

Everything you always wanted to know about NextShares*

*BUT WERE AFRAID TO ASK

NextShares are somewhat different. But different doesn't have to mean complicated or confusing. These questions and answers are intended to help potential users of NextShares get up to speed on this exciting investment product.

NextShares at a glance

1. What are NextShares?

NextShares™ exchange-traded managed funds are a way to invest in actively managed strategies. Because they are actively managed, NextShares offer the potential for benchmark-beating returns by applying their manager's proprietary investment research. Because they trade on an exchange, NextShares offer cost and tax efficiencies that can enhance shareholder returns. NextShares may invest across all fund asset classes.

2. When did the first NextShares become available?

Eaton Vance launched the first NextShares fund, a U.S. equity strategy, on February 26, 2016.

3. What investment strategies can be offered as NextShares?

NextShares funds can invest in all the same asset classes and strategies as mutual funds, including equity, income, alternative and multi-asset investments managed in a wide range of active styles. NextShares funds may include both proven mutual fund strategies and new offerings not available as mutual funds.

4. What are the primary potential benefits of investing in NextShares?

The NextShares structure offers certain potential advantages that may translate into improved performance and enhanced tax efficiency versus operating as a mutual fund.

5. How are NextShares bought and sold?

NextShares are bought and sold in secondary market trades through a brokerage account, much like buying and selling exchange-listed stocks and ETFs. An important distinction is that the price of all NextShares trades equals the fund's next end-of-day net asset value per share (NAV), plus or minus a trading cost (premium/discount) determined in the market when the order executes. As an illustration, a NextShares trade executed intraday at NAV +\$0.02 will have a final price of \$20.02 if the fund's NAV determined at the end of that day is \$20.00.

This patented new trading method, called "NAV-based trading," is the key innovation underlying NextShares.

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NextShares terms and phrases

6. What terms and phrases are useful to know for understanding NextShares?

Active (or actively managed). The management of an investment fund or account that seeks to exceed the returns of its performance benchmark. Contrasts with passive management, or indexing, which seeks to match the returns of a designated benchmark index.

Arbitrage. Offsetting purchases and sales of closely related financial instruments, seeking to profit from short-term price discrepancies.

Authorized Participant. A broker-dealer or institutional investor that has entered into an agreement with a NextShares fund or ETF permitting the purchase and redemption of Creation Units of shares in transactions with the fund through its distributor. Authorized Participants may purchase and redeem Creation Units both for their own accounts and for customers.

Balancing Amount. In a Creation Unit transaction by a NextShares fund or ETF, the difference between the NAV of a Creation Unit and the aggregate value of the Basket instruments exchanged. To ensure that Creation Unit transactions take place at NAV, the party conveying the lower value pays the Balancing Amount to the other party in cash.

Basis point. One basis point equals 0.01%.

Basket. The securities, cash and/or other instruments designated by a NextShares fund or an ETF to be paid and received in connection with Creation Unit transactions. For NextShares, the same daily Basket is used for both purchases and redemptions and the securities and other non-cash instruments included in the Basket must be current holdings of the fund.

Business day. A day that the New York Stock Exchange is open for trading, generally Monday through Friday each week except designated market holidays.

Cash drag. The impact of holding cash on the performance of an investment fund. Cash drag hurts fund performance when the returns of the fund's non-cash investments exceed cash returns, and helps fund performance when the opposite is true. Cash drag is not reflected in the stated total expense ratio of funds.

Closed-end fund. An investment company that maintains a substantially fixed number of outstanding shares. For closed-end funds, purchases and sales of fund shares after the fund's initial public offering are typically limited to secondary market transactions, meaning that the fund itself is not a party to the transactions. With limited exceptions, closed-end funds are not able to issue or redeem shares in response to changing investor demand, which can cause a closed-end fund to trade at significant premiums or discounts when there is an imbalance of supply and demand for the fund's shares.

Creation. The issuance of fund shares in Creation Unit quantities by a NextShares fund or ETF. Creations are limited to transactions by or through Authorized Participants.

Creation Unit. A block of fund shares of designated size used by a NextShares fund or ETF to issue and redeem its shares. Creation Unit sizes for NextShares may vary from 5,000 to 50,000 shares. Creation Unit transactions may only be executed by or through Authorized Participants.

Depository Trust Company (DTC). A subsidiary of Depository Trust & Clearing Corporation involved in processing securities trades and maintaining positions in traded securities on behalf of beneficial owners.

Discount. Price below NAV or other measure of value.

Distribution and service (12b-1) fees. Payments by a mutual fund to support fund distribution and shareholder service made in accordance with Rule 12b-1 under the Investment Company Act. 12b-1 fees are paid to the fund's distributor and generally passed through to broker-dealers and other intermediaries representing shareholders. Permitted 12b-1 fees are limited to 100 basis points of average fund net assets annually. Mutual funds may impose different amounts of 12b-1 fees across their share classes or impose no such fees. NextShares funds do not pay 12b-1 fees.

Dollar-based order. An order to buy or sell a specified dollar amount of a security or other instrument. Contrasts to share-based orders, in which the number of shares to be bought or sold is specified.

ETMF. A registered trademark of Eaton Vance not authorized for use in connection with exchange-traded products. Exchange-traded managed funds were previously sometimes referred to as ETMFs, but that reference is no longer permitted.

Eaton Vance Corp. (Eaton Vance). The parent company of NextShares Solutions LLC, the developer of NextShares, and Eaton Vance Management, investment adviser to the first NextShares funds.

Exchange. A regulated market for exchanging interests in securities and other financial instruments. By number of listed securities, the largest U.S. securities exchanges are the New York Stock Exchange and Nasdaq.

Exchange-traded fund (ETF). An open-end fund or UIT registered under the Investment Company Act whose shares trade on an exchange at prices determined in the market at the time of trade execution. Most ETFs are passively managed.

Exchange-traded managed fund. The generic name of NextShares. A registered investment company regulated under the Investment Company Act whose shares trade on an exchange at NAV-based prices. Like ETFs, exchange-traded managed funds may issue and redeem shares in Creation Unit quantities on a daily basis.

Exchange-traded product (ETP). An umbrella term encompassing ETFs, NextShares and other exchange-traded financial instruments that can issue and redeem shares on an ongoing basis.

Exemptive relief. For certain investment funds, an exemption from specified provisions of the Investment Company Act or other relevant federal securities laws granted by the SEC. NextShares have exemptive relief permitting exchange trading, limiting redemptions to Creation Unit aggregations of shares and authorizing other distinctive practices.

Feeder fund. An investment fund that pursues its investment program by investing in an affiliated fund (master fund), rather than by holding its investments directly.

Flow-related trading. Purchases and sales of investments by an investment fund to put invested shareholder cash to work and to raise cash to meet shareholder redemptions.

Free-riding. In investment management, uncompensated use of another investment organization's research or portfolio information.

Front-running. A short-term trading strategy seeking to profit from buying and selling ahead of other large investors whose trades the front-runner learns to anticipate.

Fund trading costs. The costs paid by an investment fund to purchase and sell securities and other investments. Fund trading costs include commissions paid and the estimated bid-ask spread and market impact costs of the fund's trades. Stated total expense ratios of funds do not include trading costs.

