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This document contains the underlying principles and regulations regarding the structure and operation of the RAFI™ Fundamental Index™ Series (the "Index Series"). RAFI™ Indices, LLC ("RAFI Indices") has engaged Solactive AG as the benchmark administrator. Solactive AG shall make every effort to implement regulations. RAFI Indices does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of any Index nor the Index value at any certain point in time nor in any other respect. The Index is calculated and published for RAFI Indices by Solactive AG and Solactive AG strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for RAFI Indices—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 RAFI Indices is no recommendation for capital investment and does not contain any assurance or opinion of RAFI Indices regarding a possible investment in a financial instrument based on an Index.

Introduction

This document is to be used as a guideline with regard to the composition, calculation, and management of the Index Series. Any changes made to the guideline are initiated by the Committee specified in section 1.5. The Index Series is calculated and published for RAFI Indices by Solactive AG.

1. INDEX SPECIFICATIONS

The Index Series is owners by RAFI Indices, a wholly owned subsidiary of Research Affiliates Global Holdings. Solactive AG is the index calculator and benchmark administrator.

The Index Series uses the Research Affiliates’ Fundamental Index™ methodology, which weights companies based on fundamental measures of company size (as measured by accounting variables) rather than their market capitalization.

See Appendix 5.1 for available indices and their return calculations (price, total return, and net return) and published currency. Each of the indices listed below may be referred to herein as “Index” and collectively as “Indices.”

- RAFI Fundamental Global Index
- RAFI Fundamental Developed Index
- RAFI Fundamental Developed ex US Index
- RAFI Fundamental Developed Asia Pacific Index
- RAFI Fundamental Europe Index
- RAFI Fundamental Emerging Markets Index
- RAFI Fundamental US Index
- RAFI Fundamental US Small Company Index
- RAFI Fundamental UK All Company Index
- RAFI Fundamental Australia 200 Index
- RAFI Fundamental Australia Small Company Index

1.1 Short Name and Identifier

See Appendix 5.1 for Index Series name and identifiers.

1.2 Initial Value

All Indices are based on an index level of 1,000 at the close of trading on the base date. Please see Appendix 5.1 for a complete list of indices and base dates.

1.3 Distribution

Each 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 they will distribute/display the Index via their information systems.

1.4 Levels and Calculation Frequency
The level of an Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. For each update, the most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are converted using spot foreign exchange rates quoted by Reuters. The daily index closing value is calculated using WM/Reuters closing spot rates from 4:00 pm London time. 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 continuously every Business Day from 9:00 am to 10:30 pm, CET, with updates every 15 seconds. 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. Please note that at the time of the calculation and publication of the Index, the prices used for the calculation may already have changed.

1.5 Decision-Making Bodies
A Committee composed of staff from Solactive AG, is responsible for any amendments to the rules (in this document referred to as the "Committee" or the "Index Committee"); provided that the starting universe for the composition of an Index and its relevant specifications are established by RAFI Indices. The future composition of any Index is determined on the Selection Days according to the procedure outlined in Section 2 of this document. The Committee shall decide about the future composition of the Index in the event that any Extraordinary Events should occur and the implementation of any necessary adjustments. Notwithstanding the above, Solactive AG may consult RAFI Indices for decisions regarding the composition of an index.

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

Internal quality controls are performed in constructing the model portfolios used by RAFI Indices. In the event that it is determined that an alternative data source is required as a result of data integrity concerns, the Committee shall be informed to determine both the appropriateness of the data source and the materiality of the change. All changes, in this regard, shall be approved by the Committee.

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

1.7 Historical Data
Historical data prior to the index base date (outlined in table 5.1) is based on simulated past performances derived using the Index rules outlined in this manual. The backtested index levels have been calculated by reinvesting dividends paid by index components using the standard formula instead of the Laspeyres formula as stated in this Index manual (the calculation formulas are explained on the Solactive website under https://www.solactive.com/news/documents/). Simulated past performances rely on data by third party data vendors, which may have been adjusted, restated, or corrected ex post. The backtested index levels are not adjusted for any ex post adjustments.

