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Background

In 1995, Ford Equity Research documented the consistent excess returns and low volatility of a universe of stocks that had a reduction in the number of shares outstanding over a 12 month period. On the strength of those results we created a share buyback factor that measures this change and added it to our database. The measurement of actual shares outstanding changes avoids possible false signals of share buyback announcements. In some cases, buyback announcements do not result in reduction of shares outstanding because they are netted against issuances related to stock compensation or acquisitions. In other cases, all or part of an announced buyback may not be executed.

The excess returns of stocks that buyback shares can be attributed to a combination of fundamental and psychological factors. When a company reduces shares outstanding, other things equal, it can increase its earnings per share growth rate. In its simplest form, a reduction in shares outstanding has a direct inverse relationship to earnings per share and at a constant price/earnings ratio will drive the stock price higher. Share repurchase at prices below a company's book value per share will have the effect of increasing that valuation measure. The announcement and implementation of a buyback can also have a positive effect on investor confidence. Buybacks are seen as an indication of management's faith in the company. In addition, higher share demand due to repurchases gives market support to the share price. Consequently a share buyback announcement and/or implementation of a buyback program tend to be met with positive price performance.

Ford Equity Research first published the favorable results of investing in firms that repurchased their shares in the September 1994 edition of the *Ford Investment Review*. The test included companies that bought back at least 2% of their outstanding shares in a given year between 1984 and 1994. Results showed that even four years after the buyback the average return substantially outperformed the S&P 500 index. The test also found that the results were more dramatic for "value stocks" – those with low P/E ratios.

An October 1995 Special Study delved further into share buybacks. The resulting introduction of a share buyback indicator to the Ford database served to measure each company's change in shares outstanding over 12 months. Performance tests of investment grade stocks (Those with Ford Quality Ratings of B- or better) revealed that 12 month share change produced superior returns to one, three, and six month intervals. In addition, shares outstanding reductions of as little as 1% were found to generate average excess returns over 20, 10 and 5 year periods. However, share reductions of greater than 5% and 10% produced even higher excess returns. The test also showed that multifactor models of share buyback combined with P/E ratio, Earnings Trend and Price Momentum produced consistent excess returns in 50 stock portfolios.

Ford continues to monitor and document the consistent alpha produced by share buyback as well as its defensive nature. Based on this study, a portfolio of share buyback companies have tended to produce relatively better results in down markets while also producing positive excess returns in eight out of twelve up markets.

US Index Methodology

In 2006 Ford's parent company, Mergent, Inc., introduced the NASDAQ US Buyback Achievers™ Index based on our share buyback methodology. The index was licensed to Invesco PowerShares as the basis for the PowerShares Buyback Achievers™ Portfolio (NYSEArca, Inc: PKW). The index is comprised of US companies traded on the NYSE and NASDAQ that have a share buyback of at least 5% and a minimum of \$500,000 average dollar volume over the last 3 months on December 31st of each year. The index is reconstituted on January 31st using a modified market cap with a maximum company weighting of 5% and is rebalanced quarterly. The performance table below shows the index methodology backtested from 1997 to 2006. The 2007 to 2013 results reflect the actual NASDAQ US Buyback Achievers™ Index. The index does not include any expenses and past performance is no guarantee of future results.

US Buyback Achievers Methodology Back Test

Date	Total Return Annual	S&P 500	Number of Stocks
1997	36.3%	33.3%	122
1998	23.1%	28.6%	125
1999	9.4%	21.0%	243
2000	15.6%	-9.1%	300
2001	14.9%	-11.9%	392
2002	-5.4%	-22.1%	200
2003	35.9%	28.6%	172
2004	18.8%	10.8%	192
2005	17.1%	5.0%	144
2006	23.4%	15.7%	185
Annualized Return	18.3%	8.4%	
Annualized Std. Dev.	13.9%	15.3%	

NASDAQ US Buyback Achievers™ Index

Date	Total Return Annual	S&P 500	Number of Stocks
2007	-0.8%	5.4%	247
2008	-33.2%	-37.0%	299
2009	32.4%	27.4%	333
2010	18.7%	15.0%	92
2011	10.8%	2.0%	144
2012	14.6%	15.8%	249
2013	46.6%	32.4%	177
Annualized Return	9.9%	6.2%	
Annualized Std. Dev.	17.5%	16.3%	

Source: Ford Equity Research and NASDAQ OMX, as of December 31, 2013
An Investor cannot invest directly in an index

International Index Methodology

In 2013 Ford tested share buyback on international companies using the Ford International Historical Database which has been collected from WorldScope and stored on a monthly basis since 1991. Similar to Ford's U.S. Historical Database, the International Database contains data as it was known at the time and maintains dead companies to avoid survivorship bias. In addition to screening using the database, Ford conducted checks to validate the share buyback data that included reductions of 3% or greater back to 2007.

