



NEW ECONOMY INDEX

GUIDLINE

BETA
FINANCIAL TECHNOLOGIES

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1 INDEX INTRODUCTION

The BSBAMNR Index (“Index”) is a USD (the “Index Currency”) denominated index that uses a rule-based, quantitative, long only asset allocation strategy index. The Index is momentum based, it dynamically allocates across a diversified 16 Industry Portfolios. Each Industry Portfolio consist of up to 5 equally weighted Stock (the “Index Component”). Each Index Component is part of an Industry Portfolio. The weight of each Industry Portfolio is subject to a Basket Cap and a Basket Floor. The Index rebalances quarterly. The Index is Net Total Return with Decrement and reflects the weighted performance of the Index Components.

The Index rebalances quarterly over 5 Index Business Days after Index Selection Date

1 TERMS AND DEFINITIONS

For the purposes calculation of the New Economy Index Methodology (the "Methodology"), Index calculation agent uses the following terms and definitions:

| | |
|-------------------------------|--|
| Universe | the list of stocks established by Index Calculation Agent that participates in Index calculation process, and Universe updates annually; |
| Base Universe | is comprised of all stocks which fulfil the Index Universe Requirements set out in Section 2.1 and updates quarterly |
| Universe Formation Day | the day, on which the data is collected for the following Universe formation. |
| Stocks | Securities that signify proportionate ownership in the issuing corporation. This entitles the stockholder to that proportion of the corporation's assets and earnings; |
| Closing price | the price of a security at the end of the day's business on an Exchange; |
| Trading day | each day that is Index Business Day in respect of all Index Components presented in the Index |
| Exchange | is with respect to the Index and every Index Component, the respective Exchange where the Index Component has its primary listing |
| Index | measure that consists of weighted values of the Index Components that make up based on guideline and policies |
| Index Business Day | each day when all Exchanges are open for business in North America (Canada, Toronto; USA, New York), Western Europe (UK, London; France, Paris; Germany, Frankfurt; Italy, Milan; Switzerland, Zurich; Spain, Madrid) and Japan, Tokyo |
| Index Component | each security reflected in the Index |

| | |
|---------------------------------|--|
| FX rates | the fixed foreign exchange rates provided by the WM/Reuters Closing Spot Rates, taken at 4PM London time (WM Company) – for further information refer to Reuters or Bloomberg pages |
| Index Selection Date Sel | on Selection Day index composition and weights are revised, Index Selection Date k is 15 th Index Business Day (IBD) of each quarter |
| Index Rebalancing Date | 20 th Index Business Day of quarter which is 5 th days after Index Selection Day (k+5) such that all Exchanges are open for business in North America (Canada, Toronto; USA, New York), Western Europe (UK, London; France, Paris; Germany, Frankfurt; Italy, Milan; Switzerland, Zurich; Spain, Madrid) and Japan, Tokyo; |
| The Index Level | is the closing level of the Index in respect of the relevant Index Business Day |
| Index Basket | all financial securities presented in the Index after selection date |
| Basket Cap | is in respect to an Index Component the upper percentage weight of Industry Portfolio in the Index |
| Basket Floor | is in respect to an Index Component the lower percentage weight of Industry Portfolio in the Index |
| Industry Portfolio | Index Components which belong to the same industry in respect of Factset Industry Classification |
| Industry Basket | Group of Industry Portfolios specified in the table in Section 2.1 |
| Index Industry Universe | stocks used in Index Base Universe are from certain industries see Table (1.1) |

| s | Industry | Sector |
|----|---------------------------------|-----------------------|
| 1 | Information Technology Services | Technology Services |
| 2 | Packaged Software | Technology Services |
| 3 | Internet Software/Services | Technology Services |
| 4 | Pharmaceuticals: Major | Health Technology |
| 5 | Pharmaceuticals: Generic | Health Technology |
| 6 | Medical Specialties | Health Technology |
| 7 | Alternative Power Generation | Utilities |
| 8 | Water Utilities | Utilities |
| 9 | Precious Metals | Non-Energy Minerals |
| 10 | Regional Banks | Finance |
| 11 | Investment Banks/Brokers | Finance |
| 12 | Aerospace & Defense | Electronic Technology |
| 13 | Cable/Satellite TV | Consumer Services |
| 14 | Internet Retail | Retail Trade |
| 15 | Major Telecommunications | Communications |
| 16 | Food: Meat/Fish/Dairy | Consumer Non-Durables |

