

# INDEX GUIDELINE

*Solactive USD Investment Grade Corporate Select TR Index*  
*Solactive USD Investment Grade Corporate Select PR Index*  
*Solactive USD Investment Grade Corporate Select in CAD TR Index*  
*Solactive USD Investment Grade Corporate Select Hedged to CAD TR Index*

*Version 1.4*

*23 July 2020*



## TABLE OF CONTENTS

Introduction .....	3
1. Index Specifications .....	4
1.1. Scope of the Index .....	4
1.2. Identifiers and Publication .....	4
1.3. Initial Level of the Index .....	5
1.4. Prices and calculation frequency .....	5
1.5. Licensing.....	5
2. Index Selection .....	6
2.1. Selection of the Index Components .....	6
2.2. Weighting of the Index Components.....	7
3. Rebalance .....	8
3.1. Ordinary Rebalance .....	8
3.2. Extraordinary Rebalance .....	8
4. Calculation of the Index .....	10
4.1. Index formula .....	10
4.2. Accuracy .....	12
4.3. Adjustments.....	12
4.4. Corporate actions .....	12
4.5. Recalculation.....	13
4.6. Market Disruption .....	13
5. Miscellaneous .....	14
5.1. Discretion .....	14
5.2. Methodology Review.....	14
5.3. Changes in calculation method.....	14
5.4. Termination .....	15
5.5. Oversight .....	15
6. Definitions.....	16
Contact.....	17



## INTRODUCTION

This document (the "GUIDELINE") is to be used as a guideline with regard to the composition, calculation and maintenance of the Solactive USD Investment Grade Corporate Select TR Index, Solactive USD Investment Grade Corporate Select PR Index, Solactive USD Investment Grade Corporate Select in CAD PR Index and the Solactive USD Investment Grade Corporate Select Hedged to CAD PR Index (the "INDEX"). Any amendments to the rules made to the GUIDELINE are approved by the OVERSIGHT COMMITTEE specified in Section 5.5. The INDEX is owned, calculated, administered and published by Solactive AG ("SOLACTIVE") assuming the role as administrator (the "INDEX ADMINISTRATOR") under the Regulation (EU) 2016/1011 (the "BENCHMARK REGULATION" or "BMR"). The name "Solactive" is trademarked.

*The text uses defined terms which are formatted with "SMALL CAPS". Such Terms shall have the meaning assigned to them as specified in Section 6 (Definitions).*

The GUIDELINE and the policies and methodology documents referenced herein contain the underlying principles and rules regarding the structure and operation of the INDEX. SOLACTIVE does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the INDEX nor the level of the INDEX at any certain point in time nor in any other respect. SOLACTIVE strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for SOLACTIVE – 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 does not constitute a recommendation for capital investment and does not contain any assurance or opinion of SOLACTIVE regarding a possible investment in a financial instrument based on this INDEX.



# 1. INDEX SPECIFICATIONS

## 1.1. SCOPE OF THE INDEX

- The Solactive USD Investment Grade Corporate Select Indices are rules-based, market value weighted indices engineered to mirror the worldwide performance of investment grade corporate bonds issued in USD.
- The Solactive USD Investment Grade Corporate Select Index will be distributed both as a Total Return Index (i.e. coupon payments will be reinvested in the index on each Adjustment day) and a Price Return Index (i.e. coupon payments will not be considered in the index).
- The Solactive USD Investment Grade Select in CAD PR Index is a version of the Solactive USD investment Grade Corporate Select PR Index where the index currency is CAD.
- The Solactive USD Investment Grade Select Hedged to CAD PR Index is a currency hedged version of the Solactive USD Investment Grade Select in CAD PR Index.
- The Solactive USD Investment Grade Corporate Select Indices select a representative subset of the Solactive USD Investment Grade Corporate Index targeting a similar performance.