Ford tested the performance of international portfolios of stocks that had one-year share reductions greater or equal to 3%, 5% and 10%. The results were very similar to our US tests showing a reduction of shares outstanding of 5% or more yielded the best performance while also providing enough liquidity and a sufficient number of companies for a diversified portfolio. As can be seen in the graphs below, the characteristics of the 5% buyback portfolio were also very similar to those of the US portfolio. One difference that should be noted is that many international companies only report complete financials on an annual basis. Because of this and the variation in fiscal year end months, depending upon the measurement date, there could be a large range fiscal year end dates for share buyback. In looking at the fiscal year report data collection, we found that 72% of international companies report their year-end between February and June. As a consequence, portfolios rebalanced in June were able to capture the most timely share buyback measure for the most issues.

In 2014 NASDAQ OMX introduced the NASDAQ International Buyback Achievers™ Index based on Ford's share buyback methodology. The index was licensed to Invesco PowerShares as the basis for the PowerShares International BuyBack Achievers™ Portfolio (NYSEArca, Inc: IPKW). The Index is comprised of common stock of foreign companies that have effected a net reduction in shares outstanding of 5% or more in their latest fiscal year as measured on June 30th of each year. To be eligible for inclusion in the Index a security must be in the NASDAQ Global Ex-US (NQGXUS) Index. Russian and Indian securities not represented by depository receipts are excluded. In addition, inclusion of Chinese stocks is limited to H-Shares and N-Shares only. The security must have a minimum three month average daily cash volume of \$1 million, and a minimum market capitalization of \$250 million at the time of review. The Index employs a float adjusted modified market capitalization weighting methodology with a single issue limited to 5% of the index. In addition, each country's aggregate weighting is limited to a maximum of 30% of the total index value. The index is reconstituted July 31st of each year and rebalanced quarterly. The performance table below shows the index methodology backtested from 2008 to 2013. The index does not include expenses and past performance is no guarantee of future results.

International Buyback Achievers Methodology Back Test

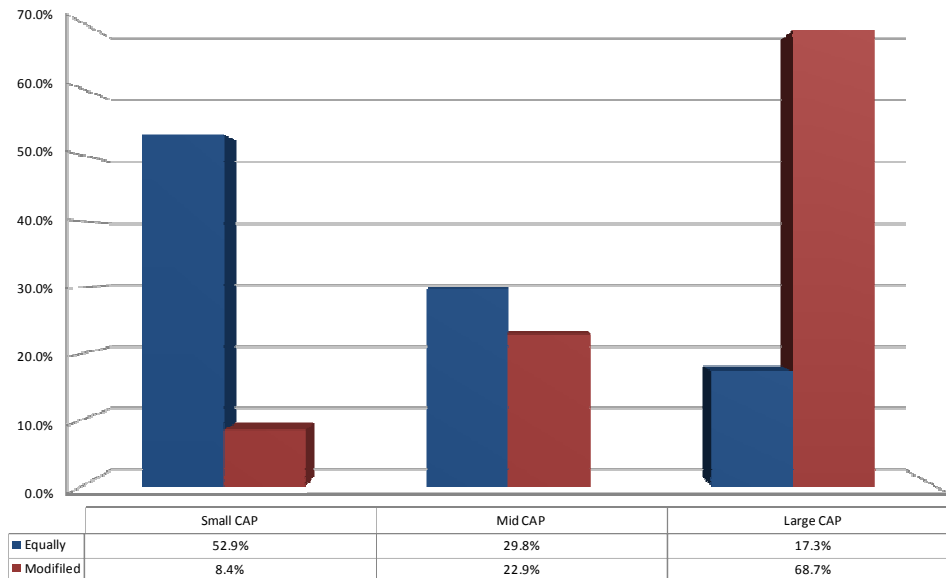
Date	NASDAQ Intl	NASDAQ	Number of Stocks
	Buyback Achievers Total Return Index	Global EX US Total Return Index	
2009	35.9%	31.5%	98
2010	8.1%	4.7%	35
2011	-13.1%	-15.5%	32
2012	17.0%	12.0%	58
2013	33.9%	29.1%	42
Annualized Return	14.9%	11.0%	
Annualized Std.Dev.	20.2%	19.2%	

