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REFINITIVTM

The Refinitiv logo, which is a blue stylized 'R' shape composed of two L-shaped elements: one on the left and one on the right, both pointing towards the bottom-right.

THOMSON REUTERS STAR- MINE AFFINITY WORLD LEADERS INDEX

Index Methodology

December 2017

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Intended Readership

This document provides details on the construction and maintenance of the Thomson Reuters StarMine Affinity World Leaders Index (the “Index”).

Feedback

Your questions about the document, suggestions, and contributions are welcome. Please address enquiries to: index_queries@thomsonreuters.com

Index Description

Thomson Reuters StarMine Affinity World Leaders Index is a highly selective business sector and region-neutral index derived from the Thomson Reuters Global Developed Index.

The Index has been created to serve investors seeking to invest across sectors in the developed country equities best positioned for future performance, without incurring excess risk through region or business sector bias. The securities in the Index are selected using a variety of StarMine metrics. The Index is denominated in US Dollars, and performance is available from March 31st, 2007.

Constituent Universe

Parent Index

The constituents' universe is derived from Thomson Reuters Global Developed Equity Index (the "Parent Index"). The Parent Index is a free float adjusted market capitalization weighted index. It is a broad market index including large, mid, small and certain micro caps, providing investors with exposure to stocks of the exchanges of the Parent Index countries. It has the following inclusion criteria:

- A minimum 15% free float (companies are dropped if free float falls below 10% after inclusion);
- A minimum of 6 months trading history;
- Companies with multiple international listings are included on the basis of country of headquarters, incorporation or primary economic activity;
- Various liquidity measures are used to ensure illiquid companies are not included in the index, and all constituents need to satisfy the following criteria:
 - Be part of the top 99.5% of the free float market capitalisation of the exchanges under consideration;
 - Be part of the top 99.5% of the trading value of the exchanges under consideration;
 - Trade on at least 90% of trading days; and
 - Have a minimum market cap of US\$150Mn and free float adjusted market cap of US\$75Mn

The Parent Index is rebalanced biannually every April and October.

For a complete description of the index rules, please refer to the methodology for Thomson Reuters Global Equity Indices, [here](#)

Thomson Reuters StarMine Affinity World Leaders Index

Candidates are restricted to those equities making up the top 85% of cumulative free float market capitalization. Security selection is limited to the following countries:

- Australia
- Austria
- Belgium
- Canada
- Denmark
- Finland
- France
- Germany
- Hong Kong
- Ireland
- Israel
- Italy
- Japan
- Netherlands
- New Zealand
- Norway
- Portugal
- Singapore
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States

The security selection process is based on a composite score composed of a weighted combination of StarMine factors such as the Analyst Revisions Model, Earnings Quality, Intrinsic Value, Relative Value and Price Momentum Rankings as well as proximity of current stock price to its 52 week high price. The top decile of each TRBC (Thomson Reuters Business Classification) sector and region (US/International) pairing becomes the Index. Each sector-region pairing within the Index is allocated the same weight as in the Parent Index. The Index uses an asymmetric rebalance rule such that securities are only added to the Index if they are in the top decile of their sector-region group at the rebalance date, and are removed from the Index only after they drop out of the top quartile for their sector-region group.

Calculation Methodology

The index follows the methodology of Thomson Reuters Global Equity Indices. For details on data requirement, construction and calculation methodology of Thomson Reuters Global Equity Indices, please refer to the Thomson Reuters Global Equity Indices Methodology document [here](#).

Maintenance

Daily Index Maintenance

The securities which form the Index are re-weighted daily as changes in the free float market capitalization of the underlying securities change.

The index is maintained on a daily basis by a dedicated support team. This team is in direct collaboration with the Thomson Reuters Data Operations Global Corporate Actions teams, and is responsible for identifying all corporate action events that affect the capital structure of a constituent in the index including stock splits, delisting, and symbol changes and ensure these changes are implemented into the index. The team also monitors divisor movements and performs constituent pricing comparisons between independent constituent price sources to ensure the accuracy of the index return values. Where a security in the Index is subject to a merger or acquisition activity or delisting, the security will be deleted from the Index as set out in the Thomson Reuters Corporate Action Methodology that is available [here](#).

Index Rebalance

Rebalance schedule is semi-annual, scheduled for 1 week after the rebalance of the Parent Index which occurs on the first Monday of April and October. This rebalance is the major source of additions and deletions to index. There are no additions to the Index outside of the re-balance process.

Governance

The committee at Affinity Investment Advisors defined the index. The committee at Thomson Reuters Index Business oversees the construction of the index, and ensures that the attributes the index claims to possess are present. This committee at Thomson Reuters also performs index rebalances.

Committee at Affinity Investment Advisors

The committee members at Affinity Investments are:

Gregory Lai, CFA

CEO and Lead Portfolio Manager

Robert Venable, CFA

Chief Compliance Officer / Chief Operating Officer / Chief Financial Officer

Pushkar Murthy, CFA

Senior Portfolio Manager

Thomas Verghese

Data Analyst

Rachel Yu

Trader

Index Action Committee at Thomson Reuters Indices

There is an index action committee (IAC) for Thomson Reuters Indices that oversees the Index. It is composed of the Thomson Reuters Equity Indices Index Manager, Thomson Reuters Commodities Index Manager, Head of Index Research and Design, Head of Product Management, Head of Data Operations and the Head of Technology. The main activity of this Index Action Committee is to insure that the attributes the index claims to possess – are indeed present. The Index Action Committee also deals with unusual corporate actions which are not handled by the pricing methodology or by the internal data management team that makes hand- adjustments to the index for items such as mergers and delistings. These reviews take place on a quarterly basis.

Affinity Investment Advisors

Incepted in June 1992, Affinity's long-earned history of success is based on a pragmatic and disciplined investment approach where earnings and valuation matter. Clients gain from an experienced and collaborative collection of individuals with decades of experience managing the investment assets for a wide range of clients, including corporate retirement accounts, public retirement plans, Taft-Hartley accounts, endowments and foundations, and retail separate accounts.

Affinity seeks to identify and invest in attractively-valued businesses whose underlying fundamentals are improving. They focus on applying an appropriate emphasis on systematic stock selection, comprehensive risk management and disciplined portfolio construction.

For more information, please see <http://affinityinvestment.com/>

Thomson Reuters Indices

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Thomson Reuters provides trusted and innovative indices and index-related services to the investment community.

Whether you require indices for benchmarking, or for the development of investment vehicles, Thomson Reuters offers a range of index solutions to satisfy your requirements.

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