In kind. Paid or received in securities or other non-cash instruments. NextShares and ETFs commonly issue and redeem their shares primarily on an in-kind basis, but may transact wholly or partly in cash when in-kind delivery is not practicable or deemed not in the best interests of shareholders.

Index. An aggregation of securities or other financial instruments. Index performance reflects the price appreciation or total return of the constituent instruments based on the index's prescribed weighting methodology. It is not possible to invest directly in an index.

Indexing. Passive investment management designed to match the performance of a designated benchmark index.

Intraday indicative value (IIV). A real-time estimate of the intraday value per share of a NextShares fund or ETF calculated and disseminated throughout regular market trading hours.

Investment company. A pooled investment fund. Shares of an investment company represent indirect ownership interests in the fund's underlying net assets.

Investment Company Act of 1940, as amended (Investment Company Act). The principal law governing the structure and operation of investment companies in the United States.

Investor trading costs. The costs paid by investors to enter and exit positions in an investment fund. Investor trading costs include the commissions, sales charges and other transaction fees paid by the investor and the difference between the investor's executed trade price and the corresponding fund value (the amount of premium/discount) at the time the trade is priced.

Limit order. An order placed with a broker to buy or sell a designated security or other instrument at a specified price or better. Price limits for NextShares limit orders are expressed relative to NAV, rather than as an absolute dollar price. Buyers and sellers of NextShares can use limit orders to control their trading costs, but not the dollar value of purchases and sales.

Management fees. Fees paid by an investment fund for the portfolio management and administration services provided by its investment adviser and administrator. Reflecting the differing nature of their portfolio management, index funds typically have lower management fees than actively managed funds.

Market maker. A trader that actively quotes bids and offers and enters into short-term positions in securities and other instruments trading in the secondary market. ETP market makers typically seek to realize short-term profits both by trading in the secondary market and by transacting with the issuers of the traded instruments (primary market transactions).

Master-feeder. A fund management structure in which one or more investment funds (feeder funds) pursue their investment program by investing in a separate affiliated investment fund (master fund).

Master fund. An investment fund through which an affiliated investment fund (feeder fund) pursues its investment program. A master fund may have multiple affiliated feeder funds.

Mutual fund. An open-end fund registered under the Investment Company Act that may issue and redeem shares on an individual basis each business day. Shares of mutual funds do not trade on an exchange. Mutual funds may be actively or passively managed, with most employing an active management strategy.

NASDAQ Stock Market LLC (Nasdaq). One of the largest U.S. securities exchanges. NextShares are listed and trade on Nasdaq.

National Securities Clearing Corporation (NSCC). A subsidiary of Depository Trust & Clearing Corporation that provides clearing, settlement and related services for most U.S. securities trades.

NAV-based trading. The patented trading method used in the exchange trading of NextShares. In NAV-based trading, the price of each executed trade equals the fund's next NAV, plus or minus a trading cost (premium/discount) determined in the market when the order executes.

Net asset value per share (NAV). For an investment company or similar entity, the total current value of assets held less the amount of outstanding liabilities, divided by the number of shares outstanding. U.S. registered investment companies normally compute NAV once each business day, as of the close of regular trading on the New York Stock Exchange.

NextShares. A new type of actively managed ETP. NextShares are registered investment companies regulated under the Investment Company Act whose shares trade on an exchange at NAV-based prices. NextShares funds may issue and redeem shares in Creation Unit quantities on a daily basis.

NextShares Solutions LLC (NextShares Solutions). A wholly owned subsidiary of Eaton Vance formed to develop and commercialize NextShares. Aspects of the operation of NextShares are protected intellectual property owned by NextShares Solutions.

Open-end fund. An investment company that may issue and redeem shares on an ongoing basis.

Passive (or passively managed). The management practices of an investment fund or account that seeks to match the returns of its performance benchmark. Contrasts with active investment management, which seeks to outperform the relevant performance benchmark.

Portfolio-protective. Describes an investment fund that protects the confidentiality of its portfolio trading information.

Premium. Price above NAV or other measure of value.

Primary market. Transactions in financial instruments in which the issuer of the instruments is a transacting party. The issuance and redemption of Creation Units by NextShares funds and ETFs, as well as the issuance and redemption of individual shares by mutual funds, are primary market transactions.

Redemption. Complete or partial withdrawal from an investment fund by a shareholder. Redemptions from NextShares funds and ETFs are limited to Creation Unit transactions by or through an Authorized Participants. Shares of a mutual fund are individually redeemable.

Secondary market. A financial market in which previously issued financial instruments are bought and sold. Unlike primary market transactions, trades in the secondary market normally do not involve the issuer of the instruments or change the number of instruments outstanding.

Securities and Exchange Commission (SEC). The principal regulator of securities markets and investment companies in the United States.

Share-based order. An order to buy or sell a specified number of shares of a security or other instrument. Contrasts to dollar-based orders, in which the dollar amount of the shares to be bought or sold is specified.

Total expense ratio (TER). The total amount of expenses incurred by an investment fund on an annual basis, expressed as a percentage of the fund's average net assets for the year. TERs typically include management fees, any 12b-1 fees, custody, transfer agency and other routine operating expenses of the fund. Stated TERs do not reflect fund trading costs or cash drag that detracts from fund returns.

Transfer agency expenses. Fees paid by an investment fund to its transfer agent or other intermediaries to process shareholder transactions and maintain shareholder accounts.

Transaction fees. The fees charged by NextShares funds and ETFs to Authorized Participants and other investors purchasing and redeeming Creation Units. Transaction fees are intended to offset the estimated costs to the fund of such transactions to avoid dilution of fund returns. NextShares transaction fees are limited to 2% of the amount of the purchase or redemption.

Unit investment trust (UIT). An unmanaged investment company that issues redeemable securities representing interests in a substantially fixed portfolio of assets. The first ETFs offered in the U.S. were structured as UITs.

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Comparing NextShares to ETFs

7. Are NextShares ETFs?

No. Although NextShares are exchange-traded, trading prices of NextShares are linked to the fund's next daily NAV rather than determined in the market at the time of trade execution like ETFs. NextShares and ETFs have many similarities, but also important differences.

8. How does the transparency of NextShares compare to ETFs?

Because NextShares do not disclose their full holdings on a daily basis, they are sometimes described as less transparent than ETFs. This ignores the greater transparency of investor trading costs that NextShares provide and the potential benefits to NextShares of keeping portfolio trading information confidential. Some view this as better transparency, not less transparency.

9. How are NextShares similar to ETFs?

NextShares and ETFs are both registered investment companies regulated under the Investment Company Act and operating pursuant to exemptive relief granted by the SEC. ETFs and NextShares funds can grow and shrink in response to changes in investor demand, helping avoid the widely fluctuating premiums and discounts to which closed-end funds are frequently subject. (see Question 18)

The normal buying and selling of individual shares of both NextShares and ETFs takes place in the secondary market, rather than in transactions with the fund itself like a mutual fund. Because both NextShares and ETFs are held in brokerage accounts, they are similarly convenient to buy, sell and own.

