

# INDEX GUIDELINE

*SOLACTIVE H20 FIXED INCOME 7% RC INDEX*

*Version 3*

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## INTRODUCTION

This document (the "GUIDELINE") is to be used as a guideline with regard to the composition, calculation and maintenance of the Solactive H20 Fixed Income 7% RC 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 INDEX aims to track the performance of a basket comprised of the H2O MultiBonds Fund and the H2O Adagio Fund which both have a focus on Fixed Income securities,

An additional risk control feature is built in to achieve the TARGET VOLATILITY of 7%.

The INDEX includes a synthetic dividend of 1% at the Index Level.

The INDEX is calculated in EUR.

## 1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	BBG ticker
Solactive H2O Fixed Income 7% RC Index	DE000SLA9YM9	EUR	SOH207RC Index

The INDEX is published on the website of the INDEX ADMINISTRATOR ([www.solactive.com](http://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 INDEX START DATE is 100. Historical values from the Index LIVE DATE will be recorded in accordance with Article 8 of the BMR. Levels of the INDEX published for a period prior to the Index LIVE DATE have been back-tested.

## 1.4. PRICES AND CALCULATION FREQUENCY

The level of the INDEX is calculated for each CALCULATION DAY based on the NET ASSET VALUES of the respective INDEX COMPONENTS.



## 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

The Basket underlying the INDEX consists of 1 Mutual Funds, which is listed below<sup>1</sup>:

<b>Ticker</b>	<b>ISIN</b>	<b>Lipper</b>	<b>Currency</b>	<b>Name</b>
H2OMESR FP Equity	FR0013393329	LP68530680	EUR	H2O Multibonds SR
H2ADESR FP Equity	FR0013393188	LP68530664	EUR	H2O Adagio SR

The Basket is static, meaning the Mutual Fund as listed above will not change.

### 2.1. WEIGHTING OF THE INDEX COMPONENTS

The Basket holdings as of the BASKET START DATE is as follows:

<b>Ticker</b>	<b>ISIN</b>	<b>Weight</b>
H2OMESR FP Equity	FR0013393329	20%
H2ADESR FP Equity	FR0013393188	80%

The INDEX will be invested 100% in the Basket as of the INDEX START DATE.

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<sup>1</sup> After the spin-off of Side Pockets, the historical levels prior to 13<sup>th</sup> October 2020 have migrated to new BBG tickers, while the ISIN was preserved. The historical tickers are: 1837876D FP Equity (for H2OMESR FP Equity) and 1837672D FP Equity (for H2ADESR FP Equity)



## 3. REBALANCE

### 3.1. ORDINARY REBALANCE

The INDEX is rebalanced potentially daily by inspecting the current level of the realised volatility of the Basket relative to the TARGET VOLATILITY.

Every day, if the realised volatility of the Basket rises, the exposure to the Basket is reduced in favour of the hypothetical cash position and, equally, when Basket realised volatility is low, the exposure to the Basket is increased, up to a maximum of 100%



## 4. CALCULATION OF THE INDEX

### 4.1. INDEX FORMULA

The Basket underlying the INDEX is calculated according to the following formula:

On the BASKET START DATE:

$$B_{BST} = 100$$

Where:

On each CALCULATION DAY t following the BASKET START DATE:

$$B_t = B_{t-1} * \sum_{i=1}^2 w_i * \frac{NAV_{i,t}}{NAV_{i,t-1}}$$

Where:

$B_t$ : The level of the Basket CALCULATION DAY t

$B_{t-1}$ : The level of the Basket CALCULATION DAY t-1

$NAV_{i,t}$ : The NET ASSET VALUE of the Mutual Fund i as of CALCULATION DAY t

$w_i$ : The weight of Mutual Fund i as shown in Section 2.1.

