



S-Network Large-Cap Sharpe Ratio Index

Q1 2018

Index Rationale

- ❑ **The Sharpe Ratio is a Key Measure of Financial Performance**
- ❑ **The Sharpe Ratio is Widely Used by Financial Professionals**
- ❑ **The Sharpe Ratio is Used to Identify Return Per Unit of Risk**
- ❑ **The S-Network Sharpe Ratio Index Uses the Sharpe Ratio to Assemble a Portfolio of Stocks:**

That Have Shown Superior Performance Relative to Risk



The S-Network Large Cap Sharpe Ratio Index Offers a Pure Play, Rules-Based Index.

Index Characteristics

❑ Well-Established Universe of Index Candidates

- S&P 500 Serves as Universe for SHRPX
- SHRPX Comprises up to 50 Constituents
- Stocks Must Meet All Screens Needed to Qualify for the Leading Large-Cap US Equity Benchmark Index

❑ Diversified by Sector

- Five Stocks with the Highest Sharpe Ratios in Each of the Ten Sectors Comprising the S&P 500 (Real Estate and Financials Combined) are Selected for Inclusion in SHRPX, Assuring Diversification Across All Sectors

❑ Entirely Rules-Based

- Depends on a Clearly Defined Rules-Based Methodology
- No Discretion is Exercised in Compiling the Index
- Pre-Defined Screening Protocol Assures a Consistent, Transparent and Arms-Length Compilation Process



The S-Network Large Cap Sharpe Ratio Index Offers a Pure Play,
Rules-Based Index.

Unexploited ETF Opportunity With Stellar Performance

❑ **Concept Can Be Conveyed in Short “Elevator” Pitch**

- Sharpe Ratio Well Understood by Market Participants
- Methodology Mirrors Methodology of SDOGX

❑ **Sharpe Ratio Index (SHRPX) Provides First Mover Advantage**

- Concept Not Introduced in US Market
- Best of Both Worlds: Combines Price Performance with Low Volatility

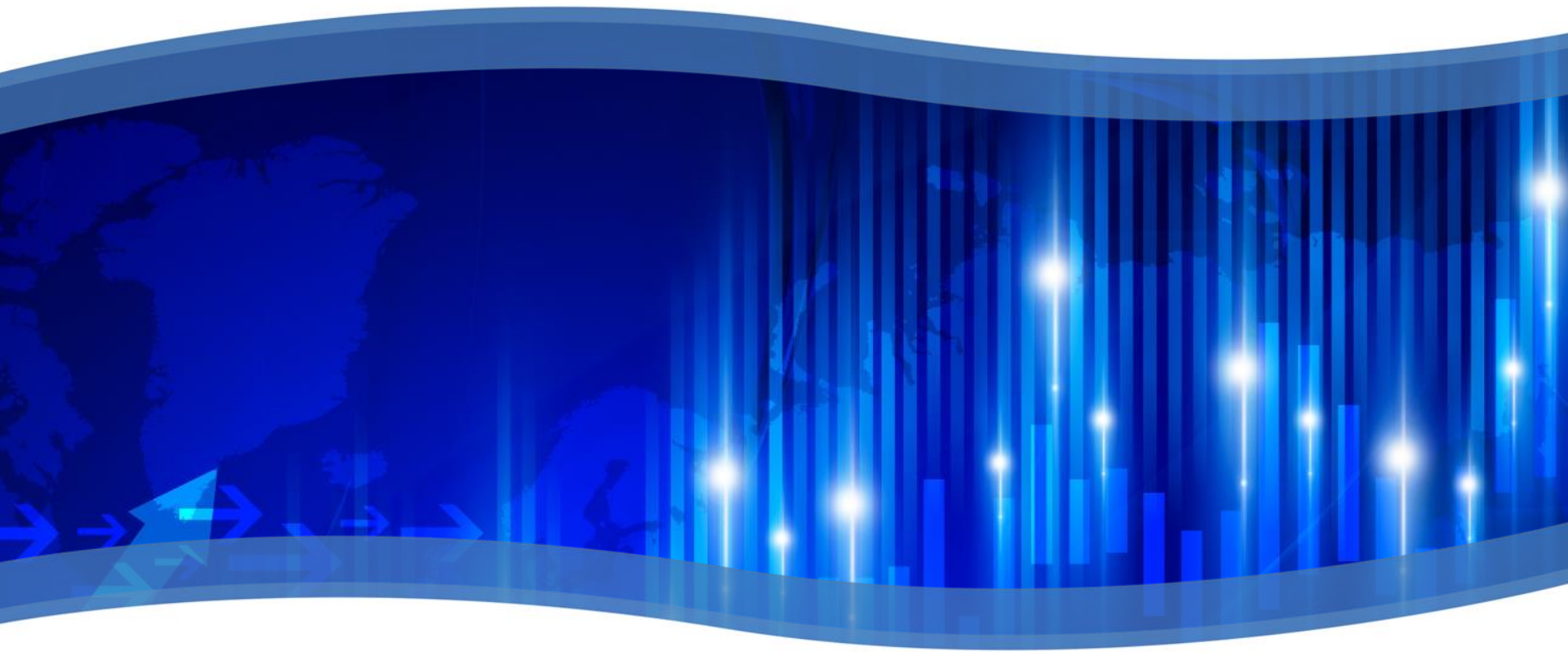
❑ **Performance Can Be Stated in 3 Simple Sentences**

