

INDEX RULES



ECPI GLOBAL LONGEVITY WINNERS EQUITY INDEX

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INTRODUCTION

The present document defines the rules for the calculation and management of the ECPI Global Longevity Winners Equity Index. The Index Rules are available on ECPI website, www.ecpigroup.com, and on ECPI Bloomberg page, ECPS <GO>.

The ECPI Global Longevity Winners Y Equity Index offers investors exposure to companies best placed to seize opportunities arising from the sharp increase in life expectancy in developed countries.

GLOBAL DEMOGRAPHIC TRENDS: LONGEVITY AND AGEING

Over the past 200 years, life expectancy at birth has increased dramatically. Having started in Northwestern Europe, the trend has gradually spread worldwide. In almost all countries, life expectancy at birth has at least doubled since the eighteenth century¹.

Moreover, demographers believe that, with the exception of Sub-Saharan Africa and the areas of the former Soviet Union, life expectancy will continue to rise in the coming decades, even in those countries currently enjoying the greatest longevity.¹

The result: in the most developed regions, the population aged 60 or over is expected to nearly double between 2005 and 2050, from 245 million to 406 million. The number under the age of 60, meanwhile, is expected to decline gradually from 971 million in 2005 to 839 million in 2050².

So while one in every ten of us is currently aged 60 or above, by 2050 that figure is expected to be one in every five. A century later, forecasts suggest, it will be one in every three³.

HIGHER LIFE EXPECTANCY WILL IMPACT THE MARKETS

The culmination of higher life expectancy and lower fertility, these trends will influence the global economy significantly over the next 50 years.

In the US, Europe and Japan in particular, the pension crisis will be bigger and more urgent than anticipated, potentially affecting private companies and public welfare systems alike. As people live longer healthcare costs will rise, too.

Thanks to the senior population, discretionary spending and leisure activities will boom. Demand among the elderly for specially-equipped facilities, where they can live in safety and comfort, will rise. Seniors are also expected to actively engage with technological innovations, with companies and researchers targeting them as both consumers and users⁴.

POTENTIAL OPPORTUNITIES FOR COMPANIES

Systematic changes in the economy as well as new consumption trends will offer firms fresh sources of competitive advantage:

Systematic changes: will favor certain sectors/industries such as Healthcare

New consumption trends: the expanding elderly population will demand explicit targeting and customization⁵.

ECPI has identified the sectors best positioned to benefit from the longevity trend and, among these sectors, the best placed companies in terms both of ESG profile and business opportunities.

SECTOR SELECTION

ECPI has identified six sectors as being best positioned to benefit from the longevity trend, both in terms of:

- § Additional turnover on existing products/services and/or
- § Additional turnover from new products/services

¹Anthony Webb, Ph.D. DO HEALTH AND LONGEVITY CREATE WEALTH? (2007)

²United Nations, "World Population Prospects - 2006 Revision" (Jan 2007)

³United Nations, Department of Economic and Social Affairs, "Population Division"

⁴Generation Inv. Management, Thematic Research Highlights (May 2007)

⁵Stefan Scheider, The Silver Test (2003)

Financial

- § • Growing demand for Life Insurance as a private supplement to public retirement schemes (e.g. reforms aiming at creating a Third pillar besides public pensions and pension funds)
- § • Growing demand for private Health insurance schemes covering a wider range of events (e.g. welfare reforms in continental Europe)

Real Estate

Increasing demand for healthcare infrastructures and equipped facilities (e.g. residential districts and/or hospices)

Healthcare – Big Pharma and Medical

Increasing demand for health-related products and services. The elderly, together with chronically ill and disabled people, already make up the largest share of healthcare expenditures

Technology & Industrial

- § • Increasing demand of cost saving technologies in the healthcare industry (e.g. devices for personal data gathering, sharing and elaboration)
- § • Rising demand for home-technology solutions (e.g. health monitoring)
- § • Rising demand for safety and security devices (e.g. home automation systems)

Consumer

Growing relevance of 50+ cohort in terms of consumption capacity: the willingness to keep high life styles and consumption habits and better health conditions will lead to an increase in discretionary spending (e.g. Tourism & Entertainment as well as Food & Cosmetics)

STOCK SELECTION

The selection of individual Index components is based on their:

1. Revenue stream analysis
2. ECPI ESG rating
3. Stock liquidity

§ REVENUES STREAM ANALYSIS

From each sector, six constituents are selected on the basis of their exposure to the longevity and ageing trends.