2. CONSTRUCTION METHODOLOGY
2.1 Starting Universe
The model portfolio construction process starts with a universe of equity securities. Constituents of this universe must meet and pass minimum liquidity and investability requirements. The RAFI Global Equity universe consists of all common equity securities traded on primary exchanges, and preferred shares in countries where preferred shares are economically equivalent to common, issued by companies that are assigned to countries classified by RAFI Indices as developed and emerging markets.
**Country Assignment**

RAFI Indices assigns companies to countries and promulgates that assignment to securities. The starting rules for country assignment are based on country of primary listing, domicile, and incorporation. If a company’s primary listing is on a stock exchange in the same country as the company is domiciled and incorporated, then the company is assigned to that country. If the country of domicile is different from the country of incorporation and the primary listing is in the country of domicile, then the company is assigned to the country of domicile and incorporation. If the country of primary listing is different from the country of domicile and the country of primary listing is in the country of incorporation, then the company is assigned to the country of primary listing and incorporation. If the country of domicile is the same as the country of incorporation, but is different from the country of primary listing, then the company is assigned to the country of domicile and incorporation. If the country of primary listing, domicile, and incorporation all differ, and for exceptions to these rules, country assignment is based on other factors including domicile of parent company, management location, source of sales, trading volume, and reporting currency.

**Eligible Securities**

The eligible securities for each country or regional Index Series are determined by sorting companies in descending order by fundamental weight defined in Section 2.4, and then selecting companies by cumulative free-float adjusted fundamental weight defined in Section 2.4.1 from the region and size groups in Tables 1 and 2, respectively.

Companies ranked within the top 68% of cumulative adjusted fundamental weight within each region, as specified in Tables 1 and 2, constitute the large company size universe. Companies ranked between the top 68% and 86% of cumulative adjusted fundamental weight within each region, as specified in Tables 1 and 2, constitute the mid company size universe. Companies in the top 98% cumulative adjusted fundamental weight, excluding those companies in the top 86%, within each region, as specified in Tables 1 and 2, constitute the small company size universe.

All retained companies form the RAFI All World Universe as specified in Table 3, which are used to construct the country and regional RAFI Indices.

### 2.3.1 Six Regions

<table>
<thead>
<tr>
<th>United States</th>
<th>Japan</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Europe excluding UK – Includes Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*As of February 2018, there are 23 developed market countries and 23 emerging market countries eligible for inclusion.
Other Developed Markets – Includes Canada, Israel, Australia, Hong Kong, New Zealand and Singapore

Emerging Markets

2.3.2 Company Size

<table>
<thead>
<tr>
<th>Company Size</th>
<th>Top Cumulative Adjusted Fundamental Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>68%</td>
</tr>
<tr>
<td>Mid</td>
<td>68% to 86%</td>
</tr>
<tr>
<td>Small</td>
<td>86% to 98%</td>
</tr>
</tbody>
</table>

2.3.3 Region and Company Size

<table>
<thead>
<tr>
<th>RAFI Fundamental Indices</th>
<th>Regions</th>
<th>Company Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAFI Fundamental Global Index</td>
<td>US, Japan, UK, Developed Europe excluding UK, Other Developed Markets, and Emerging Markets</td>
<td>Large/Mid</td>
</tr>
<tr>
<td>RAFI Fundamental Developed Index</td>
<td>US, Japan, UK, Developed Europe excluding UK, and Other Developed Markets</td>
<td>Large/Mid</td>
</tr>
<tr>
<td>RAFI Fundamental Developed ex US Index</td>
<td>Japan, UK, Developed Europe excluding UK, and Other Developed Markets</td>
<td>Large/Mid</td>
</tr>
<tr>
<td>RAFI Fundamental Developed Asia Pacific Index</td>
<td>Japan, Other Developed (excluding Canada and Israel)</td>
<td>Large/Mid</td>
</tr>
<tr>
<td>RAFI Fundamental Europe Index</td>
<td>Developed Europe excluding UK and UK</td>
<td>Large/Mid</td>
</tr>
<tr>
<td>RAFI Fundamental Emerging Markets Index</td>
<td>Emerging Markets</td>
<td>Large/Mid</td>
</tr>
<tr>
<td>RAFI Fundamental UK All Company Index</td>
<td>UK</td>
<td>Large/Mid/Small</td>
</tr>
<tr>
<td>RAFI Fundamental US Index</td>
<td>US</td>
<td>Large/Mid</td>
</tr>
<tr>
<td>RAFI Fundamental US Small Company Index</td>
<td>US</td>
<td>Small</td>
</tr>
</tbody>
</table>

