

Market Consultation- RAFI Currency Hedged INDICES

28 January 2020

Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to changing the Index Methodology of the following Indices (the ‘Indices’):

|  |  |  |
| --- | --- | --- |
| **NAME** | **RIC** | **ISIN** |
| RAFI Multi-Factor Global Index NTR AUD Hedged | .RAMGADHN | DE000SLA4395 |
| RAFI Multi-Factor Developed GBP Hedged Index Net Return | .RAMDGBPH | DE000SLA56E8 |
| RAFI ESG Developed Index NTR EUR hedged | .RAESGDVH | DE000SLA8U68 |

**Rationale for Market Consultation**

The rationale behind the proposed methodology change is to better reflect market movements and to ensure the index replicability which would result in reducing the tracking error between the linked product and the underlying index.

**Proposed Changes to the Index Guideline**

The following Methodology changes are proposed in the Index Guidelines of Indices:

* **RAFI Multi-Factor Global Index NTR AUD Hedged**

**From:**

**Section 2.10.3- RAFI Multi-Factor Global Index NTR AUD Hedged Construction**

The RAFI Multi-Factor Global Index NTR AUD Hedged is designed to earn the returns of the RAFI Multi-Factor Global Index while shielding investors from changes in the Australian dollar exchange rate relative to other currencies in the index. Weights for the currency hedge are determined and currency exposures are hedged on a monthly basis on the last business day of each month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the hedging methodology can be found here: https://www.solactive.com/wp-content/uploads/2018/01/Currency-Hedge-General-Methodology.pdf

**To:**

**Section 2.10.3- RAFI Multi-Factor Global Index NTR AUD Hedged Construction**

The RAFI Multi-Factor Global Index NTR AUD Hedged is designed to earn the returns of the RAFI Multi-Factor Global Index while shielding investors from changes in the Australian dollar exchange rate relative to other currencies in the index. Weights for the currency hedge are determined on a monthly basis on the day before the last business day of each month; and the currency exposures are hedged on a monthly basis on the last business day of month.

Exception: Due to the RAFI Multi-Factor Global Index rebalancing on the last business day of March, June and September, the weights for the currency hedge are determined based on the indicative weights of the upcoming rebalancing composition based on the prices as of the day before the last business day of the month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the Methodology can be found in the “RAFI Indices Hedging Methodology” <https://www.rafi.com/investor-support/index-notices>

* **Multi-Factor Developed GBP Hedged Index Net Return**

**From:**

**Section 2.10.4 RAFI Multi-Factor Developed GBP Hedged Index Net Return Construction**

The RAFI Multi-Factor Developed GBP Hedged Index Net Return is designed to earn the returns of the RAFI Multi-Factor Developed Index while shielding investors from changes in the British pound exchange rate relative to other currencies in the index. Weights for the currency hedge are determined and currency exposures are hedged on a monthly basis on the last business day of each month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the hedging methodology can be found here: https://www.solactive.com/wp-content/uploads/2018/01/Currency-Hedge-General-Methodology.pdf

**To:**

**Section 2.10.4 RAFI Multi-Factor Developed GBP Hedged Index Net Return Construction**

The RAFI Multi-Factor Developed GBP Hedged Index Net Return is designed to earn the returns of the RAFI Multi-Factor Developed Index while shielding investors from changes in the British pound exchange rate relative to other currencies in the index. Weights for the currency hedge are determined on a monthly basis on the day before the last business day of each month; and the currency exposures are hedged on a monthly basis on the last business day of month.

Exception: Due to the RAFI Multi-Factor Developed Index rebalancing on the last business day of March, June and September, the weights for the currency hedge are determined based on the on the indicative weights of the upcoming rebalancing composition based on the prices as of the day before the last business day of the month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the Methodology can be found in the “RAFI Indices Hedging Methodology” <https://www.rafi.com/investor-support/index-notices>

* **RAFI ESG Developed Index NTR EUR Hedged**

**From:**

**Section 2.7 RAFI ESG Developed Index NTR EUR Hedged**

The RAFI ESG Developed Index NTR EUR Hedged is designed to earn the returns of the RAFI ESG Developed Index while shielding investors from changes in the Euro exchange rate relative to other currencies in the index. Weights for the currency hedge are determined and currency exposures are hedged on a monthly basis on the last business day of each month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the hedging methodology can be found here: https://www.solactive.com/wp-content/uploads/2018/01/Currency-Hedge-General-Methodology.pdf

**To:**

**Section 2.7 RAFI ESG Developed Index NTR EUR Hedged**

The RAFI ESG Developed Index NTR EUR Hedged is designed to earn the returns of the RAFI ESG Developed Index while shielding investors from changes in the Euro exchange rate relative to other currencies in the index. Weights for the currency hedge are determined on a monthly basis on the day before the last business day of each month; and the currency exposures are hedged on a monthly basis on the last business day of month.

Exception: Due to the RAFI ESG Developed Index rebalancing on the last business day of March, June and September, the weights for the currency hedge are determined based on the on the indicative weights of the upcoming rebalancing composition based on the prices as of the day before the last business day of the month. Foreign exchange forward contracts are sold to eliminate the risk of currency fluctuations. Forward spot rates are calculated using WM/Reuters closing spot rates from 4:00pm London time. A complete description of the Methodology can be found in the “RAFI Indices Hedging Methodology” <https://www.rafi.com/investor-support/index-notices>

Feedback on the proposed changes

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.

|  |  |
| --- | --- |
| Name |  |
| Function |  |
| Organization |  |
| Email |  |
| Phone |  |
| Confidentiality (Y/N) |  |

Solactive is inviting all stakeholders and interested third parties to evaluate the proposed changes to the **Methodology for the RAFI currency hedged indices** and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.

|  |
| --- |
|  |

Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until February 10th, 2020 (cob).

Please send your feedback via email to [compliance@solactive.com](mailto:compliance@solactive.com), specifying “**Market Consultation RAFI** **Currency Hedged Indices**” as the subject of the email, or

via postal mail to: **Solactive AG**

Platz der Einheit 1

60327 Frankfurt am Main

Germany

|  |  |
| --- | --- |
| Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address. |  |



# Contact

Solactive AG

German Index Engineering

Platz der Einheit 1

60327 Frankfurt am Main

Germany

Tel.: +49 (0) 69 719 160 00

Fax: +49 (0) 69 719 160 25

Email: [info@solactive.com](mailto:info@solactive.com)

Website: [www.solactive.com](http://www.solactive.com)

© Solactive AG