

# Macquarie Congestion Alpha 2 Index

**Index Manual  
May 2020**

## NOTES AND DISCLAIMERS

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### BASIS OF PROVISION

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This Index Manual sets out the rules for the Macquarie Congestion Alpha 2 Index (the *Index*) and reflects the methodology for determining the composition and calculation of the Index (the Methodology section).

**The Index Manual assumes the reader is a sophisticated financial market participant, with the knowledge and expertise to understand the investment strategy described herein and the associated risks. It is unsuitable for a retail or unsophisticated audience.**

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### DATE OF INDEX MANUAL AND CHANGES TO THE INDICES

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The Index Manual contains information as of the date appearing on its cover, and such information may change from time to time. No assurance can be given that the Methodology reflects information subsequent to this date. The Index Sponsor may, however, supplement, amend or withdraw the Methodology at any time if it determines that the Index is no longer calculable under the existing Methodology. The Index Sponsor may also determine that a change to the Methodology is required or desirable to address an error, ambiguity or omission. Such changes may include changes to eligibility requirements or construction as well as changes to the daily Index calculations. If a supplement or amendment is required and such supplement or amendment materially affects the Index Level of the Index, the Index Sponsor will publish such changes to the Methodology, together with the rationale for such changes, 30 days prior to implementation. However if prior publication of the changes is not practicable, the changes and rationale will be published as soon as is reasonably practicable.

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If you have been granted written consent by the Index Sponsor to reference the Index in any contract or financial instrument, you should include in such contract or financial instruments robust fall-back provisions to deal with cessation or material modification of the Index.

## NOT RESEARCH OR AN OFFER

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This document is not a personal recommendation as defined by the Financial Conduct Authority and you should consider whether you can rely upon any opinion or statement contained in this document without seeking further advice tailored for your own circumstances. It is also not investment research, and has not been prepared in accordance with legal requirements designed to promote the independence of such. Any opinions expressed herein may differ from the opinions expressed in other departments including the research department. Nor have the contents of this document been reviewed by any regulatory authority, and the distribution of this document and availability of related financial instruments in certain jurisdictions may be restricted by law.

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The Index and any financial instruments based on the Index may not be suitable for all investors and any investor must make an independent assessment of the appropriateness of any transaction in light of their own objectives and circumstances including the potential risks and benefits of entering into such a transaction. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

## HISTORICAL VALUES OF THE INDEX

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Hypothetical back-tested historical values of the Index are not indicative of future performance. In particular, trading periods that have historically evidenced relatively less futures price dislocation due to commodity index hedging activity may not continue to evidence lower levels of price dislocation, for instance if the pattern of commodity index hedging activity changes in future.

The Index Sponsor makes no representation as to the accuracy or appropriateness of, and shall have no liability to you or any other entity for any loss or damage, direct or indirect, arising from the use of the historical values.

## DISCLAIMER OF LIABILITY

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The Methodology is published for information purposes only and does not create any legally binding obligation on the part of the Index Sponsor, Index Calculation Agent and/or their affiliates. This document is intended to provide a summary of the index it purports to describe. The Index Sponsor expressly disclaims (to the fullest extent permitted by applicable law) all warranties (express, statutory or implied) regarding this document and the Methodology or the Index, including but not limited to, all warranties of merchantability, fitness for a particular purpose (including investment by regulated funds) and all warranties arising from course of performance, course of dealing or usage of trade and their equivalents under applicable laws of any jurisdiction. In particular, the Index Sponsor and Index Calculation Agent do not warrant or guarantee the accuracy or timeliness of calculations of the Index value and do not warrant or guarantee the availability of any Index value on any particular date or at any particular time. The Index Sponsor and Index Calculation Agent shall have no liability to any person for delays, omissions or interruptions in the delivery of the Index, including as a result of the failure of prices to be published in respect of an Underlying Contract or as a result of a Contract failing to trade for any reason. Although the Index Calculation Agent will obtain information concerning Underlying Contracts from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made by the Index Sponsor or Index Calculation Agent as to the accuracy and completeness of information concerning any Index.

In particular, the Index Sponsor and Index Calculation Agent are under no obligation to monitor whether or not a Market Disruption Event has occurred and shall not be liable for any losses resulting from (i) any determination that a Market Disruption Event has occurred or has not occurred in relation to a Contract, (ii) the timing relating to the determination that a Market Disruption Event has occurred in relation to a Contract, or (iii) any actions taken or not taken by the Index Calculation Agent as a result of such determination that an Market Disruption Event has occurred.