Note: Refer to section 2.6 for rules on eligible companies for the RAFI Fundamental Australia 200 Index and RAFI Fundamental Australia Small Company Index.

2.4 Fundamental Weights

Fundamental weights are calculated using four accounting measures from company financial statements:

1. De-levered sales are calculated as company sales averaged over the past five years multiplied by the ratio of average equity to average assets.

2. Cash flow is the company operating cash flow averaged over the past five years.

3. Dividend plus buybacks are calculated using the average dividends paid and share buybacks over the past five years.

4. Book value is the most recent company book value.

Each of the four accounting measures is normalized with respect to their regions as specified in Table 1. An aggregate fundamental weight is calculated for each company by averaging the normalized accounting measures for each of the four accounting measures. This is the fundamental weight of the company.

2.4.1 Free-Float Adjustment

The entire stock in any given company is not always available to equity investors. Therefore, a company free-float factor is calculated. The company free-float factor is
defined as the ratio of the total market capitalization of the shares of the company in free float to the total market capitalization of the company. This measure of free float is equivalent to the aggregation of the security level free-float factors across all the security lines of the company's stock. The company level free-float factor is applied as an adjustment to the company's fundamental weight. Adjusted fundamental weight is calculated by renormalizing the free-float adjusted fundamental weight.

2.5 RAFI Fundamental Index Construction
For each of the regions and company size in Table 3, the selected companies are weighted by their adjusted fundamental weight as calculated in Section 2.4.1 subject to the application of liquidity limit Rule 2.6, and maximum stock weight of 10% for RAFI Fundamental UK All Company only. RAFI Fundamental Indices that include emerging market countries are subject to the additional country eligibility rule as defined in Section 2.5.1 below.

RAFI Fundamental Indices are reconstituted annually and rebalanced on a quarterly staggered basis as described in Section 2.8.

2.5.1 Emerging Market Country Eligibility Rule
A country classified by RAFI Indices as emerging markets in Section 2.1 is eligible for RAFI Fundamental Indices if the adjusted fundamental country weight in the RAFI Emerging Market portfolio is equal to or greater than 0.50%. Countries that were eligible in the previous year and have an adjusted fundamental country weight above 0.20% in the current year are still considered eligible. The emerging market country eligibility is determined annually.

2.6 RAFI Fundamental Australia 200 Index & RAFI Fundamental Australia Small Company Index Construction
The construction of the RAFI Fundamental Australia 200 Index and the RAFI Fundamental Australia Small Company Index utilizes the starting universe, fundamentals, liquidity limit, and rebalance process as defined in Sections 2.1, 2.4, 2.7, and 2.8, respectively. The RAFI Fundamental Australia 200 Index and the RAFI Fundamental Australia Small Company Index will consist of companies listed on the Australian Securities Exchange (ASX). The number of constituents will be based on counts and not by the company size defined in Section 2.3.2.

1. Start with all eligible companies from the starting universe in Section 2.1.
2. Companies assigned to Australia in the starting universe are eligible for inclusion.
3. Apply inclusion screen to include only those eligible Australian companies listed on the ASX.
4. Compute the company fundamental weight for the eligible Australian companies defined in Section 2.4 before adjusting for free-float.
5. Sort and rank the eligible Australian companies in descending order by fundamental weight and then select companies based on the following:
   a. RAFI Fundamental Australia 200 Index — The index comprises the largest 200 Australian companies ranked by fundamental weight.
   b. RAFI Fundamental Australia Small Company Index — The index comprises Australian companies ranked between 101 and 300 by fundamental weight. If eligible Australian companies total less than 300, then the index will comprise all securities ranked after the top 100 by fundamental weight.
6. Compute the company free-float-adjusted fundamental weight determined in Section 2.4.1 for the eligible companies within each of the indices.
7. Apply maximum stock weight of 10% and the Liquidity Limit defined in Section 2.7.

