



## INFORMATION CIRCULAR: POWERSHARES EXCHANGE-TRADED SELF-INDEXED FUND TRUST

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**TO:** Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

**FROM:** NASDAQ / BX / PHLX Listing Qualifications Department

**DATE:** July 25, 2018

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### EXCHANGE-TRADED FUND

**SYMBOL CUSIP #**

Invesco Emerging Markets Debt Defensive ETF	IEMD	46139W106
Invesco Emerging Markets Debt Value ETF	IEMV	46139W205
Invesco Corporate Income Defensive ETF	IHYD	46139W304
Invesco Corporate Income Value ETF	IHYV	46139W403
Invesco Investment Grade Defensive ETF	IIGD	46139W502
Invesco Investment Grade Value ETF	IIGV	46139W601
Invesco Multi-Factor Core Fixed Income ETF	IMFC	46139W700
Invesco Multi-Factor Core Plus Fixed Income ETF	IMPF	46139W809

### BACKGROUND INFORMATION ON THE FUNDS

The Powershares Exchange-Traded Self-Indexed Fund Trust (the “Trust”) is a management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”), consisting of several investment portfolios. This circular relates only to the Funds listed above (each, a “Fund” and together, the “Funds”). The shares of the Fund are referred to herein as “Shares.” Invesco Capital Management LLC (the “Adviser”) is the investment adviser to the Funds.

#### **Invesco Emerging Markets Debt Defensive ETF**

The Invesco Emerging Markets Debt Defensive ETF (“IEMD”) seeks to track the investment results (before fees and expenses) of the Invesco Emerging Markets Debt Defensive Index (the “IEMD Index”).

IEMD generally will invest at least 80% of its total assets in securities that comprise the IEMD Index. Strictly in accordance with its guidelines and mandated procedures, Invesco Indexing LLC (the “Index Provider”) compiles and maintains the IEMD Index, which is designed to provide exposure to emerging markets debt securities having the highest “quality scores” (within the eligible universe of emerging market debt securities) as determined by the Index Provider using its methodology

described below. The Index Provider is affiliated with the Adviser, and Invesco Distributors, Inc., IEMD's distributor (the "Distributor").

In selecting components for inclusion in the IEMD Index, the Index Provider begins with an investment universe of all U.S. dollar-denominated bonds issued by sovereign governments, and agencies thereof, of countries that the Index Provider considers to be "emerging market countries" (as of June 15, 2018, the following countries were classified as emerging markets by the Index Provider: Brazil, Chile, China, Colombia, Czech Republic, Greece, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Morocco, Peru, the Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey, the United Arab Emirates and Vietnam). To be eligible for inclusion in the IEMD Index, bonds must (i) be rated higher than B- (or equivalent) by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), Fitch Ratings Inc. ("Fitch") or Moody's Investors Service, Inc. ("Moody's") credit rating agencies; (ii) have at least \$500 million outstanding, with only the largest five bonds from each issuer eligible; (iii) have at least two years, and no more than ten years, until final maturity; and (iv) make coupon payments. Qualifying securities include: fixed rate, bullet bonds, sinking funds, amortizing, puttable, extendable, callable, and step-up bonds with schedules known at issuance. Securities issued in accordance with Rule 144A ("Rule 144A securities") or Regulation S ("Regulation S securities") under the Securities Act of 1933, as amended ("Securities Act"), and bonds registered with the Securities and Exchange Commission ("SEC") are all eligible for inclusion in the IEMD Index.

The Index Provider assigns a quality score ("Quality Score") to each eligible bond, which is calculated based on such bond's maturity and credit rating. With respect to maturity, each bond is scored based on the number years remaining to maturity, with bonds having fewer years to maturity receiving higher scores. With respect to credit factor score, each rating agency's rating is converted into a numerical value and a bond's credit factor score is calculated as an equally-weighted average of the numerical scores of each agency that has rated the bond. The maturity and credit factors for each bond are standardized by bond type (agency or sovereign), and the Quality Score for each bond is computed as a weighted-average combination of these two factors, with weights of 75% and 25% for maturity and credit rating, respectively.