- SHRPX Outperforms S&P 500 in 13 of 18 Years
- SHRPX Average Outperformance = 9.0%
- SHRPX Average Underperformance = -1.83%

❑ **Outperforms Market in 49 Out of 73 Quarters (67.12%)**

❑ **Outperforms Market in 129 Out of 219 Months (58.90%)**

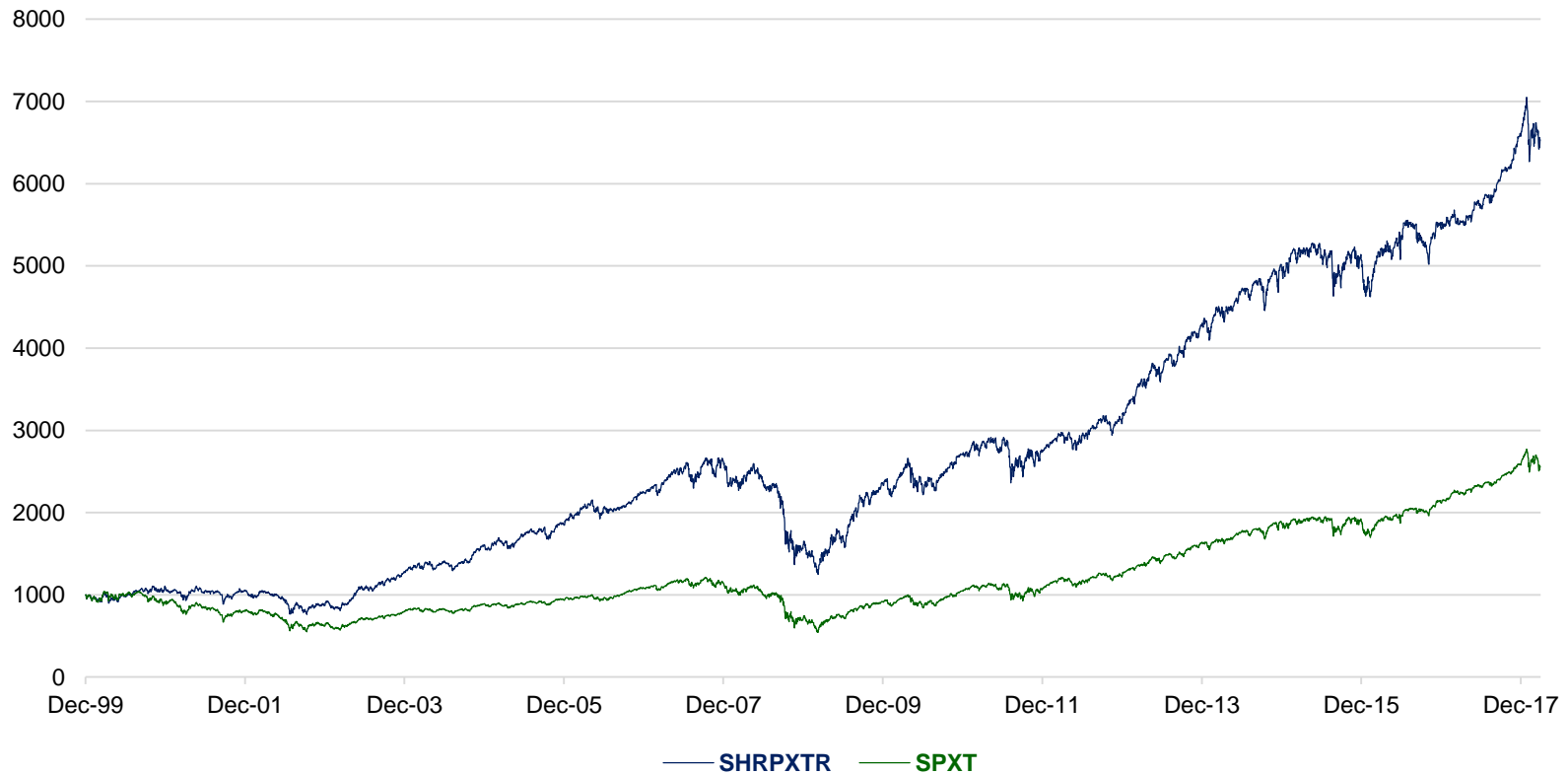
In an increasingly Crowded ETF Market, SHRPX Offers First Mover Advantage Backed by an Academically Rigorous Driver and Outstanding Performance