*The backtested results are based on criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance, and cannot account for all financial risk that may affect the actual performance of the portfolio. The actual performance of the portfolio may vary significantly from the backtested performance. For all charts below, data represent constituents and modified cap weighting of the NASDAQ US Buyback Achievers™ Index and International Index Methodology backtest on the reconstitution date. The capitalization, Ford Macro Industry Sector and dividend yield based on the stated annual dividend are from the Ford Historical data base. Each of those factors was equally averaged or modified cap weighted averaged for the time frame.

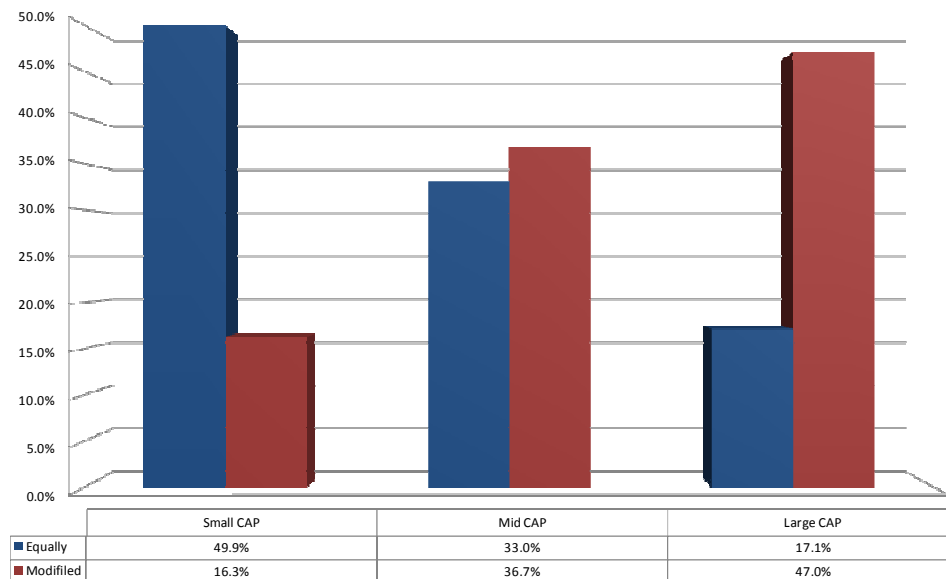
Index Constituent Characteristics

The following graphs show the average characteristics of the NASDAQ Buyback Achievers™ Index and the International Buyback Achievers Methodology Back Test constituents on reconstitution dates from 2007 to 2014.

US Buyback Achievers Index: Equally and Modified Cap Weighted Capitalization Distribution 2007 to 2014
(% of portfolio basis)