The INDEX is calculated according to the following set of formulae:

On the INDEX START DATE:

$$VT_{IST} = 100$$

On each CALCULATION DAY t following the INDEX START DATE:

$$VT_t = VT_{t-1} * \left( 1 + exp_{t-1} * \left( \frac{B_t}{B_{t-1}} - 1 \right) + (1 - exp_{t-1}) * \frac{rate_{t-1}}{100} * DCF_{t,t-1} - SynthDiv_t * DCF_{t,t-1} \right)$$





Where:

$VT_t$ : The Level of the INDEX as of CALCULATION DAY t

$exp_{t-1}$ : The exposure as of CALCULATION DAY t-1

$SynthDiv_t$ : The level of the synthetic dividend as of CALCULATION DAY t, which is equal to 1%

$B_t$ : The level of the Basket CALCULATION DAY t

$B_{t-1}$ : The level of the Basket CALCULATION DAY t-1

$rate_{t-1}$ : The level of 3-month EURIBOR (RIC: EURIBOR3M=) as of CALCULATION DAY t-1, expressed in %.

$DCF_{t,t-1}$ : The number of calendar days between CALCULATION DAY t-1 (excluded) and CALCULATION DAY t (included) divided by 360.

The exposure as of CALCULATION DAY t is calculated according to the following formula for each CALCULATION DAY (including the INDEX START DATE):

$$exp_t = \min \left( maxExposure, \frac{TV}{\sigma_{t-1}} \right)$$

Where:

**maxExposure**: The maximal exposure of 100%.

**TV**: The TARGET VOLATILITY of 7%

$\sigma_{t-1}$ : The realized volatility of the Basket as determined on CALCULATION DAY t-1

The realized volatility of the Basket as of CALCULATION DAY t is calculated according to the following formula:

$$\sigma_t = \sqrt{\frac{260}{19} * \sum_{i=1}^{20} \left( \ln \left( \frac{B_{t-i}}{B_{t-i-1}} \right) \right)^2}$$

Where:

$B_{t-i}$ : The level of the Basket as of CALCULATION DAY t-i

$B_{t-i-1}$ : The level of the Basket as of CALCULATION DAY t-i-1



## 4.2. INDEX FORMULA DURING THE EXISTENCE OF SIDE POCKET FUNDS

The two mutual funds comprising the Basket as of the BASKET START DATE have been each split into two UCITS effective 13<sup>th</sup> October 2020. A mirror UCITS with daily liquidity that will duplicate H2O's Global Macro investment strategies (the "**PARENT FUND**"), and a side pocket that will carry the private and more illiquid securities (the "**SIDE-POCKET FUND**"), with the objective to sell the securities at the best possible price, in the shortest timeframe, and in the best interests of the investors and to dissolve the SIDE-POCKET FUNDS.

The proceeds from selling parts of the SIDE-POCKET FUNDS will be reinvested to the respective PARENT FUND based on the ratio of the NET ASSET VALUES of the SIDE-POCKET FUND to the sum of the NET ASSET VALUES of the SIDE-POCKET FUND and the PARENT FUND as of the day a transaction in the SIDE-POCKET FUND takes place.

Starting from the 13<sup>th</sup> October 2020 up to the point in time when the two SIDE-POCKET FUNDS have been fully liquidated and reinvested into their respective PARENT FUND, the following set of formula will apply:

On the 13<sup>th</sup> October 2020:

$$PB_t = 100$$

Where:

On each CALCULATION DAY t following the 13<sup>th</sup> October 2020:

$$PB_t = PB_{t-1} * \sum_{i=1}^4 w_{i,t-1} * \frac{NAV_{i,t}}{NAV_{i,t-1}}$$

Where  $PB_t$  denotes the PERFORMANCE BASKET, reflecting the performance of the two PARENT FUNDS as well as the two SIDE-POCKET FUNDS.



The Performance Basket consists of the two PARENT FUNDS as well as the two SIDE POCKET FUNDS:

Ticker	ISIN	Type	Initial weight <sup>2</sup>
H20MESR FP Equity	FR0013393329	Parent	15.4555989%
H2ADESR FP Equity	FR0013393188	Parent	73.100307%
H2OMSSR FP Equity	FR0013536109	Side Pocket	4.5444011%
HADSPSR FP Equity	FR0013535077	Side Pocket	6.899693%

For the purpose of and limited to this Section 4.2 a **CALCULATION DAY** is defined as a weekday on which both PARENT FUNDS publish a NET ASSET VALUE. The last available NET ASSET VALUE will be used for the two SIDE-POCKET FUNDS.