## 1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive USD Investment Grade Corporate Select TR Index	DE000SLA44J3	USD	TR	.SOLUSSTR	n/a
Solactive USD Investment Grade Corporate Select PR Index	DE000SLA44K1	USD	PR	.SOLUSSPR	n/a
Solactive USD Investment Grade Corporate Select in CAD TR Index	DE000SLA4536	CAD	TR	.SOLUSCAD	n/a
Solactive USD Investment Grade Corporate Select Hedged to CAD TR Index	DE000SLA4544	CAD	TR	.SOLUSSCH	SOLUSSCH

\*TR means that the INDEX is calculated as Total Return index, PR means that the INDEX is calculated as Price Return as described in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>

The INDEX is published on the website of the INDEX ADMINISTRATOR (www.solactive.com) and is, in addition, available via the price marketing services of Boerse Stuttgart GmbH and may be distributed to all of its



affiliated vendors. Each vendor decides on an individual basis as to whether it will distribute or display the INDEX via its information systems.

Any publication in relation to the INDEX (e.g. notices, amendments to the GUIDELINE) will be available at the website of the INDEX ADMINISTRATOR: <https://www.solactive.com/news/announcements/>.

### 1.3. INITIAL LEVEL OF THE INDEX

The initial level of the INDEX on the START DATE is 1000. Historical values from the LIVE DATE will be recorded in accordance with Article 8 of the BMR. Levels of the INDEX published for a period prior to the LIVE DATE have been back-tested.

### 1.4. PRICES AND CALCULATION FREQUENCY

The INDEX is calculated and distributed once every BUSINESS DAY based on the LAST EVALUATED BID PRICE of the INDEX COMPONENTS. Bonds added in a rebalancing (see Section 3) are included the INDEX at THE LAST EVALUATED ASK PRICE on the relevant REBALANCE DAY (as specified in Section 3). INDEX analytical values are calculated each BUSINESS DAY using the LAST EVALUATED PRICE based on FIXING TIME.

### 1.5. LICENSING

Licenses to use the INDEX as the underlying value for financial instruments, investment funds and financial contracts may be issued to stock exchanges, banks, financial services providers and investment houses by Solactive.



## 2. INDEX SELECTION

On each SELECTION DAY, all bonds which meet the INDEX COMPONENT REQUIREMENTS are eligible for inclusion in the INDEX and will be added as INDEX COMPONENT on the REBALANCE DAY. Additionally, on each SELECTION DAY, it will be evaluated whether all current INDEX COMPONENTS still meet the INDEX COMPONENT REQUIREMENTS. Each INDEX COMPONENT that does not meet the INDEX COMPONENT REQUIREMENTS will be removed from the INDEX on the next REBALANCE DAY.

### 2.1. SELECTION OF THE INDEX COMPONENTS

The Solactive USD Investment Grade Corporate Index serves as a starting universe for all Solactive USD Investment Grade Corporate Select Indices. All index members of the Solactive USD Investment Grade Corporate Index are potentially eligible for inclusion in the indices. From this starting universe the approximately 500 securities which are most likely to represent the entire Solactive USD Investment Grade Corporate Bond Index best, are included in the indices. This involves a 4-step selection process.

1. Each security in the selection pool will be assigned to a specific bucket according to the securities' rating and modified duration. There are 10 rating buckets and 11 modified duration buckets (exact definitions of buckets can be found under section 4 Definitions).
2. Market weights of each bucket, relative to the entire selection pool, are calculated. According to the weight of each bucket the number of bonds which represent the specific bucket is determined. This is done by applying the following formula:

$$\text{Number of Bonds Per Bucket}_j = \text{Bucket Weight}_j * \text{Target Number of Bonds}$$

Please note that *Number of Bonds Per Bucket<sub>j</sub>* has to be integer number. This is ensured by cutting off all decimals. This will lead to a lower number of bonds in the index than initially set by the target. To compensate for this the buckets with the largest difference between the exact number of bonds and the integer number of bonds will receive one extra security. This step is performed for each bucket until the index reaches the target number of constituents.

3. Once the target number of bonds per bucket is defined. The appropriate number of bonds are selected which display the largest amount outstanding of the respective bucket and which are not classified as securities registered under 144a registration rights.
4. After this step bond weights will be assigned. Securities are weighted according to market capitalisation within their buckets. The bucket weights were determined in step 2. Formally the weight of each security is derived in the following way:



$$\text{Final Bond Weight}_i = (\text{Bucket Weight}_j + \frac{\text{Bucket Weight}_j}{\text{Sum of Bucket Weights}} * \text{Bucket Sum}_{\text{Bond}=0}) * \frac{\text{Initial Bond Weight}_i}{\text{Sum of Initial Weights of Bucket}_j}$$

With:

*Bucket Weight<sub>j</sub>* = Weight of respective Bucket j relative to entire selection pool

*Sum of Bucket Weights* = Sum of all Bucket Target Weights.

