

GUIDELINE

Solactive European Quality Market Neutral Index

Version 1.0 dated 11th of March 2016



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This document contains the underlying principles and regulations regarding the structure and the operating of the Solactive European Quality Market Neutral Index. Solactive AG shall make every effort to implement regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the Index value at any certain point in time nor in any other respect. The Index is merely calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the Index. The publication of the Index by Solactive AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this Index.

Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Solactive European Quality Market Neutral Index. Any changes made to the guideline are initiated by the Committee specified in section 1.6. The Solactive European Quality Market Neutral Index is calculated and published by Solactive AG. The name “Solactive” is copyrighted.

1 Index specifications

The Solactive European Quality Market Neutral Index (“Solactive European Quality Market Neutral Index”, the “Index”) is an Index of Solactive AG and is calculated and distributed by Solactive AG.

The Solactive European Quality Market Neutral Index is composed of a long position in the Solactive European Quality Index, beta-hedged with a short position in Eurostoxx Futures.

The Index is a PR index type.

The Index is published in EUR.

1.1 Short name and ISIN

The Solactive European Quality Market Neutral Index is distributed under ISIN DE000SLA1X88; the WKN is SLA1X8. The Index is published in Reuters under the code <.SOLEQIMN > and in Bloomberg under the code SOLEQIMN <Index>.

1.2 Initial value

The Index is based on 100 at the close of trading on the start date, January 08, 2001

1.3 Distribution

The Solactive European Quality Market Neutral Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether he will distribute/display the Solactive European Quality Market Neutral Index via his information systems.

1.4 Prices and calculation frequency

The Index Level of the Solactive European Quality Market Neutral Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are translated using spot foreign exchange rates quoted by Reuters. Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Trading Day is used in the calculation.

The Solactive European Quality Market Neutral Index is calculated every Business Day from 9:00am to 10:30pm, CET. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis.

1.6 Decision-making bodies

A Committee composed of staff from Solactive AG is responsible for decisions regarding the composition of Solactive European Quality Market Neutral Index as well as any amendments to the rules (in this document referred to as the "Committee" or the "Index Committee"). The future composition of the Solactive European Quality Market Neutral Index is determined by the Committee on the Review Days according to the procedure outlined in 2.1 of this document. The Committee shall also decide about the future composition of the Solactive European Quality Market Neutral Index, if any Extraordinary Events should occur and the implementation of any necessary adjustments.

Members of the Committee can recommend changes to the guideline and submit them to the Committee for approval.

1.7 Publication

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.de> web page and sub-pages.

1.8 Historical data

Historical data will be maintained from the launch of the Index on April 11, 2016.

1.9 Licensing

Licences to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Solactive AG.

2 Composition of the Index

2.1 Index Components

Underlying Basket

Basket Component (i)	Basket Component Name (i)	ISIN	Basket Component Type
Solactive European Quality Index	Quality Index	DE000SLA1X70	Index
Eurostoxx Futures	Eurostoxx Futures		Futures

Eurostoxx Futures refers to the EURO STOXX 50® Index Futures Contract as described below:

Name	Euro STOXX 50 Index Futures
Underlying Index	EURO STOXX 50 Index
Exchange	Eurex or any successor thereof
Currency	Euros
Expiry Date	Expected to be the 3rd Friday of March, June, September and December

On any Business Day, the Eurostoxx Futures shall refer to Futures Contract with the nearest Expiry Date, except the three Days prior to the Expiry Date, where the Current Future Contract is replaced by the Future Contract with the 2nd nearest Expiry Date.

2.2 Beta Hedging Mechanism

The short exposure to the Eurostoxx Futures is determined on a monthly basis by the Index Calculation Agent through a regression of the Quality Index vs the Futures. The regression is performed on 1-day returns over a period of 120 Business Days as defined below.

2.3 Extraordinary adjustment

If an underlying included in Solactive European Quality Market Neutral Index is removed from the Index between Rebalancing Day due to an Extraordinary Event, if necessary, the Committee shall designate a successor. This is announced by Solactive AG after the close of business on the day on which the new composition of the Index was determined by the Committee.

