



Syntax

Syntax® Stratified Indices

**U.S. Social Core Index
Methodology**

September 30, 2016

Table of Contents

I.	Methodology Scope	1
II.	Index Objectives	2
III.	Universe Selection Process	3
IV.	Index Information	5
V.	Corporate Action Methodology	6
VI.	Weight Generation and Rebalance	8
VII.	Index Dissemination	9
VIII.	Disclaimers	10

I. Methodology Scope

This methodology covers the following Syntax Indices:

Index Name	Index Ticker	Total Return Index (TR) or Price Return Index (PR)
Syntax U.S. Social Core Tier 1 Index	SOCIAL1 PR	PR
Syntax U.S. Social Core Tier 1 Index (TR)	SOCIAL1 TR	TR
Syntax U.S. Social Core Tier 2 Index	SOCIAL2PR	PR
Syntax U.S. Social Core Tier 2 Index (TR)	SOCIAL2TR	TR

II. Index Objectives

Syntax® Stratified Indices™ are a family of U.S. 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. Syntax stratification 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.

The Syntax Social Core Indices, including the Syntax U.S. Social Core Tier 1 and Syntax U.S. Social Core Tier 2 Indices, draw on a set of social and environmental criteria to construct FIS-stratified equity indices that align with the principles of socially responsible investing. Specifically, these indices aim to exclude companies that, through their actions, have shown themselves to be incompatible with Syntax’s value screens, while promoting those companies with a superior track record of corporate responsibility and sustainability.

III. Universe Selection Process

The Syntax U.S Social Core Indices begin with a universe of approximately the largest 900 companies listed on U.S exchanges. The U.S. Social Core Indices then screen for companies that violate a defined set of social and environmental criteria. The Syntax Social Core Tier 1 and Social Core Tier 2 Indices differ in the extent to which these screens are used, specifically with respect to fossil fuels. The Social Core indices implement the following business involvement screens:

Tobacco	Companies that derive 10% or more of their revenue from the manufacture of tobacco products are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Alcohol	Companies that derive 10% or more of their revenue from the manufacture of alcoholic beverages are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Gambling	Companies that manufacture or distribute gambling machines and equipment as well as companies that derive 10% or more of their revenue from the operation of casinos are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Weapons	Companies that earn 10% or more of their revenue from the manufacture or service of machines or components of machines used directly for lethal purposes such as aircraft, guns, bombs and ammunition are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Pornography	Companies that earn 10% or more of their revenue from the manufacturing of adult movies and entertainment are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
For-Profit Prisons	Companies that operate for-profit prisons are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Sweatshops and Child Labor	Companies that rely on sweatshops or child labor in their manufacturing process, purchase raw materials manufactured using sweatshops or child labor, or sell goods manufactured using sweatshops or child labor are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Women in Leadership	Companies that currently have no women on their board of directors are excluded from the U.S. Social Core Tier 1 and Tier 2 indices. Companies are re-examined for fitness annually, as changes may have occurred in the interim to the board composition.

Coal	Companies that manufacture coal or rely on coal as their main source of manufacturing energy are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Egregious Environmental Offenses	Companies that have exhibited a consistent track record of environmental harm are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Other Offenses	Companies that have exhibited poor corporate social behavior in areas other than those listed above are excluded from the U.S. Social Core Tier 1 and Tier 2 indices.
Fossil Fuels	In addition to the above criteria, the U.S. Social Core Tier 2 Index screens for companies involved in fossil fuel production including companies that extract, contract drill, or manufacture or service equipment for the extraction of fossil fuels. These companies are not excluded from the Tier 1 index.

U.S Social Core Index Governance

Syntax U.S. Social Core Indices are governed and maintained by the U.S. Social Core Index Committee. The committee, which consists of full-time Syntax staff, meets at least quarterly to reassess the criteria and examine the current universe. The committee also has the authority to revise the U.S. Social Core Index methodology with regard to universe eligibility and corporate event treatment to more accurately reflect the core principles of the Syntax Index Family.

IV. Index Information

Launch Date: December 31, 2015

First Value Date: December 31, 2015

Base Date: December 31, 2015

Base Value: 1000

Currency: USD

Rebalancing: The Syntax U.S Social Core Indices rebalance quarterly, at the close on the third Friday of the quarter-ending month (March, June, September, December). Index share counts are assigned using closing prices from the second Friday of the quarter-ending month (i.e. one week prior to rebalance). Therefore, the actual weight of each constituent at the rebalance differs from the target weight due to market movements.

Additions, Deletions, and Replacements: Syntax monitors the universe of eligible securities and will make changes to index composition in response to corporate events and to ensure the index continues to reflect US large- and mid-cap socially responsible companies. With the exception of corporate actions, all additions and deletions are implemented at rebalance.

V. Corporate Action Methodology

Corporate actions (including stock splits, stock dividends, spin-offs and rights offerings) that impact the Syntax Social Core Indices 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:	All spin-offs that satisfy the index eligibility criteria are added to the index. At quarterly rebalance, spin-offs that do not meet the index size criteria are removed. In the event of a spin-off removal, a divisor adjustment will be made to the index.
Dividends:	Dividends are reinvested in the index after the close on the ex-date.
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.
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 before 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:	<p>Syntax removes bankrupt securities from its indices. Syntax gives a minimum of one day notice of a removal of a bankrupt security. Same day removals for bankruptcy do not occur.</p> <p>If the security is trading on its usual or primary exchange at the close of the day it is removed, that price is used. If the security is halted on or delisted from its usual exchange, the stock may be deleted from the index with a presumed market value of zero.</p> <p>When a security is in FDIC Receivership, they are dropped from all Syntax indices at the earliest reasonable date.</p>
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:**

Syntax actively monitors the universe of eligible securities and will make changes to index composition in response to corporate events and to ensure the index continues to reflect US large- and mid-cap companies. With the exception of spin-offs, there are no intra-rebalance additions.

VI. Weight Generation and Rebalance

All Syntax Indices diversify constituents across groups of related business risks as defined by the patented FIS classification system. Syntax Indices use stratification, a common technique used in statistics, to control exposure to related business risks.

Each Syntax Index has a Syntax Stratification 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 Stratification 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 Stratification 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.

At least two weeks prior to each quarterly rebalance, Syntax conducts a quality control review of each index's Stratification 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 Dissemination

The Syntax U.S Social Core Indices are calculated by NYSE. Daily levels can be found via NYSE.com and other major data providers.

VIII. Disclaimers

The Syntax U.S. Social Core Tier 1 and Syntax U.S. Social Core Tier 2 Indices (“the Indices”) are the property of Syntax, LLC. The Indices are calculated by NYSE or its affiliates (“NYSE”).

NYSE MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE INDICES INDEX OR ANY DATA INCLUDED THEREIN. IN NO EVENT SHALL NYSE HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index is available through investable instruments based on that index. Syntax, LLC is not an investment advisor, and Syntax Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other investment product or vehicle. Syntax, LLC is not a tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. Inclusion of a security within an index is not a recommendation by Syntax, LLC to buy, sell, or hold such security, nor is it considered to be investment advice. Syntax®, Stratified®, Stratified Indices®, Stratified Weight™, and Locus® are trademarks or registered trademarks of Syntax, LLC or its affiliate Locus, LP.