The weights of each fund within the Performance Basket will change upon each transaction in one of the two SIDE-POCKET FUNDS.

The Level of the INDEX will be calculated according to the following formula:

On the 13<sup>th</sup> October 2020:

$$VT_t = VT_{t-1} * \left( 1 + exp_{t-1} * \left( \frac{VolB_t}{B_{t-1}} - 1 \right) + (1 - exp_{t-1}) * \frac{rate_{t-1}}{100} * DCF_{t,t-1} - SynthDiv_t * DCF_{t,t-1} \right)$$

$VT_t$ : The Level of the INDEX as of CALCULATION DAY t

$exp_{t-1}$ : The exposure as of CALCULATION DAY t-1

$SynthDiv_t$ : The level of the synthetic dividend as of CALCULATION DAY t, which is equal to 1%

$VolB_t$ : The level of the VOLATILITY BASKET as of CALCULATION DAY t

$B_{t-1}$ : The level of the Basket (as defined in Section 4.1.) as of CALCULATION DAY t-1

$rate_{t-1}$ : The level of 3-month EURIBOR (RIC: EURIBOR3M=) as of CALCULATION DAY t-1, expressed in %.

$DCF_{t,t-1}$ : The number of calendar days between CALCULATION DAY t-1 (excluded) and CALCULATION DAY t (included) divided by 360.

<sup>2</sup> The initial weight is determined as the NAV of each Side Pocket divided by the sum of the NAV of the Side Pocket and its respective Parent Fund which were published one-off between 28<sup>th</sup> August and 13<sup>th</sup> October according to the below table:

Ticker	ISIN	Date	NAV
H20MESR FP Equity	FR0013393329	05/10/2020	73.36
H2OMSSR FP Equity	FR0013393188	05/10/2020	21.57
H2ADESR FP Equity	FR0013536109	01/10/2020	92.28
HADSPSR FP Equity	FR0013535077	01/10/2020	8.71



On each CALCULATION DAY following the 13<sup>th</sup> October 2020 until the SIDE-POCKET FUNDS have been fully liquidated and reinvested in the respective PARENT FUND:

$$VT_t = VT_{t-1} * \left(1 + exp_{t-1} * \left(\frac{PB_t}{PB_{t-1}} - 1\right) + (1 - exp_{t-1}) * \frac{rate_{t-1}}{100} * DCF_{t,t-1} - SynthDiv_t * DCF_{t,t-1}\right)$$

$VT_t$ : The Level of the INDEX as of CALCULATION DAY t

$exp_{t-1}$ : The exposure as of CALCULATION DAY t-1

$SynthDiv_t$ : The level of the synthetic dividend as of CALCULATION DAY t, which is equal to 1%

$PB_t$ : The level of the Performance Basket CALCULATION DAY t

$PB_{t-1}$ : The level of the Performance Basket as of CALCULATION DAY t-1

$rate_{t-1}$ : The level of 3-month EURIBOR (RIC: EURIBOR3M=) as of CALCULATION DAY t-1, expressed in %.

$DCF_{t,t-1}$ : The number of calendar days between CALCULATION DAY t-1 (excluded) and CALCULATION DAY t (included) divided by 360.

The exposure as of CALCULATION DAY t is calculated according to the following formula for each CALCULATION DAY (including the INDEX START DATE):

$$exp_t = \min\left(maxExposure, \frac{TV}{\sigma_{t-1}}\right)$$

Where:

$maxExposure$ : The maximal exposure of 100%.

