

# Macquarie Iron Ore Quarterly Roll Index

**Index Manual  
January 2020**

## IMPORTANT INFORMATION

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### BASIS OF PROVISION

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This document (the **Index Manual**) sets out the rules for the Macquarie Iron Ore Quarterly Roll Index (the **Index**) and reflects the methodology for determining the composition and calculation of the Index (the **Methodology**).

The Annex sets out where to obtain the index manuals for each of the Components of the Index (the **Component Indices**) and reflects the methodology for determining the composition and calculation of the relevant Component (each, a **Component Index Methodology**).

The Methodology and the Index derived from this Methodology and the Component Index Methodologies and the Component Indices derived from the Component Index Methodologies are the exclusive property of Macquarie Bank Limited (the **Index Administrator**). The Index Administrator owns the copyright and all other rights to the Index and the Component Indices. They have been provided to you solely for your internal use and you may not, without the prior written consent of the Index Administrator, distribute, reproduce, in whole or in part, summarize, quote from or otherwise publicly refer to the contents of the Methodology or a Component Index Methodology or use any of them as the basis of any financial instrument.

### SUITABILITY OF INDEX

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The Index, the Component Indices and any financial instruments based on the Index or the Component Indices 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.

**This Index Manual assumes the reader is a sophisticated financial market participant, with the knowledge and expertise to understand the financial mathematics and derived pricing formulae, as well as the trading concepts, described herein. Any financial instrument based on the Index or the Component Indices is unsuitable for a retail or unsophisticated investor.**

### HISTORICAL DATA

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The Index has been calculated since the Index Live Date but historical levels have been produced by a back-test process from the Index Start Date. For more information, see Section 7.3 (*Historical Values of the Index*).

## RISK FACTORS

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See the risk factors relating to Macquarie indices in the document headed “Macquarie Indices – Risk Factors” provided to you with this Index Manual (the *Risk Factors*). Investors should note in particular the following sections of the Risk Factors: Part 1 (General Risk Factors), Part 2.2 (Commodity Indices) and Part 2.3 (Single Futures Indices). A copy of the Risk Factors may be obtained free of charge upon request to the Index Administrator.

## CONFLICTS AND USE OF DISCRETION

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For operational reasons the Index or the Component Indices may, in limited circumstances, permit the exercise of discretion by the Index Calculation Agent (acting in good faith and in a commercially reasonable manner). For further information see Section 5.4 (*Discretion*).

For information on potential conflicts, see Section 6.3 (*Conflicts*).

## CESSATION OR MODIFICATION OF THE INDEX

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If you have been granted written consent by the Index Administrator to reference the Index or the Component Indices in any contract or financial instrument, you should include in such contract or financial instrument robust fallback provisions to deal with cessation or material modification of the Index or the Component Indices.

For information on corrections, changes and cessation of the Index or the Component Indices, see Section 5 (*Corrections, Changes, Cessation and Discretion*).

## DISCLAIMER OF LIABILITY

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The Methodology, and each Component Index Methodology, is published for information purposes only and does not create any legally binding obligation on the part of the Index Administrator, the Index Calculation Agent and/or their affiliates. This document is intended to provide a summary of the Index and the Component Indices it purports to describe. The Index Administrator expressly disclaims (to the fullest extent permitted by applicable law) all warranties (express, statutory or implied) regarding this document and the Methodology, each Component Methodology or the Index or each Component 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 Administrator and Index Calculation Agent do not warrant or guarantee the completeness or accuracy of the Index or the Component Indices or timeliness of calculations of any Index Level (or a Component Level) and do not warrant or guarantee the availability of any Index Level (or a Component Level) on any particular date or at any particular time. The Index Administrator and the Index Calculation Agent shall have no liability to any person for delays, omissions or interruptions in the delivery of any Index (or a Component Index), including as a result of the failure of prices to be published in respect of any Component, underlying Contract or any other reference value for any reason.

Although the Index Calculation Agent will obtain information concerning Components, Contracts and/or reference values from publicly available sources it believes to be reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made by the Index Administrator or the Index Calculation Agent as to the accuracy and completeness of information concerning any Index.

