

## **GUIDELINE**

# **Solactive Eurozone 50 Performance Weighted AR Index**

Version 1.0 dated July 13th, 2015



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This document contains the underlying principles and regulations regarding the structure and the operating of the Solactive Eurozone 50 Performance Weighted AR 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 Eurozone 50 Performance Weighted AR Index. Any changes made to the guideline are initiated by the Committee specified in section 1.6. Solactive Eurozone 50 Performance Weighted AR Index is calculated and published by Solactive AG. The name "Solactive" is copyrighted.

## 1 Index specifications

The Solactive Eurozone 50 Performance Weighted AR ("Index") is an Index of Solactive and is calculated and distributed by this provider.

The objective of the Index is to provide exposure to the performance of a basket of 50 Eurozone Companies selected according to Free Float Market Capitalization and weighted according to annual performance.

The Index is a net total return index, i.e. regular cash distributions are reinvested after the deduction of a withholding tax. The applicable withholding tax can be viewed under the following link:

<http://www.solactive.com/news/documents/>

The Index is calculated and published in Euro.

### 1.1 Short name and ISIN

The Solactive Eurozone 50 Performance Weighted AR Index is distributed under ISIN DE000SLA05S5; the WKN is SLA05S. The Index is published in Reuters under the code <SOLE50PW> and in Bloomberg under the code <SOLE50PW Index>.

### 1.2 Initial value

The Index is calculated live since 14<sup>th</sup> July 2015. Historic values are available since 4<sup>th</sup> May 2005. The index is based on 100 at the close of trading on the base date, May 5th, 2010.

### 1.3 Distribution

The Solactive Eurozone 50 Performance Weighted AR 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 Eurozone 50 Performance Weighted AR Index via his information systems.

## **1.4 Prices and calculation frequency**

The index level of the Solactive Eurozone 50 Performance Weighted AR 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 daily index closing level is calculated using Reuters/WMCO closing spot rates as at 4pm London time.

The Index is calculated on every Business Day. 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.

## **1.5 Weighting**

Each month at the close of business on the 3<sup>rd</sup> Business Day before the Rebalance Day, the Components of the Solactive Eurozone 50 Performance Weighted AR Index are ranked according to their 1-year price return. The stocks are then grouped in quintiles according to their rank, the first quintile gets a total weight of 30%, each quintile after is 5% lower. In each quintile stocks are weighted equally.

## **1.6 Decision-making bodies**

A Committee composed of staff from Solactive is responsible for decisions regarding the composition of the Solactive Eurozone 50 Performance Weighted AR 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 Index is determined by the Committee on the Selection Day according to the procedure outlined in 2.1 of this document. The Committee shall also decide about the future composition of 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 July 14th, 2015.

## **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.

## **2 Composition of the Index**

### **2.1 Selection of the Index Components**

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:

On the Selection Day, Solactive defines the eligible Universe according to the rules outlined in chapter 4. All companies in the starting universe are ranked according to Free Float Market Capitalization in descending order. The largest 50 companies are included in the index.

### **2.2 Ordinary adjustment**

The composition of the Index is adjusted at the close of the Rebalancing Day in May and November. The composition of the Solactive Eurozone 50 Performance Weighted AR Index is reviewed on the Selection Day and necessary changes are announced.

The first ordinary adjustment will be made on the Rebalancing Day in November 2015 based on the Closing Prices of the Index Components at that day.

A reweighting of the index components take place each month as outlined in section 1.5.

### **2.3 Extraordinary adjustment**

If a company included in Solactive Eurozone 50 Performance Weighted AR Index is removed from the Index between two Rebalancing Days 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. The Solactive Eurozone 50 Performance Weighted AR Index is adjusted with two days notice if possible.

## 3 Calculation of the Index

### 3.1 Index formula

The Solactive Eurozone 50 Performance Weighted AR Index is an index whose value on any week day is equivalent to the sum overall Index Components of the products of (a) the Number of Shares of the Index Component and (b) the price of the Index Component at the respective Exchange.

As a formula:

$$IndexN_t = \sum_{i=1}^n x_{i,t} * p_{i,t}$$

with:

$x_{i,t}$  = Number of Shares of the Index Component i on Trading Day t

$p_{i,t}$  = Price of Index Component i on Trading Day t in Index Currency

### 3.2 Management Fee

On a daily basis a Management Fee of 5.0% p.a. is deducted from the Index.

