



Index Rules and Methodology

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S-Network International Gold Index (GLDP) Rule Book (Section I)

This document provides the rules for calculating and maintaining the S-Network International Gold Index, hereafter referred to as the “GLDP”. Included in these rules are the following: 1) a description of the GLDP, 2) the design specifications for the GLDP, and 3) the index calculation and data elements.

I. General Description

S-Network International Gold Index (GLDP) combines long exposure to gold and long exposure to the US dollar. It is calculated on excess return (GLDP) and total return (GLDPT) bases.

The GLDP Index uses foreign exchange forward contracts as the underlying instruments for the index. GLDP is rebalanced monthly on the fifteenth of each calendar month. Forward contracts expire on the fifteenth of the following month. GLDP employs leverage, which amounts to 75% of the index market capitalization on each rebalancing date.

II. Index Value at Inception

The GLDP shall have a value of 100, as of its inception date of December 13, 2004. The indexes will be calculated both as Excess Return Indexes and Total Return Indexes in both USD and EUR.

III. The Index Committee

The GLDP Index Committee (“The Committee”) will be composed of not less than three members. The Committee Chairman will have extensive experience in and expertise in financial markets. Two of the members will have specific foreign exchange market expertise.

The Committee will meet quarterly, either in person or via teleconference, to discuss index issues and organize the monthly rebalancing.

The composition of the Committee may from time to time be changed to reflect changes in market conditions.

IV. Index Construction and Weights

On each monthly rebalancing date, the index is reconstituted to the following weights:

Long Gold = 100%
Short EUR = 25%
Short JPY = 25%
Short GBP = 25%

V. Rules for Rebalances

The GLDP is calculated by S-Network Global Indexes LLC (“Calculation Agent”). The Calculation Agent is also responsible for index maintenance and price dissemination. The calculation, maintenance and dissemination rules are as follows:

Index Rebalancing. The Index is rebalanced monthly

VI. Calculation of Index Values

- i) The Calculation Agent will calculate end-of-day index values using price data reported at (time) daily.
- ii) The values of the forward contracts used in GLDP are calculated by the Calculation Agent using the formula shown in Section VIII below.
- iii) The Calculation Agent will distribute index values to vendors between the hours of 6PM and 8PM EST, Monday through Friday.
- iv) Forward contracts are priced using exchange rates for foreign currencies, including Gold, derived from Thomson Reuters.
- v) The Index will be calculated and disseminated in USD and EUR.

VII. Dissemination

Index values are disseminated using the following ticker symbols:

| Index | Type | Ticker |
|--|---------------|--------|
| S-Network International Gold Index (USD) | Excess Return | GLDP |
| S-Network International Gold Index (EUR) | Excess Return | GLDPE |
| S-Network International Gold Index (USD) | Total Return | GLDPT |
| S-Network International Gold Index (EUR) | Total Return | GLDPTE |

VIII. Calculation and Adjustments

- i) Forward Pricing

In calculating the value of the GLDP, the following formula is used to determine the daily value of the forward contract:

The initial price of a currency forward contract is:

$$F(0, T) = (S_0 e^{-(r^f + b^f)T}) e^{r_{us} * T}$$

Where:

S_0 = the spot price of currency at time 0

r^f = the continuously compounded Libor rate for the foreign currency to T at time 0

r_{us} = the continuously compounded Libor rate for US Dollars to T at time 0

b^f = cross currency basis spread

T = the contract expiration date

e = the base the natural log

Going forward, the value of a forward contact is:

$$V[t, T] = [S_t e^{-(r^f + b^f)(T-t)}] - F(0, T) e^{-r_{us}(T-t)}$$

Where:

F[0,T] = initial price of the contact

S_t = the spot price of currency at time t

r^f = the continuously compounded Libor rate for the foreign currency to T at time t

r_{us} = the continuously compounded Libor rate for US Dollars to T at time t
 b^f = cross currency basis spread
 e = the base the natural log

ii) Index Formula.

The index is calculated using a Laspeyres formula. This formula is used for the calculation of the return index and the price index. The only difference is that the divisor D_t is different for the two Index (return index and price index).

