

## INDEX CONSTRUCTION METHODOLOGY

The Active Index Solutions Investment Committee meets in early February of each year to approve the recommendations from the Index Manager. Any changes in an AlphaCycle™ Index are implemented on February 15, or the next available business day, of each year. The Index is equal weighted on the date the Index is reconstituted, and then rebalanced back to equal weighting once a quarter thereafter. Each scheduled quarterly rebalancing is conducted after the close of trading on the Friday nearest the fiscal quarter end (May 15, August 15, and November 15) so that each mutual fund is represented at approximately its assigned weight in the index.

In the event that a fund must be removed from the Index (for example the fund is merged into another fund), the fund is removed from the Index, but not replaced.

### **Net Asset Value (NAV) and Gross of Fee Versions**

There are two performance track records generated for each AlphaCycle™ Index. The Net Asset Value version represents the *net of fee* total return of each fund, reflecting the publically disseminated NAV for each fund plus any distributions.

The Gross of Fee version represents the NAV performance increased by the estimated average annual expense ratio for the underlying funds. As such, the Gross of Fee performance will exceed the Net Asset Value performance by the estimated average annual expense ratio for the Index. The Gross of Fee calculation is being done so as to more accurately reflect the investment skill of the underlying managers.

The *estimated average annual expense ratio* is determined in the following manner. Each January 31 we obtain the most recently published annual expense ratio for each fund from a nationally recognized data provider. These expense ratios are blended in the same equal weighting as the corresponding funds within the Index. The resulting aggregate average annual expense ratio is used on a daily basis to adjust (i.e. improve) the NAV performance record and to create the Gross of Fee version. This expense ratio will be used throughout the entire year, even in those instances where funds may be removed in the interim as described above.

**For more information on this index or other AlphaCycle™ Index , please visit our website at [activeindexsolutions.com](http://activeindexsolutions.com)**

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