In particular, the Index Administrator and the Index Calculation Agent shall not be liable (whether in contract, tort or otherwise) for any losses (including direct, indirect, special, punitive or other damages (including loss of profits)) resulting from (i) any determination that a Market Disruption Event or Error has occurred or has not occurred, (ii) the timing relating to the determination that a Market Disruption Event or Error has occurred, or (iii) any actions taken or not taken by the Index Calculation Agent or the Index Administrator as a result of a determination that a Market Disruption Event or Error has occurred.

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## SECTION 1: OVERVIEW

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### 1.1 INTRODUCTION AND INDEX OBJECTIVE

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The Macquarie Iron Ore Quarterly Roll Index is designed as a rules based index that seeks to provide long exposure to Iron Ore, by investing in a basket of Iron Ore indices, defined herein as Components or Component Indices. The Components or Component Indices are defined more specifically in Section 4 (*Definitions*).

For a description of each of the Component Indices, including the Index objective of each such Component Index, please see the relevant Component Methodology (see Annex 1).

### 1.2 INDEX CALCULATION

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The Index, and each Component Index, is calculated and maintained by the Index Calculation Agent and supervised by the Index Administrator and the Index Oversight Committee, as described in Section 6 (*Oversight, Roles, Conflicts and Reviews*). All determinations with regard to the Index or a Component Index are made following the rules set out in this document, without discretion by the Index Administrator or the Index Calculation Agent, other than in the limited circumstances set out in this document – see Section 5 (*Corrections, Changes, Cessation and Discretion*) for further information.

The Index Level of the Index as of the Index Start Date is equal to the Initial Index Level. Thereafter, each Index Level is calculated as set out in Section 2 (*Index Calculation*). The Component Level of each of the Component Indices of the relevant Index Start Date is equal to the Initial Index Level of the relevant Component Indices, as defined in the relevant Component Methodology. Thereafter, each Component Level of each of the Component Indices is calculated, as set out in the relevant Component Methodology. See the Annex for details of where to find the Component Methodology.

The Index, and each Component Index, is not based upon submissions provided by third parties (or an affiliate of the Index Administrator or the Index Calculation Agent). The Index is based upon end-of-day settlement price data sourced from regulated markets and exchanges.

### 1.3 METHODOLOGY

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The Methodology for calculating the Index is described in Section 2 (*Index Calculation*).

## SECTION 2: INDEX CALCULATION

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On a daily basis the Index replicates the returns obtained by holding a basket of Components, the Weights of which are determined in accordance with the Weighting Methodology and rebalanced periodically according to Section 2.1 (*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.

### 2.1 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 set out in the Definitions section below.

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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 Index Business Day immediately preceding that 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  $\{C_{1,R-1}, \dots, C_{n,R-1}\}$  be the set of Component Levels of the Components on the Index Business Day immediately preceding 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:

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

Where  $I_{R-1}$  is the Index Level on the Index Business Day immediately preceding 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  $\{H_{1,t}, \dots, H_{n,t}\}$  for each of the  $n$  Components in the Index are calculated according to the formula below:

$$H_{i,t} = TH_{i,R} \text{ for every Component } i = 1, \dots, n$$

- (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,  $H_{i,t-1}$ .

## 2.2 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 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 below.

For example, if the Index were comprised of two components which had the following Component levels:

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

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 (or Component 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; or
- (iv) any other event, if the Index Administrator reasonably determines that the event materially interferes with the ability of market participants to hedge the Index.

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.

## SECTION 4: DEFINITIONS

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**Components or Component Indices:** The components specified in the table below:

Component	Bloomberg Ticker
Macquarie Single SGX Iron Ore 62% (SCO) Quarterly Roll 1 ER Index	MQSDIO1E
Macquarie Single SGX Iron Ore 62% (SCO) Quarterly Roll 2 ER Index	MQSDIO2E
Macquarie Single SGX Iron Ore 62% (SCO) Quarterly Roll 3 ER Index	MQSDIO3E

The Index Administrator will calculate the Component Level of each of these Components. The index methodologies of these Components can be found in the relevant Component Index Methodology.

**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 level for such Component on the most recent publication day.

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

**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 above.

**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 above.

**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 2.1 (*Holdings Calculation*) of the Index Calculation section above. 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 day of a given calendar month which is an Index Business Day for all of the underlying Components.

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

**Index Calendar** is the set of unique days constituted by each Index Business Day specified in any one of the underlying Components.