*Bucket Sum<sub>Bond=0</sub>* = Sum of all Buckets with a target number of bonds = 0. These buckets may exist due to the integer constraint of target number of bonds per bucket.

*Initial Bond Weight<sub>i</sub>* = Market Weight relative to entire selection pool.

*Sum of Initial Weights of Bucket<sub>j</sub>* = Sum of Initial Bond Weights of respective bucket j.

*Target Number of Bonds* = Number of index constituents fixed by Guideline

## 2.2. WEIGHTING OF THE INDEX COMPONENTS

The Index Components are weighted according to the weighting scheme described under chapter 2.1 Selection of the Index Components.



## 3. REBALANCE

### 3.1. ORDINARY REBALANCE

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2.1) the INDEX is adjusted on the REBALANCE DAY after CLOSE OF BUSINESS.

For more information on the rebalance procedure please refer to the Bond Index Methodology, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

SOLACTIVE will publish any changes made to the INDEX COMPONENTS with sufficient notice before the REBALANCE DAY on the SOLACTIVE webpage under the section "[Announcement](https://www.solactive.com/news/announcements/)", which is available at <https://www.solactive.com/news/announcements/>

### 3.2. EXTRAORDINARY REBALANCE

In addition to the ordinary rebalance, the INDEX is also rebalanced extraordinarily. These adjustments take place outside the rebalancing schedule and follow different rules than the ordinary rebalances. The extraordinary rebalance is triggered by the mechanism described below:

- a) EARLY REDEMPTION or FULL CALL: The bond proceeds will be held as "PAID CASH" and reinvested into the INDEX on the following REBALANCE DAY. For the avoidance of doubt a Tender offer must be mandatory, the pure offer to tender a bond will not lead to an adjustment of the Index.
- b) FLAT TRADING: A bond is marked as flat trading if the bond issuer will not meet its coupon payment obligation. This means that the buyer of a bond is not responsible for paying the interest that has accrued since the last payment. If a bond is defined to be "flat trading" between two REBALANCE DAYS the respective accrued interests and coupons will be set to 0. The bond will not be removed until the next REBALANCE DAY.
- c) Defaulted Bonds: If the status of a bond changes to "IN DEFAULT", the bond will remain as part of the INDEX or portfolio at the last available evaluated price provided by the pricing source until the next regular REBALANCE DAY.
- d) EXCHANGE OFFERS:
  - 1) Optional Exchange Offers: Optional Exchange Offers will not result in an adjustment of the INDEX.
  - 2) Mandatory Exchanges Offers:





- a. In case more than 90% of the AMOUNT OUTSTANDING is exchanged the exchange will be considered in the index calculation by exchanging the relevant bonds, so that the new bond will receive the weight of the old exchanged bond.
  - b. In the case when less than 90% of the AMOUNT OUTSTANDING is exchanged the exchange will not be considered to be an event that affects the relevant bond's position in the index.
- e) FUNGIBLE BONDS:
- 1) The parent bond and the sub-tranche are both index constituents: Both bonds are kept in the index until the next REBALANCE DAY. On the next REBALANCE DAY, the new bond will be removed and the AMOUNT OUTSTANDING of the parent bond will be increased by the amount of the new bond issue.
  - 2) The parent bond is an index constituent and the sub-tranche is not: On the next REBALANCE DAY, the AMOUNT OUTSTANDING of the parent bond will be increased by the amount of the sub-tranche.
  - 3) The parent bond is not an index constituent but the sub-tranches: On the next REBALANCE DAY, the sub-tranche leaves the index and the parent bond enters the index including the AMOUNT OUTSTANDING added from the sub-tranche (assuming that it meets the requirements of the Selection Pool).
- f) PAYMENT-IN-KIND BONDS: These bonds pay interest in additional bonds rather than in cash. Assuming the additional bonds will be sold immediately and the proceeds will be reinvested in the index, PAYMENTS-IN-KIND are therefore considered as cash in the PAID CASH component in all TOTAL RETURN calculations.
- g) EX-DIVIDEND BONDS: "Ex-dividend" means that the next coupon is detached from the bond several days in advance of the coupon payment date. Between ex-date and pay-date a buyer of the bond does not get the right to receive the next coupon. Therefore, accrued interest is negative during that period. However, the coupon will be paid to the original bondholder, i.e. if a bond is already in the index the next coupon payment is held separate in the Variable Coupon Adjustment Factor  $CPAdj_{i,t}$ . If the bond enters the index during the ex-dividend period  $CPAdj_{i,t}$  is zero as the next coupon payment will not accrue to the index.

