



## **INDEX METHODOLOGY**

### **Inspire Corporate Bond Impact Equal Weight Index**

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This document contains the underlying principles and regulations regarding the structure and the operating of the Inspire Corporate Bond Impact Equal Weight Index. Solactive AG shall make every effort to implement regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the Index value at any certain point in time nor in any other respect. The Index is merely calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – 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 AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this Index.

# Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Index. Any changes made to the guideline are initiated by the Committee specified in section 1.6. The Index is calculated and published by Solactive AG. The name "Solactive" is copyrighted.

## 1 Index specifications

The Inspire Corporate Bond Impact Equal Weight Index ("Index Name", the "Index") is an Index of CWM Advisors, LLC dba Inspire ("Inspire") and is calculated and distributed by Solactive AG.

The Inspire Corporate Bond Impact Equal Weight Index is an equally weighted, quarterly rebalanced index comprised of 250 investment grade, intermediate bonds of US large cap companies with the highest Inspire Impact Scores (see note below on how Inspire Impact Scores are calculated). Inspire defines "large cap" as a market capitalization of \$5B or greater.

The Index is a total return ("TR") index.

The Index is published in US Dollars ("USD").

### Inspire Impact Score

The Inspire Impact Score is an objective, rules based, proprietary scoring system of Inspire, which rates a company in relation to how well the company aligns with biblical values. Inspire uses a software program that analyses publicly available data relating to the primary business activities, products and services, philanthropy, legal activities, policies and practices to assign Inspire Impact Scores to a company. The exact scoring methodology is detailed at: <https://www.inspireinvesting.com/impact-score/>

#### 1.1 Short name and ISIN

The Index is distributed under ISIN DE000SLA29P1; the WKN is SLA29P. The Index is published in Reuters under the code <INSPBOND>.

#### 1.2 Initial value

The Index is based on 100 at the close of trading on the start date, January 31<sup>st</sup>, 2012.

#### 1.3 Distribution

The Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether he will distribute/display the Index via his information systems.

## **1.4 Prices and calculation frequency**

The price of the Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are translated using spot foreign exchange rates quoted by Reuters. Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Trading Day is used in the calculation.

The Index is calculated every Business Day from 9:00am to 10:30pm, CET. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis.

## **1.5 Weighting**

On each Adjustment Day each Index Component of the Index is rebalanced, with all constituents being given equal weighting in the index by percentage.

## **1.6 Decision-making bodies**

A Committee composed of staff from Inspire is responsible for decisions regarding the composition of the Index as well as any amendments to the rules (in this document referred to as the "Committee" or the "Index Committee"). The future composition of the Index is determined by the Committee on the Selection Days according to the procedure outlined in 2.1 of this document. The Committee shall also decide about the future composition of the Index in the event that any Extraordinary Events should occur and the implementation of any necessary adjustments.

Members of the Committee can recommend changes to the guideline and submit them to the Committee for approval.

## **1.7 Publication**

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.de> web page and sub-pages.

## **1.8 Historical data**

Historical data will be maintained from the launch of the Index on January 31st, 2012.

## **1.9 Licensing**

Licences to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Inspire.

## 2 Composition of the Index

### 2.1 Selection of the Index Components

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:

On the Selection Days, Inspire defines its Index Universe, a selection pool that encompasses bonds with the following criterion:

- Maturities between 0 to 10 years (new constituents) and maturities at least 6 months greater than the minimum maturity for that maturity cell (for existing constituents, see below)
- Credit ratings of at least BBB/Baa3 or better
- US issuers with market cap \$5B or greater
- Fixed rate bonds (no zero coupon bonds)
- Issuers with Inspire Impact Scores greater than or equal to zero.

From that starting universe, Inspire then chooses 250 bonds from the highest Inspire Impact Score issuers to be included in the index, with no more than 5 bonds coming from one issuer. Under normal circumstances, there will be 125 bonds with maturities between 0-5 years and 125 bonds with maturities between 5-10 years. These constituents will be assigned equal weights within the index and rebalanced quarterly.

In order to enter a maturity cell, a bond's remaining time to maturity must be at least 6 months longer than the minimum maturity horizon for that cell. A bond already in a cell may remain until it's remaining time to maturity falls below the minimum maturity horizon for the cell.

