



JPX-Nikkei 400 Currency Hedged Index Guidebook

January 16, 2015

Japan Exchange Group, Inc.
Tokyo Stock Exchange, Inc.
Nikkei Inc.

Published: January 16, 2015

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(Reference Translation)

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Record of Changes

DATE	Changes
2015/1/16	First edition

1. Introduction

- Japan Exchange Group, Inc. (JPX), Tokyo Stock Exchange, Inc. (TSE) (hereinafter collectively called “the JPX group”) and Nikkei Inc. (Nikkei) (hereinafter the JPX group and Nikkei are collectively referred to as “the Index Provider”) calculates and publishes JPX-Nikkei Index 400 with currency risk hedging (hereafter “Currency Hedged Indices”) in accordance with the methods described in this document. If an event not specified in this document occurs, or if the Index Provider determines that it is difficult to use the methods described in this document, the Index Provider may use an alternative method of index calculation as it deems appropriate.
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2. Outline of the Index

(1) Outline

- The Currency Hedged Indices are designed to represent returns for those global index investment strategies that involve hedging currency risk, but not the underlying constituent risk.
- The Currency Hedged Indices are calculated by hedging beginning-of-period balances using rolling one-month forward contracts. The hedge ratio is the proportion of the portfolio's currency exposure that is hedged. Currency Hedged Indices use a hedge ratio of 100%, thus removing the currency risk of the index portfolio. Note that since only beginning-of-period balances are hedged, the index does not assume a perfect hedging of currency movements.
- The indices with daily currency hedging differ from the standard currency hedged indices in that the amount of the forward contracts maturing at the end of month is adjusted on a daily basis according to the performance of the underlying index.

(2) Target indices used for calculating Currency Hedged Indices

- The following indices are used for calculating Currency Hedged Indices.

Target Indices	Currency
JPX-Nikkei 400 Net Total Return Index	Euro
JPX-Nikkei 400 Net Total Return Index	GB Pound
JPX-Nikkei 400 Net Total Return Index	US Dollar

- The following indices are used for calculating Daily Currency Hedged Indices.

Target Indices	Currency
JPX-Nikkei 400 Net Total Return Index	Euro
JPX-Nikkei 400 Net Total Return Index	GB Pound
JPX-Nikkei 400 Net Total Return Index	US Dollar

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3. Calculation Method

- The Currency Hedged Indices assume hedging of 100% of the index portfolio using one-month currency forwards at the end of each month.
- Daily index return (i.e. the index value) is calculated by the combination of the following two returns:
 - (1) Target index return in the foreign currency, which is the return accruing from an unhedged Target index investment to an investor whose home currency is not Japanese Yen.
 - (2) The return from the hedge, calculated by a linear interpolation of spot and forward prices.
- For the changes of the Number of shares for index calculation and Base Market Value, the “JPX-Nikkei Index 400 Guidebook” is applied and uses the same data for Target indices. The same is also applied to the prices for index calculation
- The base point and base date of indices are following.

Index	Base Date	Base Point
JPX-Nikkei 400 Net Total Return EUR Hedged Index	Aug 30, 2013	10,000.00
JPX-Nikkei 400 Net Total Return USD Hedged Index	Aug 30, 2013	10,000.00
JPX-Nikkei 400 Net Total Return GBP Hedged Index	Aug 30, 2013	10,000.00
JPX-Nikkei 400 Net Total Return Daily EUR Hedged Index	Aug 30, 2013	10,000.00
JPX-Nikkei 400 Net Total Return Daily USD Hedged Index	Aug 30, 2013	10,000.00
JPX-Nikkei 400 Net Total Return Daily GBP Hedged Index	Aug 30, 2013	10,000.00

- The Index Provider uses WM/Reuters rate at 4 p.m. UK time in principle for Currency Hedged Index calculation.
- Index Computation as follows:

For each month m , there are $d = 1, 2, 3, \dots, D$ calendar days. md is day d for month m and $m0$ is the last day of the month $m-1$.

EH = the Currency-Hedged Index level

E = the Target index level, in foreign currency

EL = the Target index level, in JPY

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HR = hedge return (%)

S = spot rate in JPY per foreign currency

F = forward rate in JPY per foreign currency

$F_{-I_{md}}$ = the interpolated forward rate as of day d of month m

$$F_{-I_{md}} = S_{md} + \left(\frac{D-d}{D} \right) * (F_{md} - S_{md})$$

AF_{md} = the adjustment factor for daily hedged indices as of day d of month m

$$AF_{md} = \frac{EL_{md-1}}{EL_{m0}}$$

For the day d of month m

$$EH_{md} = EH_{m0} * \left[\frac{E_{md}}{E_{m0}} + HR_{md} \right]$$

where

$$E_{md} = \frac{EL_{md}}{S_{md}}$$

$$HR_{md} = \frac{S_{m0}}{F_{m0}} - \frac{S_{m0}}{S_{md} + \left(\frac{D-d}{D} \right) * (F_{md} - S_{md})} = \frac{S_{m0}}{F_{m0}} - \frac{S_{m0}}{F_{-I_{md}}}$$

- The hedge return for indices with daily currency hedging is calculated as follows:

when day d is not the last business day of month m ,

$$HR_{md} = \sum_{i=1}^d AF_{mi} * \left(\frac{S_{m0}}{F_{-I_{mi-1}}} - \frac{S_{m0}}{F_{-I_{mi}}} \right)$$

when day d is the last business day of month m ,

$$HR_{md} = \sum_{i=1}^{d-1} AF_{mi} * \left(\frac{S_{m0}}{F_{-I_{mi-1}}} - \frac{S_{m0}}{F_{-I_{mi}}} \right) + AF_{md} * \left(\frac{S_{m0}}{F_{-I_{md-1}}} - \frac{S_{m0}}{S_{md}} \right)$$

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4. Other

(1) Publication

- Currency Hedged Indices are published on the Nikkei's Index website, "Nikkei Indexes".
- Index value is offered once a trading day

(2) License agreement

- Currency Hedged Indices is a copyrighted material calculated in a methodology independently developed and created by the Index Provider and the Index Provider is the sole exclusive owner of the copyright and other intellectual property rights in Currency Hedged Indices itself and the methodology to calculate Currency Hedged Indices. Commercial use of Currency Hedged Indices must be licensed by the Index Provider. Such uses include, but not limited to, provision of derivative products such as futures and options, creation and marketing of linked funds or linked securities, or distribution of the index for the data and analytic services.