All eligible securities are ranked by Quality Score. Initially, bonds with Quality Scores in the top 40% of eligible securities are selected for inclusion in the IEMD Index. At each monthly IEMD Index rebalance, any eligible security with a Quality Score in the top 30% of eligible securities is added to the IEMD Index, and current IEMD Index components with a Quality Score in the bottom 40% of eligible securities are removed. The IEMD Index will typically include between 100-300 securities, which are modified market-value weighted.

IEMD does not purchase all of the securities in the IEMD Index; instead, IEMD utilizes a "sampling" methodology to seek to achieve its investment objective.

### **Invesco Emerging Markets Debt Value ETF**

The Invesco Emerging Markets Debt Value ETF ("IEMV") seeks to track the investment results (before fees and expenses) of the Invesco Emerging Markets Debt Value Index (the "IEMV Index").

IEMV generally will invest at least 80% of its total assets in securities that comprise the IEMV Index. Strictly in accordance with its guidelines and mandated procedures the Index Provider compiles and maintains the IEMV Index, which is designed to provide exposure to higher value, emerging markets

debt securities. Higher value bonds are characterized as those with higher yields that may provide greater returns in certain markets. In addition, the IEMV Index seeks to incorporate securities with the highest “quality scores” (within the eligible universe of emerging market debt securities) as determined by the Index Provider using its methodology described below. The Index Provider is affiliated with the Adviser and the Distributor.

In selecting components for inclusion in the IEMV Index, the Index Provider begins with an investment universe of all U.S. dollar-denominated bonds issued by sovereign governments, and agencies thereof, of countries that the Index Provider considers to be “emerging market countries” (as of June 15, 2018, the following countries were classified as emerging markets by the Index Provider: Brazil, Chile, China, Colombia, Czech Republic, Greece, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Morocco, Peru, the Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey, the United Arab Emirates and Vietnam). To be eligible for inclusion in the IEMV Index, bonds must (i) be rated higher than B- (or equivalent) by S&P, Fitch or Moody credit rating agencies; (ii) have at least \$500 million outstanding, with only the largest five bonds from each issuer eligible; (iii) have at least two years, and no more than ten years, until final maturity; and (iv) make coupon payments. Qualifying securities include: fixed rate, bullet bonds, sinking funds, amortizing, puttable, extendable, callable, and step-up bonds with schedules known at issuance. Securities issued in accordance with Rule 144A (“Rule 144A securities”) or Regulation S (“Reg S securities”) under the Securities Act of 1933, as amended (“Securities Act”), and bonds registered with the Securities and Exchange Commission (“SEC”) are all eligible for inclusion in the IEMV Index.

The Index Provider assigns a quality adjusted value score (“QAV Score”) to each eligible bond, which is calculated based on a combination of value and quality factors or characteristics. With respect to value, a value score (“Value Score”) is assigned to each eligible bond based on the bond’s option adjusted spread (“OAS”). Specifically, the Value Score for each bond is calculated as its percentile ranked OAS within its bond type (agency or sovereign), region and credit rating category. With respect to credit category, each rating agency’s rating is converted into a numerical value and a bond’s credit factor score is calculated as an equally-weighted average of the numerical scores of each agency that has rated the bond. The bond is then assigned to one of six credit rating categories, as established by the Index Provider. Bonds are also separately ranked by OAS solely within their bond type category. If fewer than three bonds are available within a bond type, region or credit rating, then the Value Score for all bonds in the grouping is replaced with the percentile rank based on credit rating only. The Value Scores are then standardized.

IEMV does not purchase all of the securities in the IEMV Index; instead, IEMV utilizes a “sampling” methodology to seek to achieve its investment objective.

### **Invesco Corporate Income Defensive ETF**

The Invesco Corporate Income Defensive ETF (“IHVD”) seeks to track the investment results (before fees and expenses) of the Invesco High Yield Defensive Index (the “IHVD Index”).

