



JANUS CAPITAL
Group

Janus Equal Risk Weighted Index Methodology

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Table of Contents

Introduction.....	3
Index Sponsor and Index Calculation Agent	3
Index Overview.....	4
Intra-day Index Calculation.....	8
Index Maintenance	9
Index Committee	12
Contact Information	14
Disclosures and Disclaimers	15
Appendix I: Reference Index Adjustments	16
Appendix II: Dividends, Stock Splits and Rights Issues	18
Appendix III: Eligible Universes	24
Appendix IV: Holiday Schedule	24

Introduction

This document describes Janus' Equal Risk Weighted Index Methodology. The Index is designed to replicate a portfolio consisting of stocks selected from the S&P 500 Index. The percentage weight of each stock within the Index is determined on a quarterly basis such that the expected risk contribution of each stock is equal in accordance with the Equal Risk Weighted methodology described below.

A review of the Index is carried out quarterly. On each quarterly selection day, the stocks are reselected by reference to the stocks in the S&P 500 at the time and the percentage weight of each stock to be included in the Index is determined in accordance with the Equal Risk Weighted methodology. These new stocks are given effect in their respective weights as of the related quarterly rebalancing date.

The index is designed to be investible – an investor holding the reference securities associated with the index at the same weights adjusted daily should realize returns similar to that of the index. The reference securities are US listed equities. The Index inception date is April 4, 2013. All data prior to this date is pre-inception index performance (PIP).

Index Sponsor and Index Calculation Agent

The Index Sponsor is VelocityShares LLC. As at the date of this Index Methodology, the Index Sponsor has appointed S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) as Index Calculation Agent to calculate and publish the Index in accordance with the Index Methodology contained in this document. The Index Sponsor has obtained portions of the Methodology pursuant to a license agreement with Citigroup Global Markets Limited. The Index Sponsor may, in its sole discretion and without notice, appoint an alternative Index Calculation Agent at any time which may be the Index Sponsor or one of its Affiliates.

The Index Sponsor's determinations in respect of the Index shall be final.

Index Overview

The Index is a notional rules-based proprietary index sponsored by VelocityShares (the “Index Sponsor”).

Generally, constituents of financial indices may be weighted according to different methodologies based on different theories of portfolio diversification, optimization and market representation. Market capitalization weighting, equal-weighting, and more recently, portfolio optimization weighting techniques are frequently used.

The Index assigns weights to its Constituents (as defined below) using the Equal Risk Weighted methodology, a proprietary risk-weighting model which is described in detail below. Constituents are selected from the Eligible Universe (or “Eligible Universe Index”) which, in the case of the Large-Cap Index is the S&P 500 Index. The Equal Risk Weighted methodology determines the Percentage Weight in the Index of each Constituent on a quarterly basis such that the expected risk contribution to the portfolio of each Constituent is equal. In determining the expected risk contribution of each Constituent, the methodology relies exclusively on market price volatility (both historic and implied) as a measure of risk. The Index does not attempt to identify or quantify any specific risks which may be relevant to a stock, sector, industry or geographic region.

Whenever a stock that is a Constituent of the Index is removed from the Eligible Universe, such Constituent is removed from the Index on the same day and the Percentage Weights of the remaining Constituents are scaled up such that the Percentage Weight of the removed Constituent is proportionally redistributed to the remaining Constituents. The introduction of a new stock into the Eligible Universe will not result in an adjustment to the Index until the next Rebalancing Date. Changes to the composition of the Eligible Universe are normally announced by the sponsor of the Eligible Universe in advance of the effective date of such changes.

The Equal Risk Weighted methodology is used to determine Percentage Weights for the Constituents on a quarterly basis such that the expected risk contribution of each Constituent in the Index is equal to each of the other Constituents’ expected risk contributions. This does not mean that the Index is risk-free. The Index is subject to equity market risks, as well as other risks described in detail below. The methodology on which the Index is based may not be successful and may not outperform any alternative strategy that might be employed in respect of the stocks in the Eligible Universe.

The Index is a total return index, with notional reinvestment of net dividends. The Index is described as replicating notional positions in the Constituents because there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Index simply references certain investment positions the performance of which is used as a reference point for the purpose of calculating the Index Level.

Constituent Prices

The closing price for each Constituent on an Index Business Day is the price of the security, expressed in US dollars, at the regular close of the principal trading session on the primary exchange on which the security is listed as published by the Consolidated Tape for that Index Business Day.