$TV$ : The TARGET VOLATILITY of 7%

$\sigma_{t-1}$ : The realized volatility of the Basket as determined on CALCULATION DAY t-1

The realized volatility of the VOLATILITY BASKET as of CALCULATION DAY t is determined based on the values for the PARENT FUNDS and their weightings as specified in Section 2.1. and calculated according to the following formula:

$$\sigma_t = \sqrt{\frac{260}{19} * \sum_{i=1}^{20} \left(\ln\left(\frac{VolB_{t-i}}{VolB_{t-i-1}}\right)\right)^2}$$

Where:

$VolB_{t-i}$ : The level of the VOLATILITY BASKET as of CALCULATION DAY t-i

$VolB_{t-i-1}$ : The level of the VOLATILITY BASKET as of CALCULATION DAY t-i-1



The level of the VOLATILITY BASKET as of CALCULATION DAY  $t$   $VolB_t$  will be calculated using the following formula:

$$VolB_t = VolB_{t-1} * \sum_{i=1}^2 w_i * \frac{NAV_{i,t}}{NAV_{i,t-1}}$$

The composition of the VOLATILITY BASKET is the following:

Ticker	ISIN	Type	Weight
H20MESR FP Equity	FR0013393329	Parent	20%
H2ADESR FP Equity	FR0013393188	Parent	80%

For the purposes of the initialization of the VOLATILITY BASKET returns/volatility, we assume the same initial percentage weights assigned to the PARENT FUND on 13/10/20, persist backwards to the time series before the creation of the SIDE-POCKET FUNDS of each PARENT FUND, as such creating an initial volatility calculation in line with the last volatility calculation created by the PARENT FUND, prior to their suspension"

**For the avoidance of doubt:** After full liquidation of the SIDE-POCKET FUNDS and the reinvestment of the liquidation proceeds into the PARENT FUNDS the INDEX will be calculated in accordance with Section 4.1.

### 4.3. ACCURACY

The level of the INDEX will be rounded to 2 decimal places. Any other values (like volatility and exposure) are used unrounded with full precision.

### 4.4. 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/>.



## 4.5. MARKET DISRUPTION

In periods of market stress SOLACTIVE calculates its indices following predefined and exhaustive arrangements as described in the SOLACTIVE Disruption Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/disruption-policy/>. Such 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.

## 4.6. INDEX COMPONENT DISRUPTION EVENTS

The INDEX COMPONENTS may be subject to the following disruption events:

- **"FUND NAV EVENT"** means the latest published FUND ASSET UNDER MANAGEMENT being less than 50 Million CHF Equivalent.
- **"ADVISER RESIGNATION EVENT"** is, in respect of any INDEX COMPONENT, (1) the resignation, termination or replacement of the FUND ADVISER; or (2) the resignation, termination or replacement of the FUND ADMINISTRATOR, the management company, the custodian (if any) or the depositary (if any) of the related INDEX COMPONENT.
- **"FUND INSOLVENCY EVENT"** means, in respect of any INDEX COMPONENT, the FUND ADMINISTRATOR of such related INDEX COMPONENT and any FUND SERVICE PROVIDER of such related INDEX COMPONENT that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the INDEX COMPONENT, (i) the holdings of a HYPOTHETICAL INVESTOR in the relevant INDEX COMPONENT are required to be transferred to a trustee, or other similar official or (ii) a HYPOTHETICAL INVESTOR in the relevant INDEX COMPONENT is legally prohibited from transferring or redeeming its holdings in the relevant INDEX COMPONENT.
- **"FUND MODIFICATION EVENT"** means, in respect of any INDEX COMPONENT, any change or modification of the FUND DOCUMENTS of the related INDEX COMPONENT which could reasonably be expected to affect the value of such INDEX COMPONENT or the rights and remedies of holders of such INDEX COMPONENT from those prevailing on the INDEX START DATE.
- **"REGULATORY ACTION EVENT"** means, in respect of any INDEX COMPONENT, (1) the cancellation, suspension or revocation of the registration or approval of such INDEX COMPONENT by any relevant governmental, legal or regulatory authority; (2) any change in the accounting, legal, regulatory or tax treatments of the related INDEX COMPONENT or its FUND ADVISER that is reasonably likely to have an adverse impact on the value of such INDEX COMPONENT or on any investor therein; or (3) the related INDEX COMPONENT or any of its FUND ADMINISTRATOR or FUND ADVISER becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority



involving the alleged violation of applicable law for activities relating to or resulting from the operation of such INDEX COMPONENT, FUND ADMINISTRATOR or FUND ADVISER.