Both NextShares and ETFs are typically offered with a single class of shares with no sales loads or embedded distribution and service (12b-1) fees. In both structures, all investors have access to a single, low-cost share class.

Both NextShares and ETFs limit the issuance and redemption of their shares to transactions in Creation Units by or through Authorized Participants.

Both NextShares and ETFs can lower fund transfer agency expenses by utilizing the highly efficient Depository Trust Company ("DTC") share processing system also used for exchange-listed stocks.

Both NextShares and ETFs normally issue and redeem Creation Units of shares primarily on an in-kind basis, meaning that transacting investors pay or receive securities or other non-cash instruments. Transacting primarily in kind may be more tax-efficient than transacting in cash and can benefit fund performance. NextShares and ETFs may transact wholly or partly in cash when in-kind delivery is not practicable or deemed not in the best interests of shareholders.

Both NextShares and ETFs charge transaction fees on Creation Unit purchases and redemptions to offset the associated fund trading costs, which can benefit fund performance.

10. How are NextShares different from ETFs?

NextShares are actively managed and seek to exceed the returns of their performance benchmark and peer funds. Most ETFs are passively managed, seeking to match the returns of their benchmark index. Passively-managed ETFs typically have lower TERs than NextShares primarily due to their lower management fees.

The prices of NextShares trades are linked to the fund's next daily NAV and determined after NAV is computed. ETF trade prices are determined intraday when the trade executes and do not bear a direct relationship to NAV or portfolio values at time of execution. Because the prices of NextShares trades are contingent on the next determined NAV, NextShares do not offer investors the opportunity to transact at prices determined intraday. NextShares are designed to be long-term investment vehicles and are not suited for short-term trading.

NextShares protect the confidentiality of fund trading information, avoiding the potentially dilutive effects of other market participants front-running the fund's trades. Because making markets in NextShares does not involve arbitrage, NextShares can maintain efficient share trading without disclosing fund holdings.

Use of NAV-based trading can facilitate efficient and low-cost trading of NextShares by providing market makers with a simple, reliable market-making profit opportunity. Different from making markets in conventionally traded ETFs, NextShares market makers are not exposed to intraday market risk on fund positions held.

Use of NAV-based trading provides built-in transparency and potential control of trading costs for NextShares investors. Because trading prices are directly linked to NAV, buyers and sellers of NextShares know exactly what they pay in trading costs and can control their trading costs by using limit orders. ETF investors typically cannot accurately measure their trading costs and cannot use limit orders to control the costs of trading.

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Comparing NextShares to mutual funds

12. How are NextShares similar to actively managed mutual funds?

NextShares and active mutual funds are both registered investment companies regulated under the Investment Company Act. Like mutual funds, NextShares funds may issue and redeem shares on a daily basis, enabling them to grow and shrink in response to changes in investor demand.

NextShares and active mutual funds both seek to outperform their benchmark index and peer funds. NextShares funds may employ the same range of investment assets and management strategies as used by active mutual funds to pursue their investment objectives. NextShares and active mutual funds are subject to management fees typically established in relation to the scope of management services provided and the fees charged for other similarly managed funds.

Investor transactions in both NextShares and mutual funds take place at NAV-based prices. Although NextShares trade in the secondary market, trading prices of NextShares are directly linked to the fund's next daily NAV. Neither NextShares nor mutual funds offer investors the ability to transact at prices determined in the market intraday at the time of trade execution.

Both NextShares and active mutual funds protect the confidentiality of fund trading information. NextShares disclose their full portfolio holdings on a monthly or quarterly basis with a time lag, similar to mutual funds. By not making their holdings available on a current daily basis, both NextShares and mutual funds can maintain the proprietary nature of their investment programs and protect against predatory trading by front-runners.

Both NextShares and mutual funds provide transparency of investor trading costs. Buyers and sellers of NextShares and mutual funds can always know exactly how their transaction prices compare to the corresponding fund value.

13. How do NextShares differ from active mutual funds?

NextShares trade in the secondary market, and shareholder transactions directly with the fund are limited to purchases and redemptions of Creation Units of shares by or through Authorized Participants. Mutual fund shares are individually purchased and redeemed directly from the issuing fund in cash at NAV (plus or minus a sales load, where applicable) and do not trade in the secondary market.

Prices of NextShares bought or sold in the secondary market may vary from NAV by an amount of trading costs (premium/discount to NAV) determined in the market when the order executes. Because trading prices of NextShares may differ from NAV and commissions may apply, NextShares may be more expensive to buy and sell than mutual funds.

Unlike mutual funds, dollar-based NextShares transactions may not be available at all broker-dealers. Other common mutual fund investor options, such as automatic dividend reinvestment, free exchanges among funds in the same family and systematic purchase/withdrawal plans, are also generally not available for NextShares. Broker-dealers may make these and other fund services available for NextShares as part of an enhanced service offering to their customers.

NextShares have a single class of shares with no sales loads or distribution and service (12b-1) fees. Mutual funds are typically offered with multiple share classes, many with sales loads and/or 12b-1 fees.

NextShares utilize the highly efficient DTC share processing system to lower transfer agency expenses. After management fees and 12b-1 fees, transfer agency expenses are normally the largest category of mutual fund expenses.

NextShares can minimize their flow-related trading costs by issuing and redeeming shares primarily in kind. Most types of NextShares funds are expected to utilize in-kind transactions (see Question 10). Mutual funds almost always issue and redeem shares in cash.

NextShares charge transaction fees on purchases and redemption of Creation Units to offset the associated fund costs. Mutual funds rarely impose purchase or redemption fees on transacting shareholders.

NextShares funds that issue and redeem shares primarily in-kind may not be required to maintain a significant cash reserve as a buffer against shareholder withdrawals. Holding less fund cash benefits performance when the aggregate return of the fund's non-cash holdings exceed cash returns, but hurts performance when cash returns exceed the aggregate return of the funds' non-cash investments.

14. What are the sources of the potential performance benefits of NextShares versus active mutual funds?

Compared to mutual funds with the same strategy and portfolio management, NextShares have a number of built-in potential cost advantages that can enhance performance:

No distribution and service (12b-1) fees. Results in cost savings versus mutual fund share classes that charge such fees;

Low fund transfer agency expenses. Because NextShares use the highly efficient DTC transfer agency services, transfer agency expenses are expected to be lower than for most mutual funds;

Little or no flow-related trading costs. NextShares can lower flow-relating trading costs by issuing and redeeming shares primarily in kind and can offset associated fund costs by imposing transaction fees. Mutual funds generally do not issue or redeem shares in kind or charge transaction fees; and

Less cash drag. NextShares that transact primarily in kind may operate with lower average cash balances than mutual funds that issue and redeem shares in cash.

15. Why are transfer agency expenses expected to be lower for NextShares than most active mutual funds?

NextShares funds can operate with low transfer agency expenses because they utilize the highly efficient DTC share processing system used for exchange-listed stocks and ETFs. In the DTC system, shareholders hold shares through a brokerage account (normally aggregated with other shareholders' accounts into an omnibus account that holds shares directly with DTC or a DTC Participant) and fund transfer agents are relieved of most of the account servicing and transaction processing responsibilities that are required of mutual fund transfer agents. Because mutual fund transfer agents have more responsibilities than ETF and NextShares transfer agents, they generally receive higher fees than are charged to ETFs and NextShares.

