

UCITS Alternative Index Blue Chip Rules

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1. Introduction

This document describes the Index Rules for the UCITS Alternative Index Blue Chip and defines the construction procedure and calculation methodology of the Index.

2. Objective of the Index

The objective of the UCITS Alternative Index Blue Chip (the “Blue Chip Index”) is to give a fair, reliable and unbiased representation of the performance of the largest UCITS absolute return funds.

The Blue Chip Index is composed of a sample of the 50 largest and most representative UCITS absolute return funds currently open for investment.

Constituent funds are selected following transparent, rule based and replicable selection criteria. Its rules and construction are overseen by a Scientific Committee.

The Index Provider shall be the final authority on the Index and the interpretation of these Rules. The Index Provider shall consult with the Scientific Committee on the interpretation of these Rules.

3. Definitions

AUM:	Assets under management of UCITS hedge fund included in the database. AUM shall be measured in EUR with non-EUR denominated hedge funds AUM converted into EUR. Only AUM from UCITS compliant vehicles are taken into account.
Absolute Return Funds:	Absolute return funds are, for the purpose of the UCITS Alternative Index, publicly available UCITS III (or greater) compliant funds with an absolute return mandate. Among other differentiation criteria, UCITS absolute return funds can take short positions, target absolute return and charge performance fees.
Constituent Funds:	UCITS absolute return funds that are part of the UCITS Alternative Index Blue Chip.
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> <ul style="list-style-type: none">a. Monitor and oversee the Index construction processb. Interpret the Rules in instances in which their application is unclear or with respect to circumstances not clearly addressed by the Rulesc. Amend the Rules from time to time. <p>The Scientific Committee is notably responsible for the selection and review of the Constituents Funds. The Scientific Committee is also responsible for the calculation of the strategy weights.</p> <p>The Scientific Committee meets a least four times per year to oversee the Index rebalancing process.</p>
Index Construction	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 UCITS Alternative Index Blue Chip. The Index Provider is responsible for collecting, calculating and producing the UCITS Alternative Index Blue Chip.

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 holiday day in Switzerland, the valuation day will be the following business day.
Strategy:	Strategy in which each absolute return fund is categorized. There are currently 11 different strategies. Please see Strategy Description at the end of this document for a complete explanation.
Starting Date	The starting date of the UCITS Alternative Index Blue Chip is 15 th December 2010. A backtracked performance using the exact same methodology has been calculated since January 1 st 2008.
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.
UAI Global:	Refers to the UCITS Alternative Index Global, the leading non-investible rule based Index of UCITS Alternative funds.
UAI Blue Chip:	Refers to the UCITS Alternative Index Blue Chip, a non-investable rule based Index of UCITS Alternative funds.

4. Index Construction

Constituents Funds Weights	<p>Constituent Funds are equally weighted within the UCITS Alternative Index Blue Chip.</p> <p>The Funds weights are rebalanced at the beginning of each calendar quarters.</p>
Number of Constituents Funds	<p>The UCITS Alternative Index Blue Chip shall be made of 50 constituent funds.</p>
Strategy diversification	<p>The number of Strategy in the UCITS Alternative Index Blue Chip is currently 11 (see Strategy Definition for the list and description of each strategy).</p>
Strategy Weights	<p>Strategy Weights are distributed proportionally based on a combination of the number of funds and assets under management in each 11 Strategies.</p> <p>The maximum weight per strategy is 20% (or 10 Constituent Funds of the same strategy).</p> <p>The calculation of the Strategy Weights is performed on each Rebalancing Date and is overseen by the Scientific Committee.</p> <p>The Index Provider shall be the final authority with regards to Strategy Weights.</p>

5. Constituents Fund Selection Criteria

Constituents Fund

Information Requirements In order to be included in the UCITS Alternative Index, UCITS absolute return funds must provide the following information in English language:

- d. Performance data since inception. Only data from the current UCITS vehicle are taken into account (i.e. no prior offshore performance proxy). When different share classes are available, figures for the EUR share class with the lowest fees structure are used.
- e. Month-end assets under management for the fund since inception (all share classes combined).
- f. Comprehensive description of the investment strategy.
- g. Latest prospectus and latest audit (if available).

Constituents Funds Selection Process

The selection process is based on the following steps:

1: Eligibility

Constituents Funds shall fulfill the criteria listed under the Inclusion Criteria definition. Additionally only funds member of the UAI Global are considered for inclusion.

2: Selection Criteria Order

Potential Constituents Funds are then classified by strategy and ranked by AUM. Funds with the largest AUM are first taken into consideration.

3: Selection Rules

Potential Constituents funds are then reviewed based on the below mentioned criteria. The adherence of these criteria is reviewed and monitored by the Scientific Committee.

Representativeness The selection of each particular Constituents Funds should maximize and maintain the representativeness of both the Strategy and the Composite Index.

Diversification: The selection of a particular Constituent Fund shall maximize and maintain diversification while preserving the characteristics of both the Strategy and the Composite Index.

Investability: The selection of a particular Constituent Fund shall maximize and maintain the investability of both the Strategy and the Composite Index.

Liquidity: The selection of a particular Constituent Fund shall not result in a liquidity profile significantly different from the one of the UAI Global.

Investment Manager

Diversification: At the Index level, the number of Constituent Funds advised by the same Investment Manager shall be limited to five.

At the Strategy level the number of Constituent Funds advised by the same Investment Manager shall be limited to two with the exception of Strategies made of two Constituent Funds which must be advised by two different Investment Managers.

Should a fund not meet the above Selection criteria, the next available fund ranked by its AUM is then taken into account. This process is repeated until the appropriate number of funds needed for each particular strategy is reached.

Inclusion Criteria

To be taken into consideration for inclusion into the UCITS Alternative Index Blue Chip, Funds have to meet the following criteria:

- a. Comply with the UCITS III (or greater) regulation,
- b. Pursue an absolute return strategy and be part of one of the strategies as defined in this document (see absolute return funds definition),
- c. Publish a daily or weekly NAV,
- d. Meet FoF 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),
- e. Be open for new investments at the time of inclusion. Funds that are closing to new investments while they are included in the Index might remain in the Index as long as the 2 following criteria are met:
 1. Total number of closed funds included in the index is not greater than 5.

2. Total number of closed fund within one particular strategy does not exceed 50% of the number of funds in the particular strategy.

Inclusion or Redeeming date	New funds can be added in the Index at each Rebalancing Date. Funds are usually only removed at a Rebalancing Date. However, in specific circumstances, the Index Provider in consultation with the Scientific Committee might decide to remove funds in the course of a particular quarter.
Strategy Classification	The Index Provider assigns a fund to a strategy through consideration of the fund documentation, discussion with fund manager, and any other relevant factors. The Index Provider shall consult the Scientific Committee when the classification to a particular strategy is not clear or subject to interpretation. Strategy designations are reviewed periodically, and funds may from time to time, be assigned to another category at the discretion of the Index Provider.
Non Reporting Funds	Funds are removed from the index when they cease reporting to the Index Provider or the usual financial data suppliers.
Reporting Requirement	Funds must report NAV on a daily, weekly or by-monthly basis and provide AUM on a monthly basis to be taken into account for inclusion into the Index.
Share Class Selection Rules	<p>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):</p> <ol style="list-style-type: none">a. Euro class with lowest share fee share classb. Class with lowest share class irrespective of the currency

7. 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.

8. 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.

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