of the Bernstein U.S. Research Index (before fees and expenses), which includes stocks that are rated "outperform" by Bernstein research analysts and ranked in the top three quintiles of Bernstein's published quantitative alpha model.

The fund provides investors with access to:

- The best ideas of one of the world's leading investment research teams
- Insightful quantitative analysis
- Potential benefits arising from the pairing of quantitative and fundamental analysis
- Thoughtful index construction

Bernstein U.S. Research Fund

Ticker: BERN

Leading Investment Research

Bernstein has been providing investors with industry-leading research for well over 40 years. The firm is one of only three top-ranked research firms from the 1970s that was still top-ranked in 2018.¹

Weighted Rank	1974 Institutional Investor Leaders Firm	Weighted Rank	2018 Institutional Investor Leaders Firm
1	Oppenheimer & Co.	1	
2	Mitchell, Hutchins & Co.	2	
3	H.C. Wainwright & Co.	3	
4	Donaldson, Lufkin & Jenrette	4	Morgan Stanley
5	William D. Witter	5	
6	Baker, Weeks & Co.	6	
7	Drexel Burnham	7	
8	Auerbach, Pollack & Richardson	8	Sanford C. Bernstein
9	Morgan Stanley	9	
10	Bear Sterns	10	
11	Coleman	11	
12	Goldman Sachs	12	
13	G.S. Grunman & Associates	13	Goldman Sachs
14	EF Hutton	14	
15	Smith Barney	15	
16	Kidder, Peabody	16	
17	Lehman Brothers	17	
18	Faulkner, Dawkins & Sullivan	18	
19	G.H. Walker, Laird & Co.	19	
20	Loeb, Rhoades & Co.	20	
21	C.J. Lawrence	21	
22	Alliance One	22	
23	F. Eberstadt & Co.	23	
24	L.F. Eberstadt	24	
25	First Manhattan	25	
26	Jas. Oliphant & Co.	26	
27	Delafield Childs	27	
28	Sanford C. Bernstein	28	
29	Spencer Trask	29	

Bernstein's research has consistently received top rankings in the Greenwich Associates Portfolio Manager's Survey.² Bernstein was ranked Number 1 in the "Best Industry Knowledge" category from 2004 - 2017.³ They were ranked Number 1 in "Quality of Research" from 2004 - 2016³ and "Quality of Analyst Service" from 2003 - 2018. The firm was ranked Number 1 in the "Most Intense Coverage" in 2018, the category's first year.

Bernstein's culture emphasizes and cultivates a strong research effort.

Hiring Industry Experts

Bernstein seeks to hire research analysts who have experience in the industries which they will cover. In fact, Bernstein's senior analysts are recruited from the industries that they will cover. Many analysts have management consulting backgrounds from top firms like McKinsey and Boston Consulting Group, in addition to working directly for companies in the industry. On average, Bernstein analysts have nine years of prior industry experience before being hired by the firm.

Bernstein conducts an extensive search to recruit new analysts. An average search takes 25 months as the firm aims to find the best-qualified person for the role. Searches are never rushed. Most Bernstein analysts hold advanced degrees from the world's most prestigious universities and go through a series of 15 interviews.

Bernstein U.S. Research Fund

Ticker: BERN

Extensive Training

New analysts prepare for a full year before starting formal coverage of an industry. This time is dedicated to industry and company research as well as financial and valuation analysis so that the analyst is an expert in the industry before publishing research.

Bernstein's industry-leading research is no accident. Bernstein works to ensure that its culture is conducive to producing best-in-class research.

Insightful Quantitative Analysis

Bernstein's research is not limited to fundamental research. The firm has deep experience in the field of quantitative research. Bernstein's quant team has developed models to objectively evaluate equity investments as well as control portfolio risk.

Best of Quant and Fundamental

Fundamental and quantitative analysis are two different, and often competing, approaches to investing. Many investment products utilize either fundamental or quantitative analysis as the basis for portfolio management. Often investors are forced to choose between the two. However, rather than being competitive methodologies, we believe that fundamental and quantitative are complementary strategies. Each has its strengths and potential drawbacks. What are these?