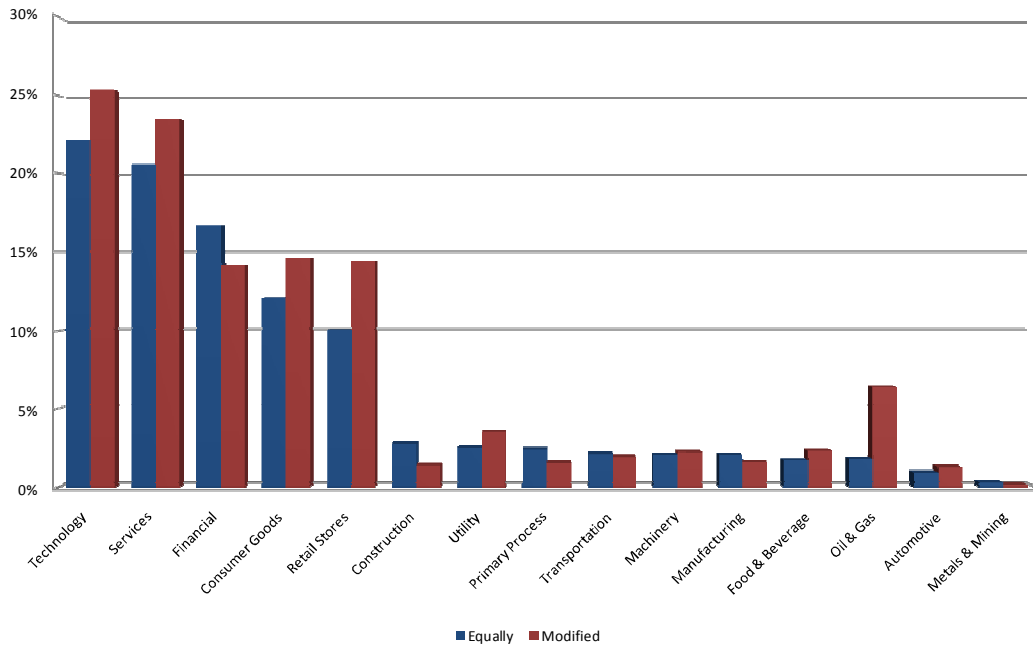
International Buyback Achievers Methodology Back Test: Equally and Modified Cap Weighted Capitalization Distribution 2008 to 2013
(% of portfolio basis)



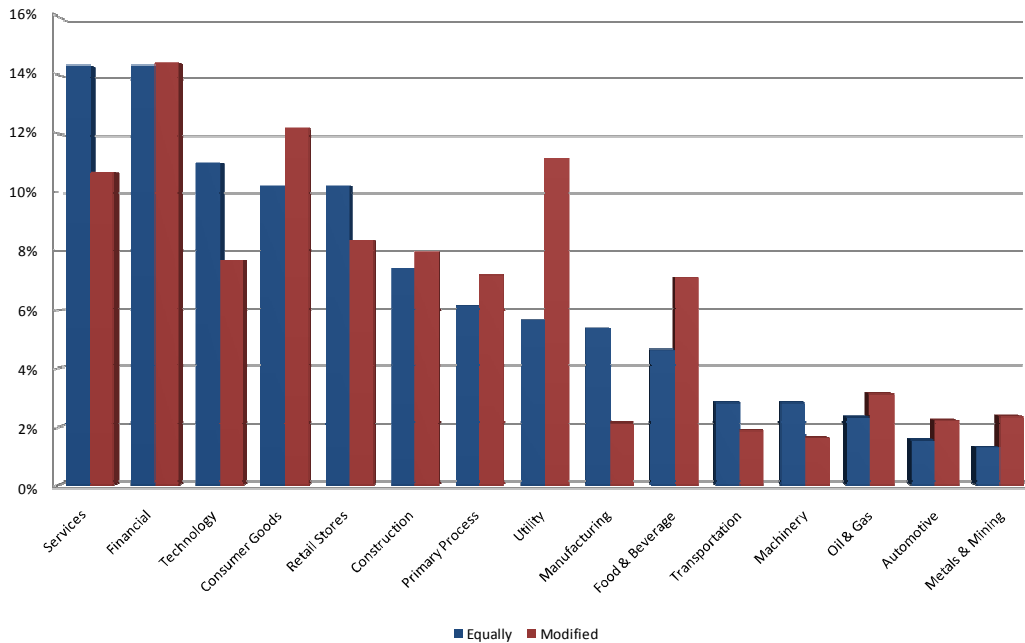
The equally weighted distribution to large capitalization (>\$10 Bill. US), mid and small (< \$2 Bill. US) internationally is very similar to the US. The modified market cap weighting with a maximum limit of 5% shifts the weighting to larger cap companies while avoiding excessive weighting to the very largest companies.

