

## Index Overview

# BNP Paribas Multi Asset Diversified (MAD)5 Index

The BNPP MAD 5 Index attempts to measure the hypothetical exposure to a range of asset classes and geographic regions by drawing on the performance of 8 index components, which have been selected based on the following principles:

**Diversity in geographic zones** – US, Europe and Japan.

**Use of market benchmarks** – futures-based indices tracking the performance of futures contracts referencing market benchmarks where such futures contracts are typically highly liquid and representative of market movement.

**Components representing multiple asset classes** – Components represent a range of generally non-correlated assets including equities, commodities and government bond futures which are sub-components of the components that comprise the index.

Ticker	BNPIMAD5
Index Sponsor	BNP Paribas
Number of Underliers	8 Global Indices “components”
Volatility Target	5%
Deduction Rate	0.50% p.a.
Index Calculation Agent	BNP Paribas Arbitrage SNC
Index Base Date	December 31, 2002
Index Launch Date	January 25, 2016

**The BNP Paribas Multi Asset Diversified 5 Index** (“BNPP MAD 5 Index”) is a rules-based index comprised of eight components:

- Bloomberg Commodity ex-Agriculture and Livestock Capped Index
- S&P GSCI Gold Index Excess Return
- BNP Paribas US Equity Futures Index
- BNP Paribas USD 10Y Futures Index
- BNP Paribas Eurozone Equity Futures Index
- BNP Paribas EUR 10Y Futures Index
- BNP Paribas Japan Equity Futures Index
- BNP Paribas JPY 10Y Futures Index

# Dynamic Allocation

On a daily basis, the Index dynamically rebalances the weights of the components according to a proprietary rules-based methodology.

## Step 1

The BNPP MAD 5 Index begins by creating a universe of potential Hypothetical Portfolios where the components are differently weighted across the board and under weight constraints.

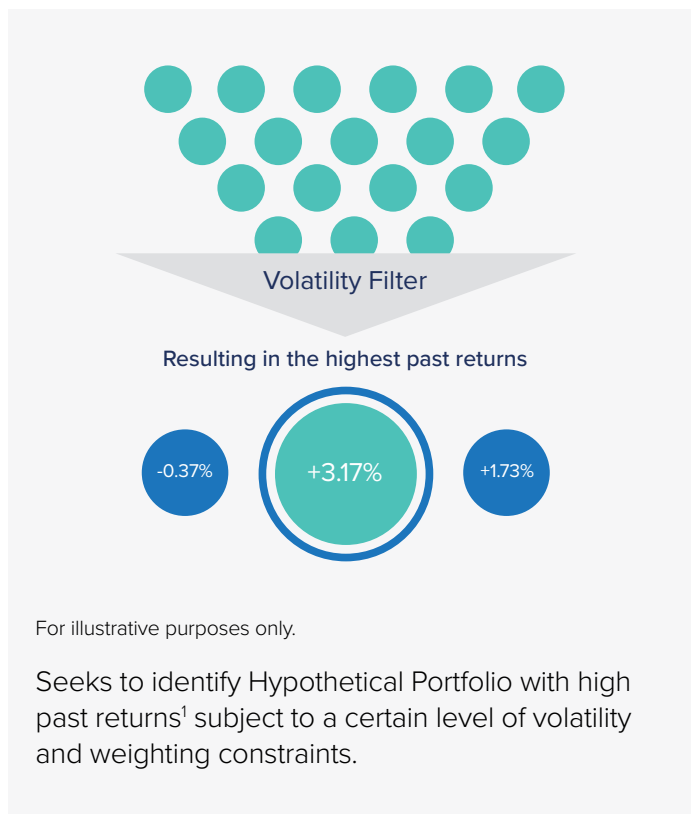
The components' maximum weights are as follows: each Equity Futures Index 25%, each Bond Futures Index 50%, and each Commodity Index 25%. Leverage is allowed and the cost of borrowing is zero. The sum of all weights is capped at 200% and floored at 0%. Minimum weight is 0% for each component. On a daily basis the absolute change in weight for each component cannot be greater than 5%.

## Step 2

The BNPP MAD5 Index then tests the different portfolio combinations in the universe, considering only those that have demonstrated long-term realized volatility below a certain level.

## Step 3

Out of the remaining hypothetical portfolios after step 2, the Hypothetical Portfolio is chosen based on the BNPP MAD 5 Index rules and a proprietary methodology which takes into account momentum-investing principles that allocate more to recent outperformers and less to recent underperformers.



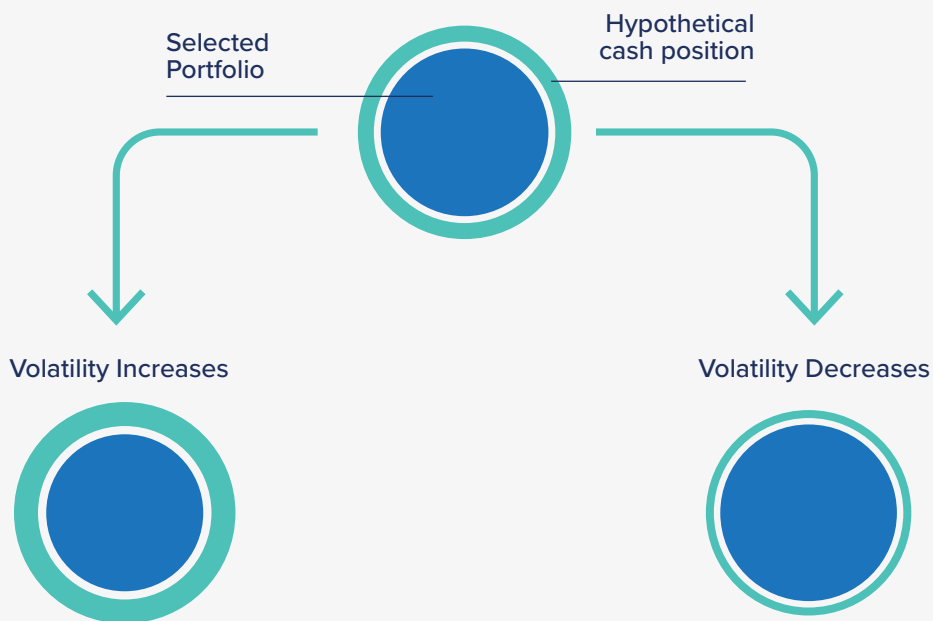
<sup>1</sup> Computed based on a trend indicator that compares current component levels to past component levels over a one year period.

## Daily Volatility Control

On a daily basis, the Hypothetical Portfolio targets an annualized realized volatility of 5%. If the realized volatility exceeds the 5% target rate on any day, the Index will reduce the weight of the portfolio and rebalance it with a non-remunerable hypothetical cash position.

Based on the realized volatility, the BNPP MAD5 Index may be partially or wholly uninvested, and will not earn interest or any other return with respect to that cash position.

For illustrative purposes only.



## Questions?

Contact InspereX at **888.849.5732** or **advisorsupport@insperex.com**

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