



Knowledge Leaders Developed World ADR Index

Total Return: KNLGAX Price Return: KNLGA

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The Knowledge Effect

The Knowledge Effect is the tendency of stocks of highly innovative companies to experience excess returns. It results from investors' systematic errors in evaluating companies that invest large sums of money in producing knowledge.

The origins of the Knowledge Effect can be traced to two factors:

1. A surge in the pace of knowledge production catalyzed by the release of the first commercially available semiconductor in 1971. Due to the cumulative nature of knowledge, this acceleration has resulted in an exponential increase in humankind's total knowledge.
2. A mandate by the US Financial Accounting Standards Board in 1974 which ruled that companies must expense knowledge investments in the period incurred. This deprived investors of relevant financial information on corporate knowledge spending at the dawn of this massive surge in the pace of knowledge production.

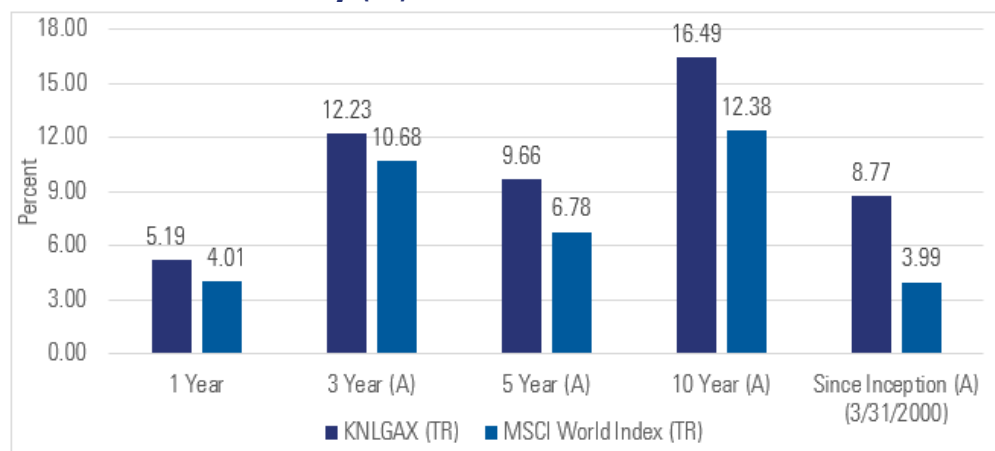
The Knowledge Effect is grounded in academic literature. It was first discovered in a series of studies in the 1990s where NYU's Baruch Lev analyzed 20 years of financial data and discovered an association between a firm's level of knowledge capital and its subsequent stock performance. Further research advanced the findings, and in 2005, Lev proved the existence of a market inefficiency attributable to missing information about corporate knowledge investments. This phenomenon leads highly innovative companies to deliver persistent abnormal returns.

Knowledge Leaders Capital captures the Knowledge Effect using a proprietary process designed to overcome the informational shortcomings of traditional financial statements. The firm's methodology capitalizes corporate knowledge investments, measures firm performance on a knowledge-adjusted basis, and selects investments on the basis of knowledge intensity.

Index Methodology

The Knowledge Leaders Developed World ADR Index is an equal-weighted index that seeks to track highly innovative companies. The index is designed to capture the Knowledge Effect, the tendency of stocks of highly innovative companies to experience excess returns. The index is constructed of Knowledge Leaders through Knowledge Leaders Capital's proprietary process that measures a company's investment in its future growth. The model adjusts a company's financial history in an effort to capitalize these investments and reveal the companies with the greatest knowledge intensity. The companies that pass a quantitative Knowledge Leaders screen comprise the index. The index consists of mid- and large-cap companies from the developed world, including North America, Europe and Asia. Foreign stocks are held in the form of American Depositary Receipts (ADRs). The index is available in total return and price return formats and is rebalanced twice a year, in April and October.

Performance Summary (%)



As of 3/31/2019	1 Year	3 Year (A)	5 Year (A)	10 Year (A)	Since Inception (A) (3/31/2000)
KNLGAX (TR)	5.19	12.23	9.66	16.49	8.77
MSCI World Index (TR)	4.01	10.68	6.78	12.38	3.99

An investor cannot invest directly in an index. Past performance is not a guarantee of future results. Live data as of 9/13/16.

Key Facts

Total Return Ticker:	KNLGAX
Price Return Ticker:	KNLGA
Weighting:	Equal Weight
Rebalance:	Bi-Annual (April & October)
Dividends:	Reinvested into Dividend Paying Stock
Number of companies:	362
ISIN:	KNLGAX –DE000SLA2H79 KNLGA –DE000SLA2H87

Indexes calculated by Solactive.

