

DSMC

Distillate Small/Mid Cash Flow ETF

Fund Description

DSMC is an actively managed portfolio of US mid- and small-cap stocks selected based on free cash flow yield.

FactSet Analyst Report

DSMC seeks to identify undervalued companies using free cash flow. The fund targets the US mid- and small-cap space, which the adviser defines as the bottom 15% of the total US market capitalization. To be eligible for inclusion, companies must: i) be headquartered in the US, ii) have sufficient liquidity, iii) have reported free cash flow data for the last three fiscal years, and iv) have forward EBITDA estimates. The funds initial universe excludes companies with negative forward 12-month free cash flow estimates from FactSet Research Systems. Eligible companies are then reviewed using a proprietary analysis that focuses on free cash flow yield, which the adviser believes indicates a companys valuation. In addition, the fund adviser also considers a companys leverage calculation to measure quality. As an actively managed fund, the adviser has the discretion to include or exclude companies based on unusual data or fundamental conditions.