



## Investors Exchange Product Information Circular 2016 - 0251

**Date:** August 31, 2016

**Re:** Absolute Shares Trust

Investors Exchange LLC commenced operating as a national securities exchange on August 19, 2016 followed by a two-week security-by-security phase-in period. This Information Circular is being issued to advise you that the following securities have been approved for trading pursuant to unlisted trading privileges (“UTP”) on the Exchange as UTP Derivative Securities pursuant to IEX Rule 16.160, and will begin trading on IEX during the phase-in period. See [the Exchange’s Website](#) for the phase-in schedule.

| <b><u>Securities (the “Funds”)</u></b> | <b><u>Symbol</u></b> |
|--|----------------------|
| WBI Tactical SMG Shares                | WBIA                 |
| WBI Tactical SMV Shares                | WBIB                 |
| WBI Tactical SMY Shares                | WBIC                 |
| WBI Tactical SMS Shares                | WBID                 |
| WBI Tactical LCG Shares                | WBIE                 |
| WBI Tactical LCV Shares                | WBIF                 |
| WBI Tactical LCY Shares                | WBIG                 |
| WBI Tactical High Income Shares        | WBIH                 |
| WBI Tactical Income Shares             | WBII                 |
| WBI Large Cap Tactical Select Shares   | WBIL                 |

**Issuer/Trust:** Absolute Shares Trust

**Issuer Website:** [www.wbishares.com](http://www.wbishares.com)

**Primary Listing Exchange:** NYSE Arca

Compliance and supervisory personnel should note that, among other things, this Information Circular discusses the need to deliver a prospectus to customers purchasing shares of the Fund (“Shares”) issued by the Absolute Shares Trust (“Trust”). Please forward this Information Circular to other interested persons within your organization.

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in these new products pursuant to the Exchange’s unlisted trading privileges, as well as to provide certain characteristics and features of the Shares. For a more complete description of the Issuer, the



Shares and the underlying market instruments or indexes, visit the Issuer Website, consult the Prospectus available on the Issuer Website or examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange. The Issuer Website, the Prospectus and the Issuer Registration Statement are hereafter collectively referred to as the “Issuer Disclosure Materials.”

### **Background Information on the Funds**

The Absolute Shares Trust (the “Trust”) is a management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”), consisting of several investment portfolios. This circular relates only to the Funds listed above (each, a “Fund” and together, the “Funds”). The shares of the Fund are referred to herein as “Shares.” Millington Securities, Inc. (the “Advisor”) is the investment advisor to the Funds. WBI Investments, Inc. (the “Sub-Advisor”) is the sub-advisor to the Funds.

The types of equity securities in which each Fund will generally invest include common stocks, preferred stocks, rights, warrants, convertibles, ETFs and master limited partnerships (businesses organized as partnerships which trade on public exchanges). The types of debt securities in which each Fund will generally invest include corporate debt securities, U.S. Government securities, foreign sovereign debt securities, U.S. Government agency securities, high-yield bonds (also known as “junk bonds”), ETFs, exchange-traded notes (“ETNs”), mortgage-backed securities and variable and floating rate securities. An ETN is an unsecured debt security that trades on an established exchange. Its underlying value is determined by reference to an index, commodity, interest rate or other objectively determined reference. Each Fund expects to invest in debt securities of all maturities, from less than one year up to thirty years, depending on the portfolio manager’s assessment of the risks and opportunities along the yield curve. (The yield curve refers to differences in yield among debt assets of varying maturities.)

Each Fund may invest without limitation in securities of foreign issuers, and may invest up to 50% of its net assets in the securities of issuers located in emerging markets. Each Fund that invests primarily in equities may invest up to 20% of its net assets in high-yield bonds (also known as “junk bonds”). The WBI Tactical Income Shares may invest up to 40% of its net assets in high-yield bonds, and the WBI Tactical High Income Shares may invest up to 80% of its net assets in high-yield bonds. Each Fund may also invest without limitation in other investment companies, including other ETFs. Investments in other investment companies that invest predominantly in equity securities are considered equity securities for the purposes of each Fund’s equity allocation target, and investments in other investment companies that invest predominantly in debt securities are considered debt securities for purposes of the Fund’s debt allocation target.