The RAFI Fundamental Australia indices are reconstituted annually and rebalanced on a quarterly staggered basis as described in Section 2.8.
2.7 Application of Liquidity Limit

The following liquidity limits are applied to the eligible securities.

Let $FV_i$ be the RAFI fundamental value of the $i^{th}$ company. The free-float adjusted fundamental weight, as defined in Section 2.4.1, $FW_i$ for company $i$ is:

$$FW_i = (FV_i * \text{Free Float}_i) / \left( \sum_{i=1}^{N} (FV_i * \text{Free Float}_i) \right)$$

Let $ADTV_i$ be the maximum of the 30-day and 90-day median daily traded value in USD as of the last business day of January. The liquidity weight $LW_i$ for company $i$ is:

$$LW_i = ADTV_i / \sum_{i=1}^{N} ADTV_i$$

The 30-day median traded value will be used where there is less than 90 days of historical data. Where there is less than 30 days of historical data, the stock will have a RAFI fundamental value of zero. Where there are multiple lines of equity capital in a company, the traded value will be the aggregation of all lines in the aforementioned company.

The liquidity ratio ($LR$) is defined as the ratio of adjusted fundamental weight to liquidity weight. The liquidity ratio for company $i$ is:

$$LR_i = FW_i / LW_i$$

Where the liquidity ratio is more than four, the new fundamental value is calculated as:

$$FV_{\text{new}} = 4 \times LW_i \times \sum_{i=1}^{N} FV_i$$

After the fundamental values are updated for all companies using the above formula, new adjusted fundamental weights and liquidity ratios are calculated. The process is repeated until all liquidity ratios attain a value not exceeding four. Note that this process will only modify the fundamental values of stocks that exceed the liquidity limit.

2.8 Rebalance

The RAFI Fundamental Indices are reconstituted annually and rebalanced on a quarterly staggered basis. The model portfolio is split into four equal parts (tranches) and each tranche has equal weight at the March rebalance. Each tranche is a full-fledged model portfolio and is rebalanced once a year to target weights determined for that quarter.

For example, for the RAFI Fundamental US portfolio, in the initial launch, the four tranches (A, B, C, and D tranches) are identical portfolios. The headline portfolio is split into four equal parts (tranches) and each tranche has equal weight at the March rebalance. Each tranche is a full-fledged model portfolio and is rebalanced once a year to target weights determined for that quarter.

Per the schedule below, a single tranche is rebalanced at the end of the last trading day of March, June, September, and the third Friday of December, and effective on the next corresponding trading day. The rebalance effective date is subject to change due to holidays, natural disaster, etc., in which a notice will be provided to subscribers.

In the March rebalance, the eligible securities, company size classification, and country classification are determined and used in subsequent quarterly rebalances. Exceptions to the rule may be due to,
example, corporate action. In addition, the tranche weights are re-set to equal (25% each) in the March rebalance.

Through this method of staggered rebalance, the quarterly rebalance diversifies risk and decreases market impact. Instead of concentrating contra-trading into one single market event, staggered rebalance diversifies rebalance points and increases investment capacity in a meaningful way.

<table>
<thead>
<tr>
<th>Index</th>
<th>Rebalance Announcement</th>
<th>Distribution of Preliminary Files</th>
<th>Rebalance Schedule</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAFI Fundamental March Tranche</td>
<td>Provide to subscribers</td>
<td>Five trading days prior to effective date</td>
<td>End of March quarterly rebalance</td>
<td>FTD+ April</td>
</tr>
<tr>
<td>RAFI Fundamental June Tranche</td>
<td></td>
<td></td>
<td>End of June quarterly rebalance</td>
<td>FTD+ July</td>
</tr>
<tr>
<td>RAFI Fundamental September Tranche</td>
<td></td>
<td></td>
<td>End of September quarterly rebalance</td>
<td>FTD+ October</td>
</tr>
<tr>
<td>RAFI Fundamental December Tranche</td>
<td></td>
<td></td>
<td>3rd Friday of December quarterly rebalance</td>
<td>FTD+ after 3rd Friday of December</td>
</tr>
</tbody>
</table>

*FTD=First Trading Day.