# of bonds (5 bonds per issuer max)	Maturity Horizon
60 bonds	$\geq 0$ to < 3 years
65 bonds	$\geq 3$ to < 5 years
65 bonds	$\geq 5$ to < 7 years
60 bonds	$\geq 7$ to < 10 years

### 2.2 Ordinary adjustment

The composition of the Index is determined annually by review of the Inspire Impact Scores of the current constituents and the overall index universe, and replacing lower scoring stocks with higher scoring ones as relevant. The composition of the Index is reviewed on the Selection Day and necessary changes are announced.

The first adjustment will be made in February 2017 based on the Trading Prices of the Index Components on the Adjustment Day.

Solactive AG shall publish any changes made to the Index composition on the Selection Day and consequently with sufficient notice before the Adjustment Day.

## 2.3 Extraordinary adjustment

The Committee may, but is under no obligation to, substitute an Index Component with a successor Index Component upon the occurrence of an Extraordinary Event as determined by Solactive AG. Any such successor Index Component shall be included in the Index after the close of business on the day when an Extraordinary Event has been determined by Solactive AG.

# 3 Calculation of the Index

## 3.1 Index formula

Inspire Corporate Bond Impact Equal Weight Index is an index whose value reflects the relative changes in bond values. Therefore, the composition and weighting is adjusted every month.

As a formula:

$$Index_t = Index_n \frac{MarketValue_t + PaidCash_t}{BaseValue_n}$$

$$MarketValue_t = \sum_{i=1}^a (DirtyPrice_{i,t} + CPAdj_{i,t}) \cdot Amount_{i,n} \cdot Capfactor_{i,rb}$$

$$PaidCash_t = \sum_{i=1}^a Coupon_{i,t} \cdot Amount_{i,n} \cdot Capfactor_{i,rb}$$

$$BaseValue_n = \sum_{i=1}^a (DirtyPrice_{i,n} + CPAdj_{i,t}) \cdot Amount_{i,n} \cdot Capfactor_{i,rb}$$

Whereas:

$Index_t$  = Value of the index on Business Day t.

$Index_n$  = Value of the index on the last Adjustment Day n.

$CPAdj_{i,t}$  = Variable Coupon Adjustment Factor i on Business Day t is 0 if a bond enters the index during an ex-dividend period. If the bond is already in the index during the ex-dividend period, the Variable Coupon Adjustment Factor equals the coupon amount.

$DirtyPrice_{i,t}$  = Dirty Price of the bond i on Business Day t, whereas Dirty Price t is the sum of the clean price of the bond i on Business Day t and the accrued interest on Business Day t.

$DirtyPrice_{i,n}$  = Dirty Price of the bond i on the last Adjustment Day n, whereas Dirty Price is the sum of the clean price of the bond i on the last Adjustment Day n and the accrued interest on the last Adjustment Day n.

$Amount_{i,n}$  = Amount Outstanding of the respective bond as defined on the last Adjustment Day n.

***PaidCash<sub>t</sub>*** = a) Value of the coupon payments between Adjustment Days.  
b) If a bond i will be removed from the index between Adjustment Days, the resulting payment of the bond will be included in the Paid Cash component of the index. On the next Adjustment Day "Paid Cash" will be reinvested in the index.

***Coupon<sub>i,t</sub>*** = Coupon payment of bond i between payment date and Adjustment Day n. In case there is no coupon payment, Coupon i,t is 0.

***Capfactor<sub>i,rb</sub>*** = Weighting Cap Factor of portfolio component i determined on Selection day rb, to cap the weighting as described under Index Weighting

### 3.2 Accuracy

The value of the Index will be rounded to two decimal places.

According to the terms of the bond, the Index Calculator will take the following conventions into account:

Act/Act

Act/360

Act/365

30/360

ISMA 30/360

The index does not take taxes into account and assumes gross coupon payments.

Accrued interests are calculated with settlement convention t+0.

### 3.3 Adjustments

Indices need to be adjusted for systematic changes in prices once these become effective. The Committee will decide from time to time if Inspire Corporate Bond Impact Equal Weight Index needs to be adjusted.