## NOTICES

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The Index is based on Underlying Contracts, as described in the Methodology. The Index Sponsor and/or its affiliates actively trade Underlying Contracts and options on Underlying Contracts. The Index Sponsor and/or its affiliates also actively enter into or trade and market securities, swaps, options, derivatives, and related instruments which are linked to the performance of these Underlying Contracts or are linked to the performance of an Index. The Index Sponsor and/or its affiliates may underwrite or issue other securities or financial instruments indexed to the Index, and the Index Sponsor or its affiliates may license an Index for publication or for use by unaffiliated third parties. These activities could present conflicts of interest and could affect the value of the Index. The Index Sponsor trades or may trade as principal in instruments (or related derivatives) linked to an index described in this document, and may have proprietary positions in the instruments (or related derivatives). The Index Sponsor may make a market in such instruments (or related derivatives), which may in extreme circumstances affect the levels of the Index described.

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## INTRODUCTION

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The Macquarie Congestion Alpha 2 Index (hereafter, the *Index*), is designed as a benchmark for exposure to the 'congestion' investment strategy in the commodity markets.

## THE CONGESTION STRATEGY

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The commodities selected for inclusion in commonly traded commodity indices are not easily investable on a direct and replicable basis. Futures contracts on commodities, however, represent a widely utilized synthetic proxy for direct investment in commodities. Accordingly, the components of such indices reflect the price performance of exchange traded futures contracts relating to the underlying commodities. In order to ensure the continuity of each component, when the futures contract approaches expiration, it will be replaced by an identical contract with a later expiration (the exposure of the index to that commodity future will 'roll' from one contract into the next). Each underlying component thus tracks a sequence of futures contracts relating to a single commodity.

The most commonly traded commodity indices roll their contracts during five days starting on the 5<sup>th</sup> business day of the month and ending on the 9<sup>th</sup> business day of the month. As a result, during this period there is a substantial amount of similar trading activity, or congestion, when rolling from a nearby (or 'front-month') commodity futures contract to a contract with a later expiration. This can cause price pressure in the contracts such indices are exposed to. Trading (i.e. rolling) away from this standard roll period, to avoid this price pressure, is the optimization principle behind the congestion strategy underlying the Single Commodity Congestion Beta Indices that constitute the Components to which the Index allocates a long exposure. Each Single Commodity Congestion Beta Index will calculate a proxy signal for commodity index flows and decide to roll (i) before the standard roll period if the proxy signal points to commodity index inflows or (ii) after the standard roll period if the proxy signal suggests there have been commodity index outflows over the past month. The period for rolling prior to the standard roll period and the period for rolling after the standard roll period have been selected by the Index Sponsor taking into account historical price performance (the tendency of these periods to exhibit less price dislocation) and its view of the trading days that have sufficient liquidity in the Underlying Contracts to sustain the trading activity resulting from expected levels of investment in the Index.

Information on the Single Commodity Congestion Beta Indices (i.e. the long exposure of the Index) can be found in the Index Manual of the Macquarie Single Commodity Congestion Beta Indices, available at <http://static.macquarie.com/dafiles/Internet/mgl/global/shared/corporate/trading-and-hedging/commodities/macquarie-single-commodity-congestion-beta-indices.pdf>.

To isolate this source of return in the Index attributed to congestion and minimize correlation to the broader commodities market, the Index will avoid taking outright positions in the commodities market and will aim to have a neutral allocation across each underlying commodity (i.e. the Weights for each Commodity add up to zero). To achieve this, for each underlying Single Commodity Congestion Beta Index, the Index will take an equal short position in the equivalent index that rolls its exposure during the standard 5<sup>th</sup> to 9<sup>th</sup> business day of the month.

Information on the Single Commodity Indices (i.e. the short exposure of the Index) can be found in the Index Manual of the Macquarie Single Commodity Indices, available at <http://static.macquarie.com/dafiles/Internet/mgl/global/shared/corporate/trading-and-hedging/commodities/macquarie-single-commodity-indices.pdf>.

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## SELECTION OF COMPONENTS AND ROLL SCHEDULES

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The most commonly traded commodity indices follow either a monthly or a bi-monthly roll schedule. The Index equally weights exposure across 20 Components with bi-monthly (Type A) roll schedules and 22 Components with monthly (Type B) roll schedules.

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## GENERAL NOTES ON THE INDEX AND THE METHODOLOGY

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The Index is designed to be replicable and readily accessible to market participants and is calculated daily in an Excess Return format. To facilitate an understanding of the calculations, this Index Manual contains various worked examples which demonstrate the types of calculations needed to calculate the level of the Index on a particular date. The Index is calculated and maintained by the Index Calculation Agent and supervised by the Index Sponsor and Oversight Committee, as described below. Once the Index has been created, the Components and Weights (or if appropriate, formula for calculating Weights) will not be amended going forward. All determinations with regard to the Index are made following the rules set out in this document, without discretion by the Index Sponsor or Index Calculation Agent. The Index is not based upon submissions provided by third parties (or an affiliate of the Index Sponsor or Index Calculation Agent) or expert judgment. The Index is based upon actual transaction data sourced from regulated markets and exchanges.



