

GUIDELINE

Solactive US 7-10 Year Treasury Bond Index

Version 1.0 dated as of 11th of March 2015



Contents

Introduction

1 Index Specifications

1.1 Name and ISIN

1.2 Initial Values and History

1.3 Distribution

1.4 Prices and Calculation Frequency

1.5 Decision-making Bodies

1.6 Publication

1.7 Historical Data

2 Eligible Bonds and Rebalancing

2.1 Selection of the Index Constituents

2.2 Intra-Adjustment Period Changes

2.3 Weighting

3 Calculation of an Index

3.1 Index Formula

3.2 Accuracy

4 Definitions

5 Appendix

5.1 Contact Data

5.2 Calculation of an Index – Change in Calculation Method

This document contains the underlying principles and regulations regarding the structure and the operations of the Solactive US 7-10 Year Treasury Bond Index . Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of an index nor index value at any certain point in time nor in any other respect. The Solactive US 7-10 Year Treasury Bond Index is the sole property of Solactive AG. Solactive AG 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 calculation and publication of the Indices by Solactive AG is not a 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 an index.

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

Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Solactive US 7-10 Year Treasury Bond Index .

Any changes made to these guidelines are initiated by the Committee specified in section 1.5. The Solactive US 7-10 Year Treasury Bond Index is the sole property of Solactive AG. Solactive US 7-10 Year Treasury Bond Index is calculated and published by Solactive AG. The name “Solactive” is copyrighted.

1 Index Specifications

The Solactive US 7-10 Year Treasury Bond Index is rules-based and designed to measure the performance of the U.S. 7-10 Treasury bond market in USD. The index is comprised of Treasuries with a time to maturity of 7 to 10 years. The Index is calculated as a total return and price return version.

1.1 Name and ISIN

The Solactive US 7-10 Year Treasury Bond Index is distributed under the following ISIN. The Index is published in Reuters and Bloomberg under the following symbols:

Name	ISIN	Reuters RIC	Bloomberg Ticker
Solactive US 7-10 Year Treasury Bond Index (Total Return)	DE000SLA0B51	.SOLUTB	SOLUTB Index
Solactive US 7-10 Year Treasury Bond Index (Price Return)	DE000SLA0H22	.SOLUTBPR	SOLUTBPR Index

1.2 Initial Values and History

The index is calculated every Business Day which started on the 12th of March 2015. The index began at a value of 10,000

5 years of back tested history is available beginning Jan 30th, 2010.

1.3 Distribution

The Solactive US 7-10 Year Treasury Bond Index is published via the distribution platform of Boerse Stuttgart AG and is distributed to all affiliated vendors.

1.4 Prices and Calculation Frequency

The Solactive US 7-10 Year Treasury Bond Index is calculated based on ask prices of the respective index constituents. Prices are received from Interactive Data, or any appointed successor.

The index is calculated at the close (approximately 5 pm New York time) using prices from 3 p.m. E.S.T. and distributed each Business Day. For the backtested data prices from 4 p.m. E.S.T were used.

In the event that pricing data cannot be provided or that there are issues regarding the index value dissemination of Solactive AG or Börse Stuttgart the index affected cannot be distributed.

1.5 Decision-making Bodies

A Committee composed of Solactive AG employees is responsible for decisions regarding the composition of the Solactive US 7-10 Year Treasury Bond Index as well as any amendments to the guidelines (hereinafter referred to as the "**Committee**" or the "**Index Committee**"). The Committee determines the composition of the Solactive US 7-10 Year Treasury Bond Index when any extraordinary event (see chapter 2.1 & 2.2) occurs and implementing any necessary adjustments.

Members of the Committee can recommend changes to the composition of an Index or to these guidelines at any time and submit them to the Committee for approval.

1.6 Publication

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

1.7 Historical Data

The launch date of the index is March 12, 2015. Five years of back tested data is available prior to the launch date and beginning on January 2010.

2 Eligible Bonds and Rebalancing

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

- (a) Treasury Bond/Treasury Note of the US government
- (b) Denominated in USD
- (c) Current Amount Outstanding of at least 250m USD
- (d) Effective time to maturity from 7 to 10 years
- (e) Inflation linked bonds, callable bonds, floating rate and local government bonds are specifically excluded from the available universe

The composition of the index is adjusted on COB on the last business day of each month (the Adjustment day). For the avoidance of doubt the maturity criteria is based on the respective Adjustment day. As an example if the rebalancing date is the 31st of January 2015, the bond must have a maturity date between 31st of January 2022 (included) and 31st of January 2025 (included).