Initial Start Date 28 July 2014

Index Start Level 100

- 1.1 The index calculated in accordance with this Methodology has the following names and codes:

| Ticker | Name | RIC | ISIN | Currency | Rebalancing |
|---------|---------------------------------------|----------|--------------|----------|-------------|
| BSBAMNR | New Economy Index/ Новая Экономика | .BSBAMNR | RU000A102YZ7 | USD | Quarterly |

- 1.2 Terms not specifically defined in this Methodology shall be used in meanings established by other internal documents of the Exchange, as well as laws and other regulatory acts of the Bank of Russia.
- 1.3 This Methodology, as well as all amendments and supplements thereto, are approved by the Index calculation agent and become effective on a date determined by the company. Amendments and additions to the Methodology may be made no more than once a quarter.

2 INDEX UNIVERSE REQUIREMENTS AND ADJUSTMENTS

Each Industry Portfolio weight is subject to an “Basket Cap” to a “Basket Floor”. Each Industry Component is subject to an Index Component Cap and Floor. The Caps and Floors have been chosen to allow the Index to allocate across the different Industry Portfolios with conviction while aiming to be diversified. Note that Index Components within each Industry Portfolio are equally weighted. The sum of all Index Component weights within each Industry Portfolio as well as the sum of all Industry Portfolios weights should equal to 100%.

2.1 INDEX UNIVERSE REQUIREMENTS are based **on** the following criteria:

- 2.1.1 The Companies’ countries of domicile are: North America (Canada, USA), Western Europe (UK, France, Germany, Italy, Switzerland, Spain) and Japan
- 2.1.2 Stock price of the issuer: > 5 (USD)
- 2.1.3 Stock Average Daily Trading Volume (ADTV) for last 20 days > 50 mln. (USD)
- 2.1.4 Market capitalization of the issuer: \geq 2.5 bn. (USD)

2.1.5 For companies with more than one share line, only the share line with prime equity listing (determined by Factset Inc) Market Capitalisation as of the Selection Day is included in the Index Universe

2.1.6 Description of Index Components that the Index can select from **Table (2.1)**:

| Group | s | Industry | Sector | Max # Stocks | Basket Floor | Basket Cap |
|-------------|----|------------------------------|-----------------------|--------------|--------------|------------|
| Tech | 1 | Information Technology | Technology Services | 5 | 2.5% | 15% |
| | 2 | Packaged Software | Technology Services | 5 | 2.5% | 15% |
| | 3 | Internet Software/Services | Technology Services | 5 | 2.5% | 20% |
| Health Tech | 4 | Pharmaceuticals: Major | Health Technology | 5 | 2.5% | 20% |
| | 5 | Pharmaceuticals: Generic | Health Technology | 5 | 2.5% | 15% |
| | 6 | Medical Specialties | Health Technology | 5 | 2.5% | 20% |
| Value | 7 | Alternative Power Generation | Utilities | 5 | 2.5% | 30% |
| | 8 | Water Utilities | Utilities | 5 | 2.5% | 15% |
| | 9 | Precious Metals | Non-Energy Minerals | 5 | 2.5% | 30% |
| | 10 | Regional Banks | Finance | 5 | 2.5% | 20% |
| | 11 | Investment Banks/Brokers | Finance | 5 | 2.5% | 20% |
| | 12 | Aerospace & Defense | Electronic Technology | 5 | 2.5% | 20% |
| Consumer | 13 | Cable/Satellite TV | Consumer Services | 5 | 2.5% | 10% |
| | 14 | Internet Retail | Retail Trade | 5 | 2.5% | 25% |
| | 15 | Major Telecommunications | Communications | 5 | 2.5% | 10% |
| | 16 | Food: Meat/Fish/Dairy | Consumer Non-Durables | 5 | 2.5% | 25% |

