

# 60/40 Quality Allocation Trust

60%

40%

**Quality**  
Series 1

## A 2 Year Unit Investment Trust

### A Quality Approach to a 60/40 Asset Allocation Strategy

The 60/40 asset allocation refers to a portfolio that seeks total return through exposure to approximately 60% equities and 40% fixed income securities. This particular allocation is well known within the industry for the potential benefits that this asset mix can add to a portfolio, in different market environments. The potential benefits may include, but are not limited to, capital appreciation, income, diversification, and principal stability.

At SmartTrust<sup>®</sup>, we created a 60/40 strategy with a focus on defining and selecting high quality stocks and ETFs investing primarily in fixed income securities. We believe this strategy is particularly timely as our research demonstrates that quality companies can be reasonably expected to weather economic downturns, including both slowdown and recessionary periods, better than companies that are not well-run, not financially stable and perhaps even overpriced from a valuation standpoint.

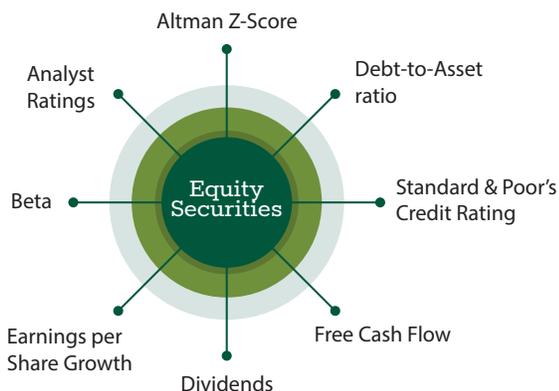


### Selection Process

#### Equity Securities (60%)

We consider quality companies that have strong and stable balance sheets, have a history of earnings growth, and low relative volatility.

To help identify stocks with the above characteristics, we primarily review the following criteria:



#### Deep Dive

The Altman Z-Score is a critical screen in our quality equity selection process. Altman's Z-Score is designed to be used to help predict the probability that a firm will go into bankruptcy within two years. It's a composite score based on five financial ratios used to evaluate a company's profitability, leverage, solvency, and activity. The five ratios used are:

- Working Capital/Total Assets
- Retained Earnings/Total Assets
- Earnings Before Interest and Taxes (EBIT)/Total Assets
- Market Value of Equity/Total Liabilities
- Sales/Total Assets

The higher the Z-Score, the lower the predicted probability of bankruptcy. Our goal is to identify equity securities that have a Z-Score greater than 3.

| Z-SCORE RANGE         | ZONE OF DISCRIMINATION | DISTRESS LEVEL        |
|-----------------------|------------------------|-----------------------|
| Negative              | Distress Zones         | Severely distressed   |
| Between 0 and 0.99    |                        | Moderately distressed |
| Between 1.00 and 1.80 |                        | Mildly distressed     |
| Between 1.81 and 2.40 | Gray Zones             | Slightly distressed   |
| Between 2.41 and 2.99 |                        | Stable, but weak      |
| Between 3.00 and 4.99 | Safe Zones             | Strong                |
| Between 5.00 and 7.99 |                        | Highly strong         |
| Greater than 8.00     |                        | Almost no distress    |

#### Fixed Income ETFs (40%)

We implement the fixed income securities side of the portfolio using exchange-traded funds (ETFs). For these purposes, we define quality fixed income-oriented ETFs as those that at the time of selection:

- Invest primarily in investment-grade corporate bonds and U.S. government securities
- Pay dividends
- Have relatively low volatility
- Have low expense ratios relative to their peer group

#### Description of Portfolio

|  |                                      |
|--|--------------------------------------|
| INCEPTION DATE:                                | July 16, 2019                        |
| TERMINATION DATE:                              | July 15, 2021                        |
| INITIAL OFFER PRICE                            | \$10.00                              |
| MINIMUM INVESTMENT                             | 100 units (may vary by selling firm) |
| NUMBER OF ISSUES:                              | 38                                   |
| DISTRIBUTIONS: <sup>1</sup>                    | MONTHLY (if any)                     |
| HISTORICAL 12-MONTH DISTRIBUTION: <sup>2</sup> | \$0.2178 (per unit)                  |
| CUSIP (CASH):                                  | 83203W 100                           |
| CUSIP (REINVESTMENT):                          | 83203W 118                           |
| FEE-BASED CUSIP (CASH):                        | 83203W 126                           |
| FEE-BASED CUSIP (REINVESTMENT):                | 83203W 134                           |
| TICKER:  | STSFAX                               |

<sup>1</sup>Distributions, if any, will be made commencing on August 25, 2019.