## INDEX GOVERNANCE

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The Index Sponsor has established an independent oversight committee (the *Oversight Committee*) to review and oversee management of the Index and resolve any issues that arise. The Oversight Committee is comprised of the following designees, each an employee of Macquarie Bank Limited:

- A Managing Director in the Quantitative Investment Strategies team of the Commodities and Global Markets division;
- A Director from the Legal and Governance group;
- A representative from the Index Calculation Agent;
- A representative from the Risk division of the Risk Management Group;
- A representative from the Compliance division of the Risk Management Group; and
- A representative from the Business Operational Risk Management department within the Central division of the Commodities and Global Markets group.

Each member of the Oversight Committee is sufficiently knowledgeable about commodity futures contracts and the commodities markets in general, and is required to act in good faith and in a commercially reasonable manner.

The Index Sponsor will make available upon request the names of the individuals forming the Oversight Committee.

The Oversight Committee has considered the features of the Index, the intended, expected or known usage of the Index and the materiality of existing or potential conflicts of interest and, taking these into account, has approved the Methodology and this Index Manual. The Oversight Committee is also charged with overseeing the daily management and operations of the Index. It will be available on an ad hoc basis for the approval of any changes to the Methodology, any contemplated cancellation of the Index and the resolution of any issues which arise in relation to the Index.

## INDEX SPONSOR AND INDEX CALCULATION AGENT

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### THE INDEX SPONSOR

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Macquarie Bank Limited is the Index Sponsor. Notwithstanding anything to the contrary, the Index Sponsor will maintain all ownership rights, expressed or otherwise, with respect to the Index, including the ability to license, sell or transfer any or all of its ownership rights with respect to the Index, including but not limited to terminating and appointing any successor Index Calculation Agent. The Index Calculation Agent is appointed by the Index Sponsor to calculate and maintain each Index from and until such time that the Index Sponsor terminates its relationship with the current Index Calculation Agent and appoints a successor index calculation agent. Any such termination or appointment of a successor will be subject to the approval of the Oversight Committee.

The Index Sponsor may, from time to time, revise, amend and/or supplement this Manual. If such revisions or supplement materially affect the calculation of the Index, the Index Sponsor shall publish a new Manual no later than 30 days prior to implementation of the revised or supplemented rules. If it is not reasonably practicable to publish revised Manual 30 days prior to such changes, the revised Manual will be published as soon as reasonably practicable.

### THE INDEX CALCULATION AGENT

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The Index Calculation Team within the Commodities and Global Markets division of Macquarie Bank Limited acts as “Index Calculation Agent” in respect of the Index as of the date of this Manual. The methodology employed by the Index Calculation Agent in determining the composition and calculation of the Index is set out in the calculations and procedures described in this document.

### RELATIONSHIP OF THE INDEX SPONSOR AND THE INDEX CALCULATION AGENT

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The Index Calculation Agent is appointed by the Index Sponsor, subject to the approval of the Index Oversight Committee. While, as of the date of publication of these rules, both the Index Sponsor and the Index Calculation Agent form part of Macquarie Bank Limited, they are independent teams within the bank and employees discharging the obligations of the Index Calculation Agent have separate lines of reporting and accountability from the employees performing the functions of the Index Sponsor.

## DEFINITIONS

**Components**, are the single commodity indices specified in the table below:

TABLE 1

Index Name	Index Ticker	Weight
Macquarie Dynamic Pre/Post-Roll Cocoa Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (8, 9) ER	MQDC1CC0	2.27273%
Macquarie Dynamic Pre/Post-Roll Corn Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1C0	2.27273%
Macquarie Dynamic Pre/Post-Roll Crude Oil (WTI) Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (10, 11) ER	MQDC1CLO	2.27273%
Macquarie Dynamic Pre/Post-Roll Brent Crude Oil Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1CO0	2.27273%
Macquarie Dynamic Pre/Post-Roll Cotton Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1CT0	2.27273%
Macquarie Dynamic Pre/Post-Roll Feeder Cattle Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1FC0	2.27273%
Macquarie Dynamic Pre/Post-Roll Heating Oil Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1HO0	2.27273%
Macquarie Dynamic Pre/Post-Roll Coffee Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (10, 11) ER	MQDC1KC0	2.27273%
Macquarie Dynamic Pre/Post-Roll Kansas Wheat Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1KW0	2.27273%
Macquarie Dynamic Pre/Post-Roll Aluminium Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1LA0	2.27273%
Macquarie Dynamic Pre/Post-Roll Live Cattle Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1LC0	2.27273%
Macquarie Dynamic Pre/Post-Roll Lean Hogs Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1LH0	2.27273%
Macquarie Dynamic Pre/Post-Roll Lead Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1LL0	2.27273%
Macquarie Dynamic Pre/Post-Roll Nickel Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1LN0	2.27273%
Macquarie Dynamic Pre/Post-Roll Copper Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1LP0	2.27273%
Macquarie Dynamic Pre/Post-Roll Zinc Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1LX0	2.27273%