\*For the avoidance of doubt, an optional tender or exchange offer may lead to an index adjustment after the end of the submission period. In case the tender or exchange has been successful for at least 90% of the AMOUNT OUTSTANDING, the bond will be removed from the index/exchanged into the relevant bond.



## 4. CALCULATION OF THE INDEX

### 4.1. INDEX FORMULA

The INDEX is calculated as a Total Return, Price Return, and Currency Hedged index.

The calculation is performed according to the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

A price return index reflects price movements of the INDEX COMPONENTS disregarding accrued interest and coupon payments and only accounting for bond redemption proceeds resulting from corporate actions taking place between two REBALANCE DAYS. Accordingly, a price return index aims to reflect the price performance of the overall market, or of its particular segment.

A gross total return index seeks to replicate the overall return from holding an index portfolio, thus considering both coupon payments and Corporate Action proceeds in addition to the price changes adjusted for any accrued interest. Coupon and other cash payments will be reinvested on each Adjustment Day.

The periodic reinvestment formula implies a periodic reinvestment in the INDEX of proceeds resulting from corporate actions and coupon payments in respect of the INDEX COMPONENTS on the next regular REBALANCE DAY following such events. For the period until reinvestment the proceeds are held in a cash component. On the REBALANCE DAY the proceeds are reinvested in the INDEX proportionately to the weights of the INDEX COMPONENTS. The periodic reinvestment formula tracks the performance of the INDEX COMPONENTS relative to their market value on the immediately preceding REBALANCE DAY. The market value for an individual INDEX COMPONENT on a REBALANCE DAY is based on the price for the respective bond and its face value on the SELECTION DAY associated with the REBALANCE DAY.

A more detailed description of the mechanics of the PERIODIC REINVESTMENT formula can be found in the Bond index Methodology under Section 1.2.2, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

The Currency Hedged Total Return index is calculated on each BUSINESS DAY in accordance with the following formula:

$$HI_t = HI_{RT} \cdot \left( 1 + \left( \frac{UI_t}{UI_{RT}} - 1 \right) + HIM_t \right)$$



with:

$HI_t$  Currency Hedged Total Return index on BUSINESS DAY t

$HI_{RT}$  Currency Hedged Total Return index on the CURRENCY HEDGE REBALANCE DAY RT immediately preceding BUSINESS DAY t

$UI_t$  Underlying Total Return Index on BUSINESS DAY t

$UI_{RT}$  Underlying Total Return Index on the CURRENCY HEDGE REBALANCE DAY RT immediately preceding BUSINESS DAY t

$HIM_t$  Hedge Impact on BUSINESS DAY t, calculated according to the following formula:

$$HIM_t = AF_{RT} \cdot \sum_{i=1}^n W_{i,ST} \cdot S_{i,ST}^m \cdot \left( \frac{1}{F_{i,RT}^m} - \frac{1}{IF_{i,t}^m} \right)$$

with:

$AF_{RT}$  Adjustment Factor on BUSINESS DAY t, calculated according to the following formula:

$$AF_{RT} = \frac{HI_{RT-1}}{HI_{RT}}$$

with:

**n** number of different currencies in the unhedged Index (Total return index) (without considering the currency in which the index is calculated)

$W_{i,ST}$  weight of currency i on CURRENCY HEDGE SELECTION DATE ST immediately preceding BUSINESS DAY t

$S_{i,ST}^m$  Mid Spot of currency i on day CURRENCY HEDGE SELECTION DATE ST immediately preceding BUSINESS DAY t