IHVD generally will invest at least 80% of its total assets in securities that comprise the IHVD Index. Strictly in accordance with its guidelines and mandated procedures, Invesco Indexing LLC (the “Index Provider”) compiles and maintains the IHVD Index, which is designed to provide exposure to U.S. corporate bonds having the highest “quality scores” within an eligible universe of U.S. high yield bonds (commonly known as “junk bonds”) and bonds with the lowest credit rating considered

investment grade, all as determined by the Index Provider using its methodology described below. The Index Provider is affiliated with the Adviser and the Distributor.

In selecting components for inclusion in the IHVD Index, the Index Provider begins with an investment universe of all U.S. dollar-denominated bonds issued by U.S. companies. To be eligible for inclusion in the IHVD Index, bonds must (i) be rated higher than B- and lower than or equal to BBB- (or equivalent) by S&P Global Ratings, a division of S&P, Fitch or Moody credit rating agencies; (ii) have at least \$400 million outstanding, with only the largest bond from each issuer eligible; (iii) have at least two years, and no more than ten years, until final maturity; and (iv) make coupon payments. Qualifying securities include: fixed rate, bullet bonds, sinking funds, amortizing, puttable, extendable, callable, and step-up bonds with schedules known at issuance. Rule 144A securities under Securities Act, bonds registered with the SEC, publicly underwritten medium-term notes and Eurodollar bonds are all eligible for inclusion in the IHVD Index.

IHVD does not purchase all of the securities in the IHVD Index; instead, IHVD utilizes a “sampling” methodology to seek to achieve its investment objective.

### **Invesco Corporate Income Value ETF**

The Invesco Corporate Income Value ETF (“IHVV”) seeks to track the investment results (before fees and expenses) of the Invesco High Yield Value Index (the “IHVV Index”).

IHVV generally will invest at least 80% of its total assets in securities that comprise the IHVV Index. Strictly in accordance with its guidelines and mandated procedures the Index Provider compiles and maintains the IHVV Index, which is designed to provide exposure to higher value, U.S. high yield bonds (commonly known as “junk bonds”) and bonds with the lowest credit rating considered investment grade. Higher value bonds are characterized as those with higher yields that may provide greater returns in certain markets. In addition, the IHVV Index seeks to incorporate securities with the highest “quality scores” (within the eligible universe of U.S. bonds) as determined by the Index Provider using its methodology described below. The Index Provider is affiliated with the Adviser and the Distributor.

In selecting components for inclusion in the IHVV Index, the Index Provider begins with an investment universe of all U.S. dollar-denominated bonds issued by U.S. companies. To be eligible for inclusion in the IHVV Index, bonds must (i) be rated higher than B- and lower than or equal to BBB- (or equivalent) by S&P Global Ratings, a division of S&P, Fitch or Moody’s credit rating agencies; (ii) have at least \$400 million outstanding, with only the largest bond from each issuer eligible; (iii) have at least two years, and no more than ten years, until final maturity; and (iv) make coupon payments. Qualifying securities include: fixed rate, bullet bonds, sinking funds, amortizing, puttable, extendable, callable, and step-up bonds with schedules known at issuance. Rule 144A securities under the Securities Act, bonds registered with the SEC publicly underwritten medium-term notes and Eurodollar bonds are all eligible for inclusion in the IHVV Index.

IHVV does not purchase all of the securities in the IHVV Index; instead, IHVV utilizes a “sampling” methodology to seek to achieve its investment objective.

## **Invesco Investment Grade Defensive ETF**

The Invesco Investment Grade Defensive ETF (“IIGD”) seeks to track the investment results (before fees and expenses) of the Invesco Investment Grade Defensive Index (the “IIGD Index”).

IIGD generally will invest at least 80% of its total assets in securities that comprise the IIGD Index. Strictly in accordance with its guidelines and mandated procedures the Index Provider compiles and maintains the IIGD Index, which is designed to provide exposure to U.S. investment grade bonds having the highest “quality scores” (within the eligible universe of U.S. investment grade bonds) as determined by the Index Provider using its methodology described below. The Index Provider is affiliated with the Adviser the Distributor.