Financial

Companies with higher exposure to the Health and Life Insurance product lines.

Real Estate

Companies providing healthcare and residential care infrastructure.

Healthcare

Big Pharma: of the most capitalized pharmaceutical companies, those with a particular focus on drugs aimed at ageing-related diseases such as diabetes, Alzheimer's and prostate cancer.

Medical: companies focused on the treatment of specific longevity-related issues (e.g. those specializing in reconstructive orthopedic care, or dental implants).

Technology & Industrial

Companies with the strongest focus on healthcare, safety and security, and home-integrated solutions such as home automation systems or health monitoring.

Consumer

Of the most capitalized Consumer sector companies, those that are best positioned in more than 50 market segments in terms of their strategies and products.

§ ECPI ESG RATING

Any companies not attaining a positive ESG Rating according to the ECPI Methodology are then excluded.

The ESG Rating -- an evaluation by ECPI Research of a firm's Environmental, Social, and Governance performance -- aims to single out companies with the highest unexpressed intangible value

§ LIQUIDITY SCREENING

Traditional liquidity criteria are applied in order to build a liquid and hedgeable investment tool.

Minimum market capitalization: EUR 500 mio

Minimum 6-month average trading volume: EUR 10 mio

GUIDING PRINCIPLES

ECPI Alpha Indices are constructed and maintained according to the following principles:

§ **ESG Rated Companies**

The index is representative of the positively/highest ESG-rated companies according to the proprietary ECPI ESG Rating Methodology.

§ **Investible and Replicable**

The index should be capable of being replicated by reference to securities of reasonable size and liquidity.

§ **Disciplined Approach**

The index is constructed and managed using a set of principles, rules and guidelines. This approach is followed to maintain the attributes of stability, diversification across industries and securities accurate with respect to the ESG Rating Methodology.

§ **Transparency**

The index is built and maintained using clear and pre-defined rules in the public domain. The index is published on a daily basis through a variety of well known financial services providers.

§ **Independence and Objectivity**

The index is based on independent and objective content decisions. ECPI believes in an open dialogue with its clients, considering with objectivity their suggestions to enhance the index provision. By analyzing all the feedback received from its clients, ECPI takes the final decision independently in order to preserve the quality of the index.

ELIGIBILITY CRITERIA

The ECPI Global Longevity Winners Y Equity Index is designed to provide exposure to the positively ESG rated companies that belong to those sectors that could benefit the most from the Longevity demographic trend.

The index is equally weighted and rebalanced annually on the third Friday of March.

To be eligible for inclusion in the ECPI Global Longevity Winners Y Equity Index, a stock must satisfy the following criteria (in which case, it will be an “eligible stock”):

1. It belongs to one of the following 6 sectors/industries:
 - § Insurance
 - § Big Pharma
 - § Medical
 - § Real Estate
 - § Consumer
 - § Technology & Industrial
2. It belongs to the Global Developed Markets as defined in Appendix A
3. It has a positive ECPI ESG Rating (from EEE to E-)
4. The issuer of the stock must have a minimum market capitalization of € 500 million
5. The average daily traded value of the stock over the last 6 months shall be equivalent to a minimum of € 10 million

Additionally, the ECPI Global Longevity Winners Equity Index has to meet the following criteria (selection order):

6. **Stock Diversification Criteria** – the ECPI Global Longevity Winners Equity Index will be composed of 36 stocks
7. **Sector Diversification Criteria** – six constituents are selected for each sector on the basis of highest Longevity Focus, highest ESG Rating and decreasing market capitalization

Note: Longevity Focus is identified as follows.