Selection of Constituents

The Constituents selected on each Selection Day, from and including the first Selection Day prior to the Index Start Date, will comprise all of the stocks in the Eligible Universe as of such date, other than any stocks for which there is insufficient publicly available historic market data in order to determine historic volatility and exponential moving average statistics in accordance with the Index methodology set out in detail below. In addition, stocks undergoing mergers and other corporate actions will be

reviewed by the index committee and excluded if their price movement is no longer determined by market risk. Prior to October 8th, 2013 such stocks were not excluded from the Eligible Universe.

Selection Day

The first Index Business Day of each January, April, July and October, commencing on the first Index Business Day of January 2000¹.

Rebalancing Day

The 15th business day of each January, April, July and October.

Changes in the Eligible Universe

The Constituents comprising the Index will also be adjusted between Rebalancing Dates to take account of the removal of stocks from the Eligible Universe. Stocks which are introduced into the Eligible Universe between Rebalancing Dates will not be included in the Index solely as a result of such introduction, but stocks may be introduced into the Index between Rebalancing Dates in accordance with the Index Conditions as a result of certain corporate action events such as mergers.

Index Calculations

The Index Level on the Index Start Date, January 6, 2000, shall be 100.

The Index Level on each Index Business Day t (following the Index Start Date) shall be an amount determined by the Index Calculation Agent in accordance with the formula set out below. The formula aggregates the product of each Constituent's Constituent Closing Level and its prevailing Weight (each as defined below).

$$\text{Index Level}_t = \sum_{i=1}^N (P_{i,t} \times W_{i,r}) + Div_{Ex}$$

where:

Index Level_t = Index Level on Index Business Day t

$P_{i,t}$ = Constituent Closing Level of Constituent i on Index Business Day t

$W_{i,r}$ = Weight of Constituent i on the Rebalancing Date r (or the Index Start Date, as applicable) immediately preceding Index Business Day t

N = The number of Constituents included in the Index on Index Business Day t

and

$$Div_{Ex} = \sum_{i=1}^N \text{Net Dividend}_{i,t} \times W_{i,r}$$

Net Dividends are defined in more detail in the Appendix.

¹ Subject to adjustment in accordance with Adjustments in the Appendix.

On Rebalancing Date r , the Index Level is calculated using the respective Weights (as determined on Rebalancing Date $r-1$) of each Constituent (as selected on the Selection Day immediately preceding Rebalancing Date $r-1$), subject to any subsequent adjustment of any Constituent's Weight as a result of any Additional Rebalancing Event, Dividend Adjustment Event, Stock Split Adjustment Event, Rights Issue Adjustment Event or Adjustment Event. Beginning with the first Index Business Day following Rebalancing Date r , up to and including Rebalancing Date $r+1$ (but prior to the rebalancing of the Index on such Rebalancing Date $r+1$), the Index Level is calculated using the Constituents selected on the Selection Day immediately preceding Rebalancing Date r and their respective Weights (as determined on Rebalancing Date r).

Subject to the occurrence or existence of a Disrupted Day, the Index Level is calculated by the Index Calculation Agent at 6:30PMEasternTime (the "Index Valuation Time") on each Index Business Day. The Index Level is the closing level of the Index for the relevant Index Business Day. The Index Calculation Agent may also, but is not obliged to, calculate the level of the Index in respect of any other valuation time on any Index Business Day or any other day with the consent of the Index Sponsor.

The detailed procedures for the calculation of the Index Level in respect of each Index Business Day are set out below.

Covariance Construction

Forward-Looking Covariance Matrix ("FCov") of the Constituents

On each Selection Day, the Index Calculation Agent determines a "Forward-Looking" covariance matrix, which is based on the 3-month implied spot volatility of the Reference Vol Index; the betas of constituents with respect to the Reference Vol Index measured through regression over the previous 120 Index Business Days; the residual variances of the regressions; and the correlations between constituents. The Reference Vol Index for each Equal Risk Weighted Index can be found in the Appendix.

Trend-Following Covariance Matrix ("HCov") of the Constituents

On each Selection Day k , the Index Calculation Agent determines for each Selected Constituent i a "Trend-Following" covariance matrix, based on historical exponential moving average ("EMA") returns for each of the 159 Index Business Days ending on Selection Day k .

Optimization Routine to Find the Equal Risk Contribution Weights of the Selected Constituents

A vector of percentage weights is determined for each covariance matrix, using an optimization model. The optimization model is used to find the combination of percentage weights for the Selected Constituents that results in the expected risk contribution of each Selected Constituent being equal. Within the optimization model, the expected risk contribution of a Selected Constituent is defined as the sensitivity of the volatility of the Selected Constituents collectively to a change in the relative value of the Percentage Weight of the individual Selected Constituent.