$F_{i,RT}^m$  Mid Forward of currency i on CURRENCY HEDGE REBALANCING DATE RT

$IF_{i,t}^m$  interpolated Forward on day t which is calculated as follows:

$$IF_{i,t}^m = S_t^m + (F_{i,t}^m - S_{i,t}^m) \cdot \frac{D-d}{D}$$

with:

$S_{i,t}^m$  currency i mid spot rate on BUSINESS DAY t

$F_{i,t}^m$  currency i 1-month forward mid-rate on BUSINESS DAY t



<i>D</i>	number of calendar days between the last and the next CURRENCY HEDGE REBALANCE DAY
<i>d</i>	number of calendar days between the last CURRENCY HEDGE REBALANCE DAY and BUSINESS DAY <i>t</i>

## 4.2. ACCURACY

The level of the INDEX will be rounded to two decimal places.

## 4.3. ADJUSTMENTS

Under certain circumstances, an adjustment of the INDEX may be necessary between two regular REBALANCE DAYS. Basically, such adjustment is need to be made if a corporate action (as specified in Section 4.4 below) in relation to an INDEX COMPONENT occurs. Such adjustment may need to be done in relation to an INDEX COMPONENT and/or may also affect the number of INDEX COMPONENTS and/or the weighting of certain INDEX COMPONENTS and will be made in compliance with the Bond Index Methodology, which is available which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

## 4.4. CORPORATE ACTIONS

As part of the INDEX maintenance SOLACTIVE will consider various events – also referred to as corporate actions – which result in an adjustment to the INDEX between two regular REBALANCE DAYS. Such events have a material impact on the price, weighting or overall integrity of INDEX COMPONENTS. Therefore, they need to be accounted for in the calculation of the INDEX. Corporate actions will be implemented from the cum-day to the ex-day of the corporate action, so that the adjustment to the INDEX coincides with the occurrence of the price effect of the respective corporate action.

Adjustments to the INDEX to account for corporate actions will be made in compliance with the Bond Index Methodology, which is available which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>. This document contains for each corporate action a brief definition and specifies the relevant adjustment to the INDEX variables.

While SOLACTIVE aims at creating and maintaining its methodology for treatment of corporate actions as generic and transparent as possible and in line with regulatory requirements, it retains the right in accordance with the Bond Index Methodology to deviate from these standard procedures in case of any unusual or complex corporate action or if such a deviation is made to preserve the comparability and representativeness of the INDEX over time.

Solactive considers following, but not conclusive, list of corporate actions as relevant for INDEX maintenance:



- > Early Redemption (an event that leads to a redemption of a bond before the regular maturity date)
- > Flat Trading (e.g. a bond ISSUER fails to meet its coupon payment obligation)
- > Bond Default (e.g. when the ISSUER fails to meet its coupon payment obligation or repay the principal at maturity)
- > Tender Offers (a holder of a bond is invited to tender the bond for a specific price at a specific time before the regular maturity date)
- > Exchange Offers (type of a tender offer where the ISSUER offers its bondholders to exchange their existing bonds for an asset other than cash)
- > Distressed Debt Exchange (form of debt exchange when bondholders agree to reduce the principal amount of debt securities in order to obtain higher payment priority in the form of secured debt)
- > Bond Funge (bond issue that is attached to an existing one (parent bond). On a defined date the parent bond absorbs the funged bond)
- > Payment-in-Kind Bonds (a situation where a bond pay interest in additional bonds rather than in cash)
- > Conversion of [CoCo] Bonds
- > Debt Issuance
- > Bond Maturity

## 4.5. RECALCULATION

SOLACTIVE makes the greatest possible efforts to accurately calculate and maintain its indices. However, errors in the determination process may occur from time to time for variety reasons (internal or external) and therefore, cannot be completely ruled out. SOLACTIVE endeavors to correct all errors that have been identified within a reasonable period of time. The understanding of "a reasonable period of time" as well as the general measures to be taken are generally depending on the underlying and is specified in the Solactive Correction Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/correction-policy/>.

## 4.6. MARKET DISRUPTION

Market stress can arise due to a variety of reasons, but generally results in inaccurate or delayed prices for one or more INDEX COMPONENTS. The determination of the INDEX may be limited or impaired at times of illiquid or fragmented markets and market stress.