A number of typical mutual fund shareholder services, such as reduced sales loads under "rights of accumulation" and "statement of intention" plans and waivers of back-end sales charges upon the death of a shareholder or in other prescribed circumstances do not apply to NextShares because they do not charge sales loads. Other typical mutual fund shareholder services, such as automatic dividend reinvestment, free exchanges among funds in the same family and systematic purchase/withdrawal plans are not standard offerings in the DTC system.

Much like for ETFs, broker-dealers may make enhanced NextShares service offerings available to their customers, including programs facilitating dividend reinvestment and systematic purchases/withdrawals. Unlike for mutual funds, the cost of these added services is externalized from the fund and limited to those shareholders who elect to take advantage of them.

16. What are the potential tax advantages of NextShares compared to mutual funds?

Mutual funds often have to sell holdings that have increased in value to raise cash to meet shareholder redemptions. When a fund sells appreciated holdings, it recognizes taxable gains.

Most NextShares funds are expected to meet redemptions primarily in kind by distributing portfolio securities. Under the Internal Revenue Code, when a regulated investment company distributes appreciated assets to meet redemptions, no gain is recognized by the fund. By using in-kind distributions to meet redemptions, a NextShares fund can reduce required sales of portfolio securities to raise cash for redemptions. That can mean lower fund capital gains distributions and lower tax bills for investors holding NextShares in taxable accounts.

The use of in-kind redemptions to reduce shareholder taxes works exactly the same for NextShares as it does for ETFs.

Comparing NextShares to closed-end funds

17. How do NextShares compare to closed-end funds?

NextShares and closed-end funds are both exchange-traded investment funds. NextShares can issue and redeem shares in Creation Unit quantities on an

ongoing daily basis, whereas closed-end funds maintain a substantially fixed number of shares after their initial offering. The ability to issue and redeem Creation Units enables NextShares funds to expand and contract in response to changes in investor demand. This helps avoid the fluctuating premiums and discounts of closed-end funds, widely viewed as their biggest drawback.

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Buying and selling NextShares

18. How do NextShares trade?

Buying and selling NextShares is similar in most respects to buying and selling ETFs and exchange-listed stocks. Throughout each trading day, market makers quote bids and offers that are posted on an exchange. Buyers and sellers submit trade orders through broker-dealers. The executing exchange matches orders received from broker-dealers against market maker quotes and other orders to execute trades, and reports the results of completed trades to the parties to the trade, member firms, market data services and the NSCC. The NSCC clears and settles executed trades, with settlement normally occurring on the second-following business day (T+2). Each step works substantially the same for NextShares as for ETFs and exchange-listed stocks.

What's different about NextShares trading is how quotes are expressed, and how and when the price of executed trades is determined. Different from other exchange-traded instruments, NextShares use a patented new trading protocol called "NAV-based trading." In NAV-based trading, all bids and offers are quoted throughout the day relative to the fund's next-determined NAV and all trade prices are directly linked to NAV. Trade executions are binding at the time orders are matched, with final price contingent upon the determination of NAV.

As an illustration, a NextShares fund may be quoted intraday at a best bid of NAV -\$0.01 and a best offer of NAV +\$0.02. A buy order executed at the quoted offer price would, in this example, trade at NAV +\$0.02. If the fund's NAV on that day is \$20.00, the final trade price is \$20.02.

19. Where and when do NextShares trade?

NextShares list on Nasdaq and are available for trading each business day throughout Nasdaq's core trading session (generally 9:30 am until 4:00 pm eastern time). Shares may also trade on other trading venues that have licenses, rules and systems in place to support NextShares trading.

20. How are NextShares quotes and trades reported intraday?

Trading prices of NextShares are available intraday through brokers offering NextShares and can be accessed using the fund's ticker symbol. Different from other exchange-traded securities, prices of NextShares are expressed by reference to NAV. A price denoted, for example, as "NAV +\$0.01" means that day's closing NAV plus one cent. Representing prices in this manner makes it clear that bids, offers and execution prices for NextShares are based on NAV, and that the final price of executed trades is determined when NAV is computed.

Nasdaq reports all NextShares bids and offers and executed trades in real time to member firms and market data services using proprietary Nasdaq data feeds and through the Consolidated Tape. The NextShares trade and quote data disseminated through proprietary Nasdaq data feeds and made available by broker-dealers offering NextShares is displayed in a "NAV -\$0.01/NAV +\$0.01" (NAV-based) format.

Due to systems limitations, the NextShares trade and quote data disseminated through the Consolidated Tape is in proxy price format, with fund NAV represented by a proxy price of 100.00 and premiums/discounts to NAV represented by the same difference from 100.00 (e.g., NAV -\$0.01 is shown as 99.99; NAV +\$0.01 as 100.01). Market data services may report NextShares trade data in NAV-based or proxy price format. Representations of NextShares trade and quote prices in proxy price format can be converted to the NAV-based format by subtracting 100.00 from the displayed proxy price and expressing the difference relative to NAV (e.g., 99.99 translates to NAV -\$0.01 and 100.01 to NAV +\$0.01). To avoid potential investor confusion, Nasdaq is working with market data services providers to seek to ensure that representations of intraday bids, offers and execution prices of NextShares that are made available to the investing public consistently follow the NAV-based format, rather than proxy price format.

21. How can a NextShares investor entering a share-based trade determine the number of shares to buy or sell if the investor wants to trade an approximate dollar amount?

Like share-based trades to buy or sell approximate dollar quantities of ETFs and listed stocks, this requires a simple calculation - dividing the intended dollar amount of the purchase or sale by the estimated price. For a NextShares fund, the transaction price can be estimated as the sum of the most recent IIV and the current bid (for sales) or offer (for purchases). If, for example, an investor seeks to buy approximately \$5,000 of a NextShares fund whose current IIV is \$19.98 and whose current offer price is NAV+\$0.02, he or she should place an order to buy 250 shares ($=5,000 \div 20.00$). A NextShares fund's current IIV can be accessed on the fund's website [□](#).

Although IIVs may provide useful estimates, they cannot be used to calculate with precision the prices of shares bought and sold, which are based on NAV. Especially during periods of volatile market conditions and for trades executed early in the trading day, buyers and sellers of NextShares face the risk that prices of shares purchased and sold may differ materially from intended levels. IIVs are calculated by independent third parties. Neither a NextShares fund nor any of its affiliates is involved in, or responsible for, the calculation or dissemination of IIVs, nor do they make any warranty as to their accuracy.

22. How are NextShares trade orders submitted and executed?

Orders to buy and sell NextShares are submitted through a broker-dealer just like orders to trade ETFs and listed stocks. Both market orders and limit orders may be accepted for NextShares trades. Limits on limit orders are expressed relative to NAV, rather than as an absolute dollar price. By using limit orders, buyers and sellers of NextShares can control their trading costs in a manner not available for ETFs.