The following corporate actions will result in changes or adjustments to an index as indicated below between Adjustment

Days:

(a) Early Redemption or Full Call: The bond proceeds will be held as "Paid Cash" and reinvested into the index on the following Adjustment Day. For the avoidance of doubt a Tender 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 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. If a bond is

defined to be "flat trading" between two Adjustment Days the respective accrued interests and coupons will be set

to 0. The bond will not be removed until the next Adjustment 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 index adjustment day.

(d) Exchange Offers:

- 1) Optional Exchange Offers: Optional Exchange Offers will not result in an adjustment of the index.
- 2) Mandatory Exchanges Offers or Partial Calls:
  - 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 Adjustment Day. On the next Adjustment 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 Adjustment 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-tranche is: On the next Adjustment 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.

Note: Debt issuances of an existing bond will not be considered until the next Adjustment Day.

## 4. Definitions

### 4.1 index-specific definitions

The “Selection Pool” comprises bonds that fulfill the following conditions:

- USD denominated corporate debt issues only
- Amount outstanding of at least 400 million USD
- Remaining time to maturity of at least 18 months
- The following bond types are included:
  - Fixed rate coupon bonds
  - Sinkable and amortizing bonds
  - Bearer bonds
  - Callable and putable bonds (bonds with an announced call for the upcoming month are excluded)
  - Covered bonds
  - Fix to float bonds that are in the fixed rate phase and are at least one year from their reset date
  - (Callable) Perpetual fixed rate bonds (must be at least one year from their first call date)
  - -Securities with alternative coupon mechanisms are also included (i.e. rating driven coupon schedules, step-up bonds with known schedules at issuance, and PIK)
- The following market types are eligible for inclusion:
  - Global issues
  - US domestic issues
  - Private Placements (144A)
  - Yankee
  - MTN (issuer must be domiciled in the USA)
- The issue must have an investment grade (BBB- / Baa3) rating by at least one of these two rating agencies: Standard & Poor's and Moody's.

### 4.2 Further definitions

“**Adjustment Day**” is the last Business Day of each month.

“**Amount Outstanding**” is the face value of the respective bond.

A “**Business Day**” in relation to the index is each day, Monday to Friday, except banking holidays as defined by SIFMA

“**Call**” means that a bond with a callable feature will be redeemed before the actual maturity date of the bond. The callable feature allows the issuer of the bond to retain the privilege of redeeming the bond before the actual maturity date.

“**Convertible Bonds**” are bonds that can be converted into a predetermined amount of the company's equity at certain times during its life.

**“Covered Bonds”** are bonds backed by cash flows or mortgages or public sector loans.

A **“Credit Event”** is the suspension of debt service, insolvency or failure to pay on time.

**“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.

In particular, an **“Extraordinary Event”** is

- an early redemption of the bond
- a credit event
- a change in Impact Score to less than zero

**“Fixed Coupon Bonds”** are bonds with a fixed coupon rate, as opposed to floating rate coupons.

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.

**“Floating Rate Bonds”** are bonds with a variable or floating interest rate, i.e. coupons fluctuate in line with the underlying level of interest rates, as opposed to fixed-rate coupons.

**“Fungible Bond”** 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.

The **“Index Calculator”** is Solactive AG or any other appropriately appointed successor in this function.

**“Index Components”** are all bonds in the Selection Pool.

The **“Index Currency”** is USD.

**“Inflation-linked Bonds”** are bonds whose principal is indexed to inflation.

**“Issuer”** is the issuing entity of the respective bond.

**"Last Evaluated Price"** generally is (aside from the rules referred to in „Extraordinary Events“) the last available Evaluated Bid Price.

**"Evaluated Ask Price"** is the last available Ask Price evaluated by the designated Pricing Provider.

**"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.

**"Securitized Bonds"** are bonds secured against specific assets or receivables (ABS), mortgages (MBS) or cash flows.

**"Selection Day"** is a Business Day 5 Business Days prior to the Adjustment Day. If the Selection Day happens to be Christmas Eve the new composition is fixed 1 Business Day in advance.

**"Sinking Fund 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.

**"Step-Up Coupon Bonds"** are bonds whose coupons increase while the bond is outstanding. The coupon amounts are determined at issuance.

**"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.

**"Zero Coupon Bonds"** do not pay interest but are issued at a discount.

## 5 Appendix

### 5.1 Contact data

#### Information regarding the Index concept

Inspire

Attn: Index Committee

## **5.2 Calculation of the Index – change in calculation method**

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