Each vector of weights w_{FCov} and w_{HCov} is computed by the same optimization routine, which aims at solving the following non-linear optimization problem under constraints:

$$w^* = \arg \min f(w)$$

$$f(w) = \sum_{i=1}^M \sum_{j=i+1}^M \left[w_i \sum_{m=1}^M w_m \sigma_{i,m,k} - w_j \sum_{m=1}^M w_m \sigma_{j,m,k} \right]^2$$

subject to

$$\sum_{i=1}^M w_i = 1$$

$$0 \leq w_i \leq 1; i = 1 \dots M$$

where $\sigma_{i,j,k}$ represents an element of the covariance matrix used in each of the two optimizations on Selection Day k .

Blending the Two Percentage Weight Vectors

The average of the two Percentage Weight Vectors is used as the Weight Vector on Selection Day k :

$$\overline{W}_k = \frac{w_{FCov}^* + w_{HCov}^*}{2}$$

A normalization of this vector occurs to assure that the sum of the weights in the vector is 1.

Once normalized, the Selected Constituent percentage weights are subjected to an individual percentage weight cap of 3%. The excess percentage weight (the aggregate percentage weight in excess of 3% for all the Selected Constituents) is distributed among the remaining uncapped Selected Constituents in a ratio proportional to their uncapped percentage weights, subject to the same individual percentage weight cap of 3%.

The resulting percentage weights are the Percentage Weights of the Selected Constituents, $\overline{W}_k$, that will be applied in respect of the Index on the Rebalancing Date following the Selection Day on which these Percentage Weights are determined.

Additional Rebalancing Dates

If a stock which is a Constituent of the Index is removed from the Eligible Universe (an “Eligible Universe Removal Event”), then such Constituent (a “Removed Constituent”) will be removed from the Index on the same day (an “Additional Rebalancing Date”).

If, due to any applicable law or regulation or policy, the Index Sponsor or the Index Calculation Agent is not permitted (or there is a reasonable likelihood that, within the next 30 Index Business Days, it will not be permitted) to continue to sponsor or calculate, as applicable, an index comprising a stock which is a Constituent of the Index, then such Constituent (a “Removed Constituent”) will be removed from the Index on the date (an “Additional Rebalancing Date”) designated by the Index Calculation Agent or the Index Sponsor (in which case the Index Sponsor will notify the relevant date to the Index Calculation Agent).

Upon the removal of one or more Removed Constituents from the Index on an Additional Rebalancing Date, the Percentage Weights of the remaining Constituents are scaled up such that the Percentage Weight of the Removed Constituent(s) is proportionally redistributed to the remaining Constituents. In the event that any such Percentage Weight as a result would be greater than 10%, then the Index Calculation Agent shall determine the Percentage Weights to be applied to each remaining Constituents upon the removal of the relevant Removed Constituent(s) in accordance with procedure set out above.

Intra-day Index Calculation

The value of the index will be calculated intra-day by applying the then current adjusted market prices of the reference securities as if they were the end of day prices and following the end-of-day calculations described above.

Index Maintenance

Base Date

Each index has a level of 100 on the inception date, and on each Index Business Day thereafter the index level is equal to the index level at the beginning of the period times the sum of one plus the index return (R) for the period.

Corporate Actions

The Index Committee will be solely responsible for the determination and calculation of any adjustments to the price of any instrument underlying an index and of any related determinations and calculations with respect to any corporate action and its determinations and calculations will be conclusive absent manifest error.

Complex corporate actions: should any corporate action exist which the Index Committee deems requires a price adjustment, it will be solely responsible for determining the method and timing for any necessary price adjustments. In the case of simultaneous corporate actions, the Index Committee will determine the application of the above price adjustments which is the most accurate reflection of the impact of the corporate actions.

Index Policy

Announcements

Announcements regarding changes to any of the VelocityShares indices will be made publicly available prior to the effective date of the change. All announcements will be published on the index website: www.velocitysharesindices.com

Holiday Schedule

Each VelocityShares index will be calculated on days when (a) the New York Stock Exchange is open for trading and (b) the primary exchange for the reference securities is open for trading. (Please see the Appendix.)

Force Majeure

Calculation of the index may not be possible or feasible under certain events or circumstances, including, without limitation, market disruptions, a systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance, that is beyond the reasonable control of the index provider and that the index provider determines affects the Index or underlying markets. Upon the occurrence of any such force majeure event, the index provider may, in its discretion, elect one (or more) of the following options:

- Make such determinations and/or adjustments to the terms of the Index as it considers appropriate to determine any closing level on any such appropriate Index Business Day; and/or
- Defer publication of the information relating to the index until the next Index Business Day on which it determines that no force majeure event exists; and/or
- Permanently cancel the publication of the information relating to the index. The index provider employs the methodology described above and its application of the methodology shall be conclusive and binding.