2.2 The determination of the Universe is fully rule-based and the Calculation Agent cannot make any discretionary decisions

2.3 The Universe is updated annually to consider any material changes including corporate events and IPOs

2.4 The Stocks are included in the Index and excluded from the Index during quarterly Index rebalancing.

2.5 Corporate events and markets disruption Calculation Agent calculates its indices following predefined algorithm of actions described in Index Management Policy and Corporate Actions Policy. Corporate event may cause change of Index Base Universe and described below:

- (i) Spin-Offs - all securities created as a result of the spin-off of an existing Index

constituent will be added to the Index at the time of event implementation. Re-evaluation for continued inclusion in the Index will occur at the subsequent Review.

- (ii) For Mergers and Acquisitions, the acquirer’s post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.
- (iii) Acquisitions by non-indexed companies of a participating company - if an existing Index participant is acquired by an outside company, the existing participant is excluded from the Index while the acquiring company is not added to it.
- (iv) Changes in the characteristics of companies - the company remains an integral part of the index if there are changes in characteristics (country, industry, etc.) Reassessment for further inclusion in the Index will be carried out during the next Universe revision.

3 INDEX CALCULATION

The Index allocates dynamically across the 16 different Industry Portfolios with a maximum of 80 Stocks (each, an “Index Component”). Each Index Component is selected based on Z score, which is a combination of seven fundamental Factors specified in Table 3.2.

The 80 stocks with the highest Z score are selected. 5 stocks from each Industry are selected. If less than 80 stocks are available for selection, all available stocks are retained.

Fundamental factors (Factor) Table (3.2)

| i | Factor | α_i Weight of Factor in Z-score |
|---|---------------------------------|--|
| 1 | Free Cash Flow to Equity (FCFE) | 24% |
| 2 | Market capitalization (CAP) | 20% |
| 3 | Debt to Assets (DA) | 12% |
| 4 | Operating Margin (OM) | 10% |
| 5 | Price To Book Value | 12% |
| 6 | Price To Earnings (PE) | 10% |
| 7 | Price To Sales (PSALES) | 12% |

3.1 Fundamental Factors data source is Factset Inc Quarter Fundamentals.

3.2 Z score is composed of gathered fundamental Factors:

$$(1.1) \text{ Z score} = \sum_{i=1}^7 \alpha_i * \text{Factor}_i$$

Z score Score to rank stocks in each Industry Basket from Universe

Factor_i Stocks fundamental factor i in accordance to Table (3.2)

α_i Weight of i Factor in accordance to Table (3.2)

3.3 Each Industry basket is consisting of maximum 5 and minimum 1 stock with top Z score.

4 Index Level calculation

4.1 The Performance of the Index over the relevant Observation Period is calculated in accordance with the following formula:

$$(1.2) \text{ Index}_t = \text{Index}_{t-1} * \left(1 + \left(\frac{NI_t}{NI_{t-1}} - 1 \right) \right)$$

Index_t Index level in respect of Index Business Day t

Index_{t-1} The Index Level at Index Business Day t-1

NI_t Net Index level at Index Business Day t

NI_{t-1} Net Index level at Index Business Day t-1

Net Index Level calculation

In respect to each Index Business Day t following the Index Start Day other than a Rebalancing Date Net Index Level is calculated according to formula

$$NI_o = 100$$

$$(1.3) NI_t = NI_{t-1} * \left(1 + \left(\frac{PRI}{PRI_{t-1}} - 1 \right) - Dec * \frac{Nday_{t-1,t}}{365} + \sum_{j=1}^N W_{j,t} * D_{j,t} \right)$$