If all information is readily available to Solactive AG, Solactive AG tries to provide two Business Days prior notice before the day on which the new Index composition will become effective.

3 Calculation of the Index

3.1 Determination of the Index Level

The Index Level is in respect of Business Day (t), calculated by the Index Calculation Agent at the Valuation Time, subject to the occurrence or existence of an Index Disruption Event or an Index Extraordinary Event, according to the following formula:

$$IL(t) = IL(T_{Rb}(t)) \times \left[1 + \left(\frac{Quality\ Index(t)}{Quality\ Index(T_{Rb}(t))} - 1 \right) - Beta(T_{Rv}(t)) \times \left(\frac{Future(t)}{Future(T_{Rb}(t))} - 1 \right) \right]$$

And

$IL(t_0)$ = start value of index level

Quality Index(t) = the level of the Quality Index in respect of Business Day (t)

Future(t) = settlement price of the Eurostoxx Futures in respect of Business Day (t)

3.2 Determination of the Beta

The Beta is in respect of Business Day (t), calculated by the Index Calculation Agent on each Review Date $T_{Rv}(t)$, subject to the occurrence or existence of an Index Disruption Event or an Index Extraordinary Event, according to the following formula:

$$Beta(T_{Rv}(t)) = \frac{\sum_{i=T_{Rv}(t)-119}^{T_{Rv}(t)} \ln\left(\frac{Quality\ Index(t)}{Quality\ Index(t-1)}\right) \times \ln\left(\frac{Future(t)}{Future(t-1)}\right)}{\sum_{i=T_{Rv}(t)-119}^{T_{Rv}(t)} \ln\left(\frac{Future(t)}{Future(t-1)}\right)^2}$$

3.3 Accuracy

The index level will be rounded to two decimal places.

3.4 Adjustments

Indices need to be adjusted for systematic changes in prices once these become effective. This requires the new Number of Shares of the affected Index Component to be calculated on an ex-ante basis.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Index. This ex-ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used. The calculation parameters are provided by Solactive AG.

3.5 Calculation of the Index in the event of a Market Disruption Event

In the event of a Market Disruption Event, Solactive AG calculates the Index value, taking into account the market conditions prevailing at this point in time, the last quoted Trading Price for each of the Index Components as well as any other conditions that it deems relevant for calculating the Index value.

4. Definitions

“**Beta - $Beta(T_{Rv}(t))$** ” means in respect of Review Date ($T_{Rv}(t)$) the result of the linear regression between the Quality Index and the Eurostoxx Futures, determined pursuant to the Index Rules set out in Section 3.2.

“**Index Level - $IL(t)$** ” means in respect of any Business Day (t), the level of the Index calculated and published by the Index Calculation Agent on such date at the Valuation Time, pursuant to the Index Rules set out in Section 3.1.

“**Number of Shares**” is in respect of an Index Component and any given Business Day the number or fraction of shares included in the Index. It is calculated for any Index Component as the ratio of (A) the Percentage Weight of an Index Component multiplied by the Index value and (B) its Trading Price.

“**Percentage Weight**” of an Index Component is the ratio of its Trading Price multiplied by its Number of Shares divided by the Index value.

In particular an “**Extraordinary Event**” is

- In respect of the Solactive European Quality Index, an Extraordinary Event occurring as described in the guideline of such index
- In respect of the Eurostoxx Futures :
 - o Any event or restriction, including, without limitation, the entry into force of, or any change in, any applicable law, regulation or Exchange and/or Affiliated Exchange rules (or any change in their interpretation) that would make it impossible (using commercially reasonable efforts) or illegal to implement the strategy
 - o If the Underlying Index sponsor announces that it will make a material change in the formula for or the method of calculating the Underlying Index or in any other way materially modifies the Underlying Index (other than a modification prescribed in that formula or method to maintain the Underlying Index in the event of changes in constituent stock and capitalization and other routine events) or permanently cancels the Underlying Index and no Successor Index (as defined below) exists or the Underlying Index Sponsor fails to calculate and announce the Underlying Index for a period longer than 8 Scheduled Trading Days.
 - o the terms of the Eurostoxx Futures are changed or modified by the Affiliated Exchange.
 - o the methodology of Official Settlement Price calculation is changed by the Affiliated Exchange.

