



NEWS RELEASE

Barron's 400 ETF Rebalance Identifies Significant Areas Of Quality Across Broad Segments Of The U.S. Economy Despite The Ongoing Crisis Caused By COVID-19

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STOCKPICKER'S INDEX REPLACES 45% OF ITS CONSTITUENTS, IN LINE WITH ITS HISTORICAL AVERAGE

DENVER, Sept. 21, 2020 /PRNewswire/ -- The Barron's 400 ETF (NYSE Arca: BFOR), a smart beta exchange-traded fund that seeks to track the Barron's 400 Index (B400), has completed its semi-annual rebalance based on the reconstitution and equal weighting of its underlying benchmark. B400 was designed to give investors a means of tracking some of America's highest-performing companies based on the strength of their financials and the attractiveness of their share prices. Launched in 2007, B400 was jointly developed by Barron's, America's premier financial magazine, and MarketGrader, an independent equity research and indexing firm. In order to adhere to B400's growth at a reasonable price (GARP) investment philosophy and focus on long-term capital appreciation, the Index is reconstituted and rebalanced twice a year, ensuring B400 is composed of the top-ranked stocks from the universe of U.S. equities covered by MarketGrader's research, regardless of sector or market capitalization.

The five largest names among the mega cap companies that were removed from B400 were JPMorgan Chase, Visa, Mastercard, Intel and Bank of America; whereas the five largest new additions were Procter & Gamble, Home Depot, Salesforce, Broadcom and UPS.

From a sector standpoint, whereas in March Financials and Technology both reached the Index's 20% sector cap (80 names), this time only Financials hit its ceiling, extending a streak that goes back to March 2014. And while Technology continues to be well represented in B400 as the Index's second largest sector, it lost four names on a net basis from the March selection. With 76 names, it is still overweight relative to its historical average of 70 names while Financials is also overweight compared to an average of 61 companies selected every six months. Industrials,

with 75 companies, continues to be B400's third largest sector based on company count. It is also overweight by six names relative to its historical average of 69 companies per rebalance period, underscoring the ongoing strength B400 is finding in U.S. manufacturing and across industries with significant exposure to a rebounding U.S. economy.

Carlos Diez, CEO and Founder of MarketGrader said, "Against a backdrop of investor angst about a decelerating global economy and rock-bottom interest rates, it is important to note that the methodology that unemotionally judges stocks based on company fundamentals and selects them to the Barron's 400 Index continues to find ample opportunities for long-term capital appreciation among U.S. equities. This is particularly true among quality growth companies outside the mega-cap technology stocks that seem to dominate the market's daily headlines. We believe the U.S. economy will rebound strongly once it fully reopens and it resumes its high growth trajectory of recent years and in such an environment we expect companies that have flown under the radar in recent months to do better than many of the mega cap technology stocks that have dominated the market cap benchmarks. We assume not only that a stronger U.S. economy will favor many cyclical sectors broadly but also that a change in market leadership might be in the cards given some of the valuations reached recently by the market's highflyers."

While B400's size make-up didn't change much, there was a shift out of larger capitalization companies and into smaller companies. More specifically, while 45 companies with market caps above \$20 billion were removed from the Index, only 33 new companies from that same size segment were added. Meanwhile, whereas 109 companies with market caps below \$10 billion were removed from B400, 117 new companies in that size category were added.

The newest version of B400 will replace 180 companies from the March reconstitution with fresh names, equivalent to a turnover ratio of 45%. Among the 220 companies that the Index retained from our March 2020 selection, 135 have been members of B400 for at least a year, 34 have been members for at least two years, 22 for at least three years and eight for at least five years. This last group includes Apple (AAPL), which has been a continuous member of B400 since September 2006. In fact, the company was first selected to the Index in February 1999, although it was not in B400 continuously through September 2006. Among the 220 companies that remain in the Index from March, 142 were first selected to the Index 10 or more years ago (although they have not been continuous members since their original selection).

B400's last effective rebalance date was March 23, 2020, which, by pure coincidence, was also the day the U.S. equity market hit bottom following its sharp pandemic-induced decline in February and March, which affords us the opportunity to compare how the newly reconstituted Index performed since the market bottom compared to the broad market benchmarks. Starting on March 23, through September 18, B400 had a 56.5% price return (excluding dividends), compared to 51.1% for the Russell 3000 Index, a benchmark of the overall U.S. equity investable universe, 50.9% for the Russell 1000 Index, 53.3% for the Russell 2000 Index, 48.4% for the S&P 500 Index, and

53.9% for the S&P MidCap 400 Index.

The 220 companies from the March 2020 selection that the Index retained following this latest reconstitution had an average gain of 65.5%, while the 180 companies being replaced had an average gain of 50%. The latter group, though, also saw their MarketGrader Overall Score decline, on average, by 22% from their March selection date.

The reconstitution has once again raised the fundamental health of the Index. This increase is a function of B400's design, which selects the 400 highest scoring companies listed on U.S. exchanges every six months. MarketGrader's equity rating system assigns nearly all investable U.S. stocks a grade on a scale of 0-100 based on a proprietary combination of 24 fundamental indicators across 4 categories of fundamental analysis – growth, value, profitability and cash flow – picking the top ranking companies for BFOR's underlying Index after screening for size and sector diversification as well as liquidity.

Current Fund Holdings >>

For more information about the Barron's 400 ETF (BFOR), please visit <http://www.barrons400etf.com>.

About MarketGrader

MarketGrader is a Miami-based provider of independent global equity research and indexes that was founded on the belief that fundamental analysis and transparency are central to better investment decision-making. Formed in 1999, MarketGrader offers investors an online research service that aggregates financial data on publicly traded companies and analyzes them based on a proprietary quantitative methodology using 24 fundamental indicators across growth, value, profitability and cash flow. The company's growth at a reasonable price (GARP) methodology is designed to identify consistent creators of economic value, as it believes such stocks are the best long-term generators of shareholder value. Since its first index was constructed in 2003, MarketGrader Indexes have provided an alternative to traditional market capitalization weighted benchmarks, selecting constituents based on fundamentals rather than size. MarketGrader Indexes cover Domestic, International and Global equities from a global universe of more than 37,000 companies in 94 countries, representing over \$85 trillion in market capitalization. In 2007, MarketGrader created the Barron's 400 Index in conjunction with Barron's, America's premier financial magazine. Follow us on Twitter @MarketGrader and connect with us on LinkedIn. For more information, please visit www.marketgrader.com.

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