<sup>2</sup>The Historical 12-Month Distribution of Trust Holdings is calculated by taking the weighted average of the regular income distributions paid by the securities included in the trust's portfolio over the 12 months preceding the trust's date of deposit reduced to account for the effects of trust fees and expenses. This historical distribution is for illustrative purposes only and is not indicative of amounts that will actually be distributed by the trust. The distributions paid by the trust may be higher or lower than the amount shown above due to factors including, but not limited to, changes in the price of trust units, changes (including reductions) in distributions paid by issuers, changes in actual trust expenses and sales of securities in the portfolio. There is no guarantee that the issuers of the securities included in the trust will pay any distributions in the future.

**Investors should consider the trust's investment objective, risks, charges and expenses carefully before investing. The prospectus contains this and other information relevant to an investment in the trust. Please read the prospectus carefully before you invest. If a prospectus did not accompany this literature, please contact SmartTrust at (888) 505-2872 to obtain a free prospectus.**

## Sales Charges<sup>3</sup> (based on a \$10 public offering price)

### Standard Accounts

|   |          |       |
|---|----------|-------|
| Transactional Sales Charge:               | Initial  | 0.00% |
|   | Deferred | 2.25% |
| Creation & Development Fee <sup>4</sup> : |          | 0.50% |
| Maximum Sales Charge:                     |          | 2.75% |

The initial sales charge is paid at the time of purchase and is the difference between the total sales charge (maximum of 2.75% of the public offering price) and the sum of the remaining deferred sales charge and the total creation and development fee. When the public offering price per unit is less than or equal to \$10, you will not pay an initial sales fee. When the public offering price per unit is greater than \$10 per unit, you will pay an initial sales fee.

The deferred sales charge is a charge of \$0.225 per unit and will be deducted in three monthly installments commencing on January 20, 2020. The initial and deferred sales fees do not apply to fee-based accounts. Please see the prospectus for sales charge details.

### Fee/Wrap Accounts

|   |       |
|---|-------|
| Creation & Development Fee <sup>4</sup> : | 0.50% |
| Maximum Sales Charge:                     | 0.50% |

<sup>3</sup>Percentages are based on a \$10.00 per unit offering price. For unit prices other than \$10.00, percentages of initial sales charge, creation and development fee, and deferred sales charges will vary. Early redemption will still cause payment of the deferred sales charge. The table above shows the initial offering period sales charges only.

<sup>4</sup>The creations and development fee is a charge of \$.050 per unit collected at the end of the initial offering period. If the price you pay exceeds \$10 per unit, the creation and development fee will be less than 0.50%; if the price you pay is less than \$10 per unit, the creation and development fee will exceed 0.50%. In addition to the sales charges listed, UITs are subject to annual operating expenses and organization costs.

## Portfolio Holdings as of July 16, 2019:

| EQUITY SECURITIES – 60.02%     |                                 | Information Technology – 19.03% |  |
|--------------------------------|---------------------------------|---------------------------------|--|
| Communication Services – 1.04% |                                 | AAPL                            | Apple Inc.                                   |
| GOOGL                          | Alphabet Inc.                   | CSCO                            | Cisco Systems, Inc.                          |
| Consumer Discretionary – 2.03% |                                 | FLIR                            | FLIR Systems, Inc.                           |
| NKE                            | NIKE, Inc.                      | INTC                            | Intel Corporation                            |
| Consumer Staples – 8.04%       |                                 | IBM                             | International Business Machines Corporation  |
| COST                           | Costco Wholesale Corporation    | JKHY                            | Jack Henry & Associates, Inc.                |
| JJSF                           | J & J Snack Foods Corp.         | MA                              | Mastercard Incorporated                      |
| PG                             | The Procter & Gamble Company    | MSFT                            | Microsoft Corporation                        |
| WMT                            | Wal-Mart Stores, Inc.           | TXN                             | Texas Instruments Incorporated               |
| Energy – 5.97%                 |                                 | V                               | Visa Inc.                                    |
| CVX                            | Chevron Corporation             | INVESTMENT COMPANIES – 39.98%   |  |
| XOM                            | Exxon Mobil Corporation         | Exchange-Traded Funds – 39.98%  |  |
| Health Care – 15.52%           |                                 | AGZ                             | iShares Agency Bond ETF                      |
| ANTM                           | Anthem Inc.                     | IGIB                            | iShares Intermediate-Term Corporate Bond ETF |
| BMJ                            | Bristol-Myers Squibb Company    | IGLB                            | iShares Long-Term Corporate Bond ETF         |
| DHR                            | Danaher Corporation             | IGSB                            | iShares Short-Term Corporate Bond ETF        |
| JNJ                            | Johnson & Johnson               | ICSH                            | iShares Ultra Short-Term Bond ETF            |
| MRK                            | Merck & Co., Inc.               | VGIT                            | Vanguard Intermediate-Term Treasury ETF      |
| PFE                            | Pfizer Inc.                     | VGLT                            | Vanguard Long-Term Treasury ETF              |
| TMO                            | Thermo Fisher Scientific Inc.   | VGSH                            | Vanguard Short-Term Treasury ETF             |
| UNH                            | UnitedHealth Group Incorporated |                                 |  |
| Industrials – 8.39%            |                                 |                                 |  |
| BA                             | The Boeing Company              |                                 |  |
| HON                            | Honeywell International Inc.    |                                 |  |
| KELYA                          | Kelly Services, Inc.            |                                 |  |
| NOC                            | Northrop Grumman Corporation    |                                 |  |