Index Performance

Historical Performance

**S-Network Sharpe Ratio TR Index vs. S&P 500 TR Index
(12/31/1999–3/31/2018)**



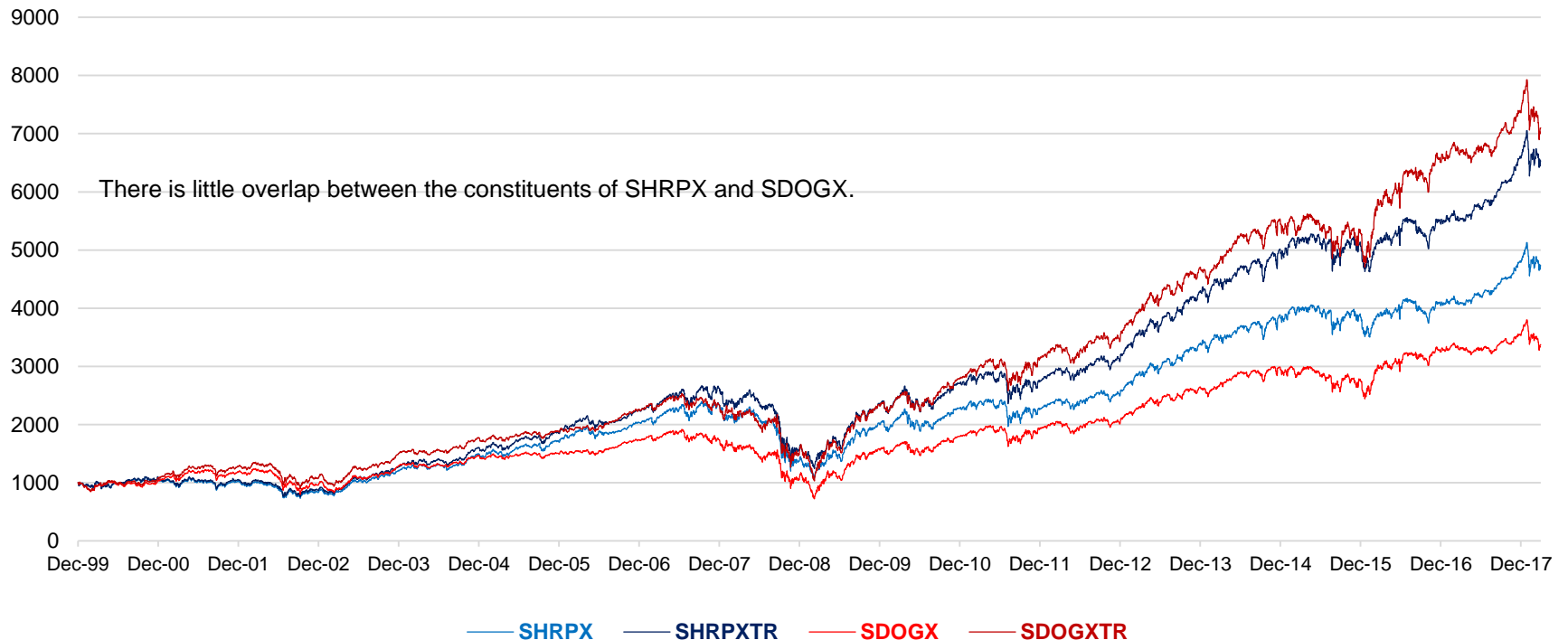
*To ensure fair comparisons, all of the starting index values are normalized to 1,000 as of December 31, 1999.

