

## Inside the Zacks Preferred Income ETF Portfolio (Ticker: PRIZ)

### A Deeper Dive into the Preferred Income Strategy from Zacks Investment Management

#### Income Stability Through Preferred Securities

The Zacks Preferred Income ETF (PRIZ) is an actively managed strategy designed to deliver enhanced income through a carefully selected portfolio of preferred securities, targeting approximately 8% in annual distributions. PRIZ focuses on an asset class that occupies a position in the capital structure—senior to common equity, offering higher income potential than most traditional fixed income instruments, while still benefiting from the fundamental research strengths of Zacks Investment Management.

#### The Zacks Advantage: Exploring the PRIZ Construction Process

At Zacks, research is at the core of our DNA, so proprietary research and extensive monitoring underly our PRIZ portfolio.

PRIZ generates potential income through direct portfolio yield and return of capital. This results in a transparent, defensively oriented income strategy that complements both equity and fixed income allocations within a diversified portfolio, with the following process highlights:

##### 1 Preferred Securities Universe Selection

The selection process begins with emphasis on attractive and sustainable yield profiles, issuer credit quality and financial strength. We also assess structural features of the preferred issue, including cumulative vs. non-cumulative status, call provisions, and seniority, as well as sector diversification across financials, utilities, industrials, and other preferred-issuing industries.

This creates a foundation for an income, risk-aware portfolio that is not overly concentrated in any single issuer or sector.

##### 2 Fundamental Screening and Multi-Factor Quantitative Analysis

Securities are evaluated through a disciplined multi-factor quantitative process which leverages Zacks research. Fundamental analysis focuses on the earnings strength and stability of the issuing company, balance sheet quality and leverage metrics, dividend coverage and payout sustainability at the issuer level, relative valuation of the preferred issue versus peers, and sensitivity to interest rate movements. Complementing this fundamental work, the multi-factor quant process scores each security across a set of systematic signals. This includes yield attractiveness, credit quality indicators, momentum, and spread-to-duration efficiency to objectively rank securities within and across sectors. This dual-lens approach ensures the portfolio is populated by issuers with durable income characteristics and the financial capacity to maintain preferred distributions through varying market conditions, while also capturing relative value opportunities that pure fundamental analysis may not surface.

##### 3 Portfolio Construction and Income Management

The portfolio is constructed to optimize income generation while managing sector concentration, interest rate sensitivity, credit risk, and liquidity. Active monitoring of issuer fundamentals allows for timely adjustments when credit profiles change or relative value opportunities emerge.

Distributions are supported through preferred dividend income and return of capital, allowing PRIZ to target consistent payouts without relying on derivatives or leverage.

## The Zacks Advantage: Exploring the PRIZ Construction Process *Continued*

PRIZ is designed to serve as a defensive income allocation that complements both equity and fixed income positions, particularly as a fixed income replacement sleeve within multi-asset portfolios, a complement to equity income strategies with lower correlation to common equity volatility.