Macquarie Dynamic Pre/Post-Roll Natural Gas Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1NG0	2.27273%
Macquarie Dynamic Pre/Post-Roll GasOil Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1QS0	2.27273%
Macquarie Dynamic Pre/Post-Roll Sugar Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1SB0	2.27273%
Macquarie Dynamic Pre/Post-Roll Soybeans Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1S0	2.27273%
Macquarie Dynamic Pre/Post-Roll Wheat Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1W0	2.27273%
Macquarie Dynamic Pre/Post-Roll Unleaded Gasoline (RBOB) Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDC1RB0	2.27273%
Macquarie Dynamic Pre/Post-Roll Soybean Oil Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1B00	2.50000%
Macquarie Dynamic Pre/Post-Roll Corn Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1C0	2.50000%
Macquarie Dynamic Pre/Post-Roll Crude Oil (WTI) Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (10, 11) ER	MQDD1CL0	2.50000%
Macquarie Dynamic Pre/Post-Roll Brent Crude Oil Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1CO0	2.50000%
Macquarie Dynamic Pre/Post-Roll Cotton Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1CT0	2.50000%
Macquarie Dynamic Pre/Post-Roll Copper (COMEX) Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1HG0	2.50000%
Macquarie Dynamic Pre/Post-Roll Heating Oil Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1HO0	2.50000%
Macquarie Dynamic Pre/Post-Roll Coffee Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (10, 11) ER	MQDD1KC0	2.50000%
Macquarie Dynamic Pre/Post-Roll Kansas Wheat Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1KW0	2.50000%
Macquarie Dynamic Pre/Post-Roll Aluminium Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1LA0	2.50000%
Macquarie Dynamic Pre/Post-Roll Live Cattle Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1LC0	2.50000%
Macquarie Dynamic Pre/Post-Roll Lean Hogs Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1LH0	2.50000%
Macquarie Dynamic Pre/Post-Roll Nickel Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1LN0	2.50000%

Macquarie Dynamic Pre/Post-Roll Zinc Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1LX0	2.50000%
Macquarie Dynamic Pre/Post-Roll Natural Gas Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1NG0	2.50000%
Macquarie Dynamic Pre/Post-Roll Sugar Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1SB0	2.50000%
Macquarie Dynamic Pre/Post-Roll Soybeans Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1S0	2.50000%
Macquarie Dynamic Pre/Post-Roll Soybean Meal Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1SM0	2.50000%
Macquarie Dynamic Pre/Post-Roll Wheat Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1W0	2.50000%
Macquarie Dynamic Pre/Post-Roll Unleaded Gasoline (RBOB) Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (12, 13) ER	MQDD1RB0	2.50000%
Macquarie Single Commodity Cocoa type B ER	MQSCCER	-2.27273%
Macquarie Single Commodity Corn type B ER	MQSCCER	-2.27273%
Macquarie Single Commodity Crude Oil (WTI) type B ER	MQSCCLER	-2.27273%
Macquarie Single Commodity Brent Crude Oil type B ER	MQSCCOER	-2.27273%
Macquarie Single Commodity Cotton type B ER	MQSCCTER	-2.27273%
Macquarie Single Commodity Feeder Cattle type B ER	MQSCFCER	-2.27273%
Macquarie Single Commodity Heating Oil type B ER	MQSCHOER	-2.27273%
Macquarie Single Commodity Coffee type B ER	MQSCKCER	-2.27273%
Macquarie Single Commodity Kansas Wheat type B ER	MQSCKWER	-2.27273%
Macquarie Single Commodity Aluminium type B ER	MQSCLAER	-2.27273%
Macquarie Single Commodity Live Cattle type B ER	MQSCLCER	-2.27273%
Macquarie Single Commodity Lean Hogs type B ER	MQSCLHER	-2.27273%
Macquarie Single Commodity Lead type B ER	MQSCLLER	-2.27273%
Macquarie Single Commodity Nickel type B ER	MQSCLNER	-2.27273%
Macquarie Single Commodity Copper type B ER	MQSCLPER	-2.27273%
Macquarie Single Commodity Zinc type B ER	MQSCLXER	-2.27273%
Macquarie Single Commodity Natural Gas type B ER	MQSCNGER	-2.27273%
Macquarie Single Commodity GasOil type B ER	MQSCQSER	-2.27273%