## 5. MISCELLANEOUS

### 5.1. DISCRETION

Any discretion which may need to be exercised in relation to the determination of the INDEX (for example the determination of the INDEX COMPONENTS or any other relevant decisions in relation to the INDEX) shall be made in accordance with strict rules regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR.

### 5.2. METHODOLOGY REVIEW

The methodology of the INDEX is subject to regular review, at least annually. In case a need of a change of the methodology has been identified within such review (e.g. if the underlying market or economic reality has changed since the launch of the INDEX, i.e. if the present methodology is based on obsolete assumptions and factors and no longer reflects the reality as accurately, reliably and appropriately as before), such change will be made in accordance with the Methodology Policy, which is incorporated by reference available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.

Such change in the methodology will be announced on the SOLACTIVE webpage under the Section "Announcement", which is available at <https://www.solactive.com/news/announcements/>. The date of the last amendment of this INDEX is contained in this GUIDELINE.

### 5.3. CHANGES IN CALCULATION METHOD

The application by the INDEX ADMINISTRATOR of the method described in this document is final and binding. The INDEX ADMINISTRATOR 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 ADMINISTRATOR may also make changes to the terms and conditions of the INDEX and the method applied to calculate the INDEX that it 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 ADMINISTRATOR is not obliged to provide information on any such modifications or changes. Despite the modifications and changes, the INDEX ADMINISTRATOR will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.



## 5.4. TERMINATION

SOLACTIVE makes the greatest possible efforts to ensure the resilience and continued integrity of its indices over time. Where necessary, SOLACTIVE follows a clearly defined and transparent procedure to adapt index methodologies to changing underlying markets (see Section 5.2 “Methodology Review”) in order to maintain continued reliability and comparability of the indices. Nevertheless, if no other options are available the orderly cessation of the INDEX may be indicated. This is usually the case when the underlying market or economic reality, which the INDEX is set to measure or to reflect, changes substantially and in a way not foreseeable at the time of inception of the INDEX, the INDEX rules, and particularly the selection criteria, can no longer be applied coherently or the INDEX is no longer used as the underlying value for financial instruments, investment funds and financial contracts.

SOLACTIVE has established and maintains clear guidelines on how to identify situations in which the cessation of the INDEX is unavoidable, how stakeholders are to be informed and consulted and the procedures to be followed for a termination or the transition to an alternative index. Details are specified in the Solactive Termination Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/termination-policy/>.

## 5.5. OVERSIGHT

An oversight committee composed of staff from SOLACTIVE and its subsidiaries (the “OVERSIGHT COMMITTEE”) is responsible for decisions regarding any amendments to the rules of the INDEX. Any such amendment, which may result in an amendment of the GUIDELINE, must be submitted to the OVERSIGHT COMMITTEE for prior approval and will be made in compliance with the Methodology Policy, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.



## 6. DEFINITIONS

"AMOUNT OUTSTANDING" is the face value of the respective bond.

"BENCHMARK REGULATION" shall have the meaning as defined in Section "Introduction".

"BMR" shall have the meaning as defined in Section "Introduction".

"BUSINESS DAY" is in relation to the index is each day, Monday to Friday, except banking holidays as defined by the New York Stock Exchange (NYSE) and SIFMA. With respect to the INDEX any day other than a Saturday or Sunday or a day on which the Securities Industry and Financial Markets Association (SIFMA) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities. The SIFMA holiday recommendations are set out on the following website (or any successor page): <http://www.sifma.org/services/holiday-schedule/>.

"CLOSE OF BUSINESS" is a time stamp when an INDEX is calculated.

A "CURRENCY HEDGED INDEX" measures the performance of the Underlying Total Return Index and hedges the currency exposure to Canadian Dollar on a monthly basis via 1-month FX forward contracts.

"CURRENCY HEDGE REBALANCE DAY" the last Business Day of each month.

"CURRENCY HEDGE SELECTION DAY" the last Business Day of each month.

"EARLY REDEMPTION" includes every event that leads to a redemption of a bond before the actual maturity date.

"EX-DIVIDEND" means that the next coupon is detached from the bond several days in advance of the coupon payment date.