The index is computed as follows:

$$\text{Index}_t = \frac{(V_{L_{i0}}) + \sum_{i=1}^n (V_{L_{it}}) + \sum_{i=1}^n (V_{S_{it}})}{C_t * \sum_{i=1}^n (V_{L_{i0}})} * \text{Base Index Value} = \frac{M_t}{B_t} * \text{Base Index value}$$

Where:

$$D_t = \frac{B_t}{\text{Base Index Value}} = \text{Divisor at time (t)}$$

n = # of currencies in the index

$$V_{L_{i0}} = P_{i0} * Q_{i0} = \text{Base Value of Long Position}$$

$$V_{L_{it}} = (P_{it} - P_{i0}) * Q_{it} = \text{Value of Long Position at time (t)}$$

$$V_{S_{it}} = (P_{i0} - P_{it}) * Q_{it} = \text{Value of Short Position at time (t)}$$

$$P_{i0} = \text{Forward Closing Price of currency i at the base date}$$

$$Q_{i0} = \text{The \# of index units of currency i at the base date}$$

$$P_{it} = \text{Forward closing price of currency i at time (t)}$$

$$Q_{it} = \text{the \# of index units of currency i at time(t)}$$

$$C_t = \text{the adjustment factor for the base date market cap}$$

t = the time the index is computed

$$M_t = \text{Market capitalization of the index at time (t)}$$

$$B_t = \text{Adjusted base market capitalization of index at time (t)}$$

iii) Divisor Adjustments.

Rebalances affect the capital of index components and therefore trigger increases or decreases in the index. To avoid distortion, the divisor of the index is adjusted accordingly.

Changes in the index's market capitalization due to changes in the composition weightings (following monthly rebalances result in a divisor change to maintain the index's continuity. By adjusting the divisor, the index value retains its continuity before and after the event.

* Formulae for Divisor Adjustment. The following formulae will be used for divisor adjustments.

$$D_{t+1} = D_t * \frac{(V_{L_{i0}}) + \sum_{i=1}^n (V_{L_{it}}) + \sum_{i=1}^n (V_{S_{it}}) \pm MC_{t+1}}{\sum_{i=1}^n (V_{L_{i0}})}$$

Where:

$$D_t = \text{divisor at time (t)}$$

$$D_{t+1} = \text{divisor at time (t+1)}$$

$$V_{L_{i0}} = P_{i0} * Q_{i0} = \text{Base Value of Long Position}$$

$$V_{L_{it}} = (P_{it} - P_{i0}) * Q_{it} = \text{Value of Long Position at time (t)}$$

$$V_{S_{it}} = (P_{i0} - P_{it}) * Q_{it} = \text{Value of Short Position at time (t)}$$

$$P_{i0} = \text{Forward Closing Price of currency i at the base date}$$

Q_{i0} = The # of index units of currency i at the base date
 P_{it} = Forward closing price of currency i at time (t)
 Q_{it} = the # of index units of currency i at time(t)

ΔMC_{t+1} = add new components' market capitalization and adjusted market capitalization (calculated with adjusted closing prices and shares effective at time t+1 and/or minus market capitalization of companies to be deleted (calculated with closing prices and shares at time t)

iv) Continuously compounded Libor rate for the foreign currency to T at time t.

The daily discount factor is calculated for each valuation date as follows.

$$\text{discount factor} = \frac{1}{\left(1 + \left(1\text{month Usd Libor} * \text{days to end of } \frac{\text{period}}{360}\right)\right)}$$

IX. Pricing and Data Sources

Price variables used to derive forward contract valuations in the formulas in section VIII herein are sourced from Thomson Reuters based on 4 pm Eastern Standard Time snapshot.

Libor data is sourced directly from the British Bankers Association (BBA) and is continuously compounded using the formula in section VIII herein.

X. Data Correction Policy

To maintain a high standard of data integrity, a series of procedures have been implemented to ensure accuracy, timeliness and consistency. Input prices are monitored using a variety of computerized range-check warning systems for both ticker-plant and real-time index systems. Fault tolerant methods are employed in the collection of market and corporate action data. Various verification and audit tasks are performed to ensure the quality of the real-time data feeds and related market data. While every effort is taken to ensure the accuracy of the information used for the index calculation, an index error may occur due to incorrect or missing data, including trading prices, exchange rates, shares outstanding and corporate actions, due to operational errors or other reasons.

- i) **Intraday Corrections.** Reasonable efforts are employed to prevent erroneous data from affecting the Index. Corrections will be made for bad prices and incorrect or missing data elements as soon as possible after detection. Index-Related Data and Divisor Corrections. Incorrect pricing will be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within five days of its occurrence, will always be fixed on the day it is discovered to prevent an error from being carried forward.
- ii) If a divisor error is discovered more than five days after occurrence, the adjustment will depend upon how significant the error is, how far back the error occurred and the feasibility of performing the adjustment.

XI. APPENDIX REVIEW SCHEDULE

Unit Updates
Frequency: Monthly

Effective date: The fifteenth of each month, unless the fifteenth is a holiday or weekend day in any currency, in which case the effective date is the next business day in the affected currency.

Advance notice: At least two business days

News Notification

Frequency: As needed

Effective date: As announced

Advance notice: At least two business days whenever possible