Source: Ford Equity Research, as of Jan. 31, 2014
An Investor cannot invest directly in an index

**US Buyback Achievers Index: Industry Distribution 2007 to 2014
Equally and Modified Cap Weighted
(% of portfolio basis)**



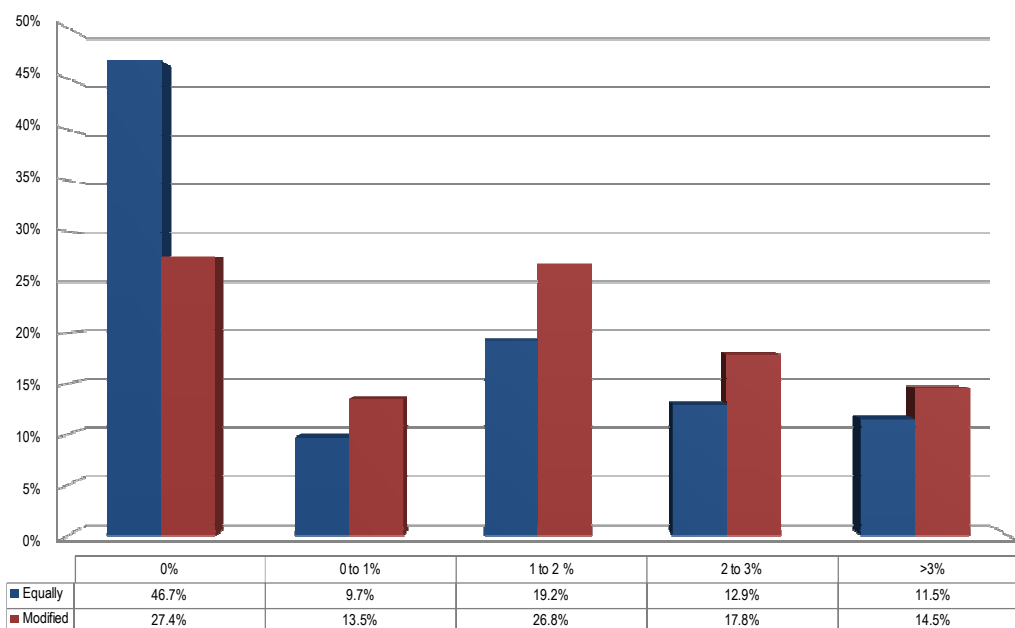
**International Buyback Achievers Methodology Back Test: Industry
Distribution 2008 to 2013 Equally and Modified Cap Weighted
(% of portfolio basis)**



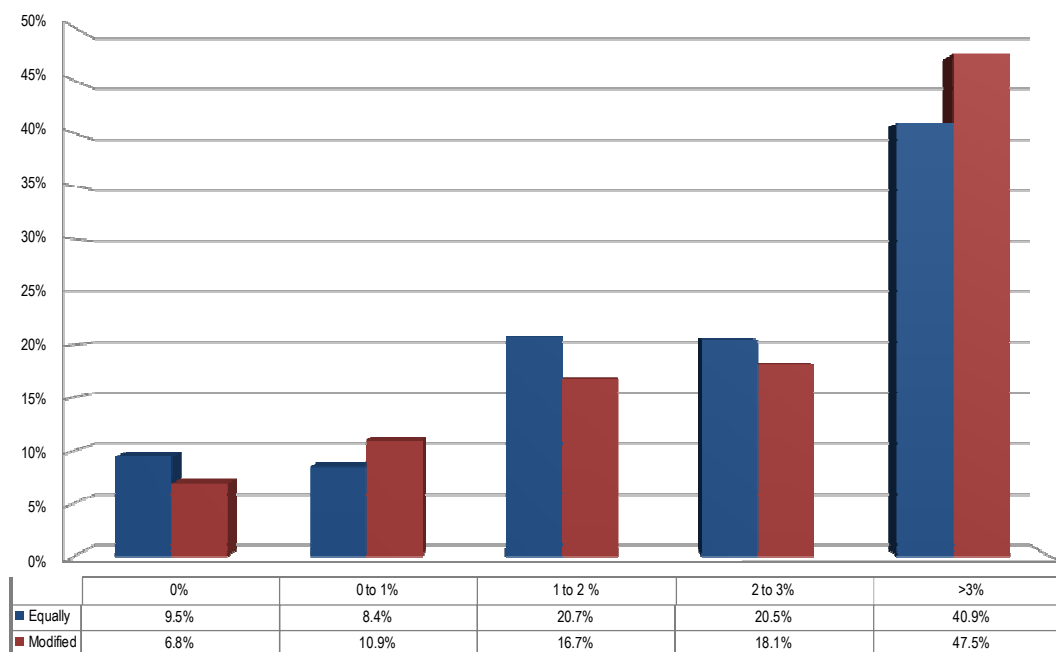
Industry sector distribution was a little less concentrated internationally but the same industry sectors had the highest weightings, Services, Financial, Technology, Consumer Goods and Retail Stores.