Source: S-Network, as of 3/31/2018

**The S-Network Large Cap Sharpe Ratio Index Offers Consistent Performance Over Time,
Regularly Outperforming the S&P 500 and Other High Dividend Indexes.**

SHRPX vs. SDOGX

S-Network Sector Dividend Dogs Index vs. S&P 500 TR Index
(12/31/1999–3/31/2018)



*To ensure fair comparisons, all of the starting index values are normalized to 1,000 as of December 31, 1999.

Source: S-Network, as of 3/31/2018

The Total Return Performance of SHRPX is Comparable to that of SDOGX, but SHRPX Derives Substantially More of Its Performance from ETF-Friendly Capital Gains Rather than Dividends.



Index Constituents & Fundamentals

Index Constituents

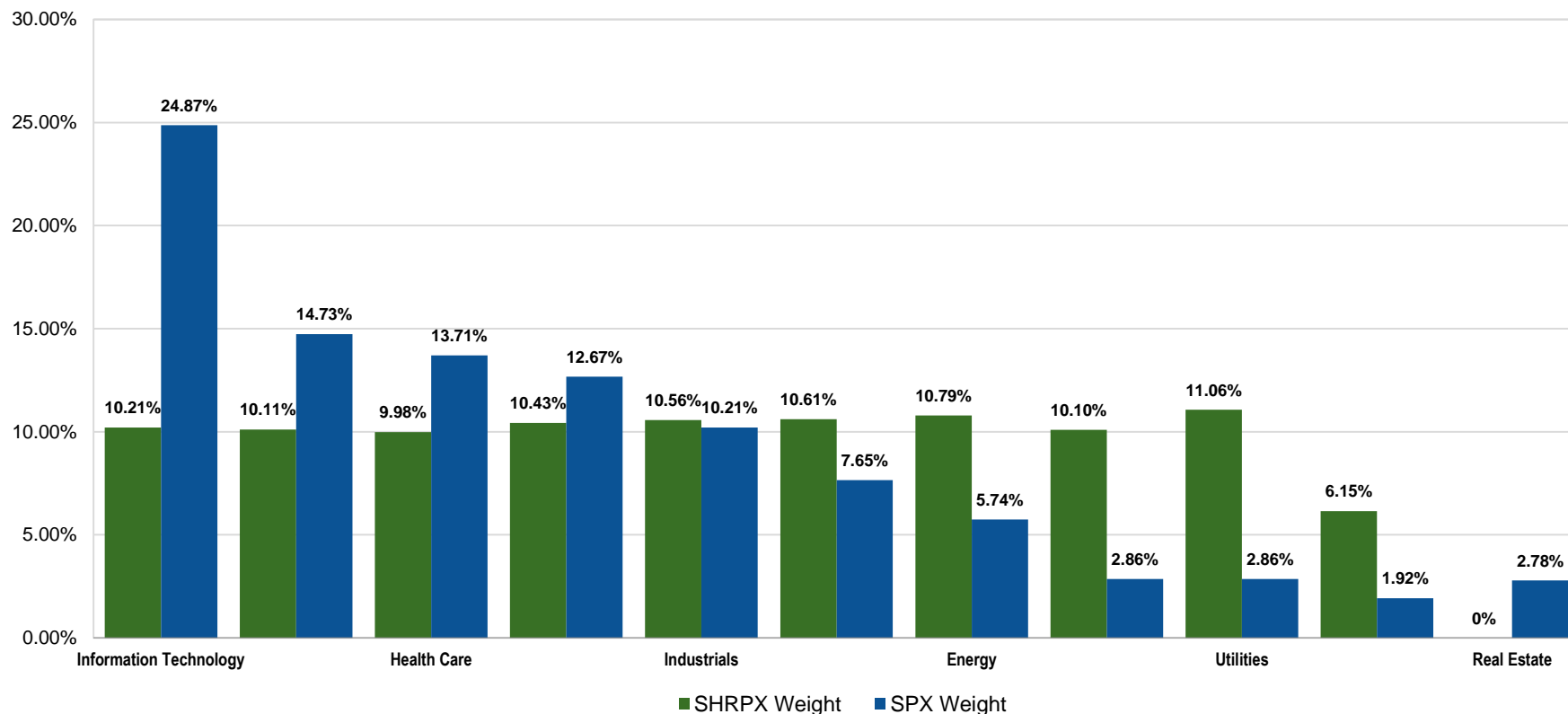
Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care
<p>Amazon.com Inc</p> <p>Kohl's Corp</p> <p>NetFlix Inc</p> <p>Tapestry Inc</p> <p>Target Corp</p>	<p>Brown-Forman Corp B</p> <p>Coty Inc.</p> <p>Dr Pepper Snapple Group</p> <p>Estee Lauder Cos. A</p> <p>Smucker J.M. Co</p>	<p>Anadarko Petroleum Corp</p> <p>Halliburton Co</p> <p>Helmerich & Payne Inc</p> <p>Noble Energy