

UAIX Index Rules

July 2013

Contents

1. Introduction.....	2
2. Objective of the Index	2
3. Definitions	3
4. Constituents Fund Selection Criteria.....	5
5. Construction Methodology	7
6. Strategy definition.....	10
7. Disclaimer	12

1. Introduction

This document describes the Index Rules for the UAIX family of indices and defines its construction and calculation methodology.

2. Objective of the Index

The objective of the UAIX is to outperform the return of the corresponding strategy specific UCITS Alternative Index (“UAI”) benchmark. The construction process is based on a proprietary systematic model aiming to select a diversified portfolio of UCITS absolute return funds. UAIX Indices are composed of between 6 to 15 underlying funds of the same strategy and are rebalanced quarterly. UAIX indices are designed to serve as reference for replicating investment products.

UAIX Indices rules and construction are overseen by a Scientific Committee.

3. Definitions

AUM:	Assets under management of UCITS absolute return fund included in the database. AUM shall be measured in EUR with non-EUR denominated absolute return funds AUM converted into EUR. Only AUM from UCITS compliant vehicles are taken into account.
Benchmark(s)	Benchmark is in the context of the UAIX Indices the relevant strategy specific UAI Benchmark.
Constituent Funds	UCITS absolute return Funds that are part of any of the UAIX index.
Fund(s):	Funds are, for the purpose of the UCITS Alternative Index, publicly available UCITS compliant funds with absolute return fund mandate. Among other differentiation criteria, UCITS absolute return funds can take short positions, target absolute return and charge performance fees.
Index Construction Rules	The Index Provider shall have full discretion to the Index construction rules. The Index Provider shall not be under any liability to any party on account of any loss suffered by any party in connection with anything done, determined or selected or not done, determined or selected by the Index Provider in connection with the Index.
Index Precision	Index Values are published with two decimal places. Internal index values are calculated with 6 decimal places.
Index Provider	Alix Capital is the official Index Provider of the UAIX family of indices. The Index Provider is responsible for collecting, calculating and producing the UAIX indices.
Index Revision	The Index Rules may be amended by the Index Provider. Changes may, with the prior approval of the Scientific Committee, include, but not be limited to, changes to the Index eligibility criteria or construction and weighting rules.
Official Website	The website www.ucits-alternative.com is the official Index website on which the Index performance and all other official information are published.
Publication date	The Index is calculated every Wednesday. Should a particular day be an official public holyday in Switzerland, the valuation day will be the following business day.

Rebalancing Date	The official Rebalancing dates are the first business day of each calendar quarters.
Rules	This Index Rules document as amended from time to time.
Scientific Committee	<p>The Scientific Committee is comprised of various employees and officers of Alix Capital as well as selected industry or academic professionals. The role of the Index Committee is to:</p> <ol style="list-style-type: none"> Monitor and oversee the Index construction process Interpret the Rules in instances in which their application is unclear or with respect to circumstances not clearly addressed by the Rules Amend the Rules from time to time. <p>The Scientific Committee is responsible to define the number of constituent funds and maximum weights of each index.</p> <p>The Scientific Committee meets regularly to oversee the Index rebalancing process.</p>
Starting Date	The starting date of the UAIX Commodities, UAIX CTA, UAIX Long/Short Equity, UAIX Fixed Income – Developed Markets and UAIX Volatility is February 1 st 2012. The starting date of the UAIX Emerging Markets, UAIX Event Driven, UAIX Equity Market Neutral, UAIX FX, UAIX Macro, UAIX Multi-Strategy is September 1 st 2012. The starting date for the UAIX Fixed Income – Global is November 1 st . A backtracked performance using the calculation methodology has been calculated for all UAIX indices since January 1 st 2008.
Strategy	The strategy in which each Fund is categorized. There are currently 11 different strategies. Please see Strategy Description at the end of this document for a complete explanation.
UAI Global	Refers to the UCITS Alternative Index Global, the leading non-investible rule based Index of UCITS Alternative funds developed by Alix Capital.
UAI Blue Chip	Refers to the UCITS Alternative Index Blue Chip, a non-investible rule based Index of UCITS Alternative funds developed by Alix Capital
UAIX	Refers to the various UAIX indices developed by Alix Capital.

4. Constituents Fund Selection Criteria

Constituents Fund

In order to be included in the various UAIX indices, UCITS absolute return funds must meet the general UCITS Alternative Index selection criteria. In particular the following information must be available:

- a. Performance data since inception. When different share classes are available, figures for the EUR share class with the lowest fees structure are used.
- b. Month-end assets under management for the fund since inception (all share classes combined).
- c. Comprehensive description of the investment strategy.
- d. Latest prospectus and latest audit (if available).

Currency

The base currency of the Index is Euro. Therefore the Euro share class with the lowest fees available of each Fund is taken into account for the Index calculation. Should there not be a Euro share class, the class with the largest assets under management, irrespective of the currency, is taken into account for the Index calculation.