Market Disruption

“Disrupted Day” shall mean, in respect of a Share, any Scheduled Trading Day for such Share on which any of the events set out below occurs:

- any relevant Exchange or any relevant Related Exchange fails to open for trading during its regular trading session; or
- the occurrence or existence at any time during the one hour period which ends at the relevant Valuation Time of any suspension of or limitation imposed (whether by reason of movements in price exceeding permitted limits or otherwise) on the trading on (i) any relevant Exchange of such Share; or (ii) any relevant Related Exchange of futures contracts or options contracts relating to such Share; or
- the occurrence or existence at any time during the one hour period which ends at the relevant Valuation Time of any other event (other than an event described in Sub-paragraph (d) or Sub-paragraph (e) of this definition) which disrupts or impairs the ability of market participants in general (i) (on any relevant Exchange) to effect transactions in or to obtain market values for such Share; or (ii) (on any relevant Related Exchange) to effect transactions in or to obtain market values for any futures contracts or options contracts relating to such Share; or

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- the closure on any Exchange Business Day of any relevant Exchange prior to its Scheduled Closing Time (unless such earlier closing time is announced by such Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange on such Exchange Business Day; and (ii) the deadline for the submission of orders to be entered into such Exchange system for execution at the relevant Valuation Time on such Exchange Business Day); or
 - the closure on any Exchange Business Day of any relevant Related Exchange in respect of futures contracts or options contracts relating to such Share prior to its Scheduled Closing Time (unless such earlier closing time is announced by such Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Related Exchange on such Exchange Business Day; and (ii) the deadline for the submission of orders to be entered into such Related Exchange system for execution at the Valuation Time on such Exchange Business Day).

Index Committee

The Index Committee is responsible for reviewing the design, composition, and calculation of the VelocityShares Indices, the development of new indices, and to determine changes, if any, to the index methodology (including rules for selecting companies, share counts or other matters) , and the treatment of corporate actions.

Decisions made by the Index Committee include all matters related to index policy and maintenance. The Index Committee meets periodically to review market conditions and index performance, or on an as-needed basis to address major market developments.

The Index Committee reserves the right to exercise its discretion in making decisions with respect to any index policy or action. Index Committee internal procedures and discussions are considered to be potentially market moving and are therefore kept confidential.

Index Dissemination

Index Tickers

The indices are calculated in real-time and disseminated by the Consolidated Tape Association (CTA) every 15 seconds during the U.S. trading day. Official closing index levels are published on each index business day at approximately 6 PM Eastern Time and are made available on www.velocitysharesindices.com.

FTP

Daily index level information is available via FTP. Please contact index@velocityshares.com for subscription information.

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Disclosures and Disclaimers

Supplement dated January 22, 2015 to the Currently Effective Prospectus and Statement of Additional Information Dated September 1, 2014 - On December 1, 2014, Janus Capital Group Inc. announced the acquisition of VS Holdings Inc., the parent company of VelocityShares, LLC (“VelocityShares”), including its division VelocityShares Index & Calculation Services (the “Index Provider”). The Index Provider sponsors the VelocityShares Equal Risk Weighted Large Cap Index (the “Index”). In connection with the acquisition, the Index’s name was changed to the Janus Equal Risk Weighted Large Cap Index.

New Index Name

The new name of the Index is the “Janus Equal Risk Weighted Large Cap Index.” Therefore, all references to the “VelocityShares Equal Risk Weighted Large Cap Index” in the Prospectus and SAI are replaced with “Janus Equal Risk Weighted Large Cap Index.”

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Appendix I: Reference Index Adjustments

“Reference Index” refers to the Eligible Universe Index and the Reference Vol Index.

“Reference Index Sponsor” means, in respect of a Reference Index, the corporation or other entity which (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Reference Index and (b) announces (directly or through an agent) the level of such Reference Index.

Successor Reference Index and Successor Reference Index Sponsor

If a Reference Index is (i) not calculated and announced by the relevant Reference Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Index Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Index Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Reference Index, then in each case that index (the “Successor Reference Index”) will be deemed to be the relevant Reference Index with effect from the date determined by the Index Calculation Agent who may make such adjustment(s) to the Index Conditions as it determines appropriate to account for such change.

