



**RoD US 100 Tracking Index  
Methodology  
July 2014**

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# Introduction

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The Return on Disability® Group indices are designed to capture the shareholder value creation indicated by publically traded firms acting in the global market of disability. Companies in the Return on Disability Indices are considered by The Return on Disability Group to be the top firms in disability with respect to creation of shareholder value. The RoD US 100 is an equal weighted equity index. It identifies the top 100 publicly traded large-cap companies in the United States with respect to disability as it relates to creation of shareholder value.

The indices should be fair, meaning that an investor who buys all the stocks in an index with correct index weights can achieve the same performance that The Return on Disability Group or its designee calculates. This Index is a tracking index, intended to prove the link between corporate activity in disability and the value of a portfolio of stocks.

# Eligibility Criteria

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## **Additions – RoD US 100**

**Return on Disability® Ranking.** As defined by a proprietary model via The Return on Disability Group, all firms in the universe (as below) are given a result of observation (a 'score' between 0 and 5) reflecting said firm's action in the disability market with respect to creation of shareholder value. These firms are then ranked, from highest to lowest, with the top 100 scores meeting substantially all of the below criteria making up the constituents of the index.

**Market Capitalization.** Unadjusted market capitalization of US\$ 2.0 billion or more. The market capitalization of a potential addition to an index is looked at in the context of its short- and medium-term historical trends, as well as those of its industry. These ranges are reviewed from time to time to assure consistency with market conditions.

**Liquidity.** Adequate liquidity and reasonable price – the ratio of annual dollar value traded on all eligible exchanges to float adjusted market capitalization should be 1.00 or greater, and the company should trade a minimum of 250,000 shares in each of the six months leading up to the evaluation date.

**Domicile.** U.S. companies. For index purposes, a U.S. company has the following characteristics:

1. File 10-K annual reports and should not be considered a foreign entity by the SEC.
2. The primary listing of the common stock is the NYSE (including NYSE Arca and NYSE MKT), the NASDAQ Global Select Market, the NASDAQ Select Market or the NASDAQ Capital Market. ADRs are not eligible for inclusion.
3. A corporate governance structure consistent with U.S. practice.

The final determination of domicile eligibility is made by The Return on Disability Group.

**Financial Viability.** Usually measured as four consecutive quarters of positive as-reported earnings. As-reported earnings are Generally Accepted Accounting Principles (GAAP) net income excluding discontinued operations and extraordinary items.

**Treatment of IPOs.** Initial public offerings are immediately eligible for index inclusion.

**Eligible Securities.** Eligible securities include all U.S. common equities listed on the NYSE (including NYSE Arca and NYSE MKT), the NASDAQ Global Select Market, the NASDAQ Select Market, and the NASDAQ Capital Market. Ineligible securities include limited partnerships, master limited partnerships, OTC bulletin board issues, closed-end funds, ETFs, ETNs, royalty trusts, tracking stocks, preferred shares, unit trusts, equity warrants, convertible bonds, investment trusts, ADRs, ADSs and MLP IT units. Real estate investment trusts (excluding mortgage REITs) and business development companies (BDCs) are eligible for inclusion.

### **Deletions – RoD US 100**

- Companies that no longer rank in the top 100 firms as designated by their respective Return on Disability® Result.

Companies that are currently constituents of the RoD US 100 whose Return on Disability® Result fails below the top 100 rank will be removed at the next annual reconstitution.

- Companies that are involved in mergers, acquisitions, or significant restructuring such that they no longer meet inclusion criteria

Companies delisted as a result of merger, acquisition or other corporate action are removed at a time announced by The Return on Disability Group, normally at the close of the last day of trading or expiration of a tender offer. Constituents that are halted from trading may be kept in the index until trading resumes, at the discretion of The Return on Disability Group. If a company is moved to the pink sheets or the bulletin board, the stock will be removed. Index changes are announced with one to five days' advance notice on The Return on Disability Group website.

- Companies that substantially violate one or more of the addition criteria

The Return on Disability Group believes turnover in index membership should be avoided when possible, for reason unrelated to disability. At times a company may appear to temporarily violate one or more of the addition criteria. However, the addition criteria are for addition to an index, not for continued membership. As a result, an index constituent that appears to violate criteria for addition to that index will not be deleted unless ongoing conditions warrant an index change. When a company is removed from an index, The Return on Disability Group will explain the basis for the removal.