Inc</p> <p>ONEOK Inc</p>	<p>Bank of America Corp</p> <p>Comerica Inc (MI)</p> <p>PNC Finl Services Group</p> <p>Regions Financial Corp</p> <p>S&P Global Inc</p>	<p>Edwards Lifesciences Corp</p> <p>Envision Healthcare Corp</p> <p>Express Scripts Holding Co.</p> <p>HCA Healthcare Inc</p> <p>IDEXX Laboratories Inc</p>
Industrials	Information Technology	Materials	Telecommunication Services	Utilities
<p>Boeing Co</p> <p>Fluor Corp</p> <p>Lockheed Martin</p> <p>Northrop Grumman Corp</p> <p>Raytheon Co</p>	<p>Cisco Systems Inc</p> <p>Cognizant Tech Solutions Corp</p> <p>Hewlett Packard Enterprise Co</p> <p>Seagate Technology</p> <p>Total System Services Inc</p>	<p>CF Industries Holdings</p> <p>Eastman Chemical Co</p> <p>Freeport-McMoRan Inc</p> <p>Monsanto Co.</p> <p>Nucor Corp</p>	<p>AT&T Inc</p> <p>CenturyLink Inc</p> <p>Verizon Communications Inc</p>	<p>AES Corp</p> <p>FirstEnergy Corp</p> <p>NRG Energy</p> <p>NextEra Energy Inc</p> <p>SCANA Corp</p>

Source: S-Network, as of 3/31/2018

The S-Network Large-Cap Sharpe Ratio Index Offers Diversification by Sector and Company, Avoiding Concentrated Risk.