- **"REPORTING DISRUPTION EVENT"** means, in respect of any INDEX COMPONENT, any failure of the FUND ADMINISTRATOR of the relevant INDEX COMPONENT to deliver, or cause to deliver, information (including, but not limited to, annual and half-yearly financial reports) in accordance with the FUND DOCUMENTS, its regulatory obligations or its normal practice.
- **"STRATEGY BREACH EVENT"** means, in respect of any INDEX COMPONENT, any breach or violation of any strategy or investment guideline stated in the FUND DOCUMENTS of the related INDEX COMPONENT which could reasonably be expected to affect the value of such INDEX COMPONENT or the rights and remedies of holders of such INDEX COMPONENT from those prevailing on the INDEX START DATE.
- **"NATIONALISATION EVENT "** means, in respect of any INDEX COMPONENT, that all holdings of a HYPOTHETICAL INVESTOR in the respective INDEX COMPONENT or all or substantially all the assets of the respective INDEX COMPONENT are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;
- **"CHANGE IN LAW EVENT "** means that, (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), (A) it has become illegal for a HYPOTHETICAL INVESTOR to hold, acquire or dispose of any holding in the respective INDEX COMPONENT, or (B) a HYPOTHETICAL INVESTOR will incur materially increased costs with regard to the holding, acquisition and disposal of its holdings in the respective INDEX COMPONENT (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).
- **"FUND TRADING DISRUPTION EVENT "** means that a HYPOTHETICAL INVESTOR or any of its affiliates or agents is unable, or it is impractical for the HYPOTHETICAL INVESTOR or any of its affiliates or agents, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to any holdings in the respective INDEX COMPONENT, or (ii) realise, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (A) any restrictions or increase in charges or fees imposed by an INDEX COMPONENT on an investor's ability to redeem the related holding the INDEX COMPONENT, in whole or in part, or any existing or new investor's ability to make new or additional investments in such INDEX COMPONENT, or (B) any mandatory redemption, in whole or in part, of a holding in the INDEX COMPONENT imposed by the related INDEX COMPONENT, or (C) a material limitation is imposed on dealings in such INDEX COMPONENT; or (D) the related INDEX COMPONENT's dealing is changed (including, but not limited to, a change in notice periods for redemptions or the imposition of gating provisions); or (E) the occurrence of any other event which restricts, in whole or in part, on a permanent or a temporary basis, dealings of any nature with respect to such INDEX COMPONENTS



- **"INCREASED COST OF TRADING EVENT"** means that a HYPOTHETICAL INVESTOR or any of its affiliates or agents would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk relating to any holding in the respective INDEX COMPONENT, or (ii) realise, recover or remit the proceeds of any transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the HYPOTHETICAL INVESTOR shall not be deemed an Increased Cost of Trading.
- **"FUND VALUATION AND SETTLEMENT DISRUPTION EVENT"** means at any time the occurrence or continuance of any of the following events:
  - (i) **"FUND VALUATION DISRUPTION"** means any continued postponement of any date at which an INDEX COMPONENT is scheduled, according to the relevant FUND DOCUMENTS, to determine the net asset value for purposes of calculating the redemption proceeds to be paid to an investor that has submitted a valid and timely notice for redemption.
  - (ii) **"FUND SETTLEMENT DISRUPTION"** means a failure by an INDEX COMPONENT on any day to pay the full amount (whether expressed as a percentage or otherwise) of any fund redemption proceeds with respect to any holding in the respective INDEX COMPONENT scheduled to have been paid on or by such day according to the relevant FUND DOCUMENTS.
- **"FUND CURRENCY CHANGE EVENT"** means that the currency denomination of an INDEX COMPONENT is amended in accordance with its rules so that the Net Asset Value of the Fund INDEX COMPONENT on any Business Day is no longer calculated in the same currency as at the Basket Start Date;
- **"CREATION OF A NEW CLASS OR SERIES EVENT"** shall mean the issue or creation of a new class or series (howsoever described in the fund documents) of shares or units by the Fund
- **"FUND LITIGATION EVENT"** shall mean there exists any litigation against the Fund or its manager/issuer (or otherwise) which could materially affect the value of the Fund or on the rights or remedies of any investor in such Fund;
- **"FUND ALLEGATION EVENT"** shall mean there exists allegation of criminal or fraudulent activity made in respect of the Fund or its manager/issuer (or otherwise) or any employee of any such entity
- **"SUPERVISION EVENT"** shall mean one or more of the key individuals involved with, or having supervision over, the Fund or its manager/issuer (or otherwise) ceases to act in such capacity, and fails to appoint a replacement having similar qualifications to those of the key individual or individuals ceasing to act;
- **"MERGER OR SIMILAR EVENT"** shall mean following the Fund is superseded by a successor fund (the "Succession") following a merger or similar event and the Succession does not have any relevant economic effect on the financial instruments relating to the Index.