See real-time specs & performance.

Risk Metrics - Trailing 10 Years

As of 3/31/2019	
Beta	0.97
Alpha (%)	3.97
Standard Deviation (%)	13.71
Sharpe Ratio	1.15
Treynor Ratio	16.49
Correlation (%)	96.68
Upside Capture (%)	107.07
Downside Capture (%)	85.32
Max Drawdown (%)	-17.77

Relative to the MSCI World Index

Knowledge Leaders Capital

Knowledge Leaders Capital identified the Knowledge Effect and created the first investment methodology designed to capture the excess returns of highly innovative companies.

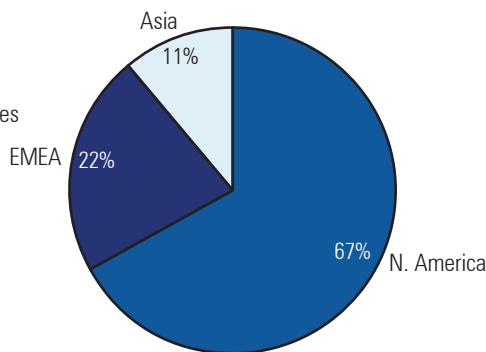
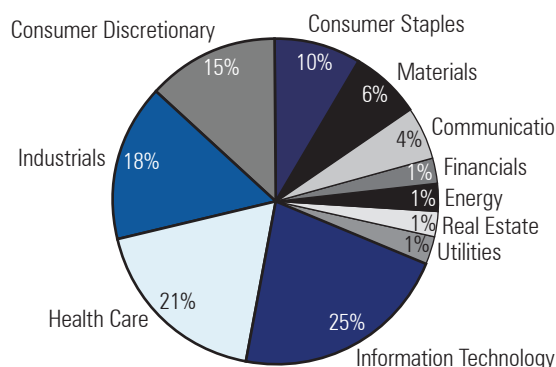
For More Information

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Equity Allocation by Sector

Equity Allocation by Region



Information Technology:	24.58%
Health Care:	20.62%
Industrials:	18.36%
Consumer Discretionary:	14.69%
Consumer Staples:	9.60%
Materials:	6.21%
Communication Services:	3.95%
Financials:	0.56%
Energy:	0.56%
Real Estate:	0.56%
Utilities:	0.28%

North America:	67.40%
EMEA:	21.82%
Asia:	10.77%

Allocations are subject to change. As of 3/31/2019.

Bellwether Companies

Company	Region	Country	Sector
Alphabet Inc. Class A	N. America	United States	Communication Services
Amazon.com, Inc.	N. America	United States	Consumer Discretionary
Apple Inc.	N. America	United States	Information Technology
Canon Inc. Sponsored ADR	Asia	Japan	Information Technology
CSL Limited Un-sponsored ADR	Asia	Australia	Health Care
Daiichi Sankyo Co Ltd Sp-srd ADR	Asia	Japan	Health Care
Facebook, Inc. Class A	N. America	United States	Communication Services
Johnson & Johnson	N. America	United States	Health Care
Microsoft Corporation	N. America	United States	Information Technology
Nestle S.A. Sponsored ADR	EMEA	Switzerland	Consumer Staples
Nidec Corporation Sponsored ADR	Asia	Japan	Industrials
Nippon Telegraph & Telephone ADR	Asia	Japan	Communication Services
Novartis AG Sponsored ADR	EMEA	Switzerland	Health Care
Roche Holding Ltd Sponsored ADR	EMEA	Switzerland	Health Care
Sanofi Sponsored ADR	EMEA	France	Health Care
SAP SE Sponsored ADR	EMEA	Germany	Information Technology
Takeda Pharmaceutical Co Ltd ADR	Asia	Japan	Health Care
Unilever NV ADR	EMEA	Netherlands	Consumer Staples