For the avoidance of doubt, besides the Selection Pool criteria and reweighting mentioned above, the types of changes which are implemented on a monthly basis on the respective Adjustment Day will include:

- Adjustments to amount outstanding due to re-opening, repurchases, stripping increases etc.
- Removal of Bonds that no longer meet the amount outstanding requirements due to partial or early redemptions.

2.1 Selection of the Index Constituents

The index constituents will be selected on each Selection Day, which is the 7th business day before the Adjustment Day - The actual index rebalancing will take place on the last business day of each month on the Adjustment Day. On the Adjustment day all bonds that fulfil the criteria laid down under 2 are selected as index components.

2.2 Intra-Adjustment Period Changes

The following Corporate Actions will result in changes or adjustments to an index as indicated below between Adjustment Days:

- (a) For Full Tender, Early Redemption or Full Call, the bond proceeds will be reinvested into the index at the next rebalance. For the avoidance of doubt a tender must be mandatory, the pure offer to tender a bond will not lead to an index change.
- (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 date.
- (c) Defaulted bonds: If a bond’s status changes to “in default” it will be removed from the index at the last available evaluated price from the pricing source.
- (d) Exchange offers:
 - 1) optional exchange offers are not considered in the index;

- 2) mandatory exchanges offers: In the case that 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; and
- 3) mandatory exchanges offers: In the case that less than 90% of the amount outstanding is exchanged the exchange will not be considered in the index calculation.

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

2.3 Weighting

All index components are weighted according to their market value. The market value is calculated as the Dirty price multiplied by the respective deducted Amount Outstanding of the bond. The deducted amount outstanding is calculated as the current amount outstanding minus the amount that is held by the Federal Reserve SOMA Account.

3 Calculation of an Index

3.1 Index formula

The Total Return indices are calculated using the following formula:

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

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

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

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

Whereas:

$Index_t$ = Indexvalue of the Portfolio on Business Day t.

$Index_n$ = Indexvalue on the last Adjustment Day n.

$DirtyPrice_{i,t}$ = 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, taking into account the settlement convention of t+1.

$DirtyPrice_{i,n}$ = 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, taking into account the settlement convention of t+1.

$Amount_{i,n}$ = Deducted Amount Outstanding of bond i on the last Selection Day rb

$PaidCash_t$ = a) Value of the coupon payments between Adjustment Days.
b) If a bond i will be removed from the portfolio between Adjustment Days, the resulting payment of the bond will be included in the Paid Cash component of the portfolio.

On the next Adjustment Day "Paid Cash" will be reinvested in the portfolio.

<i>Coupon</i> _{i,t}	= Coupon payment of bond i between payment date and Adjustment Day n. In case there is no coupon payment, Coupon i,t is 0.
<i>Capfactor</i> _{i,rb}	= Weighting Cap Factor of portfolio component i determined on Selection day rb, to cap the weighting as described under Index Rebalancing and Weighting. Cap factor is not applicable for the Solactive US 7-10 Year Treasury Bond Index

3.2 Accuracy

The value of the index will be rounded to four 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 indexes do not take taxes into account and assume gross coupon payments. The index assumes a settlement convention of t+1 for each bond.

4. Definitions

In particular an **“extraordinary event”** is:

- an early redemption of the bond;
- an exchange of a bond into another one; or
- a credit event.

A **“credit event”** is the suspension of debt service, insolvency or failure to pay.

“Ask price” is the Evaluated price submitted by the pricing source that indicates the price for which a seller will accept to sell.

A **“Business Day”** is in relation to the index, any day other than a Saturday or Sunday where the New York Stock Exchange is open for trading.

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

The **“index currency”** is USD for the index.

“Selection Day” is a business Day 7 business days prior to the Adjustment Day.

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

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

“Deducted Amount Outstanding” is calculated as the current amount outstanding minus the amount that is held by the Federal Reserve in the SOMA Account.

5 APPENDIX

5.1 Contact data

Solactive AG
Guiollettstr. 54
60325 Frankfurt am Main
Tel.: +49 69 719 160 00
Fax: +49 69 719 160 25
indexing@solactive.com

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.