- § *Financial sector:* companies with higher exposure to the Health and Life Insurance product lines.
- § *Real Estate:* companies providing Healthcare and adult resorts infrastructures.
- § *Big Pharma:* companies with a particular focus on drugs for aging-related diseases (e.g. diabetes, Alzheimer and prostate cancer).
- § *Medical:* companies specialized in the development of specific longevity related issues. (e.g. reconstructive orthopedic, dental implants).
- § *Technology & Industrial:* companies with the highest focus on healthcare, safety and security and home integrated solutions (e.g. home automation systems, health monitoring).
- § *Consumer:* best positioned companies in “over 50” market segments with respect to strategies and products.

REVIEW

Annually, on the Reference Date⁶ immediately preceding the relevant Rebalance Date⁷, stocks will be selected in accordance with the criteria described above (paragraph 3) as new constituents of the index.

As a consequence, if a constituent company is downgraded between two consecutive review dates so that it doesn't satisfy the eligibility criteria any more, it will be replaced on the immediately following rebalance date.

BUFFER RULE

1. For each reference sector/industry defined in paragraph 3, all current constituents ranked 10 or above in the selection order will remain in the index.
2. For all index constituents, a tolerance of 20% is applied to the market capitalization and 6-months daily average value traded limits. Therefore, a constituent will be allowed to remain in the index if it has a minimum market cap of € 400 million and a minimum liquidity of € 8 million.

STOCK REPLACEMENT

If index constituents are displaced, replacement stocks are selected starting from the highest ranked non-constituent in the reference universe according to criteria defined in paragraph 3.

⁶"Reference Date" means the last business day of September.

⁷"Rebalance Date" means the third Friday of October provided that if such day is not a Scheduled Trading Day the Rebalance Date shall be the next Scheduled Trading Day.
In the event that the scheduled Rebalance Date is a Disrupted Day, the Rebalance Date for such rebalancing will be the next Scheduled Trading Day which is not a Disrupted Day.

CALCULATION METHOD

On the Reference Date, the number of shares of each stock will be determined so that every stock is equally weighted. This number of shares will be effective from the immediately following Rebalance Date.

From that moment till the following Rebalance Date, the number of shares will be fixed and constituent weights will vary according to price changes (see Paragraph 6, "Adjustments for Corporate Actions", for details on possible share changes).

CALCULATION FREQUENCY

The Index is calculated and published daily, on a next day basis.
Calendar for the Index calculation is the TARGET calendar.

PRICES

The Index end-of-day calculations use official closing prices from the relevant exchanges of the constituent stocks. Such prices shall be converted into euro using the relevant GMT WM Reuters Currency cross rates.

INDEX CALCULATION ALGORITHM

The closing price of securities is converted into Euro and the index is then calculated using the algorithm described below.

The price index is calculated as follows:

$$I(P)_t = I(P)_{t-1} * \frac{\sum_1^n (P_{i,t} N_{i,t})}{\sum_1^n P_{i,t-1} N_{i,t}}$$

Where

$I(P)_t$ = price index on day t

$P_{i,t}$ = official closing price in Euro for stock i on day t

$N_{i,t}$ = number of shares for stock i on day t

n = number of index constituents

The net total return index is calculated as follows:

$$I(TR)_t = I(TR)_{t-1} * \left(\frac{\sum_1^i P_{i,t} N_i + \sum_1^n D_{i,t} N_{i,t}}{\sum_1^n P_{i,t-1} * N_{,ti}} \right)$$

Where

$I(TR)_t$ = total return index on day t

$P_{i,t}$ = official closing price in Euro for stock i on day t

$D_{i,t}$ = gross (net) dividend in Euro for stock i on the ex-dividend date t

$N_{i,t}$ = number of shares for stock i on day t

n = number of index constituents

Note:

The Official Closing Price shall be intended as the official closing price for the stock on the relevant Exchange. The price shall be in Euro or converted into Euro using the foreign exchange spot rate, as defined above. In case, the price of a stock is not available due to exchange holiday, previous day's price is used for index calculations.

See Appendix B for Dividend Withholding Tax Rates used for the calculation of Net Dividends.

