

## Investors Exchange Product Information Circular 2022 - 0130

Date: March 23, 2022

Re: Alpha Architect ETF Trust

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 Investors Exchange (“IEX” or the “Exchange”) as UTP Derivative Securities pursuant to IEX Rule 16.160. 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 exchange-traded funds. Please forward this Information Circular to interested persons within your organization.

### **Exchange-Traded Fund / Symbol**

ROC ETF

ROCI

Issuer/Trust: ROC Investments / Alpha Architect ETF Trust

Issuer/Trust Website: [www.ROCETF.com](http://www.ROCETF.com)

Primary Listing Exchange: Cboe BZX Exchange, Inc.

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 products. For a more complete description of the Issuer, the securities 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.

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

Alpha Architect ETF 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”.

The Fund is an actively-managed exchange-traded fund (ETF) that will invest its assets in U.S.-listed equity securities of companies that, in the assessment of the Sub-Adviser (ROC Investments, LLC), are led by high-character Chief Executive Officers (CEOs).

CEOs are highest-ranking executives in a company, whose responsibilities include making major corporate decisions, managing the overall operations and resources of a company, and acting as the main point of communication between the board of directors and company operations. CEOs are often the public face of their companies. The primary responsibility of a CEO is to maximize the company’s shareholder wealth. CEOs are also responsible for successfully navigating the interests of many groups, including shareholders, customers, employees, and different corporate divisions. Due to the significance of CEO responsibilities, the Sub-Adviser believes that CEO character can positively affect their company’s return on assets and workforce engagement while reducing overall business risk.

The Sub-Adviser relies on the following multi-step process:

## **Integrity Scoring**

The Sub-Adviser begins by analyzing an initial universe of companies that includes approximately the largest 1,000 U.S. companies (as measured by market capitalization). The Sub-Adviser assigns each company a score based on each CEO's perceived integrity (the "Integrity Score"). The Sub-Adviser derives Integrity Scores by assessing shareholder letters and management discussion and analysis sections from public shareholder reports ("Disclosure Materials"). The Sub-Adviser analyzes the Disclosure Materials using proprietary algorithms, which assess, among other factors, syntax, word counts, and grammar patterns. The Sub-Adviser then aggregates the analysis to identify Disclosure Materials with higher levels of transparency based on the analysis above. The Sub-Adviser believes greater levels of transparency in shareholder communications is generally commensurate with higher CEO character and integrity. The Sub-Adviser then ranks the companies based on the proprietary analysis to identify the companies with the greatest potential for high CEO character. In general, the highest scoring 150-250 names will be selected during this process.

The proprietary algorithms assess each company using a disciplined, standardized approach, and are not adjusted based on any company specific factors (e.g., CEO tenure or business complexity). Companies are included for further consideration only if the analysis of Disclosure Materials have statistically significant results (i.e., the results are not explainable by chance alone) results.

## **Supplemental Assessments**

The Sub-Adviser then conducts supplemental assessments. Behavioral assessments are performed when relevant information is available to the Sub-adviser. Controversy assessments are conducted on all potential companies. In addition, Controversy assessments are made on an ongoing basis.

- **Behavioral Assessment**

For a small subset of companies (approximately ten percent), the Sub-Adviser then refines CEO Integrity Scores based on behavioral assessments. That is, the Sub-Adviser seeks to conduct direct, behavioral interviews (described below) with a CEO's close professional colleagues, third-party analysts, and other personnel that the Sub-Adviser believes possess a vantage point to evaluate a particular CEO's character. Behavioral interviews are designed to evaluate how the CEO responded in specific situations, which is then used to extrapolate how the CEO may perform in the future.

The Sub-Adviser may also evaluate third-party sources that provide similar information (e.g., biographies written about the CEO, interview transcripts, company surveys, media appearances, etc.). In addition, the Sub-Adviser may evaluate other data sources that include broader, senior leadership team data. However, the Sub-Adviser provides more weight to data that is related specifically to a particular CEO and when data is available, includes a weighted value for the senior leadership as a whole.