In selecting components for inclusion in the IIGD Index, the Index Provider begins with an investment universe of all U.S. dollar denominated bonds issued by U.S. companies. To be eligible for inclusion in the IIGD Index, bonds must (i) be rated higher than BBB- (or equivalent) by S&P Global Ratings, a division of S&P, Fitch or Moody’s credit rating agencies; (ii) have at least \$600 million outstanding, with only the largest bond from each issuer eligible; (iii) have at least two years, and no more than ten years, until final maturity; (iv) make coupon payments. Qualifying securities include: fixed rate, bullet bonds, sinking funds, amortizing, puttable, extendable, callable, and step-up bonds with schedules known at issuance. Securities issued in accordance with Rule 144A securities under the Securities Act bonds registered with the SEC, publicly underwritten medium-term notes and Eurodollar bonds are all eligible for inclusion in the IIGD Index.

IIGD does not purchase all of the securities in the IIGD Index; instead, IIGD utilizes a “sampling” methodology to seek to achieve its investment objective.

## **Invesco Investment Grade Value ETF**

The Invesco Investment Grade Value ETF (“IIGV”) seeks to track the investment results (before fees and expenses) of the Invesco Investment Grade Value Index (the “IIGV Index”).

IIGV generally will invest at least 80% of its total assets in securities that comprise the IIGV Index. Strictly in accordance with its guidelines and mandated procedures the Index Provider compiles and maintains the IIGV Index, which is designed to provide exposure to higher value, U.S. investment grade bonds. Higher value bonds are characterized as those with higher yields that may provide greater returns in certain markets. In addition, the IIGV Index seeks to incorporate securities with the highest “quality scores” (within the eligible universe of U.S. investment grade bonds) as determined by the Index Provider using its methodology described below. The Index Provider is affiliated with the Adviser and the Distributor.

In selecting components for inclusion in the IIGV Index, the Index Provider begins with an investment universe of all U.S. dollar denominated bonds issued by U.S. companies. To be eligible for inclusion in the IIGV Index, bonds must (i) be rated higher than BBB- (or equivalent) by S&P Global Ratings, a division of S&P, Fitch or Moody’s credit rating agencies; (ii) have at least \$600 million outstanding, with only the largest bond from each issuer eligible; (iii) have at least two years, and no more than ten years, until final maturity; (iv) make coupon payments. Qualifying securities include: fixed rate, bullet bonds, sinking funds, amortizing, puttable, extendable, callable, and step-up bonds with schedules known at issuance. Securities issued in accordance with Rule 144A s under the Securities

Act bonds registered with the SEC, publicly underwritten medium-term notes and Eurodollar bonds are all eligible for inclusion in the IIGV Index.

IIGV does not purchase all of the securities in the IIGV Index; instead, IIGV utilizes a “sampling” methodology to seek to achieve its investment objective.

### **Invesco Multi-Factor Core Fixed Income ETF**

The Invesco Multi-Factor Core Fixed Income ETF (“IMFC”) seeks to track the investment results (before fees and expenses) of the Invesco Multi-Factor Core Index (the “IMFC Index”).

IMFC generally will invest at least 80% of its total assets in securities that comprise the IMFC Index. Strictly in accordance with its guidelines and mandated procedures the Index Provider compiles and maintains the IMFC Index, which is designed to provide multi-factor exposure to fixed income securities. The Index Provider is affiliated with the Adviser and Distributor.

The IMFC Index is an index of indexes, comprised of component securities of the following indexes (each, a “Sub-Index”), with corresponding fixed, target weightings in the IMFC Index: (i) Invesco U.S. Fixed Rate 30-Year MBS Index (40% weight); (ii) Invesco Investment Grade Defensive Index (25% weight); (iii) Invesco U.S. Treasury 1-3 Years Index (20% weight); (iv) Invesco U.S. Treasury 10-30 Years Index (10% weight); and (v) Invesco Investment Grade Value Index (5% weight). The IMFC Index will typically include between 400-1,000 securities. The securities in the IMFC Index are weighted in accordance with the methodology of each Sub-Index.