"EXCHANGE OFFER" means that the holder of a bond is invited to exchange the existing bond to another debt security.

"FIXED COUPON BONDS" are bonds with a coupon rate that is fixed throughout their life, as opposed to bonds with floating, or variable coupons.

"FIXING TIME" is the time when the prices for the INDEX COMPONENTS are fixed for index calculation. [This is specified in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>. This is 22:30 CET.

A bond is "FLAT TRADING" if the bond issuer will not meet its coupon payment obligation which means that the buyer of a bond is not responsible for paying the interest that has accrued since the last payment.

A "FUNGIBLE BOND" is a new issue that has all the same specifications as an existing issue (bonds with the same parameters can be issued in different tranches). At a specific date, the tranches will be combined into one bond. After this date, the parent tranche will include the Amount Outstanding of all new tranches.





A bond is "IN DEFAULT" when the issuer is not able to fulfil its bond payment obligations anymore after the 30 days grace period.

"GUIDELINE" shall have the meaning as defined in Section "Introduction".

"INDEX" shall have the meaning as defined in Section "Introduction".

"INDEX ADMINISTRATOR" shall have the meaning as defined in Section "Introduction".

"INDEX CALCULATOR" is SOLACTIVE or any other appropriately appointed successor in this function.

"INDEX COMPONENT" is each bond reflected in the INDEX.

"INDEX COMPONENT REQUIREMENTS" shall have the meaning as defined in Section 2.1.

"INDEX CURRENCY" is the currency specified in the column "Currency" in the table in Section 1.2.

"ISSUER" is the issuing entity of the respective bond.

"LAST EVALUATED ASK PRICE" the last available evaluated ask price by the designated PRICING PROVIDER.

"LAST EVALUATED BID PRICE" the last available evaluated bid price by the designated PRICING PROVIDER.

"LIVE DATE" is 2<sup>nd</sup> January 2018.

"MODIFIED DURATION BUCKETS" are defined as followed. The lower boundary is always exclusive, while the upper boundary is always inclusive.

Modified Duration	Bucket
0-2	1
2-4	2
4-6	3
6-8	4
8-10	5
10-12	6
12-14	7
14-16	8
16-18	9
18-20	10
20+	11

"OVERSIGHT COMMITTEE" shall have the meaning as defined in Section 5.5.

"PAID CASH" is either the value of the coupon payments between Adjustment Days or the resulting payment when a bond is removed from the index between Adjustment Days. On the next Adjustment Day "Paid Cash" will be reinvested in the index.

"PAYMENT-IN-KIND BONDS" are a type of bonds that pay interest in additional bonds rather than in cash.



"PREFERRED SECURITIES" combine both debt and equity characteristics.

A "PRICE RETURN INDEX" measures the performance of the index components assuming that distributions are not reinvested in the index, i.e. the index does only reflect pure price movements.

"PRICING PROVIDER" is Intercontinental Exchange ("ICE")

"RATING BUCKETS" are defined as followed. Only Investment Grade rated debt are eligible for the index.

Rating Category	Bucket
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10

"REBALANCE DAY" is the last Business Day of each month.

"REFERENCE DATE" is the last business day of each month and therefore equal to the Adjustment Day.

"SELECTION DAY" is 3 BUSINESS DAYS before the scheduled REBALANCE DAY.

"SINKABLE BONDS" are bonds that are backed by a fund that sets aside money on a regular basis. A sinkable bond issuer is required to buy a certain amount of the bond back from the purchaser at various points throughout the life of the bond.

"SOLACTIVE" shall have the meaning as defined in Section "Introduction".

"TARGET NUMBER OF BONDS" is 500.

"TENDER OFFER" means that a holder of a bond is invited to tender the bond for a specific price at a specific time before the actual maturity date.

A "TOTAL RETURN INDEX" measures the performance of the index components by assuming that all distributions are reinvested into the index, i.e. the index does not only reflect pure price movements

"UNDERLYING INDEX" of the Solactive USD Investment Grade Corporate Hedged to CAD PR Index is the Solactive USD Investment Grade Corporate PR Index.

The "WEIGHT" of each currency is determined at the Reference Date and is calculated as the sum of the weights of each Underlying Index component denominating in the same currency.

# 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