Reference Index Modification and Reference Index Cancellation

If a Reference Index Sponsor announces that it will make a material change in the formula for or method of calculating a Reference Index or in any other way materially modifies that Reference Index (other than a modification prescribed in that formula or method to maintain that Reference Index in the event of changes in constituent stock and capitalization and other routine events) (a “Reference Index Modification”) or permanently cancels that Reference Index and no Successor Reference Index exists (a “Reference Index Cancellation” and, together with a Reference Index Modification, each a “Reference Index Adjustment Event”), then:

- (i) the Index Calculation Agent may suspend the calculation, publication and dissemination of the Index and the Index Level until the first succeeding Index Business Day on which such event does not occur or continue to occur; and/or
- (ii) the Index Calculation Agent may select a replacement Reference Index that has substantially similar characteristics to the Reference Index that is being replaced, having regard to the manner in which such Reference Index is used in the calculation of the Index, in which case the Index Calculation Agent will (a) determine the effective date of such replacement, and (b) make such adjustment(s) to the Index Conditions as it determines appropriate to account for the effect on the Index of such replacement; and/or
- (iii) the Index Sponsor may discontinue and cancel the Index.

Cancellation of Reference Index license

If, in respect of a Reference Index, a license granted (if required) to the Index Sponsor and/or the Index Calculation Agent and/or any of their respective Affiliates, to use such Reference Index in connection with the Index is terminated, or any such entity’s right to use such Reference Index in connection with calculating the Index is otherwise disputed, impaired or ceases for any reason, then:

- (iv) the Index Calculation Agent may suspend the calculation, publication and dissemination of the Index and the Index Level until the first succeeding Index Business Day on which such event does not occur or continue to occur; and/or

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- (v) the Index Calculation Agent may select a replacement Reference Index that has substantially similar characteristics to the Reference Index that is being replaced, having regard to the manner in which such Reference Index is used in the calculation of the Index, in which case the Index Calculation Agent will (a) determine the effective date of such replacement, and (b) make such adjustment(s) to the Index Conditions as it determines appropriate to account for the effect on the Index of such replacement; and/or
 - (vi) the Index Sponsor may discontinue and cancel the Index.

Corrections of published levels, prices, rates or values in respect of a Reference Index

Corrections of published levels, prices, rates or values in respect of a Reference Index

If, in respect of a Reference Index, any level, price, rate or value (as applicable) in respect of such Reference Index or any related derivative or other related instrument, for any time on any day, which is announced by or on behalf of the person or entity responsible for such publication or announcement and which is used for any calculation or determination in respect of the Index, is subsequently corrected, and such correction (the “Corrected Level”) is published by or on behalf of such person or entity within two Index Business Days after the original publication, then such Corrected Level shall be deemed to be the level, price, rate or value (as applicable) for such Reference Index, related derivative or other related instrument (as the case may be) for the relevant time on the relevant day and the Index Calculation Agent may, but shall not be obliged to, make appropriate adjustments to the Index and the Index Level for the relevant Index Business Day(s).

Appendix II: Dividends, Stock Splits and Rights Issues

Upon the occurrence of a Dividend Adjustment Event, a Stock Split Adjustment Event or a Rights Issue Adjustment Event (each as defined below), the Index Calculation Agent will make the appropriate adjustments to the composition of the Index including, in particular, the Weights of the Constituents. For the avoidance of doubt, Dividend Adjustment Events, Stock Split Adjustment Events and Rights Issue Adjustment Events shall not constitute Adjustment Events for the purpose of the Index Conditions.

Dividend Adjustments (Regular Dividends: Cash and/or Stock Dividends)

Following the declaration by the issuer of any Constituent of a Dividend (as defined below) (a “Dividend Adjustment Event”), the Index Calculation Agent shall adjust the Weight of such Constituent on the Index Business Day following the Ex-Dividend Date (as defined below) in relation to such Dividend in accordance with the formula set out below.

The Weight of the relevant Constituent shall be adjusted such that:

$$\text{Weight}_{i,\text{ex}+1} = \text{Weight}_{i,\text{ex}} \times \left(1 + \frac{\text{Dividend Percentage}_i \times \text{Dividend Amount}_i}{\text{Constituent Closing Level}_{i,\text{ex}-1} - \text{Dividend Amount}_i} \right)$$

where:

$\text{Weight}_{i,\text{ex}+1}$	=	Weight of Constituent i on the Index Business Day immediately following the applicable Ex-Dividend Date.
$\text{Weight}_{i,\text{ex}}$	=	Weight of Constituent i on the applicable Ex-Dividend Date (or, if such day is not an Index Business Day, on the immediately preceding Index Business Day).
$\text{Dividend Percentage}_i$	=	The applicable Dividend Percentage (as defined below).
Dividend Amount_i	=	The applicable Dividend Amount (as defined below).
$\text{Constituent Closing Level}_{i,\text{ex}-1}$	=	Constituent Closing Level of Constituent i on the Index Business Day immediately preceding the applicable Ex-Dividend Date.