**Initial Index Level** is 100.

**Index Level** is the daily level of the Index, including the historic back-tested levels, that are calculated according to the relevant section of this Methodology and published under the Index Ticker.

**Index Live Date** is 24 January 2020.

**Index Start Date** is 30 April 2013.

**Index Administrator** 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 **MQSDSCOE** Index (Bloomberg).

**Trading Facility** means each regulated futures exchange, facility or platform on or through which the Contracts underlying the 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, the Weights of the Macquarie Iron Ore Quarterly Roll Index shall be set according to the table below:

<b>Component</b>	<b>Weight</b>
Macquarie Single SGX Iron Ore 62% (SCO) Quarterly Roll 1 ER Index	1/3
Macquarie Single SGX Iron Ore 62% (SCO) Quarterly Roll 2 ER Index	1/3
Macquarie Single SGX Iron Ore 62% (SCO) Quarterly Roll 3 ER Index	1/3

## SECTION 5: CORRECTIONS, CHANGES, CESSATION AND DISCRETION

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### 5.1 CORRECTIONS AND ERROR HANDLING

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#### 5.1.1 Errors

Where the Index Administrator or the Index Calculation Agent becomes aware of an Input Error or a Calculation Error (an **Error**), the cause of such error will be investigated and steps taken, to the extent practicable and within the control of the Index Calculation Agent, to prevent such errors from recurring.

If an Error is not corrected by 11.59pm, New York time, on the Index Publication Day following the occurrence of the Error, the Index Calculation Agent shall determine whether such Error affects any published Index Level or any Component Index Level (such Error, a **Material Error** and each affected Index Level or Component Index Level, an **Affected Index Level**).

**Input Error** means any error in input data that is detected by, or notified to, the Index Calculation Agent.

**Calculation Error** means any error in the implementation of the Methodology or arising in the Index calculation and dissemination process that is detected by or notified to the Index Calculation Agent.

#### 5.1.2 Notification of Errors

The Index Calculation Agent shall publish an announcement regarding the occurrence of any Material Error and any change to the Methodology (see Section 5.2 (*Changes in Methodology*)).

#### 5.1.3 Restatement of Index Levels

The Index Calculation Agent will restate any Affected Index Level resulting from a Material Error in the following circumstances:

- (1) in respect of a Material Error that is an Input Error:
  - (i) if the Index Calculation Agent becomes aware of such Input Error within 2 Index Publication Days of publication of the relevant Affected Index Level; or
  - (ii) otherwise, as determined by the Index Oversight Committee.
- (2) In respect of a Material Error that is a Calculation Error:
  - (i) if the Index Calculation Agent becomes aware of such Calculation Error prior within 30 calendar days following the Index Publication Day on which the first Affected Index Level was published; or
  - (ii) otherwise, as determined by the Index Oversight Committee.

## 5.2 CHANGES IN METHODOLOGY

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Various factors, including external factors beyond the control of the Index Administrator, might necessitate material changes to an Index. 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 Administrator may amend the Methodology at any time if the change is (i) of a formal, minor or technical nature, (ii) to correct any manifest or proven error or (iii) where the Index Calculation Agent determines that such change is not materially prejudicial to investors in financial products (in respect of which the Index Administrator has given consent to refer to the Index).

In any other case, a change to the Methodology will be considered to be a material change and may only be made subject to the approval of the Index Oversight Committee. The Index Oversight Committee shall determine the implementation timeline for such change and the timing for notification of such change to investors (which shall generally be at least 30 calendar days prior to implementation, but may be shorter if the Index Oversight Committee so determines), which the Index Administrator will communicate to investors by email.

## 5.3 CESSATION OF INDEX

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The Index Administrator may withdraw the Index, at any time and without notice, if no financial instruments (in respect of which Macquarie Bank Limited has given consent to refer to the Index) are outstanding. The Index Administrator may, in any case (subject to the approval of the Index Oversight Committee), withdraw the Index, without reason, provided that either (i) it notifies all investors in financial instruments (in respect of which Macquarie Bank Limited has given consent to refer to the Index) of its intention to do so at least 30 calendar days prior to cessation of calculation and publication of the Index or (ii) all investors in financial instruments (in respect of which Macquarie Bank Limited has given consent to refer to the Index) have agreed to the cessation of the Index and the date of such cessation.