Like ETF and listed stock orders, NextShares orders transmitted by broker-dealers to Nasdaq are matched against the best current offer (for a purchase) or best current bid (for a sale) for execution. Executions are binding on both buyer and seller at the time orders are matched. All NextShares orders that are not executed on the day the order is submitted are automatically cancelled as of the close of trading that day.

As a new type of fund, NextShares may initially be offered by a limited number of broker-dealers.

23. What happens after a NextShares trade executes?

Immediately after a NextShares trade executes on Nasdaq, the exchange provide the parties to the trade with a notice of trade execution, indicating the

number of shares bought or sold and the executed trading cost (premium/discount). Executed trades are recorded and stored intraday until the fund's daily NAV is determined by the fund's pricing agent. After receiving the fund's NAV, Nasdaq prices each NextShares trade executed on the exchange that day at NAV plus or minus the trade's executed premium/discount. Using the final trade price, each executed NextShares trade is then disseminated to member firms and market data services and confirmed to the parties to the trade to supplement the previously provided information to include final pricing. Results of completed NextShares trades are transmitted to NSCC for standard clearance and settlement, with settlement normally occurring on the second-following business day (T+2).

24. When and how is NAV determined?

The pricing agent of each NextShares fund determines the fund's NAV once each business day, as of the close of regular trading on the New York Stock Exchange (normally 4:00 p.m. eastern time). NAV is computed by dividing the current value of fund assets less liabilities by the number of shares outstanding. NAVs are generally distributed by the pricing agent by approximately 7:00 p.m. each business day.

25. What are the potential advantages of NAV-based trading as compared to how ETFs trade?

The principal potential advantage of NAV-based trading is that it can support investors' ability to trade NextShares at consistently low costs, while maintaining the confidentiality of fund trading information. Unlike conventional ETF trading, NextShares trading does not require daily disclosure of fund holdings to function effectively. As a second potential advantage, NextShares trading provides investors with built-in transparency of their trading costs and the ability to control trading costs using limit orders in a manner not available for ETFs.

26. What determines NextShares trading costs?

Although NextShares are quoted throughout the day at NAV-based prices (e.g., NAV +\$0.01, NAV -\$0.02), there is not a fixed relationship between trading prices and NAV. Instead, the premium or discount to NAV at which share prices are quoted and transactions execute will vary depending on market factors then in effect, including the balance of supply and demand for shares among investors, transaction fees and other costs in connection with purchasing and redeeming Creation Units of shares, the cost and availability of borrowing shares, competition among market makers, the share inventory positions and inventory strategies of market makers, the profitability requirements and business objectives of market makers, and the volume of share trading. Reflecting these and other market factors, prices of shares in the secondary market may be above, at or below NAV.

The transaction fees applicable to each day's Creation Unit purchases and redemptions are disclosed prior to the open of market trading. Other costs of purchasing and redeeming Creation Units include the commissions paid to buy or sell Basket instruments and the variance between the aggregate price paid to buy or sell Basket instruments and their value reflected in NAV. Higher and more uncertain costs to create and redeem Creation Units generally translate into higher trading costs for buyers and sellers of NextShares.

27. Why are NextShares trading costs expected to be consistently low?

NextShares are expected to trade with consistently low trading costs because NAV-based trading offers simple and reliable profit opportunities to market makers. Linking NextShares trade prices to the fund's next daily NAV means that NextShares market makers do not need to adjust their bids and offers (e.g., NAV -\$0.01, NAV +\$0.02) in response to intraday market moves. Linking trade prices to NAV also eliminates market makers' exposure to intraday market risk on their fund inventory positions.

Because the Basket instruments and Creation Unit transaction fees that apply each business day are disclosed prior to the beginning of trading, NextShares market makers know each day the primary costs of entering into Creation Unit transactions on that day and the instruments to be paid or received in Creation Unit transactions.

If a market maker can purchase NextShares in the secondary market at a discount to NAV that exceeds the cost of redeeming, it need only accumulate enough individual shares to constitute a Creation Unit to redeem the position at a profit. Similarly, if a market maker can sell shares in the secondary market at a premium to NAV that exceeds the creation cost, it need only accumulate a Creation Unit-sized short position in shares and then purchase a Creation Unit to realize a profit.

By maintaining Creation Unit sizes that are relatively small (i.e., in a range of 5,000 to 50,000 shares), NextShares funds enable market makers to limit their exposure to overnight inventory risk in fund shares held. To the extent that market makers hold positions in NextShares overnight, they can aggregate fund holdings with other risk positions and transact at or near the market close to buy or sell offsetting macro hedges.

The opportunity for market makers to earn reliable profits by trading in NextShares is expected to attract market makers to NextShares, and competition among market makers should ensure consistently tight trading markets. NextShares Solutions believes that a key consideration for the SEC in granting NextShares exemptive relief was confidence that NextShares will trade with consistently low trading costs.

The mechanisms supporting efficient trading of NextShares are applicable across different asset classes and investment strategies. Funds whose holdings trade at wider bid-ask spreads and with less liquidity should be expected, on average, to exhibit higher investor trading costs.

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Creations and redemptions

28. How do NextShares issue and redeem shares?

Like ETFs, NextShares issue and redeem shares in Creation Unit quantities in transactions by or through Authorized Participants. Also like ETFs, NextShares issue and redeem Creation Units of shares at NAV, plus or minus a transaction fee that is intended to offset the estimated cost to the fund of processing the transaction and converting the transferred Basket instruments to or from the desired composition. An investor does not have to be an Authorized Participant to transact in Creation Units, but must place an order through and make appropriate arrangements with an Authorized Participant.

Subject to certain limited exceptions, the Basket instruments paid or received by a fund are the same for all purchases and redemptions of Creation Units on the same day. All Basket instruments are valued the same for transaction purposes as in calculating the fund's NAV. To the extent there is a difference between the NAV of a Creation Unit and the aggregate value of the Basket instruments exchanged, the party conveying the lower value pays to the other the Balancing Amount in cash.

29. How is the composition of the Basket determined?

Each NextShares fund's daily Basket is determined by its investment adviser and consists of instruments that the adviser considers appropriate in light of the fund's objectives and policies, current portfolio positions and current trading program. Basket instruments are limited to current portfolio holdings and cash.

To keep fund trading costs low and to enable the fund to be as fully invested as possible, Basket instruments generally consist of securities and other non-cash portfolio holdings, rather than cash, to the extent practicable. Use of in-kind transactions may also increase a fund's tax efficiency and promote low investor trading costs by minimizing transaction fees applicable to Creation Unit transactions.

To preserve the confidentiality of fund trading activities, a fund's Basket is not normally a pro rata representation of the fund's current portfolio positions. Not all fund holdings are typically included in the Basket, and Basket weightings may vary from portfolio positions held. Instruments being acquired by a fund are generally excluded from the Basket until their purchase is completed and instruments being sold may not be removed from the Basket until the sale program is substantially completed. When deemed by the adviser to be in the best interest of the fund and its shareholders, other portfolio positions may be excluded from the Basket. Whenever portfolio positions are excluded from the Basket, the Basket may include proportionately more cash than is in the portfolio, with such additional cash substituting for the excluded positions.

