



Syntax

**Syntax[®] Wilshire 5000 Index
Methodology**

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I. Coverage

This methodology covers the following Syntax indices:

Index Name	Index Ticker	Total Return Index (TR) or Price Return Index (PR)
Syntax Stratified Wilshire 5000 Index	SW5K	PR
Syntax Stratified Wilshire 5000 Index (TR)	SW5KTR	TR

II. Index Objectives

Syntax® Stratified Indices™ are a family of equity indices that weight constituents based on Syntax's patented methodology to control exposure to related business risks (RBRs). Traditional indices do not control for related business risks and are thus vulnerable to poor performance when economic shocks impact companies that are exposed to the same business risks. Stratified Weight diversifies indices by establishing target weights for RBRs and rebalancing to these targets every quarter. This methodology is designed to mitigate the adverse effects of inadvertent over-weightings of related businesses that regularly occur in the market without sacrificing upside potential.

A. Syntax Stratified Wilshire 5000 Index

The Syntax Stratified Wilshire 5000 index seeks to provide investors with diversified exposure to large-, mid-, and small-cap U.S. companies. The index holds the same constituents as the Wilshire 5000 Index, but the weight of each company in the Syntax Stratified Wilshire 5000 Index is based on Syntax's patented methodology to control exposure to related business risks (RBRs).

III. Universe Selection

The Syntax Stratified Wilshire 5000 Index licenses its constituents from the Wilshire 5000 Index. As such, the Syntax Stratified Wilshire 5000 Index holds the exact constituents of the Wilshire 5000 Index.

IV. Index Information

Launch Date: April 1, 2017

First Value Date: April 1, 2017

Base Date: April 1, 2017

Base Value: 1000

Currency: USD

Rebalancing: The Syntax Stratified Wilshire 5000 Index rebalances quarterly on the last day of the quarter-ending month (March, June, September, December). Index share counts are assigned using closing prices from the three days prior to the rebalance date. Therefore, the actual weight of each constituent at the rebalance may differ from the target weight due to market movements.

Additions, Deletions, and Replacements: The Syntax Stratified Wilshire 5000 Index does not add or remove constituents between rebalance dates except as the result of corporate actions detailed below.

At rebalance, the Syntax Stratified Wilshire 5000 Index will hold all constituents of the Wilshire 5000 Index.

Calculation: The Syntax Stratified Wilshire 5000 Index is calculated by Wilshire Associates Incorporated. Calculations are performed using Wilshire data and are calculated in accordance with the universe selection, corporate action, and weighting methodology detailed in this document. Please see important disclaimers at the end of this document.

V. Corporate Action Methodology

Corporate actions (including stock splits, stock dividends, spin-offs and rights offerings) that impact the Syntax Stratified Wilshire 5000 Index constituents are applied after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are made on the ex-date.

Spin-offs: The spun-off company is added to the index at a zero price at the market close of the day before the ex-date with no divisor adjustment.

Syntax will remove the spin from the index under extreme circumstances at its discretion, at which time the spin will be deleted, resulting in a divisor adjustment.

Dividends: The index divisor is adjusted on the morning of each index constituent's ex-date to account for the reinvestment of the related dividend across the entire index.

Special Dividends: The price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date. The index divisor is adjusted to account for the reinvestment of the special dividend across the entire index.

Rights Offering: Rights issues are only enacted if they are in-the-money. In the event of an enacted rights issue, the price is adjusted for the value of the right immediately prior to the open on the ex-date, and the shares are increased to maintain the constituent's existing weighting within the index.

Share Changes: Changes in the number of shares outstanding, typically due to share repurchases, tenders, or offerings, will not be reflected in the index.

Bankruptcy: Upon a company filing for bankruptcy, it will be deleted from the index. If the stock is halted on or delisted from its usual exchange, the stock may be deleted from the index with a presumed market value of \$0.01.

When a security is in FDIC Receivership, it is deleted from the index at the earliest reasonable date.

Bonus Issues,
Stock Splits, and
Reverse Stock
Splits:

For bonus issues, stock splits, and reverse stock splits, the number of shares included in the index will be adjusted in accordance with the ratio given in the corporate action. Since such events will not change the value of the company included in the index, the divisor will not be adjusted when such corporate actions occur.

Mergers, and
Acquisitions:

In the event of a merger or acquisition between two companies in the index:

- In the event of a cash only transaction, the divisor is adjusted by the amount of cash received in the transaction.
- In the event of a stock only transaction, the stock from the transaction remains in the index.
- In the event of a transaction involving both cash and stock, the divisor is adjusted by the amount of cash received in the transaction and the stock from the transaction remains in the index.

In the event that a company in the index merges with or acquires a company outside of the index, no change is made to the index, except for any necessary updates to ticker or symbol.

In the event that a company not in the index acquires or merges with a company in the index, any acquirer not already in the index will not be added to the index. Further:

- In the event of a cash only transaction, the divisor is adjusted by the amount of cash received in the transaction on the close of the ex-date.
- In the event of a stock only transaction, the divisor will be adjusted by the value of the shares received by the target on the close of the ex-date
- In the event of a transaction involving both cash and stock, the divisor is adjusted by the combined market value of the stock and cash received by the target at the close of the ex-date.