- **"MODIFICATION OF NAV CALCULATION METHOD EVENT"** shall mean a material modification of the method of calculating the NAV (Net Assets Value) of the INDEX COMPONENT
- **"CALCULATION AND PUBLICATION FREQUENCY CHANGE EVENT"** shall mean any change in the periodicity of the calculation or publication of the NAV of the of the INDEX COMPONENT
- **"MANDATORY REDEMPTION EVENT"** shall mean the Calculation Agent, its affiliates and any Hypothetical Investor would be obliged (whether by a governmental, legal or regulatory entity or otherwise) to redeem all or some of the units/shares of such Underlying that it is holding in relation to actual hedging activities;
- **"INCORRECT CALCULATION, MISREPRESENTATION EVENT"**: following the Index Calculation Agent determines, at any time, that (i) the NAV of the Fund is inaccurate, or (ii) the reported net asset value of the Fund misrepresents the net asset value of the Fund;
- **"FUND SERVICE PROVIDER CESSATION EVENT"** means that one or more FUND SERVICE PROVIDER(s) in respect of an INDEX COMPONENT ceases to provide the service as outlined in the relevant FUND DOCUMENTS and any such FUND SERVICE PROVIDER is not immediately replaced by another acceptable service provider.
- **"FUND ADMINISTRATOR DISRUPTION EVENT "** means any event or circumstances compromising the independence of a FUND ADMINISTRATOR performing services for an INDEX COMPONENT from the relevant FUND ADVISER.  
  
**"RELATED AGREEMENT TERMINATION EVENT "** means an INDEX COMPONENT or any of its FUND ADMINISTRATOR or FUND ADVISER is in breach of or has terminated any existing agreement with a HYPOTHETICAL INVESTOR in respect of, but not limited to, retrocession, dealing fees, liquidity and licensing.

If any of the above disruption events occurred with respect to an INDEX COMPONENT, the INDEX ADMINISTRATOR may, acting in good faith and a commercially reasonable manner:

- (i) confirm (or not) the occurrence of the disruption event;
- (ii) if relevant, determine the date of occurrence of the disruption event;
- (iii) if relevant, determine appropriate amendments to the Index which may include, among other things, amendments to the determination of days on which the level of the INDEX will be published, amendments to the computation of the realised volatility, and/or determination of a substitution of the affected INDEX COMPONENT.



## 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 UNIVERSE (if applicable), the selection of the INDEX COMPONENTS (if applicable) 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.

### 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 Solactive Methodology Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.

Such change in the methodology will be announced on the SOLACTIVE website under the Section "[Announcement](https://www.solactive.com/news/announcements/)", 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 and 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 an 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 an 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

"BASKET START DATE" is 14 January 2019.

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

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

"CALCULATION DAY" is any weekday for which a NET ASSET VALUE is scheduled to be published for all INDEX COMPONENTS and for the purpose of and limited to Section 4.2 a weekday on which both PARENT FUNDS publish a NET ASSET VALUE.

"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 COMPONENT" is each security reflected in the INDEX.

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

"INDEX START DATE" is 13<sup>th</sup> February 2019.

"INDEX LIVE DATE" is 31<sup>st</sup> January 2020.

The "NET ASSET VALUE" in respect of an INDEX COMPONENT and a CALCULATION DAY is the most recent published NET ASSET VALUE published for the respective INDEX COMPONENT for this CALCULATION DAY.

