Dorsey Wright Multi Asset Income Index Methodology

Index Description

The Dorsey Wright Multi-Asset Income Index selects between one and five investments from a universe of income producing strategies. The investments can be either existing exchange traded funds (ETF's) or the underlying holdings of existing indexes. The investments are selected using a combination of relative strength and current yield. To qualify for inclusion in the index an investment must meet minimum relative strength requirements and have a high current yield.

Index Calculation

The Dorsey Wright Multi-Asset Income Index is a modified equal weighted index. The value of the Index equals the aggregate value of the Index share weights, also known as the Index Shares, of each of the Index Securities multiplied by each such security's Last Sale Price[1], and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate value to a lower order of magnitude which is more desirable for reporting purposes. If trading in an Index Security is halted on its primary listing market, the most recent Last Sale Price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent Last Sale Price is used if trading in a security is halted on its primary listing market before the market is open. The Index began on February 1, 2016 at a base value of 1000.

The formula for index value is as follows:

Aggregate Adjusted Market Value/Divisor

The formula for the divisor is as follows:

(Market Value after Adjustments/Market Value before Adjustments) X Divisor before Adjustments

Two versions of the Index will be calculated:

- The price return Index (Nasdaq: DWAMAI) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return Index (Nasdaq: DWAMAIT) reinvests cash dividends on the ex-date.

Both Indexes reflect extraordinary cash distributions.

The Indexes are calculated and disseminated once per second from 9:30:01 to 17:16:00 Eastern Time (ET) in USD. The closing value of the Indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

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[1] For purposes of this document, Last Sale Price refers to the last regular day trade reported on such security's Index Market. The Index Market is the listing market for which prices are received and used by Nasdaq in the Index calculation and generally will represent the most liquid trading market of the Index Security. If a security does not trade on its Index Market on a given day or the Index Market has not opened for trading, the most recent last sale price from the Index Market (adjusted for corporate actions, if any) is used. For securities where Nasdaq is Index Market, the Last Sale Price may be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed.

Eligibility Criteria

The potential inventory for the Index consists primarily of PowerShares ETFs that are income oriented strategies (See Appendix A). If there is an income strategy the Index Provider feels would be beneficial to the Index, and no PowerShares ETF exists, the Index Provider may add another ETF, index, or index's underlying holdings to the Index. The potential inventory's members are chosen at the sole discretion of the Index Provider and may change over time depending on what new ETFs or indexes become available for investment in the future.

Index Evaluation

Point & Figure Charting: Point & Figure charting is a logical, organized way of recording supply and demand within a security, focusing on the price movements of that security. Point & Figure charts filter out insignificant price movements by ignoring small price fluctuations, trading volume, and time.

Point & Figure Relative Strength Charting: Relative Strength is another technical analysis tool that measures a security's performance relative to other securities, benchmarks, or broad market indices. Relative Strength is a momentum technique that relies on unbiased, unemotional, objective data, rather than biased forecasting and subjective research. Relative Strength is a way of recording historic performance patterns, and Dorsey Wright and Associates (DWA) uses Relative Strength signals as an indicator for current momentum trends of a security versus others.

For the purpose of conducting the Dorsey Wright Multi-Asset Income methodology, DWA establishes an inventory of ETFs and indexes that provide relatively high levels of current income while investing in different segments of the securities markets.

DWA builds Relative Strength charts to compare each ETF and index versus each of the others in the inventory using the following process:

(i)   On a daily basis, DWA computes the ratio of the closing price of each ETF or index to the closing price of each other in the established inventory.

Example:

Relative Strength Reading = (ETF 1 Closing Price ÷ ETF 2 Closing Price) x 100

(ii)   As a result of on-going calculations, a Point & Figure Relative Strength chart is created for each relationship within the inventory. A Point & Figure Relative Strength chart is a variation of a Point & Figure chart using the input value as computed in the previous step, instead of individual security prices.

Relative Strength Matrix: DWA has implemented a systematic way of analyzing many Point & Figure Relative Strength charts by aggregating Buy Signals and Sell Signals within a "Matrix" format. When a column of X's exceeds a previous column of X's, the chart indicates a "Buy Signal" (also referred to as positive Relative Strength). Conversely, "Sell Signals" are given when a column of O's exceeds a previous column of O's (also referred to as negative Relative Strength).