Creations and redemptions may be effected entirely in cash when in-kind delivery is not practicable or deemed not in the best interests of shareholders. Some NextShares funds may issue and redeem Creation Units entirely in cash on an ongoing daily basis. The Basket used in fund creations and redemptions is not intended to be representative of current portfolio holdings and may vary significantly from the fund's current holdings.

30. How and when is the composition of the Basket communicated?

Prior to the opening of Nasdaq's core trading session each business day (generally 9:30 am eastern time), each NextShares fund posts the Basket in effect for that day on the fund's public website and disseminates the Basket to market participants through NSCC. The posted Basket applies until a new Basket is announced for the next business day, and there are no intraday changes except to correct errors.

31. How many shares constitute a Creation Unit?

The number of shares in a Creation Unit may vary from 5,000 shares to 50,000 shares for NextShares funds and is stated in the fund's prospectus. The size of a fund's Creation Units is set by its adviser, based primarily on its determination of the size that is most conducive to efficient secondary market trading. Maintaining Creation Units that are generally smaller than ETF Creation Units can help NextShares market makers manage their inventory positions to limit exposure to day-to-day market risk.

32. What is the cut-off time for submitting Creation Unit orders?

Validly submitted orders to purchase and redeem Creation Units are accepted from Authorized Participants until the close of regular trading on the New York Stock Exchange, generally 4:00 pm eastern time, on the business day that the order is placed. All orders must be received by the fund's distributor no later than the order cut-off time to receive the NAV determined on the transmittal date.

The distributor may impose earlier cutoff times on custom orders and orders to purchase and redeem income funds on days the bond markets close early. Orders to purchase and redeem income funds may not be accepted on days when the bond markets are closed.

33. Are Basket substitutions permitted?

A NextShares fund may permit cash to be substituted for some or all of the Basket instruments when: (a) the instruments are, for the purchase of a Creation Unit, not available in sufficient quantity; (b) the instruments are not eligible for trading by the Authorized Participant or the investor on whose behalf the Authorized Participant is acting; or (c) a holder of Fund shares investing in foreign instruments would be subject to unfavorable income tax treatment if the holder receives redemption proceeds in kind. No other Basket substitutions are permitted.

In addition, a NextShares fund may require purchases and redemptions on a given business day to be made entirely on a cash basis. When this occurs, the fund will announce before the open of trading that all purchases, all redemptions or all purchases and redemptions on that day will be made entirely in cash. A NextShares fund may also determine, upon receiving a purchase or redemption order from an Authorized Participant, to require the purchase or redemption, as applicable, to be made entirely in cash.

34. What transaction fees apply to purchases and redemptions of Creation Units?

Purchasers and redeemers of Creation Units are charged a transaction fee to cover the estimated cost to the fund of processing the purchase or redemption and the estimated fund trading costs incurred in converting the transferred Basket to or from the desired portfolio composition. Each fund's transaction fee is determined by the fund's adviser on a daily basis, and limited to amounts determined to be appropriate to defray the estimated expenses that the fund incurs in connection with the transaction. The purpose of transaction fees is to protect the fund's shareholders from the dilutive costs associated with issuing and redeeming Creation Units. The amount of transaction fees will differ among NextShares funds and may vary over time for a given fund depending on the estimated trading costs for its portfolio positions and Basket, processing costs and other considerations. Transaction fees may include fixed amounts per creation or redemption event, amounts varying with the number of Creation Units purchased or redeemed, and amounts varying based on the time an order is placed. Funds that permit substitution of cash for Basket instruments may impose higher transaction fees on the substituted cash amount.

The transaction fees that apply to a fund's purchases and redemptions of Creation Units each business day are posted on the fund's website and disseminated to market participants through the NSCC prior to the open of market trading. The transaction fees are payable to the fund by the transacting party and limited in accordance with the requirements of the SEC applicable to open-end management investment companies offering redeemable securities.

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Investor information

35. What information about NextShares funds is available through fund websites?

Each NextShares fund sponsor maintains a public website that discloses current fund information and contains links to current fund documents, including a fact sheet, summary and full prospectuses, statement of additional information and shareholder reports for each fund. The website displays current fund IIV's updated at intervals of not more than 15 minutes throughout each Business Day's regular market trading hours and includes a calculator to assist transacting investors in sizing buy and sell orders.

Each fund's website displays the fund's NAV for the prior Business Day, and the following trading information for that day:

intraday high, low, volume-weighted average and closing trading prices of shares, expressed as premiums/discounts to NAV;
the midpoint of the highest bid and lowest offer prices as of the close of exchange trading, expressed as a premium/discount to NAV;
the spread between highest bid and lowest offer prices as of the close of exchange trading; and
volume of shares traded.

The fund website also includes charts showing the fund's historical premiums/discounts and trading spreads over time. The trading information provided for NextShares offers a level of investor cost transparency unparalleled among exchange-traded products.

Before the opening of regular market trading each Business Day, each NextShares fund posts to its website the daily Basket and Creation Unit transaction fees in effect that day. Consistent with mutual fund disclosure requirements, a complete list of current portfolio positions is made available at least once each calendar quarter, with a lag of not more than 60 days. NextShares funds may provide more frequent disclosures of portfolio positions at their discretion.

36. What investor information is available at nextshares.com?

NextShares Solutions has developed and maintains a website at nextshares.com as a central resource to support the introduction of NextShares. The website includes NextShares-related educational tools and materials.

37. What are intraday indicative values (IIVs) and how are they useful to NextShares investors?

IIVs provide an indicative estimate of a NextShares fund's current value throughout each trading day. Their purpose is to help investors entering share-based orders determine the number of shares to buy or sell if they want to transact in an approximate dollar amount (i.e., If I want to acquire approximately \$5,000 of a NextShares fund, how many shares do I buy?). IIVs can be accessed on fund websites.

IIVs are calculated by an independent third party and disseminated by Nasdaq at intervals of not more than 15 minutes throughout each business day's regular trading session (generally 9:30 am to 4:00 pm eastern time). IIVs are based on fund holdings used to determine that day's NAV and current market prices of holdings as determined intraday. Neither a NextShares fund nor any of its affiliates is involved in or responsible for the calculation or dissemination of IIVs, nor do they make any warranty as to their accuracy. IIV inaccuracies could result from various factors, including difficulty pricing portfolio instruments on an intraday basis.

Although IIVs may provide useful estimates, they cannot be used to calculate with precision the prices of shares bought and sold, which are based on NAV. Especially during periods of volatile market conditions and for trades executed early in the trading day, buyers and sellers of NextShares face the risk that prices of shares purchased and sold may differ materially from intended levels.

38. How and when do NextShares funds disclose their full holdings?

NextShares Solutions expects most NextShares funds to provide website disclosures of their full portfolio holdings on the same basis as similar mutual funds, which is typically monthly with a lag of approximately 30 days. The frequency and manner of holdings disclosure for each NextShares fund is set forth in its prospectus.