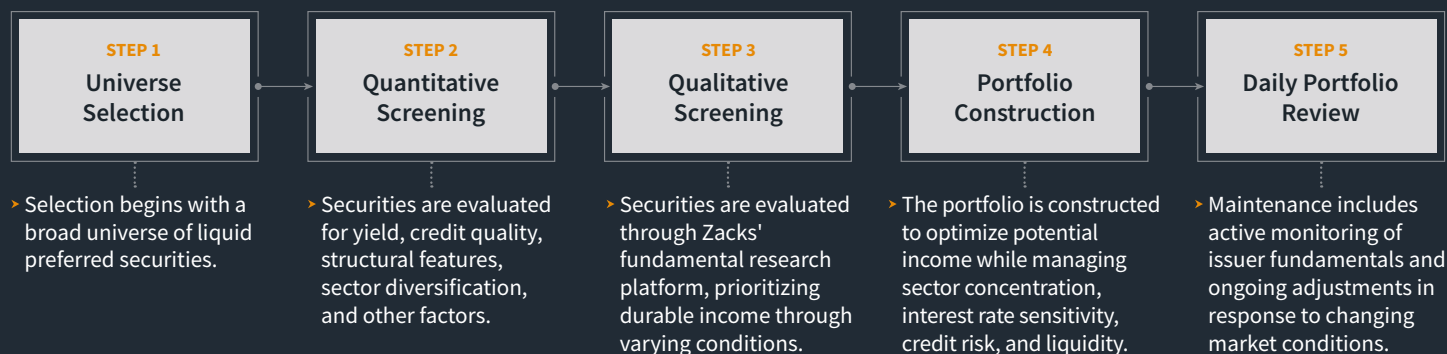


Figure 1: The PRIZ Portfolio Construction Process Consists of Numerous Steps Designed to Optimize Equity Income

### Ready to invest in the Zacks Preferred Income ETF now?

This ETF is now available through most brokerage firms. Simply search for the ticker PRIZ to find information about purchasing shares.

To learn more about PRIZ, please visit [zacksetfs.com](https://zacksetfs.com).

### Glossary

**Spread duration** is a measure in fixed-income investing that quantifies how much a bond's price is expected to change in response to a 1% change in its credit spread. A credit spread is the difference between a bond's yield and the yield of a comparable-maturity risk-free benchmark, such as a U.S. Treasury. It reflects the extra return investors demand for bearing the bond's credit risk.

**Derivatives** are financial contracts whose value is derived from the performance of an underlying asset, used for hedging, speculation, or risk management.

**Diversification** refers to the process of allocating capital across a variety of assets, sectors, or geographic regions to reduce exposure to any single investment or risk factor.

**The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company and can be found at [www.zackssetfs.com](http://www.zackssetfs.com). Please read carefully before investing. A hard copy of the prospectuses can also be requested by calling 855-813-3507.**

#### **PRIZ Fund Specific Risk**

Diversification does not ensure a profit or guarantee against loss.

Investing involves risk. Principal loss is possible. As an ETF, the funds may trade at a premium or discount to NAV.

The Fund pays quarterly income and managed distributions on Fund shares at a target rate that seeks to represent an annualized payout of approximately 8.0% on the Fund's per-share NAV on the date of a distribution's declaration (this rate is a target only and actual distributions may reflect a higher or lower annualized rate at the time of any given distribution, and further the target rate may be changed (raised or lowered) without prior notice from time to time depending on the market environment). Shareholders receiving periodic payments from the Fund may be under the impression that they are receiving net profits. However, all or a portion of a distribution may consist of a return of capital. Return of capital is the portion of distribution that is a return of your original investment dollars in the Fund. Shareholders should not assume that the source of a distribution from the Fund is net profit. Shareholders should note that return of capital will reduce the tax basis of their shares and potentially increase the taxable gain, if any, upon disposition of their shares. The Fund will provide disclosures, with each quarterly distribution, that estimate the percentages of the current and year-to-date distributions that represent (1) net investment income, (2) capital gains, and (3) return of capital. At the end of the year, the Fund may be required under applicable law to re-characterize distributions made previously during that year among (1) ordinary income, (2) capital gains, and (3) return of capital for tax purposes.

Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund.

Transactions in shares of ETFs will result in brokerage commissions, which will reduce returns. The Fund is subject to management risk because it is an actively managed portfolio. The Advisor's judgments about the attractiveness, value, and stability of particular stocks in which the Fund invests may prove to be incorrect, and there is no guarantee that the Advisor's judgment will produce the desired results. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Stocks of large companies as a group can fall out of favor with the market, causing the Fund to underperform investments that have a greater focus on mid-cap or small-cap stocks. Larger, more established companies may be slow to respond to challenges and may grow more slowly than smaller companies. Investments selected using quantitative methods may perform differently from the market as a whole.

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#### **Disclosure**

Past performance is no guarantee of future results. Inherent in any investment is the potential for loss.

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