MARKET CONSULTATION SOLACTIVE XP INDICES DE COMMODITIES VT 15% | CHANGE IN RETURN TYPE FOR EXPOSURE DETERMINATION

18 October 2022

Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to changing the Index Methodology of the following index (the Index):

NAME	RIC	ISIN
Solactive XP Índice de Commodities VT 15%	.SOLXPCOM	DE000SL0B2D2

Rationale for the Market Consultation

The Index is a Volatility Target index with one index component (INVESCO OPTIMUM YIELD DIVERSIFIED COMMODITY STRATEGY ETF with BBG Ticker PDBC UQ Equity and RIC PDBC.OQ).

The exposure the Index has to the index component is currently calculated based on the net total return version of the index component. This includes tax effects (with the withholding tax), which does not correctly reflect the actual performance of the index component. The determination of the exposure is hence slightly distorted by using the net return version. Solactive has therefore decided to consult the market in order get feedback on the plan to replace the net return version of the index component by its gross total return version to determine the exposure the Index has to the risk asset.

Proposed Change to the Index Guideline

The following Methodology change is proposed in the following point of the Index Guideline:

Section 3.1 (Index Formula)

From (old version):

"[…]

The realized variance on each CALCULATION DAY t following (and including) the VOLATILITY START DATE is calculated according to the following formula:

$$realVar_t = max(VarLong_t, VarShort_t)$$

Where $VarLong_t$ (the long-term variance) and $VarShort_t$ (the short-term variance) are calculated on each CALCULATION DAY t following (and including) the VOLATILITY START DATE:

$$VarLong_t = \frac{252}{59} * \sum_{i=0}^{59} \left(ln\left(\frac{UC1_{t-i}}{UC1_{t-i-1}}\right) - \frac{1}{60}\sum_{j=0}^{59} ln\left(\frac{UC1_{t-i}}{UC1_{t-i-1}}\right) \right)^2$$

$$VarShort_t = \frac{252}{19} * \sum_{i=0}^{19} \left(ln\left(\frac{UC1_{t-i}}{UC1_{t-i-1}}\right) - \frac{1}{20}\sum_{j=0}^{19} ln\left(\frac{UC1_{t-i}}{UC1_{t-i-1}}\right) \right)^2$$

[…]."

To (new version):

"[…]

The realized variance on each CALCULATION DAY t following (and including) the VOLATILITY START DATE is calculated according to the following formula:

$$realVar_t = max(VarLong_t, VarShort_t)$$

Where $VarLong_t$ (the long-term variance) and $VarShort_t$ (the short-term variance) are calculated on each CALCULATION DAY t following (and including) the VOLATILITY START DATE:

$$VarLong_t = \frac{252}{59} * \sum_{i=0}^{59} \left(ln\left(\frac{GTR_{t-i}}{GTR_{t-i-1}}\right) - \frac{1}{60}\sum_{j=0}^{59} ln\left(\frac{GTR_{t-i}}{GTR_{t-i-1}}\right) \right)^2$$

$$VarShort_t = \frac{252}{19} * \sum_{i=0}^{19} \left(ln\left(\frac{GTR_{t-i}}{GTR_{t-i-1}}\right) - \frac{1}{20}\sum_{j=0}^{19} ln\left(\frac{GTR_{t-i}}{GTR_{t-i-1}}\right) \right)^2$$

Where:

$$GTR1_t = GTR1_{t-1} * \left(\frac{CP1_t + div_t}{CP1_{t-1}}\right)$$

The GTR1 level is incepted as of 7th November 2014 with a level of 100.

[…]."

Feedback on the proposed changes

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.

Name	
Function	
Organization	
Email	
Phone	
Confidentiality (Y/N)	

Solactive is inviting all stakeholders and interested third parties to evaluate the proposed changes to the Methodology for the Solactive XP Índice de Commodities VT 15% and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.

Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until *31ˢᵗ October*

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *15ᵗʰ November.*

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation Solactive XP Índice de Commodities VT 15% | Change in return type for underlying index" as the subject of the email, or

via postal mail to: Solactive AG

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Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.

CONTACT

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