Inclusion Criteria

To be taken into consideration for inclusion into the UAIX indices, Funds have to meet the following criteria:

- a. Be included in the UCITS Alternative Index benchmark of the corresponding strategy.
- b. Have more than EUR 30m AUM at the time of inclusion
- c. Have at least 24 months track record. In the absence of sufficient performance history, the track record of another investment product pursuing the same investment strategy may be taken into account under certain circumstances.
- d. Do not charge entry fees and/or exit fees.
- e. Meet Fund of Funds inclusion criteria (no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units/shares of other UCITS or other UCIs)
- f. Be open for new investments at the time of inclusion. Funds that are closing to new investments while included in the Index will normally be removed on the next Wednesday following the announcement. However, the Index Provider might decide to maintain closed Funds in the Index until the next Rebalancing Date under certain conditions.

Inclusion or Redeeming date	Funds can be added in the UAIX at each Rebalancing Date. Funds are usually only removed or added at a Rebalancing Date. However, in specific circumstances, the Index Provider in consultation with the Scientific Committee might decide to remove funds during the course of a particular quarter.
Non Reporting Funds	Funds are automatically removed from the UAIX Index when they cease reporting to the Index Provider or the usual financial data suppliers.
Number of UAIX indices	As of September 2012 there are 11 different UAIX strategy indices.
Reporting Requirement	In order to be taken into account constituent funds must report NAV on a daily, weekly or bi-monthly basis depending on the strategy and provide AUM levels at least on a monthly basis.
Share Selection Rules	When a fund has several different share classes, the following rules apply for the selection of the class taken into account for the Index calculation (by importance of order): <ul style="list-style-type: none"> a. Class with lowest share class irrespective of the currency b. Euro class with lowest share fee share class

5. Construction Methodology

Cash The cash allocation is part of the investment strategy. The Optimization Model might allocate up to 20% in cash at any rebalancing date.

Constituents Funds Weights The weights of the constituents for the next quarter are defined during the last week of the current quarter by the Optimization Model.

Number of Funds and weight limits per strategy

The minimum and maximum weight allocation for each Constituent Funds is a function of the maximum number of funds for each UAIX Index. The current limits are set in the table below:

Index Name	Number of constituent funds	Minimum weight per fund	Maximum weight per fund
UAIX Commodities	6 -8	4%	20%
UAIX CTA	8-12	4%	10%
UAIX Emerging Markets	8-12	4%	10%
UAIX Equity Market Neutral	6 -8	4%	20%
UAIX Event-Driven	6 -8	4%	20%
UAIX Fixed Income - Developed Markets	8-12	4%	10%
UAIX Fixed Income - Global	10-15	4%	10%
UAIX FX	6 -8	4%	20%
UAIX L/S Equity	8-12	4%	10%
UAIX Macro	8-12	4%	10%
UAIX Multi-Strategy	6-8	4%	20%
UAIX Volatility	6-8	4%	20%

Historical Performance Calculation Historical performances are not recalculated when funds are added.

Index Return: The weekly rate of return for each UAIX is the weighted sum of the weekly rate of returns of its constituents. Initial weights for each quarter are defined by the Optimization Model.

For any given strategy S , the return for week t of the UAIX Index is computed as

$$\sum_{i=1}^N w_{it} * R_{it}$$

Where:

- N is the number of constituents for strategy S as defined in the upper section.
- R_i is the weekly rate of return of constituent i . The rate of return of week t is computed as:

$$\frac{NAV_t - NAV_{t-1}}{NAV_t}$$

Investment Manager

Diversification

The number of Constituent Funds advised by the same Investment Manager shall be limited to 2 per UAIX index.

Number of Constituents

Funds per strategy

The number of Constituent Funds for each strategy is set based on the number of eligible funds in each category and is defined by the Scientific Committee. This number shall never be smaller than 6 and greater than 15. The Index Provider shall have the final decision with regards the maximum number of constituent funds.

Optimization Model

The Optimization Model is based on the maximization of the two years Information Ratio of the portfolio under a set of constraints whose parameters may vary according to each strategy.

The UAIX Information Ratio is defined as:

$$IR = \frac{\alpha}{\omega} = \frac{E[R_{UAIX} - R_{UAI}]}{\sqrt{var[R_{UAIX} - R_{UAI}]}}$$

Where R_{UAIX} is the UAIX return, R_{UAI} is the benchmark return of the corresponding UAI strategy, α is the expected value of the active return and ω is the standard deviation of the active return. The benchmark return for a given UAIX is the monthly return of the UAI tracking the corresponding strategy.

For any UCITS strategy S , the optimization formula is the following:

Max IR

subject to

$$W_{Min}^S \leq W_i^S \leq W_{Max}^S$$

$$0.8 \leq \sum_{i=1}^{N^S} W_i^S \leq 1$$

$$\sum i^S \leq N^S$$

Where:

- i^S is the i -th constituent of the UAIX for strategy S
- N^S is the maximal number of constituents in the UAIX for strategy S as defined in the upper section
- W_i^S is the weight of the i -th UAIX constituent for strategy S
- W_{Min}^S and W_{Max}^S are the minimum and maximum weight constraints for strategy S , as defined in the upper section.