Macquarie Single Commodity Sugar type B ER	MQSCSBER	-2.27273%
Macquarie Single Commodity Soybeans type B ER	MQSCSER	-2.27273%
Macquarie Single Commodity Wheat type B ER	MQSCWER	-2.27273%
Macquarie Single Commodity Unleaded Gasoline type B ER	MQSCXBER	-2.27273%
Macquarie Single Commodity Soybean Oil type A ER	MQSDBOER	-2.50000%
Macquarie Single Commodity Corn type A ER	MQSDCER	-2.50000%
Macquarie Single Commodity Crude Oil (WTI) type A ER	MQSDCLER	-2.50000%
Macquarie Single Commodity Brent Crude Oil type A ER	MQSDCOER	-2.50000%
Macquarie Single Commodity Cotton type A ER	MQSDCTER	-2.50000%
Macquarie Single Commodity Copper (COMEX) type A ER	MQSDHGER	-2.50000%
Macquarie Single Commodity Heating Oil type A ER	MQSDHOER	-2.50000%
Macquarie Single Commodity Coffee type A ER	MQSDKCER	-2.50000%
Macquarie Single Commodity Kansas Wheat type A ER	MQSDKWER	-2.50000%
Macquarie Single Commodity Aluminium type A ER	MQSDLAER	-2.50000%
Macquarie Single Commodity Live Cattle type A ER	MQSDLCER	-2.50000%
Macquarie Single Commodity Lean Hogs type A ER	MQSDLHER	-2.50000%
Macquarie Single Commodity Nickel type A ER	MQSDLNER	-2.50000%
Macquarie Single Commodity Zinc type A ER	MQSDLXER	-2.50000%
Macquarie Single Commodity Natural Gas type A ER	MQSDNGER	-2.50000%
Macquarie Single Commodity Sugar type A ER	MQSDSBER	-2.50000%
Macquarie Single Commodity Soybeans type A ER	MQSDSER	-2.50000%
Macquarie Single Commodity Soybean Meal type A ER	MQSDSMER	-2.50000%
Macquarie Single Commodity Wheat type A ER	MQSDWER	-2.50000%
Macquarie Single Commodity Unleaded Gasoline type A ER	MQSDXBER	-2.50000%

The weights for each of the following Components are set to zero (0) on the Specified Holdings Calculation Dates:

1. *Macquarie Single Commodity Crude Oil (WTI) type A ER (MQSDCLER),*
2. *Macquarie Single Commodity Crude Oil (WTI) type B ER (MQSCCLER),*
3. *Macquarie Dynamic Pre/Post-Roll Crude Oil (WTI) Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (10, 11) ER (MQDD1CLO) and*

4. *Macquarie Dynamic Pre/Post-Roll Crude Oil (WTI) Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (10, 11) ER (MQDC1CLO).*

For the avoidance of doubt, the Weights for all other Components on the Specified Holdings Calculation Dates are set according to Table 1.

The calculation and methodology of the Macquarie Single Commodity Indices is described in the “Macquarie Single Commodity Indices” Index Manual, which is available on request or at <http://static.macquarie.com/dafiles/Internet/mgl/global/shared/corporate/trading-and-hedging/commodities/macquarie-single-commodity-indices.pdf>.

The calculation and methodology of the Macquarie Single Commodity Congestion Beta Indices is described in the “Macquarie Single Commodity Congestion Beta Indices” Index Manual, which is available on request or at <http://static.macquarie.com/dafiles/Internet/mgl/global/shared/corporate/trading-and-hedging/commodities/macquarie-single-commodity-congestion-beta-indices.pdf>.

**Component Level**, in respect of an Index Business Day, is the closing level of each Component as determined by the Index Calculation Agent. If the Index Business Day is not a day on which the Component is scheduled to be published, the Component Level for that day will be the most recent available Component Level on the most recent publication day.

**Commodity**, is each commodity corresponding to each Component. The total number of commodities is denoted by  $n$ .

**Contract**, is a futures contract traded in a Trading Facility and having a Commodity as underlying.

**Designated Contract Month-Year**, is the Month/Year pair used in the name of each contract as established by the relevant Trading Facility and is typically the calendar month/year within which a futures contract can be settled by delivery or the calendar month/year in which the delivery period begins.

**Equivalent Holdings**, in respect of an Index Business Day, are numbers which, if applied as Holdings to the Underlying Contracts of the Index, would perfectly describe the performance of the Index in respect of that Index Business Day. Equivalent Holdings are determined in order to facilitate calculation of the Index where any Underlying Contract is subject to a Market Disruption Event. The calculation of Equivalent Holdings is set out in Section 3 (*Market Disruption Events*) of the Index Calculation section below.

**Equivalent Target Holdings**, in respect of an Index Business Day, are numbers which, if applied as Holdings to the Underlying Contracts of the Index, would perfectly describe what the performance of the Index would have been if the Holdings of the Index were instead equal to the Target Holdings of the Index. Equivalent Target Holdings are determined in order to facilitate calculation of the Index where any Underlying Contract is subject to a Market Disruption Event. The calculation of Equivalent Target Holdings is set out in Section 3 (*Market Disruption Events*) of the Index Calculation section below.

**Expiration**, is the date established by relevant Trading Facility for each Contract and is typically the date on which trading on that particular Contract ceases.

The **First Notice Date**, is established for each Contract by the relevant Trading Facility and is typically the first day on which notices of intent to deliver against futures market positions can be received.

The **Front Month Contract**, on an Index Business Day is the contract closest to Expiration but with First Notice Date succeeding the current Index Business Day for which a Settlement Price can be obtained.

**Holding**, in respect of a Component and an Index Business Day, is a number which is determined by the Index Calculation Agent as described in Section 2 (*Holdings Calculation*) of the Index Calculation section below. The Holding in respect of a Component is determined in order to calculate the daily Index Level and represents the proportionate effect on the Index Level of a change in the relevant Component level.