STRENGTHS OF FUNDAMENTAL ANALYSIS

- Tends to be differentiated and difficult to reproduce.
- Dependent on the analyst's ability to interpret different data points and draw a conclusion.
- May be more effective at evaluating intangible assets of a company.

POTENTIAL DRAWBACKS OF FUNDAMENTAL ANALYSIS

- Labor intensive.
- Analysts can only reasonably cover a limited number of companies.
- Recommendations may be uneven with an overemphasis on buys.

STRENGTHS OF QUANTITATIVE ANALYSIS

- Analysis is consistent and disciplined, not subject to analyst bias.
- Even distribution of attractive vs. unattractive stocks.
- A large number of companies can be analyzed on a more frequent basis.

POTENTIAL DRAWBACKS OF QUANTITATIVE ANALYSIS

- May not be able to analyze non-financial information.
- Data is often historical and may be slow to reflect changing expectations.

Combining both fundamental and quantitative methodologies may help investors realize the complementary benefits of these two different styles of investments.

Bernstein U.S. Research Fund

Ticker: BERN

Insightful Index Construction

The Bernstein U.S. Research Index, which serves as the basis of the BERN ETF, has a three-step construction process. First, stocks are ranked by fundamental analysts. Second, stocks are ranked by the firm's quantitative alpha model. Third, the index is constructed with stocks that rank highly by fundamental analysts and by the quantitative model.



Fundamental Component

Only stocks which are ranked "outperform" by Bernstein analysts are eligible for purchase in the portfolio. What are the elements that help to shape an analyst's recommendations?



Analysts begin by analyzing the overall industry. They aim to determine the long-term growth rate of the industry. They then analyze the structure of the industry including the major players, market share concentration, costs structures, customers, intensity of competition, and potential industry disruptions.

Analysts look to determine who are the likely winners within their industries. Who has the competitive advantage? Who has the most coherent strategy and execution? Which companies have stronger management teams and cultures.

Analysts, using a variety of valuation models, seek to determine attractive prices at which to purchase a stock and the price where it no longer offers any value.

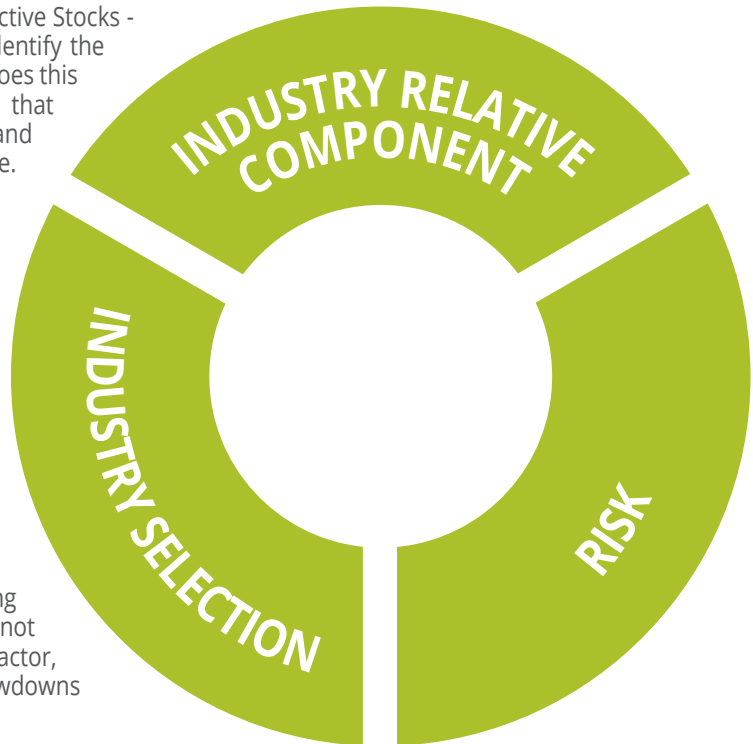
Bernstein U.S. Research Fund

Ticker: BERN

Quantitative Component

The quantitative model has three key components:

- Industry Relative Component – Finding Attractive Stocks - The industry relative component looks to identify the most attractive stocks within an industry. It does this by identifying specific fundamental factors that are important to stocks within an industry and creating a stock picking model based on these.
- Industry – Picking the Most Attractive Industries - The industry component looks to rank the attractiveness of each industry. The industry component utilizes three blocks of factors to rank industries:
 - valuation
 - capital use
 - price momentum
- Risk – Conditioning the Model Based on Risk Measures - The risk component aims to emphasize high or low-risk stocks depending on the risk regime. The risk component is not considered an alpha (or return-enhancing) factor, but rather a way to potentially mitigate drawdowns (or a peak-to-trough decline).



Construction

- Only stocks which are ranked “outperform” by the firm’s fundamental analysts and are ranked in the top three quintiles of the Bernstein Quantitative Alpha Model are purchased in the index.
- The index is rebalanced monthly.
- New stocks are given an equal weighting and the index is brought back to equal weight on the last day of each calendar year.

By seeking to replicate, before fees and expenses, the Bernstein U.S. Research Index, the BERN ETF seeks to provide investors with the best of Bernstein research.

Potential Benefits of BERN

Potential benefits of BERN include:

- Access to leading investment research from one of the world’s premier investment firms
- Experienced research team
- The potential synergistic strengths derived from the combination of fundamental and quantitative investment strategies

The Bernstein U.S. Research Fund (BERN) May Be Appropriate For:

- Investors seeking core equity exposure.
- Investors seeking a focused, high-conviction portfolio.
- Investors seeking a disciplined approach to a strategy that utilizes fundamental research.

Disclosure:

Carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Fund's prospectus, which may be obtained by visiting www.bernsteinetf.com. Investors should read it carefully before investing or sending money.

The NAV of the Fund's shares is calculated each day the national securities exchanges are open for trading as of the close of regular trading on the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern time (the NAV Calculation Time). Shares are bought and sold at market price not NAV. Closing price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined) and do not represent the returns you would receive if you traded shares at other times. Shares of the Funds may be bought and sold throughout the day on the exchange through a brokerage account. However, shares are not individually redeemable, and may only be redeemed directly from the Fund by Authorized Participants in very large creation/redemption units. Shares may trade at, above or below NAV. Brokerage commissions will reduce returns.

Investing involves risk, including possible loss of principal. The Funds are concentrated in large-cap stocks and therefore may be susceptible to an increased risk of loss due to adverse occurrences to the extent that the Funds' investments are concentrated in that sector. The Funds' returns may not match or achieve a high degree of correlation with the return of the Indices. In addition to normal risks associated with investing international investments may involve risk of capital loss from unfavorable fluctuations in currency values, from differences in generally accepted accounting principles or from social, economic or political instability in other nations. Indices are unmanaged and do not include the effect of fees. One cannot invest directly in an index. There is no guarantee the Funds will achieve their stated objectives.

Exchange Traded Concepts, LLC serves as the investment advisor, and Vident Investment Advisory, LLC serves as a sub advisor to the fund. The Funds are distributed by SEI Investments Distribution Co. (1 Freedom Valley Drive, Oaks, PA, 19456), which is not affiliated with Exchange Traded Concepts, LLC or any of its affiliates.

This information is not meant to be investment advice.

¹According to a 1974 and 2018 Institutional Investors All-America Research Team survey. The Institutional Investor All-America Research annual rankings are determined by Institutional Investor magazine by polling active money managers for institutional clients with a minimum threshold for assets under management. The voting is unprompted and confidential, and is conducted through a web-based survey.

²Greenwich Associates Portfolio Manager Survey, 2000–2018 results. The Greenwich Associates PM survey annual rankings are determined by Greenwich Associates through interviews with portfolio managers. The results are published for the top 20 firms.

³No longer a survey question.