“Dividend” means, in respect of a Constituent, any regular dividend (in the form of a cash dividend and/or a scrip (stock) dividend) declared by the issuer of such Constituent for which the Ex-Dividend Date falls on any day after the Index Start Date (excluding any Extraordinary Dividend).

“Dividend Amount” means, in respect of a Dividend:

- (i) if such Dividend is a cash dividend, 100% of the gross cash dividend per one stock as declared by the issuer of the relevant Constituent, before the withholding or deduction of taxes at source by or on behalf of any applicable authority having power to tax in respect of such a dividend (an “Applicable Authority”), and shall exclude (a) any imputation or other credits, refunds or deductions granted by an Applicable Authority (together, the “Credits”), and (b) any taxes, credits, refunds or benefits imposed, withheld, assessed or levied on the Credits referred to in (a) above (converted, if necessary, at the applicable FX Rate for the conversion

of the currency in which the relevant Dividend Amount is denominated into the currency in which the Constituent Closing Level of the relevant Constituent is published).

- (ii) if such Dividend is a non-cash dividend, an amount per one stock equal to the cash value declared by the issuer of the relevant Constituent (whether or not such non-cash dividend includes stock that are the Constituent) or, if no cash value is declared by the issuer of the relevant Constituent, the cash value of such non-cash dividend as determined by the Index Calculation Agent, calculated by reference, where available, to the closing price of any stocks or the Constituent Closing Level (as the case may be) comprising such non-cash dividend on the last trading day immediately preceding the relevant Ex-Dividend Date, taking into account (where such non-cash dividend consists of the stock of the Constituent) any diluting effect on the theoretical value of the Constituent stock resulting from such non-cash dividend. The cash value of a non-cash dividend shall be converted, if necessary, at the applicable FX Rate for the conversion of the currency in which the relevant Dividend Amount is denominated into the currency in which the Constituent Closing Level of the relevant Constituent is published.

“Dividend Percentage” means, in respect of a Dividend Amount, the Dividend Percentage specified by the Index Sponsor from time to time in respect of the country or jurisdiction in which the issuer of the relevant Constituent is domiciled for tax purposes. As of the date of this Index Methodology, the Dividend Percentage is set to 100%. The Index Sponsor shall notify the Index Calculation Agent of any change in the Dividend Percentage applicable to any country or jurisdiction, in which case the current Dividend Percentage will be published by the Index Calculation Agent on the Index Electronic Page and available from the Index Sponsor.

“Ex-Dividend Date” means, in respect of a stock and a dividend payment which has been announced by the issuer of such stock, the first day on which a purchaser of such stock will not be entitled to receive the relevant dividend payment, as fixed by the issuer of such stock and/or the primary exchange on which such stock is traded.

“Extraordinary Dividend” has the meaning given to such term in the Index General Conditions and will generally include any dividend which is described as “special”, “extra”, “irregular” or a “return of capital”.

“FX Rate” means, in respect of the notional exchange of one currency to another currency, the applicable WM/Reuters “Closing Spot Rate” as published by The World Markets Company plc in conjunction Reuters at approximately 4.00 p.m. (London time) on the Ex-Dividend Date or, if such rate is discontinued or unavailable on the relevant day for any reason, such other exchange rate for the relevant currency conversion as the Index Calculation Agent shall determine appropriate by reference to an alternative foreign exchange rate service.

Dividend Adjustments (Extraordinary Dividends, Bonus Shares)

Following the declaration by the issuer of any Constituent of an Extraordinary Dividend (as defined below) (a “Dividend Adjustment Event”), the Index Calculation Agent shall adjust the Weight of such Constituent on the Ex-Dividend Date (as defined below) in relation to such Extraordinary Dividend in accordance with the formula set out below. If such Ex-Dividend Date is not an Index Business Day, the adjustment shall be made on the next following Index Business Day.

The Weight of the relevant Constituent shall be adjusted such that:

$$\text{Weight}_{i,\text{ex}} = \text{Weight}_{i,\text{ex}-1} \times \left(1 + \frac{\text{Dividend Percentage}_i \times \text{Extra Dividend Amount}_i}{\text{Constituent Closing Level}_{i,\text{ex}-1} - \text{Extra Dividend Amount}_i} \right)$$

where:

Weight _{i,ex}	=	Weight of Constituent i on the applicable Ex-Dividend Date (or, if such day is not an Index Business Day, on the immediately following Index Business Day).
Weight _{i,ex-1}	=	Weight of Constituent i on the Index Business Day immediately preceding the applicable Ex-Dividend Date.
Dividend Percentage _i	=	The applicable Dividend Percentage (as defined below).
Extra Dividend Amount _i	=	The applicable Extraordinary Dividend Amount (as defined below).
Constituent Closing Level _{i,ex-1}	=	Constituent Closing Level of Constituent i on the Index Business Day immediately preceding the applicable Ex-Dividend Date.

