



FTSE Debt Capacity World Government Bond Index (DCWGBI)

Sovereign | Multi-Currency

The FTSE Debt Capacity World Government Bond Index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds with a focus on countries with lower debt issuance relative to their gross domestic product (GDP) and stronger debt servicing capabilities. The index covers sovereign debt from over 20 countries, denominated in a variety of currencies.

Unlike traditional indexes where country weights are solely based on the market capitalization of an issuer's outstanding debt, the index also accounts for the countries capacity to repay their debt. It is rebalanced monthly with weights based on each country's market value adjusted by scores derived from its actual Debt-to-GDP and calculated Debt Service-to-GDP ratios, both determined annually in May¹. These factors aim to reweight the index to provide higher weights to countries that might have stronger fiscal health and greater capacity to service their debt based on those two factors as proxy indicators. The index provides an alternatively-weighted broad benchmark for the global sovereign fixed income market.

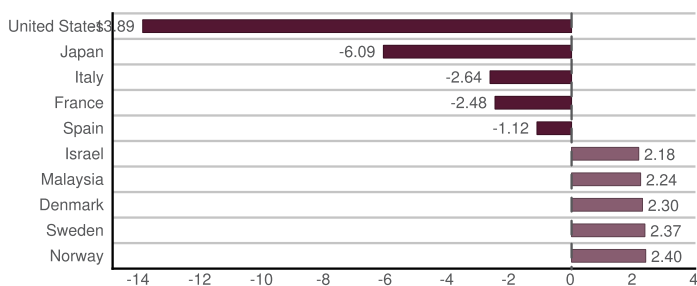
INDEX PROFILE

| Description | # of Issues | Par Amount* | Market Value* | Market Weight (%) | Average Coupon (%) | Average Life (Years) | Yield to Maturity (%) | Effective Duration | OAS (bps) |
|---------------------------|--------------|------------------|------------------|-------------------|--------------------|----------------------|-----------------------|--------------------|-----------|
| Debt Capacity WGBI | 1,087 | 22,646.37 | 25,072.80 | 100.00 | 2.05 | 9.33 | 0.68 | 8.42 | 7 |
| 1-3 Years | 258 | 5,645.99 | 5,862.22 | 23.38 | 1.79 | 1.94 | 0.12 | 1.92 | 4 |
| 3-5 Years | 179 | 4,041.86 | 4,296.93 | 17.14 | 1.95 | 4.02 | 0.46 | 3.88 | 5 |
| 5-7 Years | 132 | 2,987.20 | 3,238.03 | 12.91 | 1.88 | 5.99 | 0.56 | 5.71 | 7 |
| 7-10 Years | 142 | 3,573.75 | 3,884.54 | 15.49 | 1.76 | 8.50 | 0.74 | 8.00 | 8 |
| 10+ Years | 376 | 6,397.57 | 7,791.08 | 31.07 | 2.57 | 21.23 | 1.26 | 17.15 | 10 |
| North America | 287 | 6,246.38 | 6,431.17 | 25.65 | 1.66 | 7.95 | 1.00 | 6.76 | 0 |
| Latin America | 14 | 649.06 | 704.55 | 2.81 | 7.74 | 8.32 | 6.16 | 5.27 | 0 |
| Asia Pacific | 334 | 4,357.69 | 4,696.14 | 18.73 | 1.92 | 11.33 | 0.94 | 10.19 | 0 |
| EMEA | 452 | 11,393.24 | 13,240.94 | 52.81 | 1.98 | 9.38 | 0.15 | 8.77 | 13 |
| WGBI | 1,087 | 22,768.51 | 25,072.80 | 100.00 | 1.80 | 9.67 | 0.55 | 8.73 | 9 |

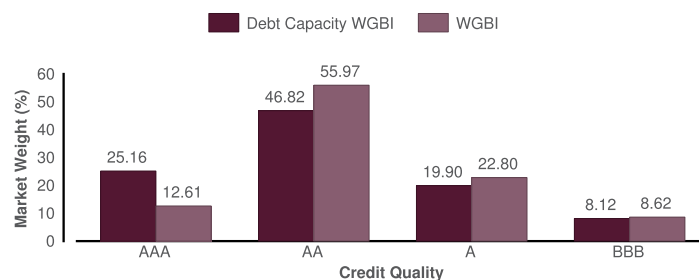
* In USD billions

COMPARATIVE ANALYSIS OF MARKET WEIGHT (in %)

Top Underweights and Overweights (Debt Capacity WGBI) - (WGBI²)



Credit Quality³



HISTORICAL INDEX LEVEL (Unhedged)



| | Return* | Standard Deviation* |
|---------------------------|---------|---------------------|
| Debt Capacity WGBI in USD | 3.51 | 6.80 |
| WGBI in USD | 3.37 | 6.15 |

* Annualized Since Base Date (in %)

¹ The actual GDP and Debt-to-GDP ratios for the previous calendar year are published each year, generally in April, by the International Monetary Fund (IMF) in its World Economic Outlook (WEO).

² The World Government Bond Index (WGBI) is a market value-weighted index that measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The index currently comprises sovereign debt from over 20 countries, denominated in a variety of currencies.