**Holdings Calculation Date**, is the Index Business Day on which the Target Holdings are periodically calculated in order to rebalance the Holding of each Component back to the specified Weights. The Holdings Calculation Date is the last Index Business Day of each calendar month and 6 May 2020.

**Index Business Days**, are the days in the Index Calendar.

**Index Calendar**, is the set of trading days of the NYSE Euronext Holiday schedule (<https://www.nyse.com/markets/hours-calendars>).

**Initial Index Level**, is 100.

**Index Level**, is the level of the Index that is calculated according to the relevant section of this Methodology.

**Index Start Date**, is 31 Jan 2006.

**Index Sponsor**, is Macquarie Bank Limited (Macquarie), the entity that calculates and publishes or announces (directly or through an agent) the daily level of the Index.

**Index Ticker**, is Excess Return – MQCP567E Index (Bloomberg).

**Settlement Prices**, are the prices, expressed in US dollars, published by the relevant exchange or trading facility and referred by them as the settlement price for that particular contract. If any Index Business Day is not a business day of the relevant exchange or trading facility, then the Settlement Price of that particular contract will be the most recent available price on the most recent business day of the relevant exchange or trading facility.

**Specified Holdings Calculation Dates**, are the Holdings Calculation Dates on 6 May 2020 and 29 May 2020.

**Target Holdings**, are a set of multipliers, derived from the Weights, which are utilized to rebalance the Components of the Index on each Holdings Calculation Date. Calculation of Target Holdings is described in Section 1 (*Holdings Calculation*) of the Index Calculation section below.

**Trading Facility**, means each regulated futures exchange, facility or platform on or through which the Contracts underlying an Index are traded.

The **Underlying Contracts**, in respect of an Index Business Day are all Contracts which are, directly or indirectly, an underlying of the Index or, if that Index Business Day is a Holdings Calculation Date, scheduled to be an underlying of the Index according to the methodology of that Index or that of its Components.



**Weights**, are the weights periodically established by the Weighting Methodology for each Component.

**Weighting Methodology**, on each Holdings Calculation Date other than the Specified Holdings Calculation Dates, the Weights of the Index, which are used to determine the Holdings of the Index in respect of each Holdings Calculation Date, shall be set according to the Table 1 from the Components definition. On the Specified Holdings Calculation Dates, the Weights for each of the following Components are set to zero (0):

1. *Macquarie Single Commodity Crude Oil (WTI) type A ER (MQSDCLER),*
2. *Macquarie Single Commodity Crude Oil (WTI) type B ER (MQSCCLER),*
3. *Macquarie Dynamic Pre/Post-Roll Crude Oil (WTI) Type A Index; Pre-Roll (-4, -3, -2), Post-Roll (10, 11) ER (MQDD1CL0) and*
4. *Macquarie Dynamic Pre/Post-Roll Crude Oil (WTI) Type B Index; Pre-Roll (-4, -3, -2), Post-Roll (10, 11) ER (MQDC1CL0),*

and the Weights for all other Components are set according to Table 1.

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## INDEX CALCULATION

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On a daily basis the Index replicates the returns obtained by holding a basket of Components (each a Single Commodity Index), the Weights of which are determined according to Weighting Methodology and rebalanced periodically according to Section 1 (*Holdings Calculation*) of this Index Calculation section. The following sections detail how the Index Calculation Agent will calculate the daily Index Levels of the Index.

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### SECTION 1: HOLDINGS CALCULATION

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On any Index Business Day,  $t$ , each Component  $i$  has a Holding,  $H_{i,t}$ , associated with it. This Holding represents the proportion in which the Index Level will change when the level of that Component changes. In this section, we outline the Holdings,  $\{H_{1,t}, \dots, H_{n,t}\}$ , calculations on any Index Business Day,  $t$ .

On the Holdings Calculation Date of the Index, the Holding of each Component  $i$ , is rebalanced in accordance with the Weighting Methodology.

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#### TARGET HOLDINGS CALCULATION ON A HOLDINGS CALCULATION DATE

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The calculation of the Target Holdings on a Holdings Calculation Date,  $R$ , requires as input the set of Weights in respect of that Holdings Calculation Date  $R$  and the Component Levels of the Components on the Holdings Calculations Date,  $R$ .

On any Holdings Calculation Date,  $R$ , let the Weight of each Component  $i$  be denoted by  $W_{i,R}$  so that  $\{W_{1,R}, \dots, W_{n,R}\}$  are the Weights of the  $n$  Components in the Index as determined by the Weighting Methodology of the Index in respect of the Holdings Calculation Date  $R$ . Analogously, let  $\{C_{1,R}, \dots, C_{n,R}\}$  be the set of Component Levels of the Components on the Holdings Calculation Date,  $R$ . The Index Target Holdings,  $\{TH_{1,R}, \dots, TH_{n,R}\}$ , for each of the  $n$  Components in the Index are calculated according to the formula below:

$$TH_{i,R} = I_R \times \frac{W_{i,R}}{C_{i,R}} \text{ for every Component } i = 1, \dots, n$$

where  $I_R$  is the Index Level on the Holdings Calculation Date  $R$ .