*Source: Ford Equity Research, as of Jan. 31, 2014
An Investor cannot invest directly in an index.*

US Buyback Achievers Index: Dividend Yield Distribution 2007 to 2014
Equally and Modified Cap Weighted
(% of portfolio basis)



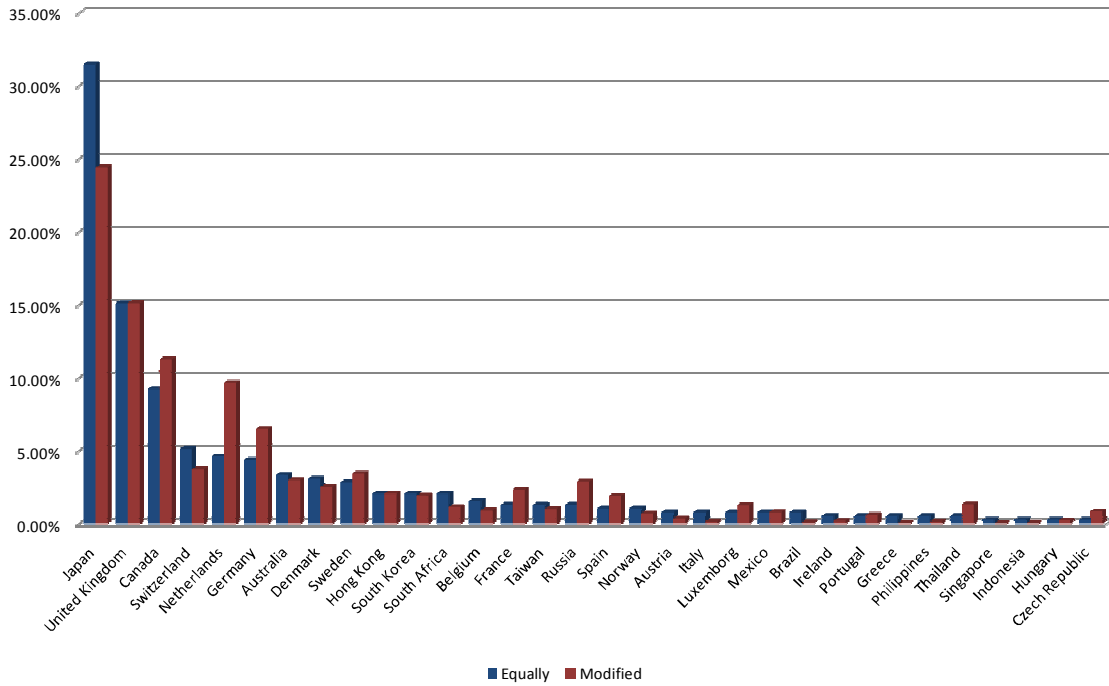
International Buyback Achievers Methodology Back Test: Dividend Yield
Distribution 2008 to 2013 Equally and Modified Cap Weighted
(% of portfolio basis)



The yield distribution was much higher internationally with 47% above 3% and 18% above 2% versus the US at 11% and 13% using the modified market cap weight.

Source: Ford Equity Research, as of Jan. 31, 2014
An Investor cannot invest directly in an index.

**International Buyback Achievers Methodology Back Test: Country
Distribution 2008 to 2013 Equally and Modified Cap Weighted
(% of portfolio basis)**



Japan and the United Kingdom have the largest weightings as they do in all global benchmarks.

*Source: Ford Equity Research, as of Jan. 31, 2014
An Investor cannot invest directly in an index.*

Important Risk Information

On Monday, Feb. 25, 2013, NASDAQ took the place of the NYSE as the official index data source, and the names of the indexes underlying our Mergent ETFs changed to NASDAQ branded indexes. Please view the Fund's prospectus supplement for more information.

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Investments focused in a particular industry are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.

The Fund is considered non-diversified and may be subject to greater risks than a diversified fund.

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