IMFC does not purchase all of the securities in the IMFC Index; instead, IMFC utilizes a “sampling” methodology to seek to achieve its investment objective.

### **Invesco Multi-Factor Core Plus Fixed Income ETF**

The Invesco Multi-Factor Core Plus Fixed Income ETF (“IMFP”) seeks to track the investment results (before fees and expenses) of the Invesco Multi-Factor Core Plus Index (the “IMFP Index”).

IMFP generally will invest at least 80% of its total assets in securities that comprise the IMFP Index. Strictly in accordance with its guidelines and mandated procedures the Index Provider compiles and maintains the IMFP Index, which is designed to provide multi-factor exposure to fixed income securities. The Index Provider is affiliated with the Adviser and the Distributor.

The IMFP Index is an index of indexes, comprised of component securities of the following indexes (each, a “Sub-Index”), with corresponding fixed, target weightings in the IMFP Index: (i) Invesco High Yield Defensive Index (30% weight); (ii) Invesco Investment Grade Defensive Index (20% weight); (iii) Invesco U.S. Fixed Rate 30-Year MBS Index (20% weight); (iv) Invesco Investment Grade Value Index (10% weight); (v) Invesco U.S. Treasury 10-30 Years Index (10% weight); (vi) Invesco Emerging Markets Debt Defensive Index (5% weight); and (vii) Invesco Emerging Markets Debt Value Index (5% weight). The IMFP Index will typically include between 500-1,000 securities. The securities in the IMFP Index are weighted in accordance with the methodology of each Sub-Index.

IMFP does not purchase all of the securities in the IMFP Index; instead, IMFP utilizes a “sampling” methodology to seek to achieve its investment objective.

For more information regarding each Fund's investment strategy, please read the prospectus for the Funds.

As described more fully in the Trust's prospectus and Statement of Additional Information ("SAI"), the Funds issue and redeem Shares at net asset value ("NAV") only in large blocks of 100,000 Shares (each block of Shares called a "Creation Unit"). As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Funds.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The NAV per Share for each Fund is computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or "ET") of the New York Stock Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

The registration statement for the Funds describes the various fees and expenses for the Funds' Shares. For a more complete description of the Funds and the underlying indexes, visit the Funds' website at [www.invesco.com](http://www.invesco.com)

#### **PURCHASES AND REDEMPTIONS IN CREATION UNIT SIZE**

NASDAQ members, BX members and PHLX members and member organizations are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's prospectus and Statement of Additional Information and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

#### **PRINCIPAL RISKS**

Interested persons are referred to the discussion in the prospectus for the Funds of the principal risks of an investment in the Funds. These include tracking error risk (factors causing a Fund's performance to not match the performance of its underlying index), market trading risk (for example, trading halts, trading above or below net asset value), authorized participant concentration risk, call risk, cash transaction risk, changing foreign fixed-income market conditions risk, emerging market sovereign debt risk, fixed-income securities risk, foreign investment risk, global bonds risk, index rebalance risk, index risk, industry concentration risk, issuer-specific changes risk, liquidity risk, market risk, market trading risk, non-correlation risk, non-diversified fund risk, non-investment grade securities risk, privately issued securities risk, sampling risk, sovereign debt risk, valuation risk, and valuation time risk.

## EXCHANGE RULES APPLICABLE TO TRADING IN THE SHARES

Trading in the Shares on NASDAQ is on a UTP basis and is subject to NASDAQ equity trading rules. Trading of the Shares on BX is on a UTP basis and is subject to BX equity trading rules. Trading of the Shares on PHLX's PSX system is on a UTP basis and is subject to PHLX rules.