“Extraordinary Dividend” means (i) an “Extraordinary Dividend”, as such term is defined in the Index General Conditions and will generally include any dividend (in the form of a cash dividend and/or a scrip (stock) dividend) which is described as “special”, “extra”, “irregular” or a “return of capital”; or (ii) a free distribution or dividend of stock of such Constituent to existing holders by way of bonus, capitalization or similar issue, for which in each case the applicable Ex-Dividend Date falls on any day after the Index Start Date.

“Extraordinary Dividend Amount” means, in respect of an Extraordinary Dividend:

- (i) if such Dividend is a cash dividend, 100% of the gross cash dividend per one stock as declared by the issuer of the relevant Constituent, before the withholding or deduction of taxes at source by or on behalf of any applicable authority having power to tax in respect of such a dividend (an “Applicable Authority”), and shall exclude (a) any imputation or other credits, refunds or deductions granted by an Applicable Authority (together, the “Credits”), and (b) any taxes, credits, refunds or benefits imposed, withheld, assessed or levied on the Credits referred to in (a) above (converted, if necessary, at the applicable FX Rate for the conversion of the currency in which the relevant Extraordinary Dividend Amount is denominated into the currency in which the Constituent Closing Level of the relevant Constituent is published).
- (ii) if such Extraordinary Dividend is a non-cash dividend, an amount per one stock equal to the cash value declared by the issuer of the relevant Constituent (whether or not such non-cash dividend includes stock that are the Constituent) or, if no cash value is declared by the issuer of the relevant Constituent, the cash value of such non-cash dividend as determined by the Index Calculation Agent, calculated by reference, where available, to the closing price of any stocks or the Constituent Closing Level (as the case may be) comprising such non-cash dividend on the last trading day immediately preceding the relevant Ex-Dividend Date, taking into account (where such non-cash dividend consists of the stock of the Constituent) any diluting effect on the theoretical value of the Constituent stock resulting from such non-cash dividend. The cash value of a non-cash dividend shall be converted, if necessary, at the applicable FX Rate for the conversion of the currency in which the relevant Extraordinary Dividend Amount is denominated into the currency in which the Constituent Closing Level of the relevant Constituent is published.

“Dividend Percentage” means, in respect of an Extraordinary Dividend Amount, the Dividend Percentage specified by the Index Sponsor from time to time in respect of the country or jurisdiction in

which the issuer of the relevant Constituent is domiciled for tax purposes. As of the date of this Index Methodology, the Dividend Percentage is set to 100%. The Index Sponsor shall notify the Index Calculation Agent of any change in the Dividend Percentage applicable to any country or jurisdiction, in which case the current Dividend Percentage will be published by the Index Calculation Agent on the Index Electronic Page and available from the Index Sponsor.

“Ex-Dividend Date” means, in respect of a stock and an Extraordinary Dividend, the first day on which a purchaser of such stock will not be entitled to receive the relevant Extraordinary Dividend Amount, as fixed by the issuer of such stock and/or the primary exchange on which such stock is traded.

“FX Rate” means, in respect of the notional exchange of one currency to another currency, the applicable WM/Reuters “Closing Spot Rate” as published by The World Markets Company plc in conjunction Reuters at approximately 4.00 p.m. (London time) on the Ex-Dividend Date or, if such rate is discontinued or unavailable on the relevant day for any reason, such other exchange rate for the relevant currency conversion as the Index Calculation Agent shall determine appropriate by reference to an alternative foreign exchange rate service.

Dividend Recovery

If, in respect of a Dividend or an Extraordinary Dividend, (a) the gross cash or non-cash dividend declared or estimated by the issuer of the relevant Constituent (a “Declared Dividend”) to holders of record of the stock in the Constituent is not equal to the gross amount deemed to be paid by the issuer of such Constituent (notwithstanding that such payment is made to either any relevant taxing authority or holders of record) in respect of such Dividend (a “Dividend Mismatch Event”) or (b) the issuer of the relevant Constituent fails to make any payment or delivery in respect of that Declared Dividend by the third Index Business Day following the relevant due date, then in either case the Index Calculation Agent may (but shall not be obliged to) determine:

- (i) any appropriate adjustment to be made to the Index, including the Weight of any Constituent, to account for that Dividend Mismatch Event or non-payment or non-delivery, as the case may be; and
- (ii) the effective date of any such adjustment.