The Trading Price for this Index Component on the day the event came into effect is the last available market price for this Index Component quoted on the Exchange on the day the event came into effect (or, if a market price is not available for the day the event came into effect, the last available market price quoted on the Exchange on a day specified as appropriate by the Index Calculator), as determined by the Index Calculator, and this price is used as the Trading Price of the particular Index Component until the end of the day on which the composition of the Index is next set.

With regard to an Index component (subject to the provisions given above under “Extraordinary Events”) the “**Trading Price**” in respect of a Trading Day is the closing price on this Trading Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for an Index Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.

A “**Trading Day**” is in relation to the Index or an Index Component a Trading Day on the Exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the normal Exchange closing time. The Index Calculator is ultimately responsible as to whether a certain day is a Trading Day with regard to the Index or an Index Component or in any other connection relating to this document.

A “**Business Day**” is a day on which Eurex is open for trading for the Eurostoxx Futures.

The “**Index Calculator**” is Solactive AG or any other appropriately appointed successor in this function.

The “**Index Currency**” is EUR.

“**Rebalancing day - $T_{Rb}(t)$** ” is three Business Days prior to the third Friday of each Month.

“**Review Day - $T_{Rv}(t)$** ” is the Business Day immediately preceding the Rebalancing Day.

An “**Affiliated Exchange**” is with regard to an Index Component an exchange, a trading or quotation system on which options and futures contracts on the Index Component in question are traded, as specified by the Index Calculator.

A “**Market Disruption Event**” occurs if

1. one of the following events occurs or exists on a Trading Day prior to the opening quotation time for an Index Component:
 - A) trading is suspended or restricted (due to price movements that exceed the limits allowed by the Exchange or an Affiliated Exchange, or for other reasons):
 - 1.1. across the whole Exchange; or
 - 1.2. in options or futures contracts on or with regard to an Index Component or an Index Component that is quoted on an Affiliated Exchange; or
 - 1.3. on an Exchange or in a trading or quotation system (as determined by the Index Calculator) in which an Index Component is listed or quoted; or
 - B) an event that (in the assessment of the Index Calculator) generally disrupts and affects the opportunities of market participants to execute on the Exchange transactions in respect of a share included in the Index or to determine market values for a share included in the Index or to execute on an Affiliated Exchange transaction with regard to options and futures contracts on these shares or to determine market values for such options or futures contracts; or
2. trading on the Exchange or an Affiliated Exchange is ceased prior to the usual closing time (as defined below), unless the early cessation of trading is announced by the Exchange or Affiliated Exchange on this Trading Day at least one hour before
 - (aa) the actual closing time for normal trading on the Exchange or Affiliated Exchange on the Trading Day in question or, if earlier.
 - (bb) the closing time (if given) of the Exchange or Affiliated Exchange for the execution of orders at the time the quote is given.

“**Normal exchange closing time**” is the time at which the Exchange or an Affiliated Exchange is normally closed on working days without taking into account after-hours trading or other trading activities carried out outside the normal trading hours; or
3. a general moratorium is imposed on banking transactions in the country in which the Exchange is resident if the above-mentioned events are material in the assessment of the Index Calculator, whereby the Index Calculator makes his decision based on those circumstances that he considers reasonable and appropriate.
4. a Market Disruption Event occurs in respect of the Solactive European Quality Index according to the index guideline

5 Appendix

5.1 Contact data

Information regarding the Solactive European Quality Market Neutral Index concept

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5.2 Calculation of the Index – change in calculation method

The application by the Index Calculator of the method described in this document is final and binding. The Index Calculator shall apply the method described above for the composition and calculation of the Index. However it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Index Calculator may also make changes to the terms and conditions of the Index and the method applied to calculate the Index, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Index Calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the Index Calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.