## 5.4 DISCRETION

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In order to ensure continuity, the methodology of this Index permits the exercise of discretion or expert judgement in certain limited circumstances as set out in this Index Manual - see the following section:

- Section 3 (*Market Disruption Events*); and
- Section 5 (*Corrections, Changes, Cessation and Discretion*).

The Index Calculation Agent or the Index Oversight Committee may also exercise discretion in the administration of the Index if an event or circumstance arises in respect of which there is no fallback provided for in the methodology of this Index and which the Index Calculation Agent or Index Oversight Committee determines prevents the Index Calculation Agent from determining the Index in the normal manner, constitutes a market disruption under the relevant Index Manual or the exercise of expert judgement or discretion is otherwise appropriate in the circumstances.

The Index Calculation Agent or the Index Oversight Committee may exercise any such discretion or expert judgement acting in good faith and in a commercially reasonable manner. Any exercise of discretion or expert judgement that the Index Calculation Agent determines will have a material effect on the Index

shall be subject to the approval of the Index Oversight Committee.

## SECTION 6: OVERSIGHT, ROLES AND CONFLICTS

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### 6.1 INDEX GOVERNANCE

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The Index Administrator has established an independent oversight committee (the **Index Oversight Committee**) to review and oversee management of the Index and resolve any issues that arise. As of the date of this document, the Index 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 Index Oversight Committee is sufficiently knowledgeable about algorithmic indices and is required to act in good faith and in a commercially reasonable manner, provided that the Managing Director from the Commodities and Global Markets group will not be a voting member of the Committee, but shall act in an advisory capacity only. In giving approval to any adjustments made to the Index in accordance with this Index Manual, the Index Oversight Committee shall give due consideration to any equivalent decisions and actions taken by relevant trading venues or trade bodies.

The Index 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 Index 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 consideration or approval of any relevant Adjustment Events, Regulatory Events, Errors, exercises of discretion, changes to the Methodology, any contemplated cancellation of the Index and the resolution of any other issues which arise in relation to the Index.

### 6.2 INDEX ADMINISTRATOR AND INDEX CALCULATION AGENT

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#### 6.2.1 Index Administrator

Macquarie Bank Limited is the Index Administrator. Notwithstanding anything to the contrary, the Index Administrator 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.

## 6.2.2 Index Calculation Agent

The Index Calculation Agent is appointed by the Index Administrator to calculate and maintain each Index from and until such time that the Index Administrator 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 Index Oversight Committee.

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.

## 6.2.3 Relationship of the Index Administrator and the Index Calculation Agent

The Index Calculation Agent is appointed by the Index Administrator, subject to the approval of the Index Oversight Committee. While, as of the date of publication of these rules, both the Index Administrator and the Index Calculation Agent form part of Macquarie Bank Limited, they are independent teams within the bank and the 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 Administrator.

## 6.2.4 Not acting as a fiduciary

Neither the Index Administrator nor the Index Calculation Agent owes any duty of care or acts as agent of another person in respect of its respective obligations in relation to the Index as set out in this Index Manual.

## 6.3 CONFLICTS

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The Index and each Component Index is based on underlying assets, as described in the Methodology or the relevant Component Index Methodology. The Index Administrator and/or its affiliates actively trade these underlying assets and options on these underlying assets. The Index Administrator 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 assets or are linked to the performance of the Index. The Index Administrator and/or its affiliates may underwrite or issue other securities or financial instruments indexed to the Index, and the Index Administrator or its affiliates may license the 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 or a Component Index. The Index Administrator 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 Administrator may make a market in such instruments (or related derivatives), which may in extreme circumstances affect the levels of the Index or a Component Index described.

The Index Administrator and/or its affiliates, due to its participation in the underlying exchange option contracts, may at times be required by the London Metal Exchange (LME) rules to submit volatility assessments to the exchange for the purpose of enabling the LME to determine end-of-day exchange option settlement prices.

The Index Administrator, the Index Calculation Agent and the business unit which creates instruments linked to the Index are all businesses or entities of Macquarie. Steps have been taken to manage and mitigate the inherent conflicts of interest which result, including the establishment of separate reporting lines for the respective roles, establishment of an independent Index Oversight Committee and the implementation and enforcement of policies and procedures to ensure that appropriate controls are in place.