A complete list of the portfolio holdings of all NextShares funds are required to be filed with the SEC and made available on the fund's website at least once each calendar quarter, with a reporting lag of not more than 60 days. The holdings disclosure requirements of NextShares are the same as apply to mutual funds. Due to lags in reporting, a fund's actual holdings may vary significantly from the most recent publicly disclosed portfolio composition.

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Owning NextShares

39. How are positions in NextShares held?

NextShares are held in brokerage accounts. NextShares of various sponsors can be combined in a single account along with holdings of ETFs and other securities. NextShares are expected to be freely transferable across brokerage accounts and among different broker-dealer firms.

40. Do NextShares issue stock certificates?

No. Fund shares are held in book-entry form, which means that no stock certificates are issued. DTC serves as the securities depository for shares. DTC, or its nominee, is the record owner of all outstanding fund shares. Beneficial owners of shares are shown on the records of DTC or DTC-participating institutions, and exercise their rights in shares on an indirect basis through DTC and DTC participants.

41. Do NextShares offer automatic dividend reinvestment?

No automatic dividend reinvestment is provided for NextShares. Broker-dealers may offer dividend reinvestment to their customers as part of an enhanced service offering.

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Master-feeder structure

42. What is a master-feeder structure and how can it be used for NextShares?

Efficiencies in the management and administration of two or more investment funds of the same sponsor that follow similar investment programs may be

achieved by the funds investing in a common underlying investment vehicle using a master-feeder arrangement. Rather than holding their investments directly, the feeder funds invest indirectly in the securities and other assets of the associated master fund. Use of master-feeder can benefit feeder fund performance as economies of scale that may be realized in managing and administering the master fund pass through as lower expenses to the feeder funds.

A NextShares fund that operates as a feeder fund may co-invest alongside a mutual fund of the same sponsor in a common master fund. Through this arrangement, the NextShares fund and corresponding mutual fund effectively share the same portfolio management and investments, positioning both funds to potentially benefit from economies of scale. NextShares master-feeder arrangements may involve existing mutual funds that previously operated in a master-feeder structure, with the NextShares fund added as an additional feeder fund. Existing mutual funds that currently operate on a standalone basis may also convert to a master-feeder structure to accommodate the launch of corresponding NextShares funds as feeder funds.

Because master funds are organized as partnerships, investors in a newly formed feeder fund are shielded from potential tax liability on unrealized master fund portfolio gains, unlike when a new share class (whether exchange-traded or not) is added to an existing mutual fund.

The terms of the master-feeder exemptive relief provided for NextShares prescribe that a master fund with one or more feeder funds transacting with the master fund on a cash basis and other feeder funds that transact primarily in kind should transact with each feeder fund on a basis that protects the master fund (and, indirectly, other feeder funds) against the costs of accommodating the feeder fund's inflows and outflows. For NextShares master-feeder arrangements, master funds accomplish this by applying transaction fees to feeder fund transactions that are sized to cover the associated cost to the master fund. Master fund transaction fees are applied to all feeder funds in the same manner to avoid discrimination and to treat all investors fairly.

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Special considerations and risks

Most of the risks of investing in NextShares relate to the fund's underlying investments, just like mutual funds and ETFs. A few special considerations and risks also apply to NextShares investing.

43. Compared to investing in a mutual fund with similar holdings and similar management, what are the special considerations and risks of investing in NextShares?

Unlike mutual funds, NextShares are exchange-traded and shares are not individually redeemable. This exposes NextShares investors to market trading risks not present for mutual funds:

- there can be no guarantee that an active trading market for shares will develop or be maintained, or that their listing will continue unchanged;
- trading prices of shares may be above, at or below NAV, fluctuate in relation to NAV based on supply and demand in the market for shares and other factors, and may vary significantly from NAV during periods of market volatility;
- buying and selling shares may require payment of brokerage commissions and expose buyers and sellers to other trading costs;
- due to brokerage commissions and other transaction costs that may apply, frequent trading may detract from realized investment returns; and
- an investor's returns will be reduced if the investor sells shares at a greater discount or narrower premium to NAV than he or she acquired the shares.

Because NextShares funds do not pay 12b-1 fees or impose sales loads, they are not compatible with all mutual fund distribution and service arrangements, which may restrict investor access. Certain shareholder services typically provided for mutual funds, such as automatic dividend reinvestment, free exchanges among funds in the same family and systematic purchase/withdrawal plans, are generally not available for NextShares.

The above special considerations and risks also apply to ETFs.

44. Compared to investing in ETFs, what are the special considerations and risks of investing in NextShares?

Unlike most ETFs, NextShares are actively managed. Different from all ETFs, NextShares trading prices are linked to the next NAV rather than determined at the time of trade execution. These differences expose NextShares investors to active management risk and contingent pricing risks:

- performance versus peer funds and the fund's benchmark depends on the successful application of analytical skill and investment judgment;
- buyers and sellers of shares do not know the price of shares purchased and sold until NAV is determined;
- trade prices may vary significantly from anticipated levels (including estimates based on intraday indicative values) during periods of significant market volatility;
- although limit orders can be used to control differences in trade price versus NAV (cost of trade execution), they cannot be used to control or limit trade execution prices.

Because NextShares funds are actively managed, their total expense ratios and fund trading costs are generally higher than index ETFs holding similar investments. Trading in connection with active portfolio management may also cause NextShares funds to be less tax-efficient than index ETFs holding similar investments.

Most of the above risks and special considerations also apply to actively managed mutual funds.

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Regulation

45. How are NextShares regulated?

Each NextShares fund is a registered investment company under the Investment Company Act. Among other requirements, NextShares funds must file with the SEC a registration statement on Form N1-A and operate in accordance with its terms.

47. What SEC exemptive relief do NextShares require?

Because NextShares funds do not comply with all the provisions of the Investment Company Act applicable to open-end investment companies, investment advisers to NextShares funds must obtain SEC exemptive relief prior to launch. Among other matters, exemptive relief is required to permit NextShares to trade on an exchange and to redeem shares only in Creation Units aggregations.

The first SEC order providing exemptive relief to offer NextShares was granted to Eaton Vance Management and related parties on December 2, 2014. See Investment Company Act Release No. 31361 (Dec. 2, 2014) (File No. 812-14139). Eaton Vance's application for exemptive relief was initially filed on March 28, 2013.

The Eaton Vance order prescribed that a short-form application be used for future exemptive relief requests submitted by other advisers that agree to abide by the terms and conditions of the Eaton Vance order.

48. What SEC approvals are required to list and trade NextShares?

In November 2014, the SEC approved Nasdaq Rule 5745 governing the listing and trading of NextShares funds on the exchange. See Securities Exchange Act Release No. 34-73562 (Nov. 7, 2014), 79 FR 68309 (Nov. 14, 2014) (SR-NASDAQ-2014-020).

Under the provisions of Nasdaq Rule 5745 and consistent with the trading approvals required for active ETFs, Nasdaq must receive approval to list and trade shares of each NextShares fund. 18 Eaton Vance NextShares funds have been approved to list and trade on Nasdaq.

Other exchanges that seek to trade NextShares must receive approval by the SEC of an exchange rule similar to Nasdaq Rule 5745, and likely also separate trading approvals for individual NextShares funds.