As a formula:

$$Index_t = Index_{t-1} * \frac{IndexN_t}{IndexN_{t-1}} * (1 - AF * DCF_{t,t-1})$$

with:

$Index_t$  = Solactive Eurozone 50 Performance Weighted AR Index on trading day t

$AF$  = Adjustment Factor of 5%

$DCF_{t,t-1}$  = Day Count fraction from business day t-1 to business day t, using a 360 day count convention

### 3.3 Accuracy

The value of the Index will be rounded to four decimal places.

The Number of Shares of the Index Components will be rounded to six 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.

The Solactive Eurozone 50 Performance Weighted AR Index is adjusted for regular cash distributions, special cash distributions, capital increases, rights issues, splits, par value conversions and capital reductions.

### 3.5 Dividends and other distributions

Dividend payments and other regular and special cash distributions are included in the Index and cause an adjustment of the Number of Shares of the corresponding Index Component. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{(p_{i,t} + D_{i,t})}{P_{i,t}}$$

with

$x_{i,t}$  = Number of Shares of the Index Component i on Trading Day t

$D_{i,t}$  = Payment on Trading Day t multiplied by the Dividend Correction Factor of the respective country

### 3.6 Corporate actions

#### 3.6.1 Principles

Following the announcement by a company included in the Index of the terms and conditions of a corporate action the Index Calculator determines whether such corporate action has a dilution, concentration or other effect on the price of the Index Component.

If this should be the case the Index Calculator shall make the necessary adjustments to the affected Index Component and/or the formula for calculating the Index and/or to other terms and conditions of this document that he deems appropriate in order to take into account the dilution, concentration or other effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index Calculator can take into account the adjustment made by an Affiliated Exchange as a result of the corporate action with regard to option and futures contracts on the respective share traded on this Affiliated Exchange.

### 3.6.2 Capital increases

In the case of capital increases (from the company's own resources or through cash contributions) the new Numbers of Shares are calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{p_{i,t-1}}{p_{i,t-1} - rB_{i,t-1}} \quad \text{with:} \quad rB_{i,t-1} = \frac{p_{i,t-1} - B - N}{BV + 1}$$

- $x_{i,t}$  = Number of Shares of Index Component i on the day of the distribution
- $x_{i,t-1}$  = Number of Shares of Index Component i on the day prior to the distribution
- $p_{i,t-1}$  = Closing price on the day prior to ex date
- $rB_{i,t-1}$  = Calculated value of rights issue
- $B$  = Price of rights issue
- $N$  = Dividend disadvantage
- $BV$  = Subscription ratio

$B=0$  if capital is increased from the company's own resources.

The last dividend paid or the announced dividend proposal is applied as the dividend disadvantage.

### 3.6.3 Capital reductions

In the case of capital reductions the new Number of Shares is determined as follows:

$$x_{i,t} = x_{i,t-1} * \frac{1}{H_{i,t}}$$

- $H_{it}$  = Reduction ratio of the company on day t
- $x_{i,t}$  = Number of Shares of the affected Index Component on the day of the distribution
- $x_{i,t-1}$  = Number of Shares of the affected Index Component on the day prior to the distribution

### 3.6.4 Share splits and par value conversions

In the case of share splits and par value conversions it is assumed that the prices change in ratio to the number of shares or to the par values. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{N_{i,t-1}}{N_{i,t}}$$

- $N_{i,t-1}$  = Former par value of security class i (or new number of shares)



$N_{i,t-1}$  = New par value of security class i (or former number of shares)

$x_{i,t}$  = Number of Shares of the affected Index Component on the day of the distribution

$x_{i,t-1}$  = Number of Shares of the affected Index Component on the day prior to the distribution

### **3.7 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 level, 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 level.

#### 4. Definitions

“**Solactive Eurozone 50 Performance Weighted AR Index Universe**” in respect of a Selection Day are companies that fulfill the following criteria:

- Incorporated in one of the Eurozone Countries
- Listed on a Regulated Exchange in the Eurozone and tradable for Foreign Investors without any further restrictions
- Only primary or the most liquid listing are allowed to be included (decided by the Index Committee)
- The minimum price history of the Stock is 1 year

“**Index Component**” is each share currently included in the Index.

“**Index Administrator**” is Solactive AG.

“**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.

“**Dividend Correction Factor**” is calculated as 1 minus the applicable withholding tax rate and/or other applicable tax rate currently prevalent in the respective country.

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

- a Merger
- a Takeover bid
- a delisting
- the Nationalisation of a company
- Insolvency.