Certain activities conducted by the Index Administrator may conflict with interests of investors in the Index. Such activities could include (but are not limited to) providing or participating in competing products (such as financial instruments linked to the Index, a Component or a similar index or component) and hedging its exposure to the Index. The Index Administrator could receive substantial returns in respect of such activities, which will not be passed on to any investors in products linked to the Index; whereas the value of investments linked to the Index may decline. Any such activities conducted by the Index Administrator around the time of a rebalancing could adversely impact the performance of the Index and therefore the level of a concurrent rebalancing.

The Index Administrator may have access to information relating to the Index, a Component or investments linked to a Component. The Index Administrator is not obliged to use that information for the benefit of any person entering into products linked to the Index.

#### 8.4 REVIEWS

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The Index Administrator has procedures in place to review a sample of its Indices (which may not include this Index) on an annual basis (or more frequently, if it determines appropriate). In determining the sample of Indices to review, the Index Administrator may consider any factors, which may include a particularly negative performance as compared with expectation or a high volume of errors or restatements. The Index Administrator shall submit a report on its reviews to the Index Oversight Committee. If the Index Administrator determines that changes are required to a methodology, the Index Oversight Committee shall review the changes the reasons therefor. Any such changes approved by the Index Oversight Committee shall be implemented in accordance with Section 5.2 (*Changes in Methodology*).

## SECTION 7: GENERAL INFORMATION

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### 7.1 VALUATION AND CALCULATIONS

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The Index Calculation Agent shall, unless stated otherwise, perform all calculations in this Index Manual. It shall perform such calculations in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner. All such calculations shall be subject to the Index Calculation Agent's policies and procedures and will (in the absence of manifest error) be final, conclusive and binding. Neither the Index Calculation Agent nor the Index Administrator shall have any liability for errors or omissions made in good faith.

### 7.2 PUBLICATION OF INDEX LEVEL

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The publication of the Index Level and a Component Level by the Index Calculation Agent for an Index Publication Day follows a publication cycle which ends at the Publication Time for such day. Any Index Level or Component Level, as applicable, published before the Publication Time in respect of a day is indicative and may be restated up to and including the Publication Time.

In respect of an Index Publication Day, the Index Level or a Component Level as published by the Index Calculation Agent on the Bloomberg Ticker at the Publication Time for such day shall be the official Index Level or Component Level, as applicable, and shall in each case be final and binding (save for changes made pursuant to Section 5 (*Corrections, Changes, Cessation and Discretion*)). See Section 5.1.2 regarding the publication of Material Errors.

**Publication Time** means, in respect of an Index Publication Day, 23:59:59 (New York Time) on the Index Publication Day immediately following such Publication Business Day.

### 7.3 HISTORICAL VALUES OF THE INDEX

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Hypothetical back-tested historical values of the Index are not indicative of future performance. The Index Administrator 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.

## SECTION 8: NOTICES AND DISCLAIMERS

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### 8.1 REGULATORY STATUS

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This material is prepared and distributed in the UK by Macquarie Bank Limited, London Branch (MBLLB) and in the EEA member states (other than the UK) by Macquarie Bank International Limited (MBIL) where required. It is intended only for professional clients and eligible counterparties as defined in the rules of the Financial Conduct Authority. MBLLB is registered in England and Wales (Branch No: BR002678, Company No: FC018220, Firm Reference No: 170934). MBIL is incorporated and registered in England and Wales (Company No. 06309906, Firm Reference No. 471080). The registered office for MBLLB and MBIL is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD. MBLLB is authorized and regulated by the Australian Prudential Regulation Authority. Authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. MBIL is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### 8.2 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.

This document does not constitute a prospectus, offer, invitation or solicitation to buy or sell financial instruments and is not intended to provide the sole basis for any evaluation of the securities or any other financial instruments which may be discussed within, referred to or based upon the Index. Any offering or potential transaction that may be related to the Index will be made separately and subject to distinct documentation and in such case the information contained herein may be superseded in its entirety by such documentation in final form.

### 8.3 THIRD-PARTY DISCLAIMER

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The Index is not endorsed, sponsored or promoted by the issuer or administrator of any Component of underlying asset of any Component.

## ANNEX

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Please refer to the Macquarie Type 2 Single Commodity (USD) Indices manual available at: <http://www.macquarie.com/uk/corporate/trading-and-hedging/commodities/commodity-index-documentation> or, where Macquarie Bank Limited is not the index administrator of the Component, upon request.