

Vident Financial's Vident Core International Equity Index Semi-Annual Rebalance Review July 2017

Vident Financial, a principles-based index provider, undergoes semi-annual rebalance of their international equity index strategy.

Vident Core International Equity Index™ (VIEQX) is a principles-based international equity strategy designed to emphasize countries with favorable conditions for growth and what Vident believes to be high-quality companies trading at attractive valuations. VIEQX seeks to emphasize countries that are believed to have higher growth potential and lower fundamental risk.

Rebalance Goals:

The rules-driven objective semi-annual reviews ensure the index continues to accurately reflect Vident's principles-based methodology and form an essential component of the index management. The rebalance serves to identify changes in international market opportunities and diversify risk across emerging and developed countries and regions, helping to reduce country, currency and company concentration risks. Rebalance updates are driven by risk premia factors, seeking to return a portfolio of stocks and country allocations with what Vident believes to be faster growth potential, more productive populations and lower fundamental risks.

Outcomes of Current Rebalance

Current rebalance turnover was 34%, similar to historical rebalances. The largest drivers of allocation shifts were country valuations, changes in interest rates, and new stock selection opportunities. At the regional level, emerging markets gained in attractiveness and saw their allocation grow from 38% to 42%. Thailand, Hong Kong, Russia and Brazil were some of the emerging market countries increasing their allocations this rebalance. On the other side, Australia and the Netherlands were a couple of developed market countries which saw their allocations decrease this rebalance. These changes were driven by a number of factors but most notably by relative shifts in interest rates. At the sector level, this rebalance saw an increased allocation to the Technology sector, mostly likely due to an increased allocation to Asia. Finally, the average index company's factor score increased 33% through the rebalance.

About Vident Financial

Vident Financial develops and licenses transparent investment market solutions (indices and funds) based on a distinct philosophy and rigorous global research. Their investment strategies are founded upon sound principles that help identify environments where capital is going to thrive long-term. Many investment strategies are constructed by simply measuring single-factors such as a company's market capitalization or dividend yield. Vident's strategies are considered Systematic Active--measuring dozens of different factors (human productivity, economic freedom, quality leadership, etc.) embedded within multiple process layers. Such a systematic, rules-based strategy helps to avoid emotional decision-making biases as they identify companies who exhibit higher levels of principles. *Please visit www.videntfinancial.com for more information on Vident's indices.*

A link to the full methodology can be found [here](#).

All changes from this review will be implemented at the close of business Monday, July 31, 2017 and take effect from the start of trading on Tuesday, August 1, 2017.

Bloomberg is the source for all index data shown. The inception date of the VIEQX Index was 12/31/14. All information is provided for information purposes only.