NI_t Net Index Level at Index Business Date t

NI_{t-1} Net Index Level at Index Business Date t-1

Dec Decrement 1%

| | |
|----------------------------------|--|
| PRI_t | Price Return Index level at Index Business Date t |
| PRI_{t-1} | Price Return Index level at Index Business Date t-1 |
| $D_{j,t}$ | net dividend yield of Index Component j at Index Business Date t |
| $w_{j,t}$ | weight of Index Component j in the Index at Index Business Date t |
| $Nday_{t-1,t}$ | Number of calendar days from but excluding Index Business Day t-1 to and including Index Business Date t |
| N | Number of Index Components in Index Basket with reference to section 3.1 |

4.2 Dividends are reinvested into entire index. Please refer to Dividends Reinvestment policy on [website](#)

Weight of Index Component at any date in the Index formula:

$$(1.4) \quad w_{j,t} = IBW_{i, Sel(k)} * \frac{1}{N_{i, Sel(k)}} * \frac{PR_{j,t}}{PR_{j, Sel(k)+5}}$$

| | |
|--------------------------------------|--|
| $IBW_{i, Sel(k)}$ | Industry Portfolio i weight at at Index Selection Date k |
| $PR_{j,t}$ | Level of Price Return of Index Component j at Index Business Date t |
| $PR_{j, Sel(k)+5}$ | Level of Price Return of Index Component j 5 Index Business Days After Index Selection Date k |
| $N_{i, Sel(k)}$ | Number of Index Components in Industry portfolio i with reference to section 3.1 at Index Selection Date (k) |

Net dividend yield formula:

$$(1.5) \quad D_{j,t} = DivCash_{j,t} * \frac{1 - TaxRate_j}{P_{j,t-1}}$$

| | |
|-----------------------------------|---|
| $P_{j,t-1}$ | Closing Price level of Index Component j at Index Business Date t-1 |
| $DivCash_{j,t}$ | cash dividend paid by Index Component j at Index Business Date t |

TaxRate_j Withholding Tax Rate for the Index Component j in compliance with [Dividends Reinvestment Policy](#)

4.3 Industry Baskets Level Calculation Formula between Selection and Rebalancing Dates Sel(k)+3<t<Sel(k)

$$IBL_o = 100$$

$$(1.6) \quad PRI_t = PRI_{Sel(k)+5} * (\sum_{i=1}^s IBW_{i,Sel(k)-1}) * \frac{1}{N_{i,Sel(k)-1}} * \left(\sum_{j=1}^N \frac{PR_{j,t}}{PR_{j,Sel(k)+5}} \right)$$

PRI_t Price Return Index level at Index Business Date t

PRI_{Sel(k)+5} Level of Price Return of Index Component j 5 days after Index Selection Date k

IBW_{i,Sel(k)-1} Industry portfolio weight i at date immediately preceding Index Selection Date k

N_{i,Sel(k)} Number of Index Components in Industry portfolio i with reference to section 3.1 at date immediately preceding Index Selection Date k

PR_{j,t} Level of Price Return of Index Component j at Index Business Date t

PR_{j,Sel(k)+5} Level of Price Return of Index Component j 5 Index Business Days After Index Selection Date k

N Number of Index Components in Industry portfolio i with reference to section 3.1

s Number of Industry portfolios in the Industry Basket with reference to table 2.1

Sel(k) the date immediately preceding Index Selection Date (k)

Price Return of Index Component calculation formula:

$$(1.7) \quad PR_{j,t} = PR_{j,t-1} * \left(1 + \left(\frac{CCL_{j,t}}{CCL_{j,t-1}} - 1 \right) - DF_t \right)$$

PR_{j,t-1} Level of Price Return of Index Component j at Index Business

Date t-1

| | |
|----------------|---|
| $CCL_{j,t}$ | Index Component j closing level at Index Business Date t |
| $CCL_{j,t-1}$ | Index Component j closing level at Index Business Date t-1 |
| DF_t | Dividend Factor-fixed dividend. fixed dividend calculation formula: $DF_t = 0.025 * \frac{Nday_{t-1,t}}{365}$ |
| $Nday_{t-1,t}$ | Number of calendar days from but excluding Index Business Day t-1 to and including Index Business Date t |

Index Component Closing Level formula:

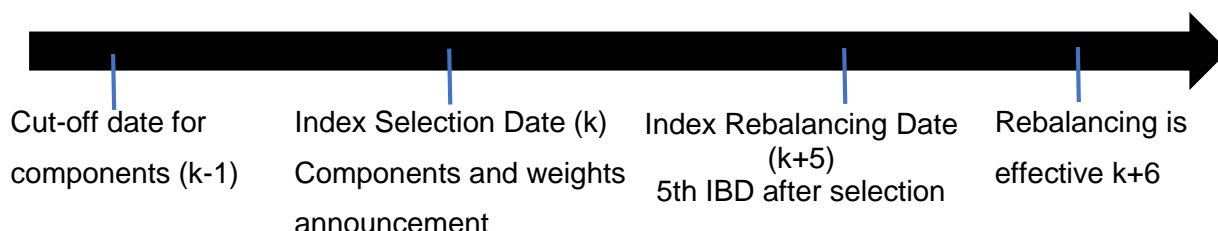
(1.8) $CCL_{i,t} = P_{i,t} * FX_t$

| | |
|-------------|---|
| $CCL_{i,t}$ | Index Component i closing level in at Index Business Date t |
| $P_{i,t}$ | Price of Index Component i in local currency at Index Business Date t |
| FX_t | FX closing rate from local index component currency into USD in accordance to section Terms and Definitions |

5 REBALANCE

5.1 Index Review

The Index Components and weighting are reviewed on a regular basis to ensure a transparent and up-to-date index basket. The actual implementation (“the rebalancing”) is usually conducted at 20th Index Business Day of quarter. Index Rebalancing Date is in 5 Index Business Days after Index Selection Date k. For quarters Calculation agent use March, June, September and December convention.



5.2 On each Index Selection Date Calculation Agent will revise the composition and weights of Index Components. The selection of the Index Components is fully rule-based and the Index

Calculation Agent has no discretion.

An Index Selection Date is triggered on a quarterly basis, three days before the last Index Business Date of quarter.

Index Rebalancing Date is the day after Index Selection Date, such that all Exchanges are open for Business.

- 5.3 For each Index Component and each Observation Period, the following will be computed on the quarterly Selection Date Sel(k)

Price Return of Index Component j during observation period 60 days

$$(1.9) \quad \mathbf{Ret}_{j, Sel(k)} = \frac{PR_{j, Sel(k)}}{PR_{j, Sel(k-60)}}$$

The Performance of Industry Portfolio over relevant Observation Period (60 days) calculated in accordance to formula

$$(1.10) \quad \mathbf{IPR}_{i, Sel(k)}^{Observ} = \mathbf{IBW}_{i, Sel(k)}^{Observ} * \sum_{j=1}^N \frac{1}{N_{i, Sel(k)}} * \mathbf{Ret}_{j, Sel(k)}$$

$\mathbf{IPR}_{i, Sel(k)}^{Observ}$ Performance of Industry Portfolio i over observation period of 60 days

$\mathbf{IBW}_{i, Sel(k)}$ Industry portfolio weight i over observation period as of Index Selection Date k

$N_{i, Sel(k)}$ Number of Index Components in Industry portfolio i with reference to section 3.1 at Index Selection Date k

Momentum Optimization of Industry Basket weights

- 5.4 On Rebalancing Date k and for the Observation Period (60 working days) the optimiser selects Industry Basket Weights such that the Basket has the highest return and variance within Industry Basket Variance Range (the “Variance Range”). Variance Range is 1% from beginning level of 10%.

- 5.5 If there are no Industry Basket Weights corresponding to the above established rules, then the Variance Range will be relaxed by increments of 0.25% until Industry Basket Weights are found.