## Risk Considerations

Unitholders can lose money by investing in this trust. An investment in units of the trust should be made with an understanding of the risks related to the trust, such as the following:

- Security prices will fluctuate. The value of your investment may fall over time.
- The financial condition of an issuer may worsen or its credit ratings may drop, resulting in a reduction in the value of your units. This may occur at any point in time, including during the initial offering period.
- The value of bonds or other fixed income securities held by the funds will generally fall if interest rates, in general, rise. No one can predict whether interest rates will rise or fall in the future.
- The issuer of a security may be unwilling or unable to make income and/or principal payments in the future. This may reduce the level of distributions the trust or the funds pay which could reduce your income and cause the value of your units to fall.
- The trust invests in shares of funds. Shares of these funds tend to trade at a discount from their net asset value and are subject to risks related to factors such as the manager's ability to achieve a fund's objective and market conditions affecting a fund's investments. Shares of these funds could also trade at a premium to their net asset value. If fund shares are purchased at a premium, then the trust will pay more than their net asset value which subjects the trust to the risk of the loss of this premium and corresponding loss of value to units of the trust. The trust and funds have management and operating expenses. You will bear not only your share of the trust's expenses, but also the expenses of the funds. By investing in other funds, the trust incurs greater expenses than you would incur if you invested directly in the funds.
- The trust and certain funds may invest in securities of foreign issuers, which may include companies located in emerging markets. These risks may include market and political factors related to the company's foreign market, international trade conditions, less regulation, smaller or less liquid markets, increased volatility, differing accounting practices and changes in the value of foreign currencies.
- Certain funds may invest in securities rated below investment grade and considered to be "junk" securities. These securities are considered to be speculative and are subject to greater market and credit risks. Accordingly, the risk of default is higher than investment grade securities. In addition, these securities may be more sensitive to interest rate changes and may be more likely to make early returns of principal.
- The trust and certain funds may invest in stocks of small and mid-size companies. These stocks are often more volatile and have lower trading volumes than stocks of larger companies. Small and mid-size companies may have limited products or financial resources, management inexperience and less publicly available information. Certain funds held by the trust may invest in convertible securities. Convertible securities generally offer lower yields than non-convertible fixed-income securities of similar credit quality due to the potential for capital appreciation. A convertible security's market value also tends to reflect the market price of common stock of the issuing company, particularly when that stock price is greater than the convertible security's "conversion price." Convertible securities generally fall below debt obligations of the same issuer in order of preference or priority in the event of a liquidation and are typically unrated or rated lower than such debt obligations.
- Certain funds held by the trust may invest in senior loans. Although senior loans in which the funds invest may be secured by specific collateral, there can be no assurance that liquidation of collateral would satisfy the borrower's obligation in the event of non-payment of scheduled principal or interest or that such collateral could be readily liquidated. Senior loans in which the funds invest generally are of below investment grade credit quality, may be unrated at the time of investment. Senior loans may not fall within the definition of "securities," and are generally not registered with the Securities and Exchange Commission and therefore an investor in senior loans may not receive the protection of the federal securities laws. Senior loans are also generally not registered with any state securities commission and generally are not listed on any securities exchange. In addition, the amount of public information available on senior loans generally is less extensive than that available for other types of assets.
- Certain funds held by the trust may invest in securities that include call provisions which expose the funds and trust to call risk. A security with a call provision exposes the trust to the risk that the issuer prepays or "calls" a security before its stated maturity. A security's call price could be less than the price paid for the bond and could be below the security's par value. Investors may not be able to reinvest the proceeds in securities with as high a yield as the called security.
- The trust is not actively managed. Except in limited circumstances, the trust will hold, and continue to buy, shares of the same securities even if their market value declines.
- The sponsor may offer successive Trusts with similar portfolios thereby allowing the investor to pursue the same strategy over a number of years. Investors should consider their ability to pursue investing in successive Trusts, if available. There may be tax consequences associated with investing in the Trust and rolling over an investment from one Trust to the next.