

Investment Case: BioShares™ Biotechnology Clinical Trials ETF (BBC)

Understanding BBC

The BioShares™ Biotechnology Clinical Trials Fund (Nasdaq: BBC) is an ETF that seeks to track an index of companies compiled by LifeSci Index Partners. It is designed to offer investors exposure to a select group of biotechnology companies with a principal focus on running human clinical trials, as opposed to sales of approved and marketed products. The LifeSci Biotechnology Clinical Trials Index is calculated and disseminated by an independent third party, Indxx, LLC.

Why does biotechnology matter?

Biotechnology is one of the most dynamic, high-growth sectors in the global economy today. Everything ranging from antivirals, antibiotics and cancer-fighting medicines to gene therapies, cell-based therapies and enzyme replacement therapies are developed in the biotech sector. The sector is also incredibly diverse, ranging from nimble, entrepreneurial start-ups to more-established global giants.

What are biotechnology clinical trials, and why are they important?

Biotechnology trials companies conduct clinical human trials in the hopes of eventually gaining FDA approval. Every approved drug that is administered to patients for a wide array of medical disorders began as a “lead compound,” a molecule or therapy that shows promise in treating a disease. But the path from clinical trials to FDA approval and production is a long one. On average it takes a drug 13.7 years to go from the experimental stage, through human trials, approval, and into production. The development process is punishing: just 3% of lead compounds make it past all the hurdles and onto the market. In addition, this process is expensive, often costing more than \$1 billion for a single drug to reach the market, requiring a constant focus on financing via partnerships, licensing deals and corporate financings and sometimes mergers and acquisitions.

Clinical trial stage biotech firms are important because they work at the cutting edge of experimental biotechnology: taking risks, testing out innovative approaches and novel compounds that, if approved, could one day become blockbuster drugs.

Pure, Targeted Exposure

With BBC, investors gain pure exposure to a crucial segment of the biotechnology sector: companies with promising drugs that are in clinical human trials but have not yet been approved by the FDA or gone into production.

No other ETF on the market allows investors to target their biotech exposure with this critical distinction.

In order to achieve pure clinical biotech exposure, BBC excludes companies such as generic and specialty pharmaceuticals, life science tools, and medical device manufacturers. Such firms are frequently included in “biotech” ETFs, but are actually “related biotech industries” and do not share the same financial and investment characteristics of pure biotechnology companies, and certainly do not work in the specific realm that BBC targets: biotechnology clinical trials.

	Company Type	Lifesci Biotech Indexes		Other Biotech Indexes
		BBC	BBP	
Pure Biotech	Clinical Trials	✓	No	✓
	Products	No	✓	✓
Biotech-Related	Generic & Specialty Pharma	No	No	✓
	Life Science Tools	No	No	Maybe
	Medical Device and Diagnostics	No	No	Maybe
	Other Healthcare Companies	No	No	Maybe

Note: For more information about index methodology, please see bioshares.com

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Equal Weighting

BBC's equal weighting approach allows each security's performance to affect the ETF equally, regardless of the size of the company. In this way, a relatively small firm enjoying a major breakthrough can have a meaningful impact on the ETF. An equal weighting also serves to minimize the outsize impact that a handful of mega-cap biotech companies can have on more traditional, market cap weighted indexes.

Constituent Selection

Potential ETF constituents are first screened for market capitalization; a minimum of \$250 million in market cap is required for inclusion, and demonstrates institutional backing. Potential constituents are further screened for liquidity, and, for example, must have a minimum average daily volume of \$1 million ensuring that the security can be easily bought and sold on the open market.

Experienced health care investment professionals

BBC has been designed from the ground up by a seasoned team of experts to provide previously unavailable, highly targeted exposure to clinical biotechnology companies. Headed by scientists with PhDs in organic chemistry, molecular biology, and medicinal chemistry, as well as investment professionals with decades of experience in the health care sectors, LifeSci Index Partners has brought its unique insight to bear on the biotech investment space.

Carefully consider the Fund's investment objective, risk factors, charges, and expenses before investing. This and additional information can be found in the Fund's prospectus, which can be obtained by calling 1-888-383-4184 or at www.bioshares.com. Read the prospectus carefully before investing.

An investment in the Fund is subject to investment risks; therefore you may lose money by investing in the Fund. There can be no assurance that the Fund will be successful in meeting its investment objective. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Narrowly focused investments typically exhibit higher volatility.

There are additional risks related to investing in the biotechnology sector. The Fund's assets will be concentrated in the biotechnology sector, which means the Fund will be more affected by the performance of the biotechnology sector than a fund that was more diversified. The securities of biotechnology companies, especially those of smaller or newer companies, tend to be more volatile than those of companies with larger capitalizations or markets generally.

The information presented here is for informational purposes only. It was prepared on information and sources that we believe to be reliable, but we make no representations or guarantees as to the accuracy or the completeness of the information contained herein.

This information is not intended to be individual or personalized investment or tax advice. Please consult a financial advisor or tax professional for more information regarding your tax situation.

LifeSci Index Partners, LLC is the Index Provider and Indxx is the Index Calculation Agent. Etfis Capital LLC serves as the investment advisor and LifeSci Index Partners, LLC serves as the sub-advisor to the Fund. The Fund is distributed by ETF Distributors LLC, an affiliate of Etfis Capital LLC.



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