Alpha is a measure of the portfolio's risk adjusted performance. When compared to the portfolio's beta, a positive alpha indicates better-than-expected portfolio performance and a negative alpha worse-than-expected portfolio performance. Beta is a measure of the funds sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market and a portfolio with a beta less than 1 is less volatile than the market. Correlation is measured on a scale of -1 (negatively correlated) to +1 (completely correlated). Low correlation or negative correlation to traditional stocks and bonds may help reduce risk in a portfolio and provide downside protection. Downside Capture is used to evaluate how well or poorly an investment manager performed relative to an index during periods when the index has dropped. Max Drawdown is the maximum single period loss incurred over the interval being measured. Sharpe Ratio uses a fund's standard deviation and its excess return (the difference between the fund's return and the risk-free return of 90-day Treasury Bills) to determine reward per unit of risk. Standard deviation is a calculation used to measure variability of a portfolio's performance. Treynor Ratio is a risk-adjusted measure of return based on systematic risk. It is similar to the Sharpe ratio, with the difference being that the Treynor ratio uses beta as the measurement of volatility. Correlation is the extent to which the returns of different types of investments move in tandem with one another in response to changing economic and market conditions. Upside Capture is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. Dividend Yield is how much a company pays out in dividends each year relative to its share price. EPS Growth is forecasted to illustrate the growth of earnings per share over time. Financial Leverage is the degree to which a company uses fixed-income securities such as debt and preferred equity. Gross Margin represents the percent of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services sold by a company. IP % of Assets is the percentage of assets that are considered intellectual property. IP Investment % of Sales is the percentage of intellectual property that accounts for sales. LTD % Capital is the proportion of a company's long-term debt compared to its available capital. Market Cap is the total dollar market value of the shares outstanding. Net Debt % Capital is the proportion of a company's net debt compared to its available capital. Net Profit Margin is net income as a percent of sales. P/CF is the ratio of a stock's price to its cash flow per share. P/E is a valuation ratio of a company's current share price compared to its per-share earnings. ROE is the amount of net income returned as a percentage of shareholders equity. ROIC is used to assess a company's efficiency at allocating the capital under its control to profitable investments. SPS Growth is forecasted to illustrate the growth of total revenue earned per share over time. EMEA stands for Europe, Middle East and Africa.

Portfolio Characteristics

As of 3/31/2019

Valuations

Market Cap (USD in millions)	46,720
P/E (x)	29.91
P/CF (x)	11.96
Dividend Yield (%)	1.77

Long-term Growth

SPS Growth 3Y (%)	8.59
EPS Growth 3Y (%)	16.09
SPS Growth 5Y (%)	6.45
EPS Growth 5Y (%)	10.14

Margins

Gross Margin (%)	48.49
Net Profit Margin (%)	14.89

Financial Leverage

LTD % Capital (%)	47.49
Net Debt % Capital (%)	12.46
Financial Leverage (%)	1.98

Knowledge Intensity

IP % of Assets (%)	17.25
IP Investment % of Sales (%)	9.40

Profitability

ROE (%)	16.14
ROIC (%)	17.86

Intangible-adjusted data calculated by Knowledge Leaders Capital. Forecasts are inherently limited and cannot be relied upon.

For full information including any named holdings that may have been mentioned in the document as well as additional policies and full disclosures on the Advisor, please visit our website knowledgeleaderscapital.com. The bellwether companies list is comprised of the top six companies within each region that have the highest market capitalization.

An investor cannot invest directly in an index. The Index performance does not represent the performance of any investment product offered by Knowledge Leaders Capital, LLC. The performance of client accounts may vary from the Index performance. Index returns shown are not reflective of actual investor performance nor do they reflect fees and expenses applicable to investing. The Index data is the property of Knowledge Leaders Capital, LLC, which has contracted with SolactiveAG to calculate and maintain the indexes. The launch date of the Knowledge Leaders Developed World ADR Index (Bloomberg ticker KNLGAX) is 9/13/16 and the base date of the index calculation is 3/31/2000. The returns of the Index prior to the launch date are based on applying the rules in effect as of the launch date retroactively to historical periods to and including the base date. Such historical results are not based on an Index that was maintained in real time. To obtain additional index methodology and constituent components, please click visit knowledgeleaderscapital.com. Past performance is not a guarantee of future results. The information in this document is not intended to represent any Knowledge Leaders Capital product, and is intended for illustrative purposes only.

Knowledge Leaders Capital, LLC defines its constituents, a selection pool that encompasses companies located in the 22 traditional developed countries that capture 85% of the market capitalization of the entire country stock index, has a price greater than \$1 and then eliminates those companies with the lowest 10% trading liquidity. Finally, foreign companies without a US listed sponsored ADR or a secondary US listing are eliminated. The Index is constructed by capitalizing corporate investment in intangible assets such as research and development, brand development and employee education among the companies within our selection pool and then creating an intangible-adjusted historical set of financial accounts going back to 1980. Based on this adjusted financial history, the companies in our selection pool are screened to identify Knowledge Leaders, those companies that exceed specific criteria which demonstrate innovation intensity, profitability and return on capital. The Index consists of mid- and large-cap companies from the developed world, including North America, Europe and Asia.