For example if, on the Index Business Day preceding a Holdings Calculation Date,  $R$ , the Index level is 100, the Component Level is 80 and the Weight of that Component is 40%, then the Target Holding of that Component in respect of that Holdings Calculation Date will be equal to  $100 \times (0.4) / 80 = 0.5$

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#### DAILY HOLDINGS CALCULATION

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On any Index Business Day,  $t$ , the set of Holdings  $\{H_{1,t}, \dots, H_{n,t}\}$  is calculated according to the following rule:

- (i) If  $t$  is the Index Business Day immediately following the Holdings Calculation Date  $R$ , the Holdings  $\{H_{1,t}, \dots, H_{n,t}\}$  are set equal to the Target Holdings  $\{TH_{1,R}, \dots, TH_{n,R}\}$  calculated on that Holdings Calculations Date.

- (ii) On any other Index Business Day,  $t$ , the Holding of each Component  $i$  on that day,  $H_{i,t}$ , is set to be equal to the Holding of that particular Component on the previous Index Business Day,  $H_{i,t-1}$ .

## SECTION 2: DAILY INDEX CALCULATION

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The Index represents the performance of a synthetic, unfunded exposure to the Underlying Contracts in an Index, that is, the Index tracks what an investor would receive if it purchased or sold the futures contracts ultimately underlying the Index without taking into consideration the cost of investment capital. On each Index Business Day,  $t$ , the Index level,  $I_t$ , is calculated (rounded to eight decimal places) based on the value of the Index on the preceding Index Business Day,  $I_{t-1}$ , and the change in level of each of the Components, according to the formula:

$$I_t = I_{t-1} + \sum_i H_{i,t} (C_{i,t} - C_{i,t-1})$$

where:

- $I_t$  is the Index Level on the close of Index Business Day  $t$ ;
- $H_{i,t}$  is the Holding of Component  $i$  on the Index Business Day  $t$ ;
- $C_{i,t}$  is the level of Component  $i$  on the Index Business Day  $t$ ;
- $t-1$  is the Index Business Day immediately preceding Index Business Day  $t$

The Index Start Date as well as the Initial Index Level, which is the value of the Index on the Index Start Date, are specified in the Definitions section above.

For example, if the Index were comprised of two components (instead of 13, for simplicity) which had the following Component levels:

	Component 1	Component 2
Index Business Day $t-1$	32.48	31.21
Index Business Day $t$	32.83	31.49

and the following Holdings:

	Holding
Component 1	1.72
Component 2	1.48

then if the Index Level on Index Business Day t-1 was equal to 102.0564, the Index Level on Index Business Day t will be equal to:

$$I_t = 102.0564 + 1.72 \times (32.83 - 32.48) + 1.48 \times (31.21 - 31.49) = 102.244$$

The Index Level on Business Day t would be 102.244.

## SECTION 3: MARKET DISRUPTION EVENTS

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The Index is ultimately comprised of a set of futures on physical commodities (the *Underlying Contracts*). On any given Index Business Day, disruptions can occur that prevent these Underlying Contracts from being traded. When this happens, it is necessary for the calculations of the Index to be adjusted so that it remains replicable by market participants i.e. adjustments must be made to the Index calculations to ensure that the Index Levels reflect futures prices that were attainable in the market at the times they would need to be traded in order to replicate the performance of the Index.

On a Holdings Calculation Date, this is generally achieved by delaying any changes to the composition of each Component (or component of a Component) that is directly dependent on the disrupted Underlying Contracts. On any other Index Business Day, given that the replication of the Index does not require trading of Underlying Contracts on such days, in the event that a price is not available for a particular Underlying Contract, that price will be appropriately substituted by the Index Calculation Agent in order for the calculations in respect of a particular Index Business Day to take place.

With respect to the calculation of the Index, a “Market Disruption Event” means the occurrence, in respect of one or more Underlying Contracts, of one or more of the following events, as determined by the Index Calculation Agent:

- (i) a failure by the relevant Trading Facility to report or announce a settlement price for an Underlying Contract;
- (ii) all trading in an Underlying Contract of the Index is suspended and does not recommence at least ten minutes prior to the actual closing time of the regular trading session;
- (iii) the settlement price published by the relevant Trading Facility for one (or more) Underlying Contracts is a “limit price”, which typically means that the Trading Facility published settlement price for such Contract for a trading day has increased or decreased from the previous trading day’s settlement price by the maximum amount permitted under applicable rules of the Trading Facility;
- (iv) any other event, if the Index Sponsor reasonably determines that the event materially interferes with the ability of market participants to hedge the Index;
- (v) the occurrence of a Market Disruption Event in respect of an Underlying Contract that shares the same Commodity.

The Index Calculation Agent will determine the Index Level under Market Disruption Events in accordance with the following section.