ADJUSTMENTS FOR CORPORATE ACTIONS

CORPORATE ACTION	ADJUSTMENT MADE TO INDEX	DIVISOR ADJUSTMENT
DIVIDENDS	Dividends are reinvested in the Index	Unchanged
SPECIAL DIVIDENDS / RETURN OF CAPITAL	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. Cash from the special dividend is reinvested in the index	Yes
STOCK DIVIDENDS / BONUS ISSUES	No weight change. This event is characterized by a free distribution of new shares to existing shareholders on a pro rata basis. Market Prices and number of shares of securities are adjusted accordingly.	Unchanged
SHARE ISSUANCE OR REPURCHASE	None	Unchanged
SPIN-OFF	The price is adjusted to Price of the parent company minus price of the spun-off company/share exchange ratio. Index shares change so that the company's weight remains the same.	Unchanged
STOCK SPLIT / REVERSE SPLIT / CONSOLIDATIONS	Company shares are multiplied by and the price is divided by the split factor.	Unchanged
RIGHTS OFFERING	Price is adjusted to the price of parent company minus price of the rights offering/rights ratio. Index shares change so that the company's weight remains the same.	Unchanged
DELISTING, ACQUISITION OR ANY CORPORATE ACTION RESULTING IN THE DISPLACEMENT OF A STOCK	When a constituent company is acquired or merged or displaced for any other reason, its shares are removed from the index. The company will be replaced at the next rebalancing.	Yes

APPENDIX A GLOBAL DEVELOPED MARKETS

GLOBAL DEVELOPED MARKETS

Australia

Austria

Belgium

Canada

Denmark

Finland

France

Germany

Greece

Hong Kong

Ireland

Israel

Italy

Japan

Netherlands

New Zealand

Norway

Portugal

Singapore

Spain

Sweden

Switzerland

United Kingdom

USA

APPENDIX B: DIVIDEND WITHHOLDING TAXES

COUNTRY NAME	COUNTRY ISO	TAXATION
Austria	AT	0.25
Australia	AU	0.3
Belgium	BE	0.25
Bermuda	BM	0
Brazil	BR	0
Canada	CA	0.25
Switzerland	CH	0.35
Chile	CL	0.1875
China	CN	0
Czech	CZ	0.15
Germany	DE	0.26375
Denmark	DK	0.28
Spain	ES	0.19
Finland	FI	0.28
France	FR	0.25
Great Britain	GB	0
Greece	GR	0.21
Hong Kong	HK	0
Hungary	HU	0
Indonesia	ID	0.2
Ireland	IE	0.2
India	IN	0
Iceland	IS	0.15
Italy	IT	0.27
Japan	JP	0.07
South Korea	KR	0.22
Luxembourg	LU	0.15
Mexico	MX	0
Netherlands	NL	0.15
Norway	NO	0.25
New Zealand	NZ	0.15
Philippines	PH	0.3
Poland	PL	0.19
Portugal	PT	0.215
Russia	RU	0.15
Sweden	SE	0.3
Singapore	SG	0
Thailand	TH	0.1
Taiwan	TW	0.2
USA	US	0.3
South Africa	ZA	0

APPENDIX C: DEFINITIONS

Index Constituent or Constituent

Any security comprised in the index, provided that on any Reference Date and in the relevant Rebalance Period, Constituent shall include any stock which will be included in the index as of the next Rebalance Date at the end of such Rebalance Period.

Rebalance Period

It is the timeframe between Reference Date and Rebalance Date.

Exchange and Related Exchange

Each exchange on which any Index Constituent is, in the determination of ECPI, principally traded.

Scheduled Trading Day

Any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading session.

Disrupted Day

Any Scheduled Trading Day on which: (i) a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session; or (ii) a Market Disruption Event has occurred.

Market Disruption Event

The occurrence, in respect of the Index Constituent of:

- § a Trading Disruption
- § an Exchange Disruption
- § an Early Closure

where the aggregate of all Index Constituents in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs, comprises 20 per cent or more of the aggregate number of all Index Constituents for which the Exchange and Related Exchange were scheduled to be open for trading for its regular trading session on such day.

Trading Disruption

Any suspension of or limitation imposed on trading by the Relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange and Related Exchange or otherwise.

Exchange Disruption

Any event that disrupts or impairs (as determined by the ECPI) the ability of market participants in general (i) to effect transaction in, or obtain market values for the Index Constituents.

Early Closure

The closure on any Exchange Business Day of the Relevant Exchange or any Related Exchange prior to its Scheduled Closing Time.

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