2.9 Extraordinary Adjustment

An extraordinary adjustment, if applicable, is triggered and applied in compliance with the rules set forth in the Solactive Guideline for Extraordinary Corporate Actions.

3. CALCULATION OF THE INDEX

3.1 Index Formula

The Index Value on a Business Day at the relevant time is calculated in accordance with the following formula:

$$\text{Index}_t = \sum_{i=1}^{n} \left( \frac{x_{i,t} \times p_{i,t} \times f_{i,t}}{D_t} \right)$$

With:

- $x_{i,t}$ = Number of Index Shares of the Index Component $i$ on Trading Day $t$
- $p_{i,t}$ = Price of Index Component $i$ on Trading Day $t$
- $f_{i,t}$ = Foreign exchange rate to convert the Price of Index Component $i$ on Trading Day $t$ into the Index Currency
- $D_t$ = Divisor on Trading Day $t$
The initial Divisor on the Base Date is calculated according to the following formula:

\[ D_t = \frac{\sum_{i=1}^{n}(p_{i,t} \times f_{i,t} \times x_{i,t})}{100} \]

After the close of trading on each Rebalancing Day \( t \) the new Divisor is calculated as follows:

\[ D_{t+1} = \frac{\sum_{i=1}^{n}(p_{i,t} \times f_{i,t} \times x_{i,t+1})}{\text{Index}_t} \]

This Divisor is valid starting the immediately following Business Day.

3.2 Accuracy
The value of the Index will be rounded to 12 decimal places.

Trading Prices and foreign exchange rates will be rounded to 6 decimal places.

Divisors will be rounded to 6 decimal places.

3.3 Adjustments
Indices need to be adjusted for systematic changes in prices once these become effective. This requires the new Number of Index Shares of the affected Index Component and the Divisor to be calculated on an ex ante basis.

Following the Committee's decision the Index is adjusted for distributions, capital increases, and stock splits.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Index. This ex ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used. The calculation parameters are provided by the Index Calculator.

3.4 Dividends and Other Distributions
Dividend payments and other distributions are included in the Index. They cause an adjustment of the Divisor. The new Divisor is calculated as follows:

\[ D_{t+1} = D_t \times \frac{\sum_{i=1}^{n}(p_{i,t} \times f_{i,t} \times x_{i,t}) - (x_{i,t} \times y_{i,t} \times g_{i,t})}{\sum_{i=1}^{n}(p_{i,t} \times f_{i,t} \times x_{i,t})} \]

With:

- \( p_{i,t} \) = Price of Index Component \( i \) on Trading Day \( t \)
- \( f_{i,t} \) = Foreign exchange rate to convert the Price of Index Component \( i \) on Trading Day \( t \) into the Index Currency
- \( x_{i,t} \) = Number of Index Shares of the Index Component \( i \) on Trading Day \( t \)
- \( y_{i,t} \) = Distribution of Index Component \( i \) with ex date \( t+1 \) multiplied by the Dividend Correction Factor
- \( g_{i,t} \) = Foreign exchange rate to convert the amount of the distribution of Index Component \( i \) on Trading Day \( t \) into the Index Currency
3.5 Corporate Actions

3.5.1 Principles
Following the announcement by an issuer of Index Components of the terms and conditions of a corporate action the Index Calculator determines whether such corporate action has a dilutive, concentrative, or similar effect on the price of the respective Index Component.

If this should be the case, the Index Calculator shall make the necessary adjustments that are deemed appropriate in order to take into account the dilutive, concentrative, or similar effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index Calculator can take into account the adjustment made by an Affiliated Exchange as a result of the corporate action with regard to option and futures contracts on the respective share traded on this Affiliated Exchange.