Once securities are purchased, the Sub-Advisor maintains a sell discipline that attempts to control the effects of the volatility of each invested position on each Fund’s value. This discipline is the end result of a process that determines the conditions under which a security held by a Fund will be sold. The Sub-Advisor uses its proprietary “Dynamic Trailing Stop/Loss System” to implement this process. At the time a security is purchased, and on an ongoing basis after it has been bought, the Sub-Advisor examines the characteristics of the security, including its historical price movements, to determine a range of acceptable prices for the security given its volatility, its performance prospects, and the risk profile of each Fund. The Dynamic Trailing Stop/Loss System uses the Sub-Advisor’s ongoing analysis of the security’s characteristics and actual performance to adjust the limits of this acceptable price range for the security. If a security’s price stays within this range of acceptable prices, the security will remain in a Fund’s portfolio. If a security’s price falls below the bottom of this acceptable price range, the security will be sold. This results in a responsive process that actively adjusts each Fund’s allocation by causing it to become more fully invested or by raising cash to protect capital. The Dynamic Trailing Stop/Loss



System is not a stop loss order or stop limit order placed with a brokerage firm, but an internal process used by the Sub- Advisor to monitor the price movements of each Fund's holdings. The Dynamic Trailing Stop/Loss System is used by the Sub-Advisor as a signal to initiate the process of selling a security, but it does not assure that a particular execution price will be received.

Not more than 10% of the net assets of a Fund in the aggregate shall consist of unsponsored Depository Receipts. Not more than 10% of the net assets of each Fund in the aggregate invested in exchange traded equity securities shall consist of equity securities whose principal market is not a member of the Intermarket Surveillance Group ("ISG") or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. Furthermore, not more than 10% of the net assets of a Fund in the aggregate shall consist of futures contracts or options contracts whose principal market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

On a daily basis, each Fund will disclose on the Fund's website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, the individual identifier (CUSIP) or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, commodity, index or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; effective date, if any; market value of the holding; and the percentage weighting of the holding in the Fund's portfolio.

For more information regarding each Fund's unique investment strategy, please read the Trust's prospectus for the Funds.

As described more fully in the Trust's prospectus and Statement of Additional Information ("SAI"), the Fund issues and redeems Shares at net asset value ("NAV") only in large blocks of shares, respectively, (each block of Shares called a "Creation Unit") or multiples thereof. Each Creation Unit consists of 50,000 shares. As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Fund.

The Funds typically earn income dividends from stocks and interest from debt securities. These amounts, net of expenses, are typically passed along to Fund shareholders as dividends from net investment income. The Funds realize capital gains or losses whenever they sell securities. Net capital gains are distributed to shareholders as "capital gain distributions." Net investment income and net capital gains are typically distributed to shareholders at least annually.

The Depository Trust Company ("DTC") will serve as securities depository for the Shares, which may be held only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Shares.

The NAV per Share for each Fund is computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or "ET") of the New York Stock Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.



### **Principal Risks**

Interested persons are referred to the Funds' Prospectus for a description of risks associated with an investment in the Funds. Risks associated with an investment in the Fund include, but are not limited to: Market Risk, Management Risk, Equity Market Risk, Foreign and Emerging Market Securities Risk, Dividend Risk, Model Risk, Growth Risk, Value Risk, Debt Securities Risk, High-Yield Securities Risk, Small- and Medium-Sized Companies Risk, ETF and Mutual Fund Risk, Master Limited Partnership Risk, Exchange-Traded Note Risk, Equity Options Risk, Portfolio Turnover Risk, Securities' Business Risk,

Mortgage Backed Securities Risk, New Fund Risk, Fluctuation of Net Asset Value Risk, Redeemability Risk, Lack of Active Market Risk, and Trading Price Risk. In addition, the market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares. As a result, the Shares may trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's holdings.

### **Exchange Rules Applicable to Trading in the Shares**

Trading in the Shares on IEX is subject to IEX trading rules.

### **Trading Hours**

The value of the Index underlying the Shares will be disseminated to data vendors every 15 seconds during the Regular Trading Session.

