ETF TRENDS

A Smarter ETF Approach for Yield-Starved Investors

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High-yield dividend stocks offer attractive income opportunities but come with their own set of risks. However, in an attempt to limit the risks, a recently launched exchange traded fund focuses on more quality companies to help separate the wheat from the chaff.

The WBI Power Factor High Dividend ETF (NYSEArca: WBIY), which tries to reflect the performance of the Solactive Power Factor High Dividend Index, selects securities from the broader Solactive US Broad Market Index that exhibit certain yield and fundamental value characteristics.

"We launched WBIY at a volatile time and we believe that it also happened to be the best time given the opportunity that the strategy creates for investors who aim to preserve their capital and earn income from their portfolio in a low-return and unpredictable environment," said WBI Investments CEO Don Schreiber, Jr. "We introduced WBIY as a smarter approach versus the now popular, and in some instances flawed, smart beta strategies currently available. It's our multi-factor, dividend-based model that's the key difference because it's rooted in three decades of investment management experience."

The underlying index screens for equity securities with an above-average forecasted dividend yield and further scores components based on three fundamental value characteristics, including price to trailing 12-month diluted earnings from continuing operations ratio, price to trailing 12-month free cash flow and price to trailing 12-month sales ratio. The 50 companies with the largest dividend indicated yield are chosen as underlying holdings and are weighted by dividend yield.

High dividend yielding stocks may offer attractive payouts, but many view these companies as riskier bets among dividend payers since there is always the chance that the companies will not be able to keep up with the higher payouts.

By focusing on companies with strong fundamental factors, the high-dividend ETF strategy may allow investors to capture yield-generating opportunities and limit exposure to more quality companies that are better capable of sustaining the high dividend payouts.

"It's a new strategy for yield-starved investors seeking more consistent capital growth with lower volatility and less risk from the guys who wrote the book on dividend investing," according to WBI Shares.

Due to its indexing methodology and focus on valuation criterias, WBIY is trading at a relatively cheap 11.83 price-to-earnings ratio, compared to the S&P 500's 18.51 P/E.

The high-yield dividend ETF tilts toward big companies, including 22.8% mega-caps, 40.0% large-caps and 24.6% mid-caps. Top sector weights include consumer cyclical 27.5%, utilities 17.2%, tech 10.3%, telecom services 9.8% and basic materials 7.2%.

Top holdings include AT&T 5.1%, Ford Motor 5.0%, AbbVie 5.0%, LyondellBasell Industries 4.9% and Valero Energy 4.9%.

IMPORTANT INFORMATION

An investment in the Fund is subject to investment risk, including the possible loss of principal amount invested. Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. High yielding stocks are often speculative, high risk investments. These companies can be paying out more than they can support and may reduce their dividends or stop paying dividends at any time, which could have a material adverse effect on the stock price of these companies and the Fund's performance. The Fund is not actively managed and the Sub-Advisor does not attempt to take defensive positions in declining markets. Unlike many investment companies, the Fund does not utilize an investing strategy that seeks returns in excess of its Underlying Index. There is no guarantee that the Fund will achieve a high degree of correlation to the Underlying Index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the Fund's ability to adjust its exposure to the required levels in order to track the Underlying Index. Other Fund risks include but are not limited to concentration risk, cyber security risk, small and mid-cap risk, tracking error risk, premium/discount risk, and valuation risk. Additional details regarding the risks of the Fund can be found in the prospectus.

Investors should consider the investment objectives, risks, charges, and expenses carefully before investing. For a prospectus and summary prospectus containing this and other information about the Fund please visit our website at www.wbishares.com or call 1-800-772-5810. Read the prospectus carefully before investing.