48. Can other registered investment companies invest in NextShares funds?

Yes. The NextShares exemptive relief allows unaffiliated registered investment companies to invest in fund shares beyond the normal regulatory limits if certain terms and conditions are met, including that the registered investment company first enters into a written agreement with the fund regarding the terms of the investment.

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Tax treatment

49. How does the tax treatment of NextShares compare to mutual funds and ETFs?

NextShares are subject to the same federal income tax treatment as mutual funds and ETFs. Funds in each structure are generally taxed as corporations and treated as regulated investment companies under Subchapter M of the Internal Revenue Code.

50. What authority governs the tax treatment of in-kind redemptions?

Section 852(b)(6) of the Internal Revenue Code provides that no gain shall be recognized by a regulated investment company upon the distribution of appreciated property "if such distribution is in redemption of its stock upon the demand of the shareholder".

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Intellectual property

51. What intellectual property rights underlie NextShares?

Aspects of NAV-based trading are protected by nine issued and additional pending U.S. patents held by NextShares. Methods for combining mutual fund and ETP assets in a shareholder-protective master-feeder arrangement are subject to a separate pending patent application. NextShares also holds other intellectual property in the form of trademarks, copyrighted materials and protected confidential know-how.

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Misperceptions and myths

52. What are some common misperceptions and myths about NextShares?

NextShares are ETFs. Although NextShares are similar to ETFs in many respects, they are not ETFs. Among other distinctions, trading prices of NextShares are linked to the fund's next daily NAV rather than determined in the market at the time of trade execution like ETFs.

NextShares are nontransparent. NextShares disclose all the same portfolio information as commonly provided by mutual funds, which are hardly nontransparent. Unlike ETFs, NextShares provide built-in transparency of investor trading. Some view this as better transparency, not less transparency.

The primary purpose of NextShares is intraday trading. The primary purpose of NextShares is to deliver improved performance to active fund investors. Because prices are linked to NAV rather than determined intraday, NextShares are not suited for short-term trading.

The economics of NextShares don't fit with how broker-dealers distribute funds. In recent years, the distribution of mutual funds by traditional broker-dealers has migrated significantly toward institutional share classes with no sales loads or distribution and service (12b-1 fees) held in fee-based advisory accounts. NextShares are completely compatible with this distribution model.

Buying and selling NextShares is complicated. Buying and selling NextShares is essentially the same as buying ETFs and exchange-listed stocks. The main distinction is that prices are linked to NAV rather than determined in the market at the time of trade execution.

NextShares can't trade efficiently because they don't disclose their holdings. Because NextShares trade at NAV-based prices, market making does not involve arbitrage or expose market makers to intraday market risk. As a result, NextShares can trade at consistently low costs without disclosing their non-Basket holdings.

Portfolio trading confidentiality is important only for equity funds. Although a few leading fund managers have introduced actively managed fixed income ETFs, there is no reason to believe front-running and free-riding concerns apply only to equity funds. Any strategy that buys or sells over multi-day periods is potentially vulnerable to front-running and any active manager that discloses current portfolio holdings is at risk of free-riding.

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Performance calculations on NAVs are computed at six decimal places and dividends are reinvested on ex-date. This may cause slight differences in performances values shown on other sources, including that of the NextShares fund sponsor, and may not be reflective of the actual returns an investor could have achieved.

About NextShares: Shares of NextShares funds are normally bought and sold in the secondary market through a broker, and may not be individually purchased or redeemed from the fund. In the secondary market, buyers and sellers transact with each other, rather than with the fund. NextShares funds issue and redeem shares only in specified creation unit quantities in transactions by or through Authorized Participants. In such transactions, a fund issues and redeems shares in exchange for the basket of securities, other instruments and/or cash that the fund specifies each business day. By transacting in kind, a NextShares fund can lower its trading costs and enhance fund tax efficiency by avoiding forced sales of securities to meet redemptions. Redemptions may be effected partially or entirely in cash when in-kind delivery is not practicable or deemed not in the best interests of shareholders. A fund's basket is not intended to be representative of the fund's current portfolio positions and may vary significantly from current positions. As exchange-traded securities, NextShares can operate with low transfer agency expenses by utilizing the same highly efficient share processing system as used for exchange-listed stocks and ETFs.

Market trading prices of NextShares are linked to the fund's next-computed net asset value (NAV) and will vary from NAV by a market-determined premium or discount, which may be zero. Buyers and sellers of NextShares will not know the value of their purchases and sales until after the fund's NAV is determined at the end of the trading day. Market trading prices may vary significantly from anticipated levels. NextShares do not offer investors the opportunity to buy and sell intraday based on current (versus end-of-day) determinations of fund value. NextShares trade execution prices will fluctuate based on changes in NAV. Although limit orders may be used to control trading costs, they cannot be used to control or limit trade execution prices. As a new type of fund, NextShares have a limited operating history and may initially be available through a limited number of brokers. There can be no guarantee that an active trading market for NextShares will develop or be maintained, or that their listing will continue unchanged. Buying and selling NextShares may require payment of brokerage commissions and expose transacting shareholders to other trading costs. Frequent trading may detract from realized investment returns. The return on a shareholder's NextShares investment will be reduced if the shareholder sells shares at a greater discount or narrower premium to NAV than he or she acquired the shares.

Intraday Indicative Value (IIV): The IIV is an estimate of the real-time value of the Fund's underlying holdings based on current market prices and should not be viewed as a projection of NAV, which is determined at the end of the day. Because IIVs will generally differ from the end-of-day NAV of the Fund, they cannot be used to calculate with precision the dollar value of a prescribed number of shares to be bought or sold. Investors should understand that share transaction prices are based on closing NAVs, and that NAVs may vary significantly from IIVs during periods of intraday market volatility. No fund or its brands is involved in, or responsible for, the calculation or dissemination of IIVs nor make any warranty as to their accuracy. An inaccuracy in an IIV could result from various factors, including difficulty pricing portfolio instruments on an intraday basis. The IIV is disseminated every 15 minutes during normal trading hours and is as of the time noted above. An IIV is not available when the market is closed.

Bid and Ask Prices: The bid and ask prices shown are as of the time noted and may not reflect current quotations. The Fund's NAV normally is determined as of 4:00 p.m. each business day.

Links to Third Party Sites: By clicking on a link from the NextShares website to a third-party website, you will leave the NextShares website. NextShares is not responsible for the content of any such third-party website or the products or services offered on such site. The availability of links to third-party sites does not constitute an endorsement of, or representation or warranty by, NextShares Solutions LLC (NextShares Solutions) of such sites or their sponsors, contents or offered products or services. You should read the terms and conditions of such sites carefully, including provisions relating to privacy and customer information practices. NextShares Solutions disclaims responsibility for the privacy and customer information practices of such third-party sites.

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We are actively incorporating accessibility practices, such as those outlined in the Web Content Accessibility Guidelines, into our go-forward website design and content

development to make information more accessible and user-friendly. In addition, we are developing a multi-year accessibility strategy and content guidelines that further support the use of assistive and adaptive tools. Our ultimate goal is to meet federal guidelines and policies or provide equivalent accommodations and service support for all customers.

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