Sector Weight Comparison

SHRPX Index vs. S&P 500 Index



Source: S-Network, as of 3/31/2018

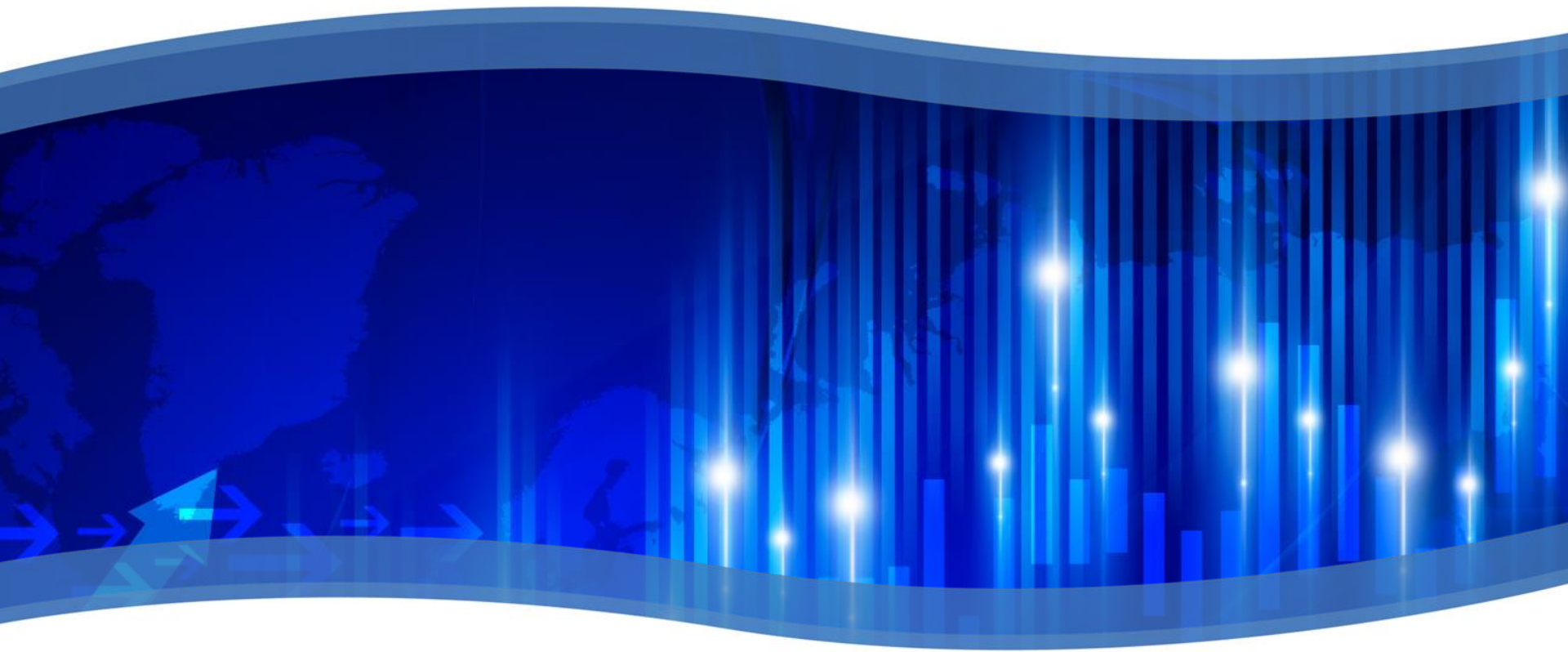
The S-Network Large Cap Sharpe Ratio Index Avoids Concentration in Those Sectors Offering the Highest Sharpe Ratios.

Index Fundamentals

Market Capitalization Profile	
Number of Constituents	48
Total Market Capitalization	3.12 Trillion USD
Largest Market Capitalization	700.67 Billion USD
Smallest Market Capitalization	4.65 Billion USD
Average Market Capitalization	64.93 Billion USD
Median Market Capitalization	25.57 Billion USD

Source: S-Network, as of 3/31/2018

**Solid Fundamentals and a Large Capitalization Bias Help Mitigate Risks
in the S-Network Large-Cap Sharpe Ratio Index.**