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

"PARENT FUND" shall have the meaning as defined in Section 4.2.

"REBALANCE DAY" is each CALCULATION DAY on each the exposure to the underlying Basket is adjusted.

"SIDE-POCKET FUND" shall have the meaning as defined in Section 4.2.

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

The "TARGET VOLATILITY" is 7%.

#### Index Component Disruption Events Definitions

"**ADVISER RESIGNATION EVENT**" shall have the meaning as defined in Section 4.5.

"**CHANGE IN LAW EVENT**" shall have the meaning as defined in Section 4.5.

"**CREATION OF A NEW CLASS OR SERIES EVENT**" shall have the meaning as defined in Section 4.5

"**FUND ADMINISTRATOR**" shall mean, in respect of an INDEX COMPONENT, the fund administrator, manager, trustee or similar person with the primary administrative responsibility for such INDEX COMPONENT.

"**FUND ADMINISTRATOR DISRUPTION EVENT**" shall have the meaning as defined in Section 4.5.

"**FUND ADVISER**" shall mean, in respect of an INDEX COMPONENT, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such INDEX COMPONENT.

"**FUND ALLEGATION EVENT**" shall have the meaning as defined in Section 4.5

"**FUND ASSET UNDER MANAGEMENT**" shall mean the total market value of assets that the INDEX COMPONENT manages on behalf of investors.

"**FUND CURRENCY CHANGE EVENT**" shall have the meaning as defined in Section 4.5

"**FUND DISRUPTION EVENT**" shall have the meaning as defined in Section 4.5.

"**FUND DOCUMENTS**" shall mean, in respect of any INDEX COMPONENT, the constitutive and governing documents, subscription agreements, other agreements and offering documents however described of the



related INDEX COMPONENT (including any prospectus and any offering memorandum), specifying the terms and conditions relating to such INDEX COMPONENT.

"**FUND INSOLVENCY**" shall have the meaning as defined in Section 4.5.

"**FUND INSOLVENCY EVENT**" shall have the meaning as defined in Section 4.5.

"**FUND LITIGATION EVENT**" shall have the meaning as defined in Section 4.5.

"**FUND MODIFICATION EVENT**" shall have the meaning as defined in Section 4.5.

"**FUND NAV EVENT**" shall have the meaning as defined in Section 4.5.

"**FUND SERVICE PROVIDER**" shall mean, in respect of an INDEX COMPONENT, any person who is appointed to provide services, directly or indirectly, for such INDEX COMPONENT, including any administrator, custodian, depositary, domiciliary agent, FUND ADMINISTRATOR, FUND ADVISER, management company, operator, prime broker, registrar, transfer agent and trustee.

"**FUND SERVICE PROVIDER CESSATION EVENT**" shall have the meaning as defined in Section 4.5.

"**FUND SETTLEMENT DISRUPTION EVENT**" shall have the meaning as defined in Section 4.5.

"**FUND TRADING DISRUPTION**" shall have the meaning as defined in Section 4.5.

"**FUND VALUATION DISRUPTION**" shall have the meaning as defined in Section 4.5.

"**HYPOTHETICAL INVESTOR**" means a hypothetical investor located in Switzerland investing in an INDEX COMPONENT.

"**INCORRECT CALCULATION, MISREPRESENTATION EVENT**" shall have the meaning as defined in Section 4.5

"**INCREASED COST OF TRADING**" shall have the meaning as defined in Section 4.5.

"**MERGER OR SIMILAR EVENT**" shall have the meaning as defined in Section 4.5.

"**REGULATORY ACTION EVENT**" shall have the meaning as defined in Section 4.5.

"**RELATED AGREEMENT TERMINATION EVENT**" shall have the meaning as defined in Section 4.5.

"**REPORTING DISRUPTION EVENT**" shall have the meaning as defined in Section 4.5.

"**STRATEGY BREACH EVENT**" shall have the meaning as defined in Section 4.5.

"**SUPERVISION EVENT**" shall have the meaning as defined in Section 4.5.

"**NATIONALIZATION EVENT**" shall have the meaning as defined in Section 4.5.

# CONTACT

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