5.6 Industry Basket k for the relevant Variance Observation is defined as of follow

$$(1.11) \mathbf{var}_{Sel(k)} = \sum_{i,j=1}^n IBW_{i,Sel(k)} * IBW_{j,Sel(k)} * Cov_{i,j}$$

$\mathbf{var}_{Sel(k)}$ Variance of Industry Baskets at Index Selection Date k

$IBW_{i,Sel(k)}$ Weight of Industry Portfolio *i* at Index Selection Date k

$IBW_{j,Sel(k)}$ Weight of Industry Portfolio *j* at Index Selection Date k

n Number of Industry portfolios included in Industry Basket

$Cov_{i,j}$ Annualized co-variance between Industry portfolio *i* and Industry portfolio *j* over observation period L calculated with the following formula:

$$(1.12) Cov_{i,j} = \frac{252}{(L-1)} \sum_{t=0}^{L-1} \left(\left(\left(\frac{IPR_{i,t}}{IPR_{i,t-1}} - 1 \right) - \bar{R}_i \right) * \left(\left(\frac{IPR_{j,t}}{IPR_{j,t-1}} - 1 \right) - \bar{R}_j \right) \right)$$

with

$$(1.13) \bar{R}_i = \frac{1}{L} * \sum_{t=0}^{L-1} \left(\frac{IPR_{i,t}}{IPR_{i,t-1}} - 1 \right)$$

$$(1.14) IPR_{i,t} = IPR_{i,t-1} * \left(1 + \left(\frac{IPL_{j,t}}{IPL_{j,t-1}} - 1 \right) \right)$$

$$(1.15) IPL_{i,t} = IBW_{i,Sel(k)} * \frac{1}{N_{i,Sel(k)}} * \sum_{j=1}^N \frac{PR_{j,t}}{PR_{j,Sel(k)+5}}$$

$IBW_{i,Sel(k)}$ Industry Portfolio weight *i* at Index Selection Date k

$N_{i,Sel(k)}$ Number of Index Components in Industry portfolio *i* with reference to section 3.1 at Index Selection Date k

$PR_{j,t}$ Level of Price Return of Index Component *j* at Index Business Date *t*

$PR_{j,Sel(k)+3}$ Level of Price Return of Index Component *j* 3 Index Business Days After Index Selection Date k

$IPR_{i,t}$ return of Industry Portfolio *i* at Index Business Date *t*

$IPR_{i,t-1}$ return of Industry Portfolio *i* at Index Business Date *t* - 1

$IPL_{i,t}$ level of Industry Portfolio *i* at Index Business Date *t*

| | |
|---------------|--|
| $IPL_{i,t-1}$ | level of Industry Portfolio i at Index Business Date t - 1 |
| L | Length of the relevant Variance Observation period and is equal to 60 Index business days |
| t | Each Index Business Day within the relevant Variance Observation period |
| \bar{R}_i | Average return of Industry Basket i in respect of observation period of 60 Index Business Days |
| \bar{R}_j | Average return of Industry Basket j in respect of observation period of 60 Index Business Days |

6 INFORMATION DISCLOSURE

- 6.1 Disclosure of information stipulated by the Methodology is carried out on the page of Index calculation agent in the Internet at the address: (hereinafter referred to as the "official site").
- 6.2 The text of the Methodology is disclosed on the official website one week after it becomes effective, unless otherwise specified by the decision of Index Calculation Agent.
- 6.3 Information on Index values is disclosed not later than 11:00 A.M. of Moscow time next Trading day.
- 6.4 Information messages about the next revision of the Universe shall be disclosed on the official website one week after the decision of Index calculation agent to approve the new Universe comes into effect.
- 6.5 Information messages on the extraordinary revision of the Universe shall be disclosed on the official website one day after the effective date of the decision of Index calculation agent to approve the new Universe.
- 6.6 Information subject to disclosure on the official website in accordance with this Methodology may be additionally distributed by other means, including news agencies

that distribute data on securities trading on the Exchange.

- 6.7 The application by the Index Calculator of the method described in this document is final and binding. The Index Calculator shall apply the method described above for the composition and calculation of the Index. However, it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. In such cases the Index Calculation Agent may make changes to the terms and conditions of the Index and the method applied to calculate the Index that it deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Calculation Agent is obliged to provide information on any such modifications or changes to the Index Calculator.