

INDEX METHODOLOGY: EMLES PROTECTIVE ALLOCATION INDEX

In general, no less than 80% of the exposure in the Emles Protective Allocation Index (the “Index”) will be comprised of equities and corporate credit securities based on percentage of capital deployed (or exposure) in the Index. The remaining exposure in the Index will be comprised of put options, commodities (in the form of futures) and Treasury Inflation-Protected Securities (“TIPS”), as part of the protective and defensive component for the Index strategy. Security selection criteria and methodology are described below. The Index must be reviewed and approved by the Index Committee.

Equities and Corporate Credit Constituent Criteria

1. The initial universe of equity and corporate credit securities eligible for inclusion in the Index must meet the following criteria:

- US listed securities, ADRs included
- Within the following GICs sector (as defined by Bloomberg): health care, industrial, financials, consumer disc, consumer staples, info tech, comm serv, utilities
- Market capitalization: minimum of \$50B
- Daily average dollar turnover, based on previous 20 trading days: \$100M
- Current Net Debt vs. forward estimated Adjusted EBITDA: maximum of 5x. Forward estimates of Adjusted EBITDA are per Bloomberg. Forward estimated EBITDA based on following fiscal year estimates, not current fiscal year estimates.
- S&P corporate credit rating: BBB+ rating or better by S&P for long term USD denominated debt. Companies with no corporate debt outstanding or “NR” (not rated) are NOT excluded.
- Corporate credit securities will only be included if a minimum of 3 years maturity remain. For the avoidance of doubt this shall not apply to equities.

2. Once the initial universe of equity and corporate credit securities are defined, the securities are further refined in accordance with the below:

- Equities:** In general, around 35% of the Index’s total exposure will be equities. Proprietary scoring methodology is applied to the initial universe of equities to determine the final equities to be included in the Index. As part of the proprietary scoring methodology, the following factors may be considered: sales growth, free cash flow generation, balance sheet health, earnings cadence, secular and strategic growth opportunities, competitive business positioning, business model resiliency and management quality. Each equity security will be equal weighted within the percentage of the Index allocated to equities.
- Corporate credit:** In general, around 55% of the Index’s total exposure will be allocated to corporate credit securities. Proprietary scoring methodology is applied to the initial universe of corporate credit securities to determine the final equities to be included in the Index. As part of the proprietary scoring methodology, the following factors may be considered: sales growth, free cash flow generation, balance sheet health, earnings cadence, debt paydown ability, debt covenant requirements, secular & strategic growth

opportunities, competitive business positioning, business model resiliency, and management quality. Each corporate credit security will be equal weighted within the percentage of the Index allocated to corporate credit.

Protective Strategy Security Selection

After the equities and corporate credit securities have been selected in accordance with the above, the remainder of the Index's exposure will be comprised of put options, commodities and TIPS, to extent practicable. Put options, commodities and TIPS are part of the overall protective strategy of the Index. The allocation and weighting attributed to the put options, commodities and TIPS will be constructed to fit within the Index and provide a level of protection in light of the equities weighting in the Index.

- **Put Options:** The underlying securities for the put options will be major global equity Indexes (or the respective ETFs that represent these indexes), including but not limited to the S&P 500, NASDAQ, and Russell 2000. The put options will be further refined to include only out-of-the-money put options with current year and/or future year December expiry dates. All put options will be equal weighted across the exposure to the put options in the Index.
- **Commodities:** The commodities selected for inclusion in the Index may include, but are not limited to, gold, silver, palladium and rough rice. All commodities trade as future contracts.
- **TIPS:** These securities may have, but are not limited to, 5-year, 10-year, and 30-year maturities, based on general market expectations of inflation.

Put options, commodities and TIPS that are considered or generally viewed as defensive in nature, both during a period of economic and/or market stress or uncertainty, will ultimately be included in the Index.

Inclusion of New Securities in the Index

New securities may only be included in the Index as part of a quarterly rebalance or special rebalance of the Index (rebalance schedules and details are described below). During a quarterly rebalance, a security may only be included in the Index if it meets the above constituent criteria (if applicable) and is included in accordance with the applicable methodology. During a special Index rebalance a new security is selected for inclusion in the Index as the result of a corporate action event and may be included even if, at the time of selection and inclusion, it does not meet the above required constituent criteria (if applicable). However, during the quarterly rebalance all securities are reviewed in accordance with the above criteria and methodology and securities will be removed from the Index if they fail to meet those requirements. Prior to a rebalance, the Index Committee must review and approve the construction of the Index.

Index Rebalance

There is both a quarterly rebalances and a special rebalance for the Index. The quarterly Index rebalance occurs on the third Friday of each March, June, September, and December, and are effective at the open of the next trading day. In the event that the major US exchanges are closed

on the third Friday of March, June, September, or December, the rebalancing will take place after market close on the immediately preceding trading day. Data relating to constituent eligibility, additions, and deletions are analyzed as of 18:00 ET three days prior to the third Friday of March, June, September, and December. The index shares of each constituent are then calculated according to the capping system described below, and assigned after market close on the quarterly rebalancing date. Since index shares are assigned based on prices three days prior to the third Friday of March, June, September, and December, the weight of each constituent on the quarterly rebalancing date may differ from its target weight due to market movements.