## TRADING HOURS

The values of each index underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on NASDAQ between 7:00 a.m. and 8:00 p.m. ET. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. The Shares will trade on PSX between 9:00 a.m. and 5:00 p.m. ET. For trading during each market's pre-market and post-market sessions, market participants should note that additional risks may exist with respect to trading the Funds during these sessions, when the underlying index's values, intraday indicative value, or similar value may not be disseminated or calculated.

## DISSEMINATION OF FUND DATA

The Consolidated Tape Association will disseminate real time trade and quote information for the Funds to Tape B.

Fund Name	Listing Market	Trading Symbol	IOPV Symbol	NAV Symbol
Invesco Emerging Markets Debt Defensive ETF	NYSE Arca	IEMD	IEMD.IV	IEMD.NV
Invesco Emerging Markets Debt Value ETF	NYSE Arca	IEMV	IEMV.IV	IEMV.NV
Invesco Corporate Income Defensive ETF	NYSE Arca	IHYD	IHYD.IV	IHYD.NV
Invesco Corporate Income Value ETF	NYSE Arca	IHYV	IHYV.IV	IHYV.NV



Invesco Investment Grade Defensive ETF	NYSE Arca	IIGD	IIGD.IV	IIGD.NV
Invesco Investment Grade Value ETF	NYSE Arca	IIGV	IIGV.IV	IIGV.NV
Invesco Multi-Factor Core Fixed Income ETF	NYSE Arca	IMFC	IMFC	IMFC
Invesco Multi-Factor Core Plus Fixed Income ETF	NYSE Arca	IMFP	IMFP	IMFP

## SUITABILITY

Trading in the Shares on NASDAQ will be subject to the provisions of NASDAQ Rule 2310. Trading in the Shares on BX will be subject to the provisions of BX Equity Rule 2310. Shares trading on PSX will be subject to the provisions of PHLX Rule 763. Members and member organizations recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in both the NASDAQ Conduct Rules and the BX Conduct Rules.

NASDAQ members, BX members and PHLX members and member organizations should also review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

## TRADING HALTS

NASDAQ will halt trading in the Shares of a Fund in accordance with NASDAQ Rule 4120. BX will halt trading in the Shares of a Fund in accordance with BX Equity Rule 4120. PHLX will halt trading in the

Shares of a Fund in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Fund, the value of its underlying index, or a similar value are not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ, BX and PHLX will also stop trading the Shares of a Fund if the primary market delists the Fund.

## **DELIVERY OF A PROSPECTUS**

NASDAQ members, BX members and PHLX members and member organizations should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Funds.

Prospectuses may be obtained through the Funds' website. The prospectus for the Funds does not contain all of the information set forth in the Funds' registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). For further information about the Funds, please refer to the registration statement.

In the event that the Funds rely upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, NASDAQ Rules 5705 and 5740, BX Equity Rules 4420 and 4421, and PHLX Rule 803 require that members and member organizations, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Funds, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, members and member organizations shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by members or member organizations to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

Any NASDAQ, BX or PHLX member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to NASDAQ members, BX members and PHLX members or member organizations under this rule.

Upon request of a customer, NASDAQ members, BX members and PHLX members or member organizations shall provide a copy of the prospectus.

## **EXEMPTIVE, INTERPRETIVE AND NO-ACTION RELIEF UNDER FEDERAL SECURITIES REGULATIONS**

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded Funds.

### **REGULATION M EXEMPTIONS**

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Funds to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Funds (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Funds for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

### **CUSTOMER CONFIRMATIONS FOR CREATION OR REDEMPTION OF FUND SHARES (SEC RULE 10B-10)**

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to a Fund for purposes of purchasing Creation Unit Aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust for the Fund to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);

- 3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

### SEC RULE 14E-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of a Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of a Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- 1) such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
- 2) purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- 3) such bids or purchases are not effected for the purpose of facilitating such tender offer.

### Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of the Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares of a Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(l)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of a Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

## SEC RULE 15C1-5 AND 15C1-6

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

**This Information Circular is not a statutory prospectus. NASDAQ members, BX members and PHLX members and member organizations should consult the Funds' prospectus and/or the Funds' website for relevant information.**

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