Due to the logistical hurdles required to obtain the data contemplated by this Step, the Sub-Adviser may continue to utilize existing behavioral assessment data for several years. However, the Sub-Adviser typically provides less weight to old assessments.

- **Controversy Assessment**

On an ongoing basis, the Sub-Adviser monitors CEOs within the initial universe to assess each company's then-current controversies, if any, especially as they relate to a CEO's character. For example, if a CEO has been credibly accused of fraudulent activity, that CEO would be deemed "high risk," and that CEO's Integrity Score would be lowered significantly. Candidate companies led by CEOs assessed as high risk would be excluded from consideration for addition to the Fund's portfolio. If Fund's portfolio includes a company whose CEO thereafter is assessed as high risk, that company's security will generally be sold. However, if the Fund retains the holding, the Sub-Adviser will subject that holding to elevated monitoring and possibly seek direct engagement with the company.

### **Fund Portfolio Construction**

As noted above, the top 75 to 150 companies with CEOs that have the highest Composite Character Scores are included in the Fund's portfolio. Generally, on a quarterly basis, the Sub-Adviser will reallocate the weightings of the Fund's portfolio holdings based on their general corporate attributes (e.g., market capitalization, sector (like health care, consumer discretionary)) so that the composition of the Fund's overall portfolio is roughly consistent with that of a Sub-Adviser-selected traditional, broad-based U.S. securities index. As a result, the Fund's portfolio holdings will likely have significant weightings in several economic sectors, including information technology, healthcare, consumer discretionary, finance, and communication.

On an annual basis, the Sub-Adviser will conduct a complete reevaluation of the Fund's portfolio using the multi-step process described above. In addition, the Sub-Adviser may recommend that the Fund sell a particular position when (i) a CEO of company held by the Fund announces that they will exit their company, (ii) a particular CEO's behavior results in a high risk assessment, or (iii) a quarterly reallocation removes a company to maintain the Fund's broader weighting composition profile (as described in the paragraph above).

Because high-character CEOs tend to remain high-character and tend to stay at a single company for substantial periods, the Fund's portfolio turnover level is expected to be modest to low.

Character science is a nascent area of research. Therefore, the Sub-Adviser expects to continue to refine its proprietary methods over time.

For more information regarding the Funds investment strategy, please read the prospectus for the Fund.

As described more fully in the Prospectus and Statement of Additional Information, the Fund will issue and redeem Shares on a continuous basis at their net asset value ("NAV") only in large blocks of 10,000 Shares (each, a "Creation Unit"). Creation Units will be issued and redeemed principally in-kind for securities included in the underlying index. Except when aggregated in Creation Units, the Shares may not be redeemed with the Fund.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

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.

The registration statement for the Fund describes the various fees and expenses for the Fund’s Shares.

For a more complete description of the Fund visit the Issuer Website.

### **Purchases and Redemptions in Creation Unit Size**

IEX Members are hereby informed that procedures for purchases and redemptions of Shares in Creation Units are described in the Trust’s Prospectus and SAI and that Shares are not individually redeemable but are redeemable only in Creation Unit aggregations or multiples thereof.

### **Principal Risks**

As with any investment, you could lose all or part of your investment in the Funds, and the Funds’ performance could trail that of other investments. These Funds are subject to the principal risks noted below, any of which may adversely affect the Funds’ net asset value per share (“NAV”), trading price, yield, total return and ability to meet its investment objective. Interested persons are referred to the discussion in the prospectus for the Funds of the principal risks of an investment in the Funds. These include but are not limited to investment risk, equity investing risk, models and data risk, linguistics analysis risk, large-capitalization companies risk, mid-capitalization companies risk, character scoring consideration risk, behavioral assessment access risk, management risk, sector risk, ETF risks, new subadviser risk, new fund risk and geopolitical/natural disaster risk.

### **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, (3) 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.

### **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 IEX 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 the Exchange's 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 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.