

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-notice>

- 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).



Market Consultation- RAFI Currency Hedged INDICES

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation RAFI Currency Hedged Indices" as the subject of the email, or

via postal mail to: Solactive AG
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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

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