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### INDEX CALCULATION UNDER MARKET DISRUPTION EVENTS

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When a Market Disruption Event occurs or is continuing on a particular Index Business Day, the Index Calculation Agent will determine the basket of futures contracts that is equivalent to the basket of Components that the Index represents, in respect of that Index Business Day. Once this basket is determined, the Index Calculation Agent will make such adjustments as are necessary to ensure the Index Levels reflect contract prices that were attainable in the market at the times they would need to be traded in order to replicate the performance of the index, as described below.

If, on a Holdings Calculation Date  $R$ , a Market Disruption Event with respect to one or more Underlying Contracts occurs (such day, a “Disrupted Holdings Calculation Date” and each such Contract a “Disrupted Contract”), then the Index Calculation for subsequent Index Business Days, until the second consecutive non-disrupted Index Business Day, will be modified as follows:

- (i) As long as a Market Disruption Event that occurred or was continuing on the Holdings Calculation Date  $R$  is continuing, the Index Level will be calculated according to the following formula:

$$I_t = I_{t-1} + \sum_j H'_{j,t} (f_{j,t} - f_{j,t-1})$$

where

$H'_{j,t}$  is the Equivalent Holding for Underlying Contract  $j$  as calculated according to sub-paragraphs (ii)-(v) below

$f_{j,t}$  is the settlement price of Underlying Contract  $j$  as of the Index Business Day  $t$

- (ii) The Index Calculation Agent shall determine the Equivalent Holdings and the Equivalent Target Holdings with respect to the Index.

The Equivalent Holdings is the set of holdings  $\{H'_{1,R}, \dots, H'_{m,R}\}$  of Underlying Contracts  $\{F_1 \dots F_m\}$  which perfectly describes the returns of the Index in the time period from the immediately preceding Holdings Calculation Date to the Holdings Calculation Date  $R$ .

The Equivalent Target Holdings is a set of target holdings  $\{TH'_{1,t}, \dots, TH'_{m,t}\}$  for the Underlying Contracts, which perfectly describes the returns of the Index on the days following the Disrupted Holdings Calculation Date and until the first subsequent Holdings Calculation Date.

The Equivalent Holdings and the Equivalent Target Holdings shall be determined for all Underlying Contracts, therefore some  $H'_{j,t}$  and/or  $TH'_{j,t}$  may have a value of 0.

- (iii) On the Index Business Day immediately following a Disrupted Holdings Calculation Date and until all Market Disruption Events that occurred on the Disrupted Holdings Calculation Date have ceased, the Equivalent Holdings  $\{H'_{1,t}, \dots, H'_{m,t}\}$  are calculated based on the following formula:

$$H'_{j,t} = TH'_{j,R} + SCH_{j,t}$$

where:

$TH'_{j,R}$  means the Equivalent Target Holding of Contract  $j$  on Holdings Calculation Date  $R$

$SCH_{j,t}$  means  $\begin{cases} H'_{j,t-1} - TH'_{j,R} & \text{if } j \text{ is a Disrupted Contract; or} \\ 0 & \text{otherwise} \end{cases}$

$H'_{j,t-1}$  means the Equivalent Holding of Contract  $j$  on Index Business Day  $t-1$

- (iv) For each Disrupted Contract  $j$ , the Equivalent Holding  $H'_{j,t}$  shall be equal to the Equivalent Target Holding  $TH'_{j,t}$  on the first Index Business Day following a Disrupted Holdings Calculation Date on which no Market Disruption Event in respect of that Contract  $j$  occurs or is continuing. If a Market Disruption Event continues for more than 5 Index Business Days following a Disrupted Holdings Calculation Date, the Index Calculation Agent shall, in good faith, determine the levels of each Disrupted Component  $j$  that will be used in the calculation of Holdings and Index Levels.
- (v) For each Underlying Contract that is not a Disrupted Contract, the Holding  $H_{j,t}$  on the Index Business Day immediately following the Disrupted Holdings Calculation Date shall be the Equivalent Target Holding.
- (vi) On the second consecutive non-disrupted Index Business Day immediately following a Disrupted Holdings Calculation Date, the Index Calculation Agent will resume calculation of the Index in accordance with section 2.

Further explanation of Holdings and Equivalent Holdings:

In respect of any given Index Business Day, the Index is represented as a basket of its Components with a Holding in respect of each Component determined on the immediately preceding Holdings Calculation Date according to the Holdings Calculation section above. For the purposes of determination of whether disruption to futures trading affects the Index, however, the Holdings of the Index must instead be expressed in terms of the futures contracts that ultimately underlie the Index. As the Index is a linear basket of its Components, and because the same holds true of all components of those Components, (whether they themselves are futures or indices), it is possible to work through the Holdings of the Index, and, by ultimately breaking down each index to the futures contracts that comprise it, determine a new set of Holdings that, in respect of that Index Business Day, exactly represents the composition of the Index in terms of its Underlying Contracts.

## CONTACTS

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