³ Index Quality: Index quality is defined to be the rating assigned by Standard and Poor's Financial Services LLC ("S&P") when it exists. If a bond is not rated by S&P but it is rated by Moody's Investor Service, Inc ("Moody's"), the S&P equivalent of the Moody's rating is assigned. If a bond is split-rated, that is rated investment-grade by S&P or Moody's and high yield by the other, index quality is taken to be S&P equivalent of the investment-grade rating.

ANNUALIZED RETURNS (in %)

| | DCWGBI | | | | | | | | WGBI | | | | | | | |
|---------|--------|---------|-------|---------|------|---------|-------|---------|-------|---------|-------|---------|------|---------|-------|---------|
| | USD | USD Hgd | EUR | EUR Hgd | JPY | JPY Hgd | GBP | GBP Hgd | USD | USD Hgd | EUR | EUR Hgd | JPY | JPY Hgd | GBP | GBP Hgd |
| YTD* | -5.86 | -3.12 | -2.00 | -3.34 | 0.75 | -3.28 | -6.73 | -3.14 | -5.68 | -3.08 | -1.81 | -3.30 | 0.95 | -3.24 | -6.55 | -3.10 |
| 1 Year | 4.86 | -0.60 | -2.10 | -1.51 | 7.33 | -1.27 | -5.76 | -0.88 | 1.82 | -1.09 | -4.94 | -2.00 | 4.22 | -1.75 | -8.49 | -1.37 |
| 3 Years | 1.65 | 3.96 | 3.20 | 1.74 | 2.96 | 1.88 | 2.22 | 2.81 | 2.09 | 4.12 | 3.65 | 1.89 | 3.40 | 2.03 | 2.66 | 2.96 |
| 5 Years | 2.21 | 3.02 | 1.58 | 0.96 | 1.87 | 1.07 | 3.05 | 1.99 | 2.15 | 2.99 | 1.52 | 0.93 | 1.80 | 1.04 | 2.99 | 1.98 |

* Not annualized

DESIGN CRITERIA AND CALCULATION METHODOLOGY

| | |
|----------------------------|---|
| Minimum Maturity: | At least one year |
| Market Size: | Entry: The outstanding amount of a market's eligible issues must total at least USD 50 billion, EUR 40 billion, and JPY 5 trillion for the market to be considered eligible for inclusion. Exit: When the outstanding amount of a market's eligible issues falls below half of all the entry-level market size criteria, namely USD 25 billion, EUR 20 billion or JPY 2.5 trillion, for three consecutive months, the market will be removed from the next month's profile. |
| Minimum Issue Size: | Varies by country |
| Minimum Credit Quality: | Entry: A- by S&P and A3 by Moody's. Exit: Below BBB- by S&P and Baa3 by Moody's |
| Barriers-to-Entry: | Entry: A market being considered for inclusion should actively encourage foreign investor participation and show a commitment to its own policies. Exit: Circumstances can change over time and a country may find that revising its policies makes sense for its national welfare. However, it is possible that new policies, including but not limited to ownership restrictions and capital controls, can have the effect of limiting investors ability to replicate the returns of that country's portion of the index. In that case, it may be necessary to remove that country from the index. If barriers to entry were identified, an announcement would be made that the particular market has become ineligible, stating the reasons. That market would then be removed from the following month's profile. |
| Composition: | Sovereign debt, from the following markets, denominated in the domestic currency. Markets ⁴ : Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Israel, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, Norway, Poland, Singapore, Spain, Sweden, United Kingdom, United States Securities included: Fixed-rate non callable bonds - unless otherwise stated in Index Guide. For Eurozone Markets, fixed-rate bonds originally issued in their euro-converting currency are included. Securities excluded: Variable rate, floating rate, fixed-to-floating rate, index-linked, retail directed, bills, stripped zero coupon, convertibles, savings, and private placements. |
| Weighting: | Individual country weights are determined monthly based on each country's market value adjusted by scores derived from its actual Debt-to-GDP and calculated Debt Service-to-GDP ratios, both determined annually in May. |
| Rebalancing: | Once a month at month end |
| Cash Reinvestment Rate: | At daily average of the local currency one-month Eurodeposit rate. Calculated from the actual scheduled payment date of the cash flow through the end of the reporting period. |
| Pricing: | Refinitiv pricing except for: <ul style="list-style-type: none"> • Israel (provided by Tel Aviv Stock Exchange) • Mexico (provided by Proveedor Integral de Precios S.A. de C.V.) • Poland (provided by BondSpot) • Singapore (provided by the Monetary Authority of Singapore) |
| Calculation Frequency: | Daily |
| Settlement Date: | Monthly – Settlement is on the last calendar day of the month. Daily – Same day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month. |
| Fixing Date ⁴ : | Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. Each year's scheduled fixed dates are published on the website at www.yieldbook.com/m/indices/ . |
| Base Date: | May 31, 2014 |

⁴ Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. The credit qualifications of the index are treated as provisional. This distinction will allow a market to be removed from the index after the fixing if it becomes rated below investment-grade by both S&P and Moody's. This exception window is kept open until 5:00 p.m. New York time on the second to last business day of the month for removal only. Removal from the index, on or after the fixing date, is not reversible except by qualifying for the index once again, which takes a minimum of six months. There is no specific rule concerning default or what constitutes default. Conceivably, a market could technically default, but an immediate rescue could leave its existing bonds in the investment-grade category. Only a downgrade to below investmentgrade would trigger a credit-related expulsion from the index.

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