Statistical Profiles

Statistical Profile I

Calendar Year Ending Price Appreciation

	SHRPXTR Index	S&P 500 TR Index	Out/Underperformance
12/31/2000	9.26%	-9.10%	18.37%
12/31/2001	-4.12%	-11.89%	7.77%
12/31/2002	-16.70%	-22.10%	5.40%
12/31/2003	46.47%	28.68%	17.79%
12/31/2004	25.53%	10.88%	14.65%
12/31/2005	15.11%	4.91%	10.20%
12/31/2006	21.53%	15.79%	5.73%
12/31/2007	16.55%	5.49%	11.05%
12/31/2008	-38.39%	-37.00%	-1.39%
12/31/2009	44.54%	26.46%	18.08%
12/31/2010	16.10%	15.06%	1.04%
12/31/2011	1.35%	2.11%	-0.76%
12/31/2012	14.52%	16.00%	-1.48%
12/31/2013	37.00%	32.39%	4.62%
12/31/2014	14.92%	13.69%	1.23%
12/31/2015	2.49%	1.38%	1.10%
12/31/2016	7.48%	11.96%	-4.48%
12/31/2017	20.80%	21.83%	-1.04%
YTD 3/31/2018	-0.71%	-0.76%	0.05%

Source: S-Network, as of 3/31/2018

The S-Network Large-Cap Sharpe Ratio Total Return Index has Outperformed the S&P 500 Total Return Index in Thirteen of the Last Eighteen Years.

Statistical Profile II

Total Return Appreciation

	SHRPXTR Index	S&P 500 TR Index
Since Inception*	553.11%	155.92%
10 Year	176.60%	147.71%
5 Year	80.22%	86.75%
3 Year	26.65%	35.95%
1 Year	17.91%	13.99%

Compound Annual Growth Rate

	SHRPXTR Index	S&P 500 TR Index
Since Inception*	10.83%	5.28%
10 Year	10.71%	9.49%
5 Year	12.50%	13.31%
3 Year	8.19%	10.78%
1 Year	17.91%	13.99%

Source: S-Network, as of 3/31/2018

*From 12/31/1999

Statistical Profile III

Annualized Standard Deviation (Monthly)

	SHRPXTR Index	S&P 500 TR Index
Since Inception*	14.46%	14.52%
10 Year	14.74%	15.05%
5 Year	9.01%	9.87%
3 Year	9.65%	10.26%
1 Year	8.34%	8.47%

Sharpe Ratio (Monthly)

	SHRPXTR Index	S&P 500 TR Index
Since Inception*	0.6732	0.3158
10 Year	0.7453	0.6598
5 Year	1.3173	1.2841
3 Year	0.8058	0.9955
1 Year	1.8823	1.4519

Source: S-Network, as of 3/31/2018

*From 12/31/1999

Statistical Profile IV

Information Ratio (vs. S&P 500 TR, Monthly)

	SHRPXTR Index
Since Inception*	0.7577
10 Year	0.2051
5 Year	-0.1963
3 Year	-0.5232
1 Year	0.9707

Jensen's Alpha (vs. S&P 500 TR, Monthly)

	SHRPXTR Index
Since Inception*	0.47%
10 Year	0.15%
5 Year	0.11%
3 Year	-0.07%
1 Year	0.39%

Source: S-Network, as of 3/31/2018

*From 12/31/1999

Statistical Profile V

Correlation (vs. S&P 500 TR, Monthly)

	SHRPXTR Index
Since Inception*	0.8900
10 Year	0.9399
5 Year	0.9112
3 Year	0.8924
1 Year	0.9127

R-Squared (vs. S&P 500 TR, Monthly)

	SHRPXTR Index
Since Inception*	0.7920
10 Year	0.8835
5 Year	0.8303
3 Year	0.7964
1 Year	0.8331

Source: S-Network, as of 3/31/2018

*From 12/31/1999

Statistical Profile VI

Beta (vs. S&P 500 TR, Monthly)

	SHRPXTR Index
Since Inception*	0.8865
10 Year	0.9210
5 Year	0.8323
3 Year	0.8396
1 Year	0.8994

Outperformance (vs. S&P 500 TR)

	SHRPXTR Index
Since Inception*	397.19%
10 Year	28.89%
5 Year	-6.54%
3 Year	-9.30%
1 Year	3.91%