3.5.2 Capital Increases
In the case of capital increases with ex date t+1, the Index is adjusted as follows:

\[
x_{i,t+1} = x_{i,t} \times \frac{p_{i,t}}{p_{i,t+1}}
\]

With:

\[
x_{i,t+1} = \text{Number of Index Shares of Index Component } i \text{ on Trading Day } t+1
\]

\[
x_{i,t} = \text{Number of Index Shares of Index Component } i \text{ on Trading Day } t
\]

\[
p_{i,t+1} = \frac{p_{i,t} + s \times B}{1 + B}
\]

With:

\[
p_{i,t+1} = \text{Hypothetical Price of Index Component } i \text{ on Trading Day } t+1
\]

\[
p_{i,t} = \text{Price of Index Component } i \text{ on Trading Day } t
\]

\[
s = \text{Subscription Price in the Index Component currency}
\]

\[
B = \text{Shares received for every share held}
\]
\[ D_{t+1} = D_t \times \frac{\sum_{i=1}^{n} (p_{i,t} \times f_{i,t} \times x_{i,t}) + \sum_{i=1}^{n} \left[ (x_{i,t+1} \times p_{i,t+1} \times f_{i,t}) - (x_{i,t} \times p_{i,t} \times f_{i,t}) \right]}{\sum_{i=1}^{n} (p_{i,t} \times f_{i,t} \times x_{i,t})} \]

With:

\[ D_{t+1} = \text{Divisor on Trading Day } t+1 \]
\[ D_t = \text{Divisor on Trading Day } t \]
\[ p_{i,t} = \text{Price of Index Component } i \text{ on Trading Day } t \]
\[ f_{i,t} = \text{Foreign exchange rate to convert the Price of Index Component } i \text{ on Trading Day } t \text{ into the Index Currency} \]
\[ x_{i,t} = \text{Number of Index Shares of the Index Component } i \text{ on Trading Day } t \]
\[ p_{i,t+1} = \text{Hypothetical price of Index Component } i \text{ on Trading Day } t+1 \]
\[ x_{i,t+1} = \text{Number of Index Shares of the Index Component } i \text{ on Trading Day } t+1 \]

3.5.3 Share Splits
In the case of share splits with ex date on Trading Day \( t+1 \), it is assumed that the prices change in ratio of the terms of the split. The new Number of Index Shares is calculated as follows:

\[ x_{i,t+1} = x_{i,t} \times B \]

With:

\[ x_{i,t+1} \]
\[ = \text{Number of Index Shares of the affected Index Component on Trading Day } t+1 \]
\[ x_{i,t} \]
\[ = \text{Number of Index Shares of the affected Index Component on Trading Day } t \]
\[ B \]
\[ = \text{Shares after the share split for every share held before the split} \]

3.5.4 Stock Distributions
In the case of stock distributions with ex date on Trading Day \( t+1 \) it is assumed that the prices change according to the terms of the distribution. The new Number of Index Shares is calculated as follows:

\[ x_{i,t+1} = x_{i,t} \times (1 + B) \]

With:

\[ x_{i,t+1} \]
\[ = \text{Number of Index Shares of the affected Index Component on Trading Day } t+1 \]
\[ x_{i,t} \]
\[ = \text{Number of Index Shares of the affected Index Component on Trading Day } t \]
\[ B \]
\[ = \text{Shares received for every share held} \]
3.6 Calculation of the Index in the Event of a Market Disruption

3.6.1 Recalculation
Solactive AG makes the greatest possible efforts to accurately calculate and maintain the Indices. However, the occurrence of errors in the index determination process cannot be ruled out. In such cases Solactive AG adheres to its publicly available Correction Policy.

3.6.2 Market Disruption
In periods of market stress Solactive AG calculates the Indices following predefined and exhaustive arrangements set out in its publicly available Disruption Policy.

4. DEFINITIONS

“Index Universe” in respect of a Selection Day are companies that fulfill the criteria in Section 2, Construction Methodology.

“Index Component” is each share currently included in an Index.