The Shares will trade on IEX between 8:00 a.m. and 5:00 p.m. Please note that trading in the Shares during the Exchange's Pre-Market and Post-Market Sessions ("Extended Market Sessions") may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Extended Market Sessions, (2) lower liquidity in the Extended Market Sessions may impact pricing, higher volatility in the Extended Market Sessions may impact pricing, (4) wider spreads may occur in the Extended Markets Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Extended Market Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

### **Dissemination of Data**

The Consolidated Tape Association will disseminate real time trade and quote information for the Shares to Tape B.

| <i>Name</i>                     | <i>Listing Market</i> | <i>Trading Symbol</i> | <i>IOPV Symbol</i> | <i>NAV Symbol</i> |
|---------------------------------|-----------------------|-----------------------|--------------------|-------------------|
| WBI SMID Tactical Growth Shares | NYSE Arca             | WBIA                  | WBIA.IV            | WBIA.NV           |



|                                      |           |      |         |         |
|--------------------------------------|-----------|------|---------|---------|
| WBI SMID Tactical Value Shares       | NYSE Arca | WBIB | WBIB.IV | WBIB.NV |
| WBI SMID Tactical Yield Shares       | NYSE Arca | WBIC | WBIC.IV | WBIC.NV |
| WBI SMID Tactical Select Shares      | NYSE Arca | WBID | WBID.IV | WBID.NV |
| WBI Large Cap Tactical Growth Shares | NYSE Arca | WBIE | WBIE.IV | WBIE.NV |
| WBI Large Cap Tactical Value Shares  | NYSE Arca | WBIF | WBIF.IV | WBIF.NV |
| WBI Large Cap Tactical Yield Shares  | NYSE Arca | WBIG | WBIG.IV | WBIG.NV |
| WBI Tactical High Income Shares      | NYSE Arca | WBIH | WBIH.IV | WBIH.NV |
| WBI Tactical Income Shares           | NYSE Arca | WBII | WBII.IV | WBII.NV |
| WBI Large Cap Tactical Select Shares | NYSE Arca | WBIL | WBIL.IV | WBIL.NV |

### **Delivery of a Prospectus**

Exchange Members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Fund. Prospectuses may be obtained through the Fund's website. The prospectus for the Fund does not contain all of the information set forth in the Funds Registration Statement (including the exhibits to the Registration Statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to its Registration Statement.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, Exchange Rules require that Exchange Members provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Issuer



of the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, Exchange Members shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by an EXCHANGE member to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: “A circular describing the terms and characteristics of [*the UTP Derivative Securities*] has been prepared by the [*open-ended management investment company name*] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [*the UTP Derivative Securities*].”

An Exchange member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to such Exchange member under this rule.

Upon request of a customer, Exchange Members also shall provide a copy of the Prospectus.

### **Suitability**

Trading in the securities on the Exchange will be subject to the provisions of IEX Rule 3.170 and other applicable suitability rules. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

### **Trading Halts**

The Exchange will halt trading in the Shares of a security in accordance with Exchange Rules. The grounds for a halt include a halt because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, a halt for other regulatory reasons or due to other conditions or circumstances deemed to be detrimental to the maintenance of a free and orderly market.

### **Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations**

The Securities and Exchange Commission (the “SEC”) has issued letters granting exemptive, interpretive and no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 for exchange-traded securities listed and traded on a registered national securities exchange that meet certain criteria.

**AS WHAT FOLLOWS IS ONLY A SUMMARY OF THE RELIEF OUTLINED IN THE NO-ACTION LETTERS REFERENCED ABOVE, THE EXCHANGE ADVISES INTERESTED PARTIES TO CONSULT THE NO-ACTION LETTERS FOR MORE COMPLETE INFORMATION REGARDING THE MATTERS COVERED THEREIN AND THE APPLICABILITY OF THE RELIEF GRANTED IN RESPECT OF TRADING IN SECURITIES. INTERESTED PARTIES SHOULD ALSO CONSULT THEIR PROFESSIONAL ADVISORS.**

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M prohibit any “distribution participant” and its “affiliated purchasers” from bidding for, purchasing, or attempting to induce any person to bid for or purchase any



security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Fund to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Fund (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Fund for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

#### **Rule 10b-10 (Customer Confirmations for Creation or Redemption of Fund Shares)**

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing Creation Unit Aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust for the Fund to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemption is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c); and
- 3) Except for the identity, number, and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

#### **Section 11(d)(1); Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of a Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation



Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the Fund complex any payment, compensation or other economic incentive to promote or sell the Shares of a Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(I)(5)(A), (B) or (C). (See letter from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of a Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

### **Rule 14e-5**

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- 1) such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchase; or
- 2) purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- 3) such bids or purchases are not effected for the purpose of facilitating such tender offer.

### **SEC Rule 15c1-5 and 15c1-6**

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See letter from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

**This Information Circular is not a statutory prospectus. Members should consult the prospectus for a security and the security's website for relevant information.**

Please contact IEX Regulation at 646-343-2000 with any inquiries regarding this Information Circular.