6. Strategy definition

Commodities	UCITS Absolute Return Commodities funds invest in commodities related instruments. Managers aim to profit from price inefficiencies prevalent in the global commodity markets both with a directional or relative value approach. Funds may employ arbitrage, directional, market neutral or a combination of these strategies. Investment decisions might be systematic, discretionary or a combination of both.
CTA	UCITS Absolute Return CTA funds invest in listed bond, equity, commodity and currency futures on a global basis. Managers tend to employ systematic trading programs based on historical price data and market trends. Strategy can be either short term, long term or a combination of both. Some managers might also use a discretionary overlay.
Emerging Markets	UCITS Absolute Return Emerging Market funds invest both long and short in currencies, fixed income instruments, equities and derivative instruments of countries with emerging or developing markets. Funds may employ arbitrage, directional, market neutral or a combination of these strategies.
Equity Market Neutral	UCITS Absolute Return Equity Market Neutral funds take both long and short positions in equities while minimizing exposure to the general market movements. Funds may employ statistical arbitrage, quantitative long/short, fundamental long/short and index arbitrage or a combination of these strategies.
Event Driven	UCITS Absolute Return Event Driven funds seek to profit from potential mispricing of securities related to a specific corporate or market events such as mergers, reorganizations, spin-offs and legislative changes as well as other types of corporate events. Funds may use a variety of liquid instruments to implement their trading strategies.
Fixed Income	UCITS Absolute Return Fixed Income funds invest both long and short in fixed income securities. Managers use one or a combination of fixed income or credit instruments with either a market neutral or directional bias. Managers may trade derivatives products such as options and swaps and have focus on specific credit ratings or geography exposure.
FX	UCITS Absolute Return FX funds invest in currency markets via a variety of instruments such as cash, forwards, futures and options. Managers focus on directional, relative value or volatility strategies based on discretionary or systematic approach.
Long/Short Equity	UCITS Absolute Return Long/Short Equity funds invest both long and short in equity markets across specific sectors, regions or market capitalizations. Managers have either a global or regional, sector or market cap focus. They may have flexibility to shift from net long to

net short. Managers may also implement part or all of their strategy via equity futures and options.

Macro

UCITS Absolute Return Macro funds invest in a variety of financial instruments to exploit inefficiencies in price valuations or trend anticipations. Macro funds may be systematic or discretionary.

Multi-Strategy

UCITS Absolute Return Multi-strategy funds use a combination of strategies in a variety of assets classes. The set of strategies might both be fixed or variable, and focus on one or a variety of instruments. They may have a discretionary or systematic approach.

Volatility

UCITS Absolute Return Volatility funds seek to profit from changes in the price of volatility. They may employ arbitrage, directional, market neutral or a combination of these strategies and use both listed and unlisted instruments.

7. Disclaimer

Responsibility of the Index Provider

These Rules shall be applied by the Index Provider in a reasonable manner and according to the information and investment terms made available to it. Notwithstanding that these Rules have been formulated to be as comprehensive as practicable, situations are expected to arise where the Rules are unclear. The Index Provider will resolve matters of interpretation with respect to these Rules including, without limitation, ambiguities in these Rules, by consultation with the Scientific Committee. It is the responsibility of the Index Provider to interpret and resolve any ambiguities in these Rules in a reasonable manner (and, as noted above, this may necessitate an amendment to these Rules). The Index Provider and the Scientific Committee shall not be under any liability to any party on account of any loss suffered by such party (howsoever such loss may have occurred) in connection with anything done, determined or selected (or omitted to be done, determined or selected) by the Index Provider or the Scientific Committee in connection with the Index. In particular (but without limitation), the Index Provider and the Scientific Committee shall not be liable for any loss suffered by any party as a result of any determination or calculation which it may make (or fail to make) in relation to the construction or the valuation of the Index and, once made, neither the Index Provider nor the Scientific Committee shall be under any obligation to revise any determination or calculation made by it for any reason.

Notice and Disclaimer

These Rules have been prepared solely for informational purposes. The methodology contained in these Rules is not an offer to buy or sell any product or adopt any investment strategy. These Rules may change at any time without any prior notice, subject to the approval of the Scientific Committee.

ALIX CAPITAL MAKE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION CONTAINED IN THESE RULES OR RESULTS THAT ARE OBTAINED BY THE USE OF SUCH DOCUMENTATION. THE ACCURACY, COMPLETENESS, RELIABILITY OR ACTUALITY OF THE INFORMATION CONTAINED THEREIN CAN NOT BE GUARANTEED. ALIX CAPITAL AND ITS AFFILIATES SHALL HAVE NO LIABILITY DIRECT OR INDIRECT, SPECIAL, PUNITIVE OR CONSEQUENTIAL OR ANY OTHER DAMAGES INCLUDING LOST PROFITS EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

These Rules, the Index Value, and any other information contained in the Index Rules may not be reproduced or disseminated in any form without the prior written permission from Alix Capital. No one is permitted to use any of the information in these Rules, any information contained herein or the Index Value in connection with the writing, trading, marketing, or promotion of any financial instruments or products or to create any indices.