“Number of Shares” is in respect of an Index Component and any given Business Day the number or fraction of shares included in the Index. It is calculated for any Index Component as the ratio of (A) the Percentage Weight of an Index Component multiplied by the Index value, and (B) its Trading Price (converted into the index currency according to the principles laid out in Section 1.4 of this document).

“Percentage Weight” of an Index Component is the ratio of its Trading Price multiplied by its Number of Shares divided by the Index value.

“Dividend Correction Factor” is calculated as 1 minus the applicable withholding tax rate and/or other applicable tax rate currently prevalent in the respective country.

In particular an “Extraordinary Event” is

- a merger
- a takeover bid
- a delisting
- the nationalisation of a company
- insolvency

The Trading Price for this Index Component on the day the event came into effect is the last available market price for this Index Component quoted on the Exchange on the day the event came into effect (or, if a market price is not available for the day the event came into effect, the last available market price quoted on the Exchange on a day specified as appropriate by the Index Calculator), as determined by the Index Calculator, and this price is used as the Trading Price of the particular Index Component until the end of the day on which the composition of the Index is next set.

In the event of the insolvency of an issuer of an Index Component the Index Component shall remain in the Index until the next Rebalancing Day. As long as a market price for the affected Index Component is available on a Business Day, this shall be applied as the Trading Price for this Index Component on the relevant Business Day, as determined in each case by the Index Calculator. If a market price is not available on a Business Day the Trading Price for this Index Component is set to zero. The Committee may also decide to eliminate the respective Index Component at an earlier point in time prior to the next Rebalancing Day. The procedure in this case is identical to an elimination due to an Extraordinary Event.

An Index Component is “delisted” if the Exchange announces pursuant to the Exchange regulations that the listing of, the trading in or the issuing of public quotes on the Index Component at the Exchange has ceased immediately or will cease at a later date, for whatever reason (provided delisting is not because of a Merger or a Takeover bid), and the Index Component is not immediately listed, traded or quoted again on an exchange, trading, or listing system, acceptable to the Index Calculator.

“Insolvency” occurs with regard to an Index Component if (A) all shares of the respective issuer must be transferred to a trustee, liquidator, insolvency administrator, or a similar public officer as result of a
voluntary or compulsory liquidation, insolvency or winding-up proceedings, or comparable proceedings affecting the issuer of the Index Components, or (B) the holders of the shares of this issuer are legally enjoined from transferring the shares.

A “Takeover Bid” is a bid to acquire, an exchange offer or any other offer or act of a legal person that results in the related legal person acquiring as part of an exchange or otherwise more than 10% and less than 100% of the voting shares in circulation from the issuer of the Index Component or the right to acquire these shares, as determined by the Index Calculator based on notices submitted to public or self-regulatory authorities or other information considered by the Index Calculator to be relevant.

With regard to an Index Component a “Merger” is

1. a change in the security class or a conversion of this share class that results in a transfer or an ultimate definite obligation to transfer all the shares in circulation to another legal person;

2. a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer to exchange shares with another legal person (except in a merger or share exchange under which the issuer of this Index Component is the acquiring or remaining company and which does not involve a change in security class or a conversion of all the shares in circulation);

3. a takeover offer, exchange offer, other offer or another act of a legal person for the purposes of acquiring or otherwise obtaining from the issuer 100% of the shares issued that entails a transfer or the irrevocable obligation to transfer all shares (with the exception of shares which are held and controlled by the legal person); or

4. a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer of the share or its subsidiaries to exchange shares with another legal person, whereby the issuer of the share is the acquiring or remaining company and it does not involve a change in the class or a conversion of the all shares issued, but the shares in circulation directly prior to such an event (except for shares held and controlled by the legal person) represent in total less than 50% of the shares in circulation directly subsequent to such an event.

The “Merger Date” is the date on which a Merger is concluded or the date specified by the Index Calculator if such a date cannot be determined under the law applicable to the Merger.

“Nationalisation” is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities, or institutions.