A special Index rebalance is triggered by corporate actions and will be implemented as practically as possible on a case-by-case basis. Generally, in a merger between two or more Index constituents, the special rebalancing will take place one trading day after the constituent's issuance of a press release indicating all needed merger votes have passed. If the stock, corporate credit, or any other instrument in the Index is delisted before market open on the first trading day after all needed merger votes have passed, the delisted security will trade at the conversion price, including any cash consideration. Only the units outstanding and IWFs of the surviving constituents in a merger will be updated to reflect the latest information available. Data are analyzed as of 18:00 ET two trading days prior to the last required merger vote. Index shares are then calculated to the weighting scheme above and assigned after market close on the rebalancing date.

Prior to a rebalance, the Index Committee must review and approve the construction of the Index.

Supporting Information

Base Date

The base date for the Index is 31 December 2014, with a base value of 1000. Data prior to the live launch was back-tested by rigorously applying then-current Index methodology to each historical rebalancing date to select and weight constituents. A backfilled or back-casted methodology can result in the exclusion of acquired, merged, or delisted companies and distort historical performance.

Index Equations¹

Equities

The Equities component of the Index is calculated as follows:

- [Initial Divisor] = [Base Date Index Market Capitalization] / 100
- [Index Value] = [Index Market Capitalization] / Divisor
- [Post-Rebalance Divisor] = [Post-Rebalance Index Market Capitalization] / [Pre-Rebalance Index Value]

¹ These equations are subject to review and input from the Index's calculation agent.

Corporate Credit and TIPS

The Corporate Credit and TIPS component of the Index is calculated as follows:

The Index is a modified market value-weighted Index weighted on the Weighting Day. The Index is calculated and distributed once every Business Day based on the Last Evaluated price of the Index Components. The Index Price Convention determines the price type used for the calculation of the Index and is based on bid/ask quotes gathered from dealers and may also include derived pricing models. The Index Price Convention uses the average bid at Fixing Time for its market value calculation. Newly added bonds will be included in the Index at the Index Price Convention, and bonds removed from the Index at the Rebalance Day will be removed following the Index Price Convention unless specified otherwise. The bond removal will take place at the last Index Closing calculation before the new Index Composition becomes effective.

A Total Return (TR) Index seeks to replicate the overall return from holding an Index portfolio, and is calculated by aggregating coupon payments and Corporate Actions, in addition to the Dirty Price changes. The Price Return (PR) Index, reflects the gains or losses due to changes in end-of-day Clean Price movements of the Index Components and disregards accrued interest and coupon payments, only accounting for redemption proceeds with respect to Index Components resulting from Corporate Actions taking place between two Rebalance Days. The return of each security is weighted in the Index based upon its market value outstanding, which reflects both the prior period's price as well as accrued interest. The overall TR and PR Index is the composite of each component security facility's return multiplied by the market value outstanding from the prior time period.

Settlement Convention

The default Settlement Convention applied in Emls Indices is $! + 0$, which assumes that bond buy/sell transactions are settled on the same Business day for all Index Components. With respect to the Index calculation, this implies the accrued interest of each individual bond " used for the Index Closing computation as of ! being exactly the interest that has accrued on the bond up to and including Business Day !. A $! + \#$ convention implies that the payment for a bond is made in # Business Days after the execution date. Under this convention, the accrued interest of bond " used for the calculation of the Index Level on a Business Day ! equals the interest that has accrued on the bond up to and including Business Day ! + #. These two approaches define the Settlement Convention applicable for calculation of the Index, which disregard individual bond conventions. Another way to account for transaction settlements, is to apply the bond-specific Settlement Conventions. This treatment results in bond " accrued interest contribution to the Index Level as of ! depending on its individual convention.

Day Count Convention – According to the terms of a bond, the following day count conventions are taken into account:

- Act/Act
- Act/360
- Act/365

- 30/360
- ISMA 30/360
- BUS DAY/252

Put Options

The put options component of the Index is calculated as follows:

- [Initial Divisor] = [total premium spent] / 100
- [Index Value] = [current market value] / Divisor

Commodities and Futures Instruments

- [Initial Divisor] = [notional value of the futures contract] / 100
- [Index Value] = [current notional market value of the futures contracts] / Divisor

Treatment of Distributions

The price-return Index does not account for cash distributions. The total-return Index accounts for cash distributions by reinvesting them across the Index after market close on the ex-dividend date.

Holiday Schedule

The Index is calculated when US equity markets are open.

Announcements

Constituent changes related to the quarterly Index rebalance will be announced by 08:30 ET on the third Friday of March, June, September, and December. Constituent changes related to a special Index rebalance resulting from mergers will be announced by 08:30 ET on the last trading day prior to the last required merger vote. Constituent changes related to a special Index rebalance resulting from other types of delistings will be handled on a case-by-case basis. Index methodology changes, if any, will be announced after market close on the last trading day of the month. Announcements can be found at [www.emles.com].

Index Committee

The EMLES Protective Allocation Index is managed by an Index Committee that reviews all methodology modifications to ensure that they are made objectively and without bias. The committee is composed of full-time professional members of Emles Advisors LLC staff and board, convenes on a quarterly basis, and is responsible for overseeing the development and applications of the methodology. If the Index methodology does not provide a clear process for the management of any situation, the committee will determine the process to be followed. Information regarding methodology modifications and constituent changes is considered to be material and can have an impact on the market. Consequently, all committee discussions are confidential.

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Emles Indexing LLC uses various quality assurance tools to monitor and maintain the accuracy of its data. While every reasonable effort is made to ensure data integrity, there is no guarantee against error. Adjustments to incorrect data will be handled on a case-by-case basis depending on the significance of the error and the feasibility of a correction. Incorrect intraday ticks of the Index resulting from data errors will not be corrected.

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