DWA created the Relative Strength Matrix (the "Matrix") to analyze large numbers of charts and to easily display an equally large data set of signals. Each box of the Matrix represents a Relative Strength comparison between one ETF or index and another, where the numerator is the ETF or index running down the left-hand side of the matrix and the denominator is the ETF or index from the top of the Matrix. For each ETF or index in the defined inventory, the total number of Relative Strength charts that are on a Buy Signal is noted in the column "Buys" of the Matrix. The Matrix is ranked such that the ETF or index with the highest number of Buy Signals is ranked #1, and appears at the top of the Matrix. The ETF or index with the lowest number of Buy Signals is ranked last and appears at the bottom of the Matrix.

Current Yield: Each security's current yield is also considered when constructing the Index. The index provider will obtain current yields for each ETF or index in the universe at each rebalance date. The current yields will be taken from reputable, third-party sources (such as, but not limited to: FactSet, Bloomberg, Thomson Reuters).

Index Construction: In order to be eligible for inclusion in the Index, a security or index must be in the top half of the matrix ranks (as described above). From the subset of securities in the top half of the matrix, the five securities with the highest current yield are selected. There will be times when the Index holds more or less than five securities. The Index Provider may choose to include the underlying holdings of any security or index from the universe in the Index causing it to have more than five securities. In order to create a defensive position, the Index Provider may hold larger than equal weights in U.S. Treasury securities or U.S. Treasury Security ETFs which may cause the Index to have fewer than five securities. U.S. Treasury based securities are the only income strategy that will be held at levels that would cause a number fewer than five securities to be included in the Index.

The weights of the constituents follow a modified equal weighted methodology. The weight of each constituent is allowed to change based on market price movement. When a change is made to the index, the new component will be added at the market weight of the departing constituent provided the departing constituent is below equal weight. If the departing constituent is above equal weight then the new constituent will be added at equal weight and the remaining allocation will be added to the constituent with the lowest weighting. Any addition to an existing constituent will not take the constituent's weight above equal weight. If the index is not fully allocated, the remaining weight will be allocated to the constituent with the next lowest weight, and so on. There is also a provision to rebalance the entire index should one or more constituents become too large. If any constituent exceeds +/- 5% of equal weight on the rebalance date, every constituent will be rebalanced back to an equal weight.

The Relative Strength Matrix is evaluated monthly for any potential changes to the Index. When a change in allocation occurs, the Index is rebalanced to reflect appropriate weightings for each position as outlined above. Changes made within the Index will become effective at the close of the last trading day of the month.

Index Maintenance

Index Share changes are not made outside of the evaluation and rebalancing; however changes arising from stock dividends and stock splits are made to the Index on the evening prior to the effective date of such corporate action. In the case of certain spin-offs or rights issuances, the price of the Index Security is adjusted and a corresponding adjustment is made to the Index Shares such that the weight of the Index Security does not change as a result of the action.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price for the special amount distributed and a corresponding adjustment to the Index Shares of an Index Security prior to market open on the ex-date such that the weight of the Index Security will not change as a result of the action. A special dividend may also be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

Ordinarily, whenever there is a change in an Index Security or a change to the price of an Index Security due to spin-offs, rights issuances or special cash dividends as mentioned above, the divisor is adjusted to ensure that there is no discontinuity in the value of the Index which might otherwise be caused by any such change. All changes are announced in advance and are reflected in the Index prior to market open on the Index effective date.

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity.

Appendix A

The Index Securities are limited to the following list or similar alternatives. This list is subject to change if deemed necessary and approved by DWA's Index Committee.

Treasuries

IEF	iShares 7-10 Year Tres. Bond
PLW	PowerShares 1-30 Laddered Treasury ETF
SHY	iShares 1-3 Year Tres. Bond
TLT	iShares 20+ Year Treasury Bond

International Bond

DSUM	PowerShares Chinese Yuan Dim Sum Bond ETF
PCY	PowerShares Emerging Markets Sovereign Debt Portfolio
PGHY	PowerShares Global Short Term High Yield Bond Portfolio
PICB	PowerShares International Corporate Bd ETF

Preferreds

PGX	PowerShares Preferred ETF

Real Estate

KBWY	PowerShares KBW Premium Yield Equity REIT Portfolio

Domestic Fixed Income

BAB	PowerShares Build America Bond Portfolio
PFIG	PowerShares Fundamental Investment Grade Corporate Bond PTF
PHB	PowerShares Fundamental HY Bond
PVI	PowerShares VRDO Tax-Free Weekly ETF
PZA	PowerShares National AMT-Free Municipal Bond Portfolio
BKLN	PowerShares Senior Bank Loan ETF

Equity Income

PEY	PowerShares High Yield Equity Dividend Achievers ETF
PFM	PowerShares Dividend Achievers ETF
PID	PowerShares Intl Dividend Achievers ETF
SPHD	PowerShares S&P 500 High Dividend Low Volatility Portfolio

MLP

AMLP	Alerian MLP ETF

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