Source: S-Network, as of 3/31/2018

*From 12/31/1999



Index Construction

Index Construction – Methodology

- ❑ **All Constituents of SHRPX Must Be Constituents of the S&P 500**
- ❑ **Selection Criteria for S&P 500 Include Requirements for:**
 - Sector Inclusion
 - Primary Exchange Listing
 - Minimum Market Capitalization
 - Minimum Average Daily Trading Volume
 - Other Factors
- ❑ **Individual Securities Included in SHRPX Selected Based on Ranking system Within Each Sector**
 - Selects the Five Stocks in Each Sector with Highest Sharpe Ratios as of the Last Business Day of the Second Month of Each Calendar Quarter
 - Sharpe Ratio is Computed Based on the 3-Month Average Stock Outperformance of the Risk-Free Rate Divided by the 3-Month Daily Standard Deviation of the Stock Price

The S-Network Large Cap Sharpe Ratio Index Uses A Stable and Transparent Construction Methodology.

Index Construction – Weighting and Deletions

- ❑ **Share Weights Based on Prices as of Close of Trading on Second Friday of Rebalancing Month**
- ❑ **Index Is Rebalanced Quarterly on the Third Friday of the Last Month of Each Calendar Quarter**
- ❑ **Index Is Rebalanced Quarterly Back to Equal Weights**
- ❑ **Stocks That Are Deleted From the S&P 500 Are Deleted from SHRPX**
- ❑ **If Fewer Than Five Eligible Securities are Represented in any GICS Sector as of Snapshot Date Only Those Securities Which Qualify are Included**



Index Details & Data Distribution

- ❑ **Index Values Distributed in Real Time (15 second snapshots) in USD and EUR**
- ❑ **Total Return Index Calculated Daily in USD and EUR**
- ❑ **Index Values Distributed via Consolidated Tape**
- ❑ **Comprehensive Historic Data (including simulated back-tests from 12/31/1999)**
 - Daily Prices for Price-Only + TR Indexes in USD + EURO
 - Quarterly Portfolio Snapshots (Historic Constituents and Weights)
- ❑ **Extensive Analytic support**
 - Quarterly Reports (“Index Insights”)
 - Industry Overviews
 - Extensive Statistical Data
- ❑ **Broad data distribution via third party vendors**
 - S&P/Bloomberg/Yahoo, etc.
 - S-Network contribution page on Bloomberg: SNET

Company History

❑ Standard & Poor's Custom Index Group

S&P Indices recognizes that no single index meets the needs of all investors. A custom index calculated by S&P Indices enables our clients either to refine existing S&P indices to reflect tailored measurements of market performance, or to create a unique index as the basis for a new derivative investment product. Drawing on this expertise and a global database of over 17,000 individual stocks, the S&P Custom Index Group provides an independent, flexible and accurate service enabling clients to purposefully design a Custom Index to meet their specific requirements.

❑ S-Network Global Indexes

S-Network Global Indexes, Inc. is a publisher and developer of proprietary and custom indexes. Founded in 1997, S-Network publishes over 200 indexes, which serve as the underlying portfolios for financial products with over USD 5 billion in assets under management. S-Network indexes, which are supported by a state-of-the-art technology platform, are known for their transparency and efficiency.

S-Network is a leader in socially responsible investment, publishing best-practice benchmark indexes in collaboration with Thomson Reuters. S-Network published the first global alternative energy and water indexes, which today serve as the recognized benchmarks for those sectors worldwide. In addition to publishing socially responsible indexes, S-Network produces proprietary environmental, social and governance ratings on nearly 5,000 public companies worldwide.

S-Network publishes a comprehensive suite of benchmark indexes covering US, European, Pacific Basin and emerging markets companies and mirroring the performance characteristics of the most popular indexes. The benchmark series offers detailed historical data, including daily constituent level data, from December 31, 1999 to the present. S-Network benchmarks serve as starting universes for smart beta indexes, as institutional-quality performance benchmarks, and as bases for Separately Managed Accounts.

S-Network is a prominent provider of smart beta indexes that incorporate both standard market statistics, as well as unique and highly specialized proprietary data sets derived from non-traditional sources. Smart beta indexes developed by S-Network embrace powerful single-factor models as well as complex multi-factor models that incorporate over 200 discrete factors. All indexes developed by S-Network address and resolve issues such as liquidity, investability and index turnover characteristics.