MARKET CONSULTATION-SOLACTIVE WEALTHSIMPLE INDICES

21 April 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
Solactive Wealthsimple DM ex NA Socially Responsible Factor Index PR	.SOLDSRFP	DE000SLA9857
Solactive Wealthsimple DM ex NA Socially Responsible Factor Index NTR	.SOLDSRFN	DE000SLA9865
Solactive Wealthsimple DM ex NA Socially Responsible Factor Index TR	.SOLDSRFT	DE000SLA9873
Solactive Wealthsimple North America Socially Responsible Factor Index PR	.SOLNARFP	DE000SLA9881
Solactive Wealthsimple North America Socially Responsible Factor Index NTR	.SOLNARFN	DE000SLA9899
Solactive Wealthsimple North America Socially Responsible Factor Index TR	.SOLNARFT	DE000SLA99A6

Rationale for Proposed Change

The indices aim to weight securities according to sector volatility and invest most into sectors that experience low volatility. Currently the calculation of the sector volatility ignores the correlation among securities, which means sector volatility is not represented in an accurate way. In order to have an accurate figure covariances among securities need to be considered. Therefore, the following changes are proposed to the Index Guideline.

Proposed Change to the Index Guideline

The following Methodology change is proposed in the following point of the Index:

Section 2.3. WEIGHTING OF THE INDEX COMPONENTS

From:

On each Selection Day each Index Component is assigned a weight according to the steps below:

[...]

2. Next each sector is weighted according to the aggregate sum of the inverse volatility within each sector:

$$ws_s = \frac{\sum_{k=1}^{K_s} 1/\sigma_k}{\sum_{n=1}^{N} 1/\sigma_n}$$

Where:

ws_s = weight of sector s

$\sum_{k=1}^{K_s} 1/\sigma_k$ = the sum of inverse volatilities of all securities within sector s

$\sum_{n=1}^{N} 1/\sigma_n$ = the sum of inverse volatilities among all securities

[...]

To:

On each Selection Day each Index Component is assigned a weight according to the steps below:

[...]

2. Next each sector is weighted according to the aggregate sum of the inverse volatility within each sector:

$$ws_s = \frac{1/\sigma_s}{\sum_{s=1}^{S} 1/\sigma_s}$$

$$\sigma_s = \sqrt{w' * \sum * w}$$

Where:

ws_s = weight of sector s

σ_s = volatility of sector s

w = vector of initial weights of securities (wi_i) calculated in step 1 for sector s

$\sum$ = covariance matrix of securities in sector s determined using returns over the past 3 years

[...]

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 Solactive Wealthsimple DM ex NA Socially Responsible Factor Index and the Solactive Wealthsimple North America Socially Responsible Factor Index 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 27th April 2020 (cob).

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation Solactive Wealthsimple 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
Website: www.solactive.com