## **Timing of Changes**

Changes to the U.S. indices occur according to the following schedule:

### **Last trading day – First Quarter – Share Rebalance**

The RoD US 100 shall rebalance after the market close on the last trading day of the quarter-ending month with weights set to  $1/N$  for each company in the index where N equals the number of components in the index at rebalance. The index shall rebalance to equal weight based on the official closing price quoted on the constituent's primary exchange.

### **Last trading day – Second Quarter – Share Rebalance**

### **Last trading day – Third Quarter – Share Rebalance**

### **Last trading day – Fourth Quarter – Annual Reconstitution**

Based on updated rankings of the Return on Disability<sup>®</sup> Result, the top 100 ranked firms that meet all of the addition criteria constitute the members of the new RoD US 100 Index. These Results are updated by The Return on Disability Group in line with the RoD US 100 reconstitution schedule. The additions and deletions shall be announced on The Return on Disability Group website ten (10) trading days prior to the reconstitution. The index shall rebalance to equal weight based on the official closing price quoted on the constituent's primary exchange.

Deletions triggered by corporate action shall occur on an as-needed basis.

# Index Construction

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## **Approaches**

The Return on Disability Group' Indices are designed to be liquid, so as to support investment products such as index mutual funds, exchange traded funds and other financial products. This tracking index is not intended to be attached to an investable product. Any investable product requires a detailed prospectus, outlining disclosures and investment risks not included in this document.

## **Index Calculations**

On any given day, the index value is the quotient of the equally weighted stock position of index's constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. The divisor's time series is, in effect, a chronological summary of all changes affecting the equal weight of the index. The divisor is adjusted such that the index value at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

## **Multiple Classes of Stock**

Some companies have more than one class of common stock outstanding. In the RoD US 100 Index, each company is represented only once. The stock price is based on one class, usually the most liquid class.

# Index Maintenance

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## **Rebalancing**

The RoD US 100 is rebalanced quarterly to maintain equal weighting and is reconstituted annually to account for new corporate activity in disability within the universe of large capitalization US public companies. The annual reconstitution coincides with the annual research cycle of the Return on Disability® Results. The reconstituted index reflects research performed during the prior twelve months by The Return on Disability Group.

Constituent changes are typically announced 10 days before they are scheduled to be implemented. Announcements are available to the public via the Web site, [www.rod-group.com](http://www.rod-group.com), before or at the same time they are available to clients or the affected companies.

## **Corporate Actions**

Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are applied after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are made on the ex-date.

## **Other Adjustments**

In cases where there is no achievable market price for a stock being deleted, it can be removed at a zero or minimal price at the discretion, in recognition of the constraints faced by investors in trading bankrupt or suspended stocks.

In the event that a constituent is deleted prior to a annual reconstitution, its replacement will not be added until the next reconstitution. For clarity sake, this means that, at any given time, the index may have less than 100 constituents.



# Index Governance

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## **Index Committee**

The RoD US 100 is maintained by The Return on Disability Group Index Committee. Members of the committee are full-time professional members of The Return on Disability Group' staff and may include external experts in investment matters. The committee meets annually. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends or other matters.

The Return on Disability Group considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee matters are confidential.

# Index Policy

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## **Announcements**

Announcements of additions and deletions for the RoD US 100 are made at 5:15 PM Eastern Time. Press releases are posted on the Web site, [www.rod-group.com](http://www.rod-group.com).

Index methodology is constantly under review for best practices, and any changes are announced with sufficient time for market adjustment via the Web site.

## **Holiday Schedule**

The RoD U.S. 100 Index is calculated when the U.S. equity markets are open.

## **Unscheduled Market Closures**

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, The Return on Disability Group or its designated calculation agent will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange closed. In all cases, the prices will be from the primary exchange for each stock in the index. If an exchange fails to open due to unforeseen circumstances, the index will use the prior day's closing prices. If all exchanges fail to open, The Return on Disability Group or its designated calculation agent may determine not to publish the index for that day.

# Index Dissemination

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## **Calculation Agent**

Bloomberg LP is the exclusive calculation agent of the RoD US 100 index.

## **Ticker**

The Bloomberg ticker for the RoD US 100 index is:

FQARODUS Index DES<go>

## **Constituent Lists and Announcements**

The Return on Disability Group' Web site provides a current list of constituents and an archive of recent index announcements and press releases.

## Contact Information

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### **Index Management**

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