“Exchange” is, in respect of Index and every Index Component, the respective primary exchange where the Index Component has its primary listing. The Committee may decide to declare a different stock exchange the “Exchange” for trading reasons, even if the company is only listed there via a Stock Substitute.

“Stock Substitute” includes in particular American Depository Receipts (ADR) and Global Depository Receipts (GDR).

With regard to an Index component (subject to the provisions given above under “Extraordinary Events”) the “Trading Price” in respect of a Trading Day is the closing price on this Trading Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for an Index Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.

A “Trading Day” is in relation to the Index or an Index Component a Trading Day on the Exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the normal Exchange closing time. The Index Calculator is ultimately responsible as to whether a certain day is a Trading Day with regard to the Index or an Index Component or in any other connection relating to this document.

A “Business Day” is a day on which the US market or UK market is open for trading (see Appendix 5.1 for relevant indices).

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

The “Index Currency” is in USD.

“Market Capitalization” is with regard to each of the shares in the Index Universe on a Selection Day or Rebalancing Day the value published as the Market Capitalization for this day.

As at the date of this document Market Capitalization is defined as the value of a company calculated by multiplying the number of shares outstanding of the company by its share price.

“Rebalancing Day” is provided by the Index Sponsor (see Section 2, Construction Methodology).

“Selection Day” is the last business day of February, May, August, and November where the Index Sponsor provides the new constituents and weights of the Index (see Section 2, Construction Methodology).

"Index Sponsor” is RAFI Indices, LLC.

An “Affiliated Exchange” is with regard to an Index Component an exchange, a trading or quotation system on which options and futures contracts on the Index Component in question are traded, as specified by the Index Calculator.

A “Market Disruption Event” occurs if

1. one of the following events occurs or exists on a Trading Day prior to the opening quotation time for an Index Component:
   a. Trading is suspended or restricted (due to price movements that exceed the limits allowed by the Exchange or an Affiliated Exchange, or for other reasons):
      i. across the whole Exchange; or
      ii. in options or futures contracts on or with regard to an Index Component or an Index Component that is quoted on an Affiliated Exchange; or
      iii. on an Exchange or in a trading or quotation system (as determined by the Index Calculator) in which an Index Component is listed or quoted; or
   b. An event that (in the assessment of the Index Calculator) generally disrupts and affects the opportunities of market participants to execute on the Exchange transactions in respect of a share included in the Index or to determine market values for a share included in the Index or to execute on an Affiliated Exchange transaction with regard to options and futures contracts on these shares or to determine market values for such options or futures contracts; or

2. trading on the Exchange or an Affiliated Exchange is ceased prior to the usual closing time (as defined below), unless the early cessation of trading is announced by the Exchange or Affiliated Exchange on this Trading Day at least one hour before
   a. the actual closing time for normal trading on the Exchange or Affiliated Exchange on the Trading Day in question or, if earlier.
   b. the closing time (if given) of the Exchange or Affiliated Exchange for the execution of orders at the time the quote is given.

“Normal exchange closing time” is the time at which the Exchange or an Affiliated Exchange is normally closed on working days without taking into account after-hours trading or other trading activities carried out outside the normal trading hours; or

a general moratorium is imposed on banking transactions in the country in which the Exchange is resident if the above-mentioned events are material in the assessment of the Index Calculator, whereby the Index Calculator makes his decision based on those circumstances that he considers reasonable and appropriate.
5. APPENDIX

5.1 RAFI Fundamental Index Series Information

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Total Return Ticker</th>
<th>Price Return Ticker</th>
<th>Net Return Ticker</th>
<th>Market Hours</th>
<th>Currency</th>
<th>Base Date</th>
<th>Launch Date</th>
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<td>RAFIGLP</td>
<td>RAFIGLBN</td>
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<td>USD</td>
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<td>RAFIUSP</td>
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<td>RAFIUSN</td>
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<td>USD</td>
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<td>1/31/2017</td>
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</tbody>
</table>

5.2 Contact Data
For all questions relating to methodology and licensing and access, please contact RAFI Indices at info@rafi.com or call 1-866-695-9900 or 949-325-8700.

5.3 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.
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