In the event of the Insolvency of an issuer of an Index Component the Index Component shall remain in the Index until the next Rebalancing Day. As long as a market price for the affected Index Component is available on a Business Day, this shall be applied as the Trading Price for this Index Component on the relevant Business Day, as determined in each case by the Index Calculator. If a market price is not available on a Business Day the Trading Price for this Index Component is set to zero. The Committee may also decide to eliminate the respective Index Component at an earlier point in time prior to the next Rebalancing Day. The procedure in this case is identical to an elimination due to and Extraordinary Event.

An Index Component is “**delisted**” if the Exchange announces pursuant to the Exchange regulations that the listing of, the trading in or the issuing of public quotes on the Index Component at the Exchange has ceased immediately or will cease at a later date, for whatever reason (provided delisting is not because of a Merger or a Takeover bid), and the Index Component is not immediately listed, traded or quoted again on an exchange, trading or listing system, acceptable to the Index Calculator,

**“Insolvency”** occurs with regard to an Index Component if (A) all shares of the respective issuer must be transferred to a trustee, liquidator, insolvency administrator or a similar public officer as result of a voluntary or compulsory liquidation, insolvency or winding-up proceedings or comparable proceedings affecting the issuer of the Index Components or (B) the holders of the shares of this issuer are legally enjoined from transferring the shares.

A **“Takeover bid”** is a bid to acquire, an exchange offer or any other offer or act of a legal person that results in the related legal person acquiring as part of an exchange or otherwise more than 10% and less than 100% of the voting shares in circulation from the issuer of the Index Component or the right to acquire these shares, as determined by the Index Calculator based on notices submitted to public or self-regulatory authorities or other information considered by the Index Calculator to be relevant.

With regard to an Index Component a **“Merger”** is

- (i) a change in the security class or a conversion of this share class that results in a transfer or an ultimate definite obligation to transfer all the shares in circulation to another legal person,
- (ii) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer to exchange shares with another legal person (except in a merger or share exchange under which the issuer of this Index Component is the acquiring or remaining company and which does not involve a change in security class or a conversion of all the shares in circulation),
- (iii) a takeover offer, exchange offer, other offer or another act of a legal person for the purposes of acquiring or otherwise obtaining from the issuer 100% of the shares issued that entails a transfer or the irrevocable obligation to transfer all shares (with the exception of shares which are held and controlled by the legal person), or
- (iv) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer of the share or its subsidiaries to exchange shares with another legal person, whereby the issuer of the share is the acquiring or remaining company and it does not involve a change in the class or a conversion of the all shares issued, but the shares in circulation directly prior to such an event (except for shares held and controlled by the legal person) represent in total less than 50% of the shares in circulation directly subsequent to such an event.

The **“Merger Date”** is the date on which a Merger is concluded or the date specified by the Index Calculator if such a date cannot be determined under the law applicable to the Merger.

**“Nationalisation”** is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities or institutions.

**“Stock Substitute”** includes in particular American Depository Receipts (ADR) and Global Depository Receipts (GDR).

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.

The **“Index Currency”** is Euro.

**“Business Day”** means any day where the main Eurozone Exchanges are open for trading.

**“Free Float Market Capitalization”** is with regard to each of the companies in the Solactive Eurozone 50 Performance Weighted AR Index on a Selection Day the share class specific Free Float Market Capitalization for any share class that meets the criteria as outlined in chapter 4. It is calculated as the multiplication of the Shares Outstanding in Free Float (as sourced from data vendors) multiplied with the closing price of the share class as of the respective Selection Day.

**“Rebalancing Day”** is the close of the first Wednesday each month that is also a Business Day according to the definition in this document. In case that day is not a Business Day, the Rebalancing Day will be the following Business Day.

**“Selection Day”** is the Business Day 10 Business Days before the Rebalancing Day. Any IPO eligible for inclusion as of the ordinary Selection Days needs to have been traded for at least 10 Business Days.

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.

**"Market Disruption Events"** relate to all events causing a halt to regular pricing for any of the index components or the market in general.

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.

## 5 Appendix

### 5.1 Contact data

#### Information regarding the Solactive Eurozone 50 Performance Weighted AR 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.

### 5.3 Change in calculation method between live calculation and backtested values

The backtest until 14<sup>th</sup> July 2015 was calculated by investing any cash distributions into the whole index. Since the live calculation cash distributions are reinvested into the single stock according to the formulae outlined in this guideline.