

INDEX GUIDELINE

Solactive Select USD Investment Grade Corporate TR Index

Version 1.2

2020-07-23



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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 Select USD Investment Grade Corporate TR 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) or in the [Bond Index Methodology](#).

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.

1.2 IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive Select USD Investment Grade Corporate TR Index	DE000SLA44J3	USD	GTR*	.SOLUSSTR	None

*GTR means that the INDEX is calculated as gross total return index as described in the [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](#).

1.3 INITIAL LEVEL OF THE INDEX

The initial level of the INDEX on the 2018-01-02 is 1000.00. Historical values from the 2012-01-31 will be recorded in accordance with Article 8 of the BMR.

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 3.3). Bonds which are excluded from the INDEX in a rebalance are reflected in the calculation of the level of the INDEX for the REBALANCE DAY at the LAST EVALUATED BID PRICE on the relevant REBALANCE DAY. INDEX analytical values are calculated each BUSINESS DAY using the LAST EVALUATED BID 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 AG.

1.6 CONFLICTS OF INTEREST

There are no conflicts of interest identified for this index.

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 initial composition of each INDEX, as well as any selection for a rebalance (as specified in Section 3) is determined using the following rules:

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.

- > 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).
- > 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:
- > Please note that 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



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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.

- > 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.
- > After this step bond weights will be assigned. Securities are weighted according to market capitalization within their buckets. The bucket weights were determined in step 2. Formally the weight of each security is derived in the following way:

$$FinalBondWeight_i = (BucketWeight_j + \frac{BucketWeight_j}{SumofBucketWeights} \cdot BucketSum_{Bond=0}) \cdot \quad (1)$$

$$\cdot \frac{InitialBondWeight_i}{SumifInitialWeightsofBucket_j} \quad (2)$$

with:

BucketWeight_j - Weight of respective Bucket j relative to entire selection pool

SumofBucketWeights - Sum of all Bucket Target Weights

BucketSum_{Bond=0} - 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

InitialBondWeight_t - Market Weight relative to entire selection pool

SumifInitialWeightsofBucket_j - Sum of initial Bond Weights of respective bucket j

TargetNumberofBonds_j - Number of Index constituents fixed by GUIDELINE

(the “INDEX COMPONENT REQUIREMENTS”)

2.2 WEIGHTING OF THE INDEX COMPONENTS

On each REBALANCE DAY each INDEX COMPONENT is weighted using the market value based on the LAST EVALUATED BID PRICE and accrued interest as on the SELECTION DAY in order to achieve the aim of the INDEX. The weighting of the INDEX COMPONENTS will be as follows:

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.

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"](#).

3.2 EXTRAORDINARY REBALANCE

The INDEX is not rebalanced extraordinarily.

4 CALCULATION OF THE INDEX

4.1 INDEX FORMULA

The INDEX is calculated as a gross total return.

The calculation is performed according to the [Bond Index Methodology](#), which is available on the SOLACTIVE website.

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 the monthly basis.

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.



4.2 ACCURACY

The level of the index will be rounded to 2 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.

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. 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)



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- > 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 Bonds
- > 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](#).

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](#).

Such change in the methodology will be announced on the SOLACTIVE webpage under the [Section 'Announcement'](#). 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](#).

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](#).

6 DEFINITIONS

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

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

'Business DAY' is with respect to the INDEX is any day Monday to Friday, except holidays as defined by the New York Stock Exchange and SIFMA.



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

'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.

'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.

'LAST EVALUATED MID PRICE' is the average between LAST EVALUATED ASK PRICE and LAST EVALUATED BID PRICE.

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

'PRICING PROVIDER' is Interactive Data Corporation part of the ICE group.

'REBALANCE DAY' is the last BUSINESS DAY of the month.

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

'SELECTION PARTY' is Solactive AG.

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

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

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

"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.

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

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