In the event that a merger or acquisition occurs immediately followed by a spin-off of the acquirer:

- In the event that merger or acquisition occurs between two companies in the index, or in the event that a company in the index acquires or merges with a company outside of the index, the treatment of the merger or acquisition is as above and the spin-off will remain in the index
- In the event that a company not in the index acquires or merges with a company in the index, the treatment of the merger or acquisition is as above and the spin-off will not be added to the index

VI. Weight Generation and Rebalance

The Syntax Stratified Wilshire 5000 Index diversifies constituents across groups of related business risks as defined by the patented FIS classification system. Syntax uses stratification, a common technique used in statistics, to control exposure to related business risks.

Each Syntax Index has a Syntax Stratified Weight Architecture that outlines a hierarchy of related business risk groups that form the basis for each constituent's weight. Related business risk groups at each level of the Stratified Weight Architecture are defined by a sequence of FIS tags, and every constituent is allocated to exactly one related business risk group at each level of the Syntax Stratified Weight Architecture. This allocation takes place by matching the FIS tags applied to the company against the sequence of FIS tags that define the related business risk group. Target weights for groups in the Stratified Weight Architecture are determined by a hierarchical equal weight process. Each company is assigned an equal weight within its bottom-level group of the Stratified Weight Architecture. In the event that multiple share classes of the same company are held by the index, the target weight of each company is divided equally across each share class.

At least two weeks prior to each quarterly rebalance, Syntax conducts a quality control review of each index's Stratified Weight Architecture to verify that it continues to be representative of the relevant related business risks present in the set of constituents. Syntax also implements a quarterly review on constituents in the index that underwent a merger, acquisition, or spin-off to determine if these corporate actions necessitate a change to the function of the business and in turn, changed the constituent's FIS tags. Annually, Syntax conducts a review of the FIS tags.

VII. Index Calculations

Syntax Indices are calculated by Wilshire Associates Incorporated. Below is a summary of the basic math used to calculate Syntax Indices.

P_i = price of shares of stock i in the index

Q_i = quantity of shares of stock i in the index

$Shares_i$ = number of shares of stock i in the index

The index value is the index market value divided by the index divisor:

$$\text{Index Value} = \frac{\text{Index Market Value}}{\text{Divisor}}$$

$$\text{Index Market Value} = \sum_i P_i * Shares_i$$

The index level can be written as:

$$\text{Index Level} = \frac{\sum_i P_i * Q_i}{\text{Divisor}}$$

To maintain the continuity of the index, it is also necessary to adjust the divisor at each rebalance:

$$\text{Index Level (before rebalance)} = \text{Index Level (after rebalance)}$$

Which means that:

$$\text{Divisor (after rebalance)} = \frac{\text{Index Market Value (after rebalance)}}{\text{Index Value (before rebalance)}}$$

Calculating the Divisor Adjustment:

As described Section VI, certain corporate actions will trigger a divisor adjustment in the index.

A divisor is a factor by which the total market value of an index is divided to give a scaled, and more easily handled, number.

The divisor allows continuous measurement of market valuation because it ensures that the value of the index does not fluctuate across events that do not stem from the performance of the index.

The following formula expands the original formula for calculating the Index Level to show the stock, r , which is being removed separately.

$$Index\ Level_{t-1} = \frac{(\sum_i P_i * Q_i) + P_r Q_r}{Divisor_{t-1}}$$

Similarly, rewriting the Index Level after the addition of stock s to show that stock separately:

$$Index\ Level_t = \frac{(\sum_i P_i * Q_i) + P_s Q_s}{Divisor_t}$$

Where $t-1$ is the moment immediately preceding the deletion of stock r and t is the moment immediately after the addition of stock s . By design, $IndexLevel_{t-1}$ exactly equals $IndexLevel_t$. This allows us to rewrite the above as:

$$\frac{(\sum_i P_i * Q_i) + P_r Q_r}{Divisor_{t-1}} = Index\ Level = \frac{(\sum_i P_i * Q_i) + P_s Q_s}{Divisor_t}$$

Let the left-most and right-most numerators be the Market Value, MV , of the index at times $t-1$ and t .

MV_t , MV_{t-1} , and $Divisor_{t-1}$ are all known values. Therefore, we can rearrange the formula to calculate the value of the new divisor:

$$Divisor_t = (Divisor_{t-1}) * \frac{MV_t}{MV_{t-1}}$$

Equivalently, we can write the new divisor as the old divisor plus the percentage change in index value from the event. Rearranging the formula for the Index Value:

$$Divisor = \frac{MV}{Index\ Level}$$

Let CMV be the change in market value from the addition and deletion. Because the Index Level will not change, the new divisor must be:

$$Divisor_{New} = \frac{MV + CMV}{Index\ Level}$$

Because $MV/IndexLevel$ is the divisor, we can rewrite this as:

$$Divisor_{New} = Divisor_{Old} + \frac{CMV}{Index\ Level}$$

VIII. Index Dissemination

Syntax U.S. Indices are calculated by Wilshire Associates Incorporated. Daily levels can be found at:

<https://wilshire.com/indexcalculator/poweredbywilshire.htm> as well as the websites of other major data providers, and from Syntax upon request.

IX. Disclaimers

The Syntax Stratified Wilshire 5000 Index (“the Index”) is the property of Syntax LLC, which has contracted with Wilshire Associates Incorporated (“Wilshire”) to calculate and maintain the Index. The Wilshire 5000 Index was used by Syntax as the reference universe for selection of the companies included in the Index. Wilshire does not in any way sponsor, support, promote or endorse the Index.

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