In the event that an issuer of a Constituent makes a payment or delivery in respect of a Dividend or an Extraordinary Dividend that has already been the subject of an adjustment in accordance with this paragraph 3 (*Dividend Recovery*), the Index Calculation Agent shall determine any appropriate adjustment(s) to be made in respect of the Index in order to account for the economic effect of such subsequent payment or delivery.

Stock Split Adjustments

Following the declaration by the issuer of a Constituent of a Stock Split (as defined below) (a “Stock Split Adjustment Event”), the Index Calculation Agent shall adjust the Weight of such Constituent on the Ex-Date (as defined below) in relation to such Stock Split in accordance with the formula set out below. If such Ex-Date is not an Index Business Day, the adjustment shall be made on the next following Index Business Day.

The Weight of the relevant Constituent shall be adjusted such that:

$$\text{Weight}_{i,\text{ex}} = \text{Weight}_{i,\text{ex}-1} \times \text{Split Ratio}_i$$

where:

Weight _{i,ex}	=	Weight of Constituent i on the applicable Ex-Date (or, if such day is not an Index Business Day, on the immediately following Index Business Day).
Weight _{i,ex-1}	=	Weight of Constituent i on the Index Business Day immediately preceding the applicable Ex-Date.
Split Ratio _i	=	In respect of the applicable Stock Split, the ratio of the new total number of shares (B) for the old total number of shares (A) (e.g., split ratio=B/A) in respect of the Constituent i.

“Ex- Date” means, in respect of a Stock Split in respect of a Constituent, the effective date of such Stock Split, as fixed by the issuer of such Constituent and/or the primary exchange on which such Constituent is traded.

“Stock Split” means, in respect of a Constituent, a stock split, subdivision, reverse stock split, consolidation or similar reclassification of the stock of such Constituent, for which the Ex-Date falls on any day after the Index Start Date.

Rights Issue Adjustments

Following the declaration by the issuer of a Constituent of a Rights Issue (as defined below) (a “Rights Issue Adjustment Event”), the Index Calculation Agent shall adjust the Weight of such Constituent on the Ex-Rights Date (as defined below) in relation to such Rights Issue in accordance with the formula set out below. If such Ex-Rights Date is not an Index Business Day, the adjustment shall be made on the following Index Business Day.

The Weight of the relevant Constituent shall be adjusted such that:

$$\text{Weight}_{i,ex} = \text{Weight}_{i,ex-1} \times \frac{1 + N_i}{1 + \left(\frac{S_i}{\text{Constituent Closing Level}_{i,ex-1}} \right) \times N_i}$$

where:

Weight _{i,ex}	=	Weight of Constituent i on the applicable Ex-Rights Date (or, if such day is not an Index Business Day, on the immediately following Index Business Day).
Weight _{i,ex-1}	=	Weight of Constituent i on the Index Business Day immediately preceding the applicable Ex-Rights Date.
N _i	=	In respect of the applicable Rights Issue, the rights ratio in respect of such Rights Issue of Constituent i, N = B/A where A is the number of existing stocks and B is the number of new stocks entitlement.
S _i	=	In respect of the applicable Rights Issue, the subscription price per stock in Constituent i.
Constituent	=	Constituent Closing Level of Constituent i on the Index Business

Closing
Level_{i,ex-1}

Day for Constituent i immediately preceding the Ex-Rights Date.

“Ex-Rights Date” means, in respect of a Rights Issue in respect of a Constituent, the first day on which a purchaser of such stock would not be entitled to participate in such Rights Issue, as fixed by the issuer of such Constituent and/or the primary exchange on which such Constituent is traded.

“Rights Issue” means, in respect of a Constituent, a distribution to existing holders of stock in such Constituent of any securities, rights, warrants or other assets, in any case for payment (whether in cash or otherwise) at less than their prevailing market price or any other similar event as determined by the Index Calculation Agent and for which the Ex-Rights Date falls on any day after the Index Start Date.

Appendix III: Eligible Universes

ERW Index	Eligible Universe	Index Ticker
ERW Large-Cap	S&P 500 Index	ERWSPX

Appendix IV: Holiday Schedule

NYSE Holiday Schedule

2015	2016	2017
January 1	January 1	January 2
January 19	January 18	January 16
February 16	February 15	February 20
April 3	March 25	April 14
May 25	May 30	May 29
July 3	July 4	July 4
September 7